

GRUPO FINANCIERO GALICIA SA

Form 20-F

May 15, 2012

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20 F**

(Mark One)

**Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934**  
**or**

**Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the fiscal year ended December 31, 2011**

**or**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the transition period from                      to**

**or**

**Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Date of event requiring this Shell Company Report**

Commission File Number 000-30852

# **GRUPO FINANCIERO GALICIA S.A.**

(Exact name of Registrant as specified in its charter)

## **GALICIA FINANCIAL GROUP**

(Translation of Registrant's name into English)

### **REPUBLIC OF ARGENTINA**

(Jurisdiction of incorporation or organization)

**Grupo Financiero Galicia S.A.**

**Tte. Gral. Juan D. Perón 456**

**C1038 AAJ-Buenos Aires, Argentina**

(Address of principal executive offices)

**Pedro A. Richards, Chief Executive Officer**

**Tel: 54 11 4 343 7528 / Fax: 54 11 4 331 9183, prichards@gfgsa.com**

**Perón 456, 2° Piso C1038AAJ Buenos Aires ARGENTINA**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

American Depositary Shares, each representing ten Class B ordinary Shares

Name of each exchange on which registered

Nasdaq Capital Market

Title of each class

Class B Ordinary Shares, Ps.1.00 par value, (not for trading but only in connection with the listing of the American Depositary Shares

on the Nasdaq Capital Market)

#### **Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

#### **Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

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None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Class A Ordinary Shares, Ps.1.00 par value	281,221,650
Class B Ordinary Shares, Ps.1.00 par value	960,185,367

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP  International Financial Reporting Standards  Other

As issued by the International Accounting Standards Board

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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**SIGNATURE**

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**GRUPO FINANCIERO GALICIA S.A. AND SUBSIDIARIES**

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**Report of the Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Grupo Financiero Galicia S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of Grupo Financiero Galicia S.A. and its subsidiaries (the Company ) at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting rules prescribed by the Banco Central de la República Argentina (the BCRA ). Also, in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the disclosure of cash flow information in accordance with the presentation requirements of ASC 230-10 under accounting principles generally accepted in the United States of America, existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management 's Report on Internal Control over Financial Reporting appearing in Item 15(b). We considered this material weakness in determining the nature, timing, and extent of the audit tests applied in our audit of the 2011 consolidated financial statements and our opinion regarding the effectiveness of the company 's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company 's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management 's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company 's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2.14 to the consolidated financial statements, the Company changed the format of its cash flow statement presented in conformity with accounting rules prescribed by the BCRA to conform to the format presented in its statutory financial statements filed with the Argentine National Securities Commission. Accordingly, the cash flow statements for the years ended December 31, 2010 and 2009 were revised to conform to such change.

Accounting rules prescribed by the BCRA vary in certain significant respects from accounting principles generally accepted in Argentina for enterprises in general. Information relating to the nature and effect of such differences is presented in Note 33 to the consolidated financial statements.

Accounting rules prescribed by the BCRA also vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 35, as restated, to the consolidated financial statements.

A company 's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company 's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company 's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

By /s/ DIEGO LUIS SISTO (Partner)

Diego Luis Sisto

Buenos Aires, Argentina

February 14, 2012, except for notes 27, 31, 34 and 35 as to which the date is May 15, 2012.

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets****As of December 31, 2011 and 2010**

(Expressed in thousands of Argentine pesos)

	December 31,	
	2011	2010
<b>ASSETS</b>		
A. Cash and due from banks		
Cash	2,310,470	1,489,374
Financial institutions and correspondents	4,108,421	4,156,197
Argentine Central Bank	3,979,121	3,932,281
Other local financial institutions	8,810	14,607
Foreign	120,490	209,309
	Ps. 6,418,891	Ps. 5,645,571
B. Government and private securities		
Holdings Recorded at Fair Market Value	106,715	68,231
Holdings Recorded at their Acquisition Cost plus the I.R.R.	162,414	133,756
Government securities from Repo transactions with the Argentine Central Bank	40,600	
Securities issued by the Argentine Central Bank	4,918,006	2,065,723
Investments in listed private securities	3,128	10,302
	Ps. 5,230,863	Ps. 2,278,012
C. Loans		
To the non-financial public sector	24,606	24,565
To the financial sector	326,239	80,633
Interbank loans (call money loans granted)	126,000	32,500
Other loans to domestic financial institutions	189,019	47,968
Accrued interest, adjustments and exchange rate differences receivable	11,220	165
To the non-financial private sector and residents abroad	31,837,635	22,287,056
Advances	2,302,100	977,890
Promissory notes	6,412,303	4,534,326
Mortgage loans	959,546	950,237
Pledge loans	202,336	119,175
Personal loans	5,785,668	4,093,559
Credit card loans	13,392,249	9,120,092
Other	2,529,837	2,297,507
Accrued interest, adjustments and quotation differences receivable	420,791	277,070
Documented interest	(165,626)	(81,804)
Unallocated collections	(1,569)	(996)
Allowances	(1,283,953)	(1,038,473)
	Ps. 30,904,527	Ps. 21,353,781
D. Other receivables resulting from financial brokerage		
Argentine Central Bank	588,902	402,386
Amounts receivable for spot and forward sales to be settled	1,517,409	237,333
Securities receivable under spot and forward purchases to be settled	626,263	914,124
Negotiable obligations without quotation	154,377	99,237

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Balances from forward transactions without delivery of underlying asset to be settled	11,407	5,403
Other	2,170,808	1,799,313
Allowances	(55,375)	(131,806)
	Ps. 5,013,791	Ps. 3,325,990

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets Continued****As of December 31, 2011 and 2010**

(Expressed in thousands of Argentine pesos)

	December 31,	
	2011	2010
<b>ASSETS (Continued)</b>		
E. Assets under financial leases		
Assets under financial leases	588,203	426,626
Interest and adjustments	11,410	6,923
Allowances	(6,509)	(5,469)
	Ps. 593,104	Ps. 428,080
F. Equity investments		
In financial institutions	2,133	1,971
Other	75,494	64,140
Allowances	(21,462)	(13,263)
	Ps. 56,165	Ps. 52,848
G. Miscellaneous receivables		
Receivables for assets sold	34,435	35,403
Tax on minimum presumed income Tax credit	186,408	395,738
Other	781,474	677,151
Accrued interest on receivables for assets sold	541	135
Other accrued interest and adjustments receivable	2,991	159
Allowances	(54,456)	(26,025)
	Ps. 951,393	Ps. 1,082,561
H. Bank premises and equipment	Ps. 1,034,692	Ps. 948,067
I. Miscellaneous assets	Ps. 163,106	Ps. 81,403
J. Intangible assets		
Goodwill	10,827	23,467
Organization and development expenses	711,944	430,648
	Ps. 722,771	Ps. 454,115
K. Unallocated items	12,203	4,844
L. Other Assets	91,520	52,791
<b>Total Assets</b>	Ps. 51,193,026	Ps. 35,708,063

*The accompanying Notes are an integral part of these consolidated financial statements*



**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets Continued****As of December 31, 2011 and 2010**

(Expressed in thousands of Argentine pesos)

	December 31,	
	2011	2010
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
M. Deposits		
Non-financial public sector	Ps. 1,803,816	Ps. 874,201
Financial sector	29,667	9,934
Non-financial private sector and residents abroad	28,301,654	21,338,629
Current accounts	6,955,109	5,466,532
Saving accounts	7,977,519	6,356,877
Time deposits	12,675,489	8,975,889
Investment accounts	209,346	156,935
Other	319,620	306,139
Accrued interest and quotation differences payable	164,571	76,257
	Ps. 30,135,137	Ps. 22,222,764
N. Other liabilities resulting from financial brokerage		
Argentine Central Bank	3,050	2,105
Other	3,050	2,105
Banks and international entities	1,425,822	646,745
Unsubordinated negotiable obligations	3,170,192	775,863
Amounts payable for spot and forward purchases to be settled	564,045	950,453
Securities to be delivered under spot and forward sales to be settled	1,705,070	229,684
Loans from domestic financial institutions	815,251	613,197
Interbank loans (call money loans received)	15,000	
Other loans from domestic financial institutions	794,505	610,022
Accrued interest payable	5,746	3,175
Balances from forward transactions without delivery of underlying asset to be settled	8,073	11,085
Amounts payable to merchants	4,173,746	2,954,766
Other	1,975,817	1,403,283
Accrued interest and quotation differences payable	86,073	20,890
	Ps. 13,927,139	Ps. 7,608,071
O. Miscellaneous liabilities		
Dividends payable		20,000
Directors and Syndics fees	13,403	9,672
Other	1,302,894	879,957
Adjustments and accrued interests		3
	Ps. 1,316,297	Ps. 909,632
P. Provisions	575,644	698,244
Q. Subordinated negotiable obligations	984,364	1,253,027
R. Unallocated items	4,792	24,456
S. Other Liabilities	168,724	140,158

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T. Non-controlling interests	529,314	382,211
Total Liabilities	Ps. 47,641,411	Ps. 33,238,563
SHAREHOLDERS EQUITY	3,551,615	2,469,500
Total Liabilities and Shareholders Equity	Ps. 51,193,026	Ps. 35,708,063

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Income****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	2011	December 31, 2010	2009
<b>A. Financial income</b>			
Interest on cash and due from banks	Ps. 565	Ps. 746	Ps. 638
Interest on loans granted to the financial sector	24,797	8,542	4,819
Interest on overdrafts	398,533	186,443	191,791
Interest on promissory notes	797,101	498,436	400,898
Interest on mortgage loans	112,656	103,888	118,474
Interest on pledge loans	24,443	11,535	11,305
Interest on credit card loans	1,744,162	1,143,592	837,484
Interest on financial leases	95,762	63,749	82,458
Interest on other loans	1,881,433	981,709	436,759
Interest on other receivables resulting from financial brokerage	34,586	15,438	23,255
Net income from government and corporate securities	752,990	407,931	559,099
Income from secured loans Decree No. 1387/01	4,431	3,608	11,460
Consumer price index adjustment (CER)	2,020	5,331	24,429
Exchange rate differences on foreign currency		76,296	127,454
Other	144,265	107,648	175,314
	Ps. 6,017,744	Ps. 3,614,892	Ps. 3,005,637
<b>B. Financial expenses</b>			
Interest on current account deposits		5,476	12,852
Interest on savings account deposits	6,906	5,442	3,722
Interest on time deposits	1,272,897	748,205	858,468
Interest on interbank loans received (call money loans)	2,843	6,158	3,702
Interest on financing from the financial sector	44,331	6,525	1,276
Interest on other liabilities resulting from financial brokerage	350,410	165,604	231,972
Interest on subordinated obligations	114,455	137,788	125,343
Other interest	25,899	6,367	2,882
Consumer price index adjustment	90	59	345
Contributions made to Deposit Insurance Fund	44,874	31,839	26,030
Exchange rate differences on foreign currency	4,072		
Other	407,424	299,218	193,867
	Ps. 2,274,201	Ps. 1,412,681	Ps. 1,460,459
<b>C. Gross brokerage margin</b>	3,743,543	2,202,211	1,545,178
<b>Loan loss provisions</b>	843,370	551,524	639,505
<b>D. Income from services</b>			
In relation to lending transactions	947,655	660,987	456,466
In relation to borrowing transactions	645,437	543,309	440,633
Other commissions	72,936	42,152	26,781
Other	1,854,241	1,268,486	902,903

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	Ps. 3,520,269	Ps. 2,514,934	Ps. 1,826,783
E. Expenses for services			
Commissions	457,953	291,701	197,714
Other	610,613	441,356	318,149
	Ps. 1,068,566	Ps. 733,057	Ps. 515,863

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Income Continued****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	2011	December 31, 2010	2009
<b>F. Administrative expenses</b>			
Personnel expenses	2,355,551	1,602,711	1,119,084
Directors and syndics fees	16,492	11,402	8,563
Other fees	188,205	99,702	70,144
Advertising and publicity	280,486	189,596	127,836
Taxes	298,572	190,722	139,327
Depreciation of bank premises and equipment	92,942	76,899	73,904
Amortization of organization expenses	104,597	63,132	45,908
Other operating expenses	526,296	373,641	280,104
Other	342,070	237,509	164,259
	Ps. 4,205,211	Ps. 2,845,314	Ps. 2,029,129
Net Income from financial brokerage	Ps. 1,146,665	Ps. 587,250	Ps. 187,464
<b>G. Non-controlling interests result</b>	Ps. (170,962)	Ps. (104,333)	Ps. (46,512)
<b>H. Miscellaneous income</b>			
Net Income from equity investments	132,696	62,054	11,347
Default interests	87,106	56,193	37,243
Loans recovered and allowances reversed	224,384	154,328	48,347
Other	884,542	475,496	502,346
Consumer price index adjustment (CER)	60	45	78
	Ps. 1,328,788	Ps. 748,116	Ps. 599,361
<b>I. Miscellaneous losses</b>			
Default interests and charges in favor of the Argentine Central Bank	850	58	72
Loan loss provisions for miscellaneous receivables and other provisions	87,622	102,387	109,296
Amortization of differences arising from court resolutions	6,933	280,946	109,310
Depreciation and losses from miscellaneous assets	1,756	1,347	1,708
Amortization of goodwill	12,639	11,330	11,457
Other	333,839	167,832	123,168
Consumer price index adjustment	46	41	35
	Ps. 443,685	Ps. 563,941	Ps. 355,046
Net Income before tax	1,860,806	667,092	385,267
<b>J. Income tax</b>	Ps. 753,863	Ps. 258,191	Ps. 155,992
Net Income for the fiscal year	Ps. 1,106,943	Ps. 408,901	Ps. 229,275
Net Income per common share (basic and assuming full dilution) in Argentine Pesos	0.892	0.329	0.185



**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Cash Flows****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	2011	December 31, 2010 <sup>(1)</sup>	2009 <sup>(1)</sup>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year	7,443,517	5,428,730	4,795,383
Cash and cash equivalents at the end of the year	10,269,842	7,443,517	5,428,730
<b>Net increase in cash and cash equivalents</b>	<b>Ps. 2,826,325</b>	<b>Ps. 2,014,787</b>	<b>Ps. 633,347</b>
<b>Causes of changes in cash and cash equivalents</b>			
<b>Cash Flow from operating activities</b>			
Net (payments) / collections related to:			
Government and Private Securities	(245,480)	2,911,041	711,138
Loans			
To the financial sector	(127,462)	(55,841)	5,462
To the non-financial public sector	2,129	1,819	7,958
To the non-financial private sector and foreign residents	(4,887,003)	(4,399,392)	(1,490,833)
Other receivables resulting from financial brokerage	(187,508)	177,629	188,870
Receivables from Financial Leases	(67,605)	(33,949)	189,924
Deposits			
To the financial sector	19,733	(64,949)	59,178
To the non-financial public sector	929,615	(511,710)	86,278
To the non-financial private sector and foreign residents	5,269,911	4,757,624	1,691,450
Other liabilities from financial brokerage			
Financing from the financial sector			
Interbank Loans (call money loans received)	12,157	(30,158)	66,298
Others (except for liabilities included in Financing Activities)	1,532,319	1,172,142	126,174
Collections related to income from services	4,156,730	2,919,013	2,268,244
Payments related to expenses for services	(952,571)	(669,249)	(622,687)
Administrative expenses paid	(4,245,068)	(2,898,783)	(2,077,498)
Payment of organization and development expenses	(385,419)	(206,175)	(121,260)
Collection for penalty interests, net	86,256	56,135	37,171
Differences arising from court resolutions paid	(6,933)	(21,893)	(51,489)
Collection of dividends from other companies	26,167	16,190	16,554
Other Collections related to miscellaneous profits and losses	191,321	104,346	128,491
Net (payments) / collections for other operating activities			
Other receivables and miscellaneous liabilities	(453,249)	(343,487)	42,264
Other operating activities, net	611	33,193	172,251
Payment of income tax / minimum presumed income tax	(210,993)	(150,579)	(159,493)
<b>Net cash provided by operating activities</b>	<b>Ps. 457,658</b>	<b>Ps. 2,762,967</b>	<b>Ps. 1,274,445</b>
<b>Cash Flow from investing activities</b>			
Payments for bank premises and equipment, net	(165,148)	(104,583)	(42,720)
Payments for miscellaneous assets, net	(93,169)	(29,101)	(33,830)

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Payments for equity investments	(15,058)	(347,194)	(7,988)
Other collections for investment activities			
Cash and Cash Equivalents related to the Acquisition of Compañía Financiera Argentina S.A., Cobranzas y Servicios S.A. and Procesadora Regional S.A.		117,549	
<b>Net cash used in investing activities</b>	<b>Ps. (273,375)</b>	<b>Ps. (363,329)</b>	<b>Ps. (84,538)</b>

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Cash Flows - Continued****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	2011	December 31, 2010 <sup>(1)</sup>	2009 <sup>(1)</sup>
<b>Cash Flow from financing activities</b>			
Net collections / (payments) related to:			
Unsubordinated negotiable obligations	1,984,971	(936,377)	(380,060)
Argentine Central Bank			
Others	945	(1,110)	1,533
Banks and international entities	757,834	96,465	(188,930)
Subordinated negotiable obligations	(437,694)	(75,889)	(65,804)
Loans from local financial institutions	135,639	429,986	(96,964)
Distribution of dividends	(45,139)	(10,877)	(10,728)
Other Collections from financing activities		1,860	7,658
<b>Cash Flow provided by / (used in) financing activities</b>	<b>P s. 2,396,556</b>	<b>Ps. (495,942)</b>	<b>Ps. (733,295)</b>
Effect of exchange rate changes on cash and cash equivalents	245,486	111,091	176,735
<b>Net increase in cash and cash equivalents</b>	<b>P s. 2,826,325</b>	<b>Ps. 2,014,787</b>	<b>Ps. 633,347</b>

<sup>(1)</sup> As discussed in Note 2 the presentation of the cash flow statement has been revised.*The accompanying Notes are an integral part of these consolidated financial statements*

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	Capital Stock	Paid in Capital	Inflation adjustments to Capital Stock and Paid in Capital	Profit reserves Legal	Profit reserves Other	Accumulated Retained earnings	Total Shareholders' Equity
<b>Balance at December 31, 2008</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 37,157	Ps. 111,625	Ps. 176,819	Ps. 1,845,745
Distribution of retained earnings by the shareholders' meeting on April 28, 2009							
Legal Reserve				8,841		(8,841)	
Discretionary Reserve					167,978	(167,978)	
Valuation Differences					(22,481)		(22,481)
Net Income for the year						229,275	229,275
<b>Balance at December 31, 2009</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 45,998	Ps. 257,122	Ps. 229,275	Ps. 2,052,539
Distribution of retained earnings by the shareholders' meeting on April 14, 2010							
Legal Reserve				11,464		(11,464)	
Discretionary Reserve					217,811	(217,811)	
Valuation Differences					8,060		8,060
Net Income for the year						408,901	408,901
<b>Balance at December 31, 2010</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 57,462	Ps. 482,993	Ps. 408,901	Ps. 2,469,500
Distribution of retained earnings by the shareholders' meeting on April 27, 2011							
Legal Reserve				20,445		(20,445)	
Discretionary Reserve					363,628	(363,628)	
Cash Dividends						(24,828)	(24,828)
Net Income for the year						1,106,943	1,106,943
<b>Balance at December 31, 2011</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 77,907	Ps. 846,621	Ps. 1,106,943	Ps. 3,551,615

*The accompanying Notes are an integral part of these consolidated financial statements*



**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**1. Basis of Presentation.**

Grupo Financiero Galicia S.A. ( Grupo Galicia , the Company or the Group ) is a corporation that is organized under the laws of Argentina and acts as a holding company for Banco de Galicia y Buenos Aires S.A. and its subsidiaries ( Banco Galicia or the Bank ). Grupo Galicia was formed by the controlling shareholders of the Bank on September 14, 1999 to consummate an exchange of shares with the shareholders of Banco Galicia and establish Grupo Galicia as the Bank's holding company. Grupo Galicia was formed with two classes of shares: Class A shares, which are entitled to 5 votes per share, and Class B shares, which are entitled to 1 vote per share. To effect the exchange, Grupo Galicia offered to exchange Grupo Galicia class B shares for all outstanding Banco Galicia class B shares on a 2.5-for-1 basis and to exchange Grupo Galicia ADSs for all outstanding Banco Galicia ADSs on a 1-for-1 basis. The controlling shareholders retained all of the class A shares. As a result of the exchange, which was consummated on July 26, 2000, the Company became holder of 93.23% of the Bank's capital stock, and the remaining 6.77% remained as a Non-controlling interest in the Bank. At December 31, 2011 and 2010, the Company's interest in Banco Galicia as a result of open market purchases was 94.84074%.

Banco Galicia is a private-sector commercial bank organized under the laws of Argentina which provides general banking services, through its branches, to corporate and retail customers.

In this fiscal year, Banco de Galicia y Buenos Aires S.A. carried out a reorganization process of the corporate structure of its subsidiaries with supplementary activities. This fact has not caused the controlling interest by Banco de Galicia y Buenos Aires S.A. to be modified.

Grupo Galicia's consolidated financial statements as of December 31, 2011 and 2010 include the assets, liabilities and results of the controlled companies detailed below. The percentages directly or indirectly held in those companies' capital stock are as follows:

Issuing Company	December 31,	
	2011	2010
<b>Grupo Financiero Galicia S.A.</b>		
Galval Agente de Valores S.A.	100.00%	100.00%
GV Mandataria de Valores S.A.	100.00%	100.00%
Net Investment S.A.	99.36%	99.36%
Galicia Warrants S.A.	99.36%	99.36%
Sudamericana Holding S.A.	99.36%	99.36%
Compañía Financiera Argentina S.A.	95.00%	94.84%
Banco de Galicia y Buenos Aires S.A.	94.84%	94.84%
Banco Galicia Uruguay S.A. ( In Liquidation )	94.84%	94.84%
Tarjetas Regionales S.A.	94.84%	94.84%
Galicia Administradora de Fondos S.A.Sociedad Gerente de Fondos Comunes de Inversión	94.84%	94.84%
Galicia (Cayman) Ltd.	94.84%	94.84%
Tarjetas del Mar S.A.	94.78%	94.84%
Cobranzas y Servicios S.A.	94.84%	94.84%
Procesadora Regional S.A.	94.84%	94.84%
Galicia Valores S.A. Sociedad de Bolsa	94.83%	94.83%
Tarjeta Mira S.A.	76.25%	
Tarjeta Naranja S.A.	75.87%	75.87%

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Cobranzas Regionales S.A.	93.89%	73.54%
Tarjetas Cuyanas S.A.	56.90%	56.90%

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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

The financial statements of the controlled companies were adapted to the accounting and disclosure standards set by the Argentine Central Bank and cover the same period as that of the financial statements of the Group.

Intercompany transactions have been eliminated for the purposes of these statements.

**2. Significant Accounting Policies.**

The accounting policies and financial statements presentation conform to the rules of the Argentine Central Bank which prescribes the generally accepted accounting principles for all banks in Argentina (the Argentine Banking GAAP ). This differs in certain significant respects from generally accepted accounting principles in Argentina applicable to enterprises in general ( Argentine GAAP ) (see Note 33) and from generally accepted accounting principles in the United States of America ( U.S. GAAP ) (see Note 35).

Certain required disclosures have not been presented herein since they are not material to the accompanying financial statements. In addition, certain presentations and disclosures, including the statements of cash flows, have been included in the accompanying financial statements to comply with the Securities and Exchange Commission's regulations for foreign registrants.

Certain reclassifications of prior years information have been made to conform to current year presentation.

Such reclassifications do not have a significant impact on the Group's financial statements.

During the year ended December 31, 2011, the Group changed the presentation of the cash flow statement to conform to the format presented in its statutory financial statements filed with the Argentine National Securities Commission ( CNV ). This format, where presents the cash flows using the direct method, is considered by the Company to provide a preferable presentation in accordance with Argentine Banking GAAP and enhances the consistency and comparability to the information presented within various regulatory filings. Accordingly, the cash flow statements for the years ended December 31, 2010 and 2009, which were previously presented using the indirect method, were revised to conform to this format. Differences between Argentine Banking GAAP and US GAAP in cash flow statement presentation are included in Note 35.

The following is a summary of significant policies followed by the Group in the preparation of the consolidated financial statements.

**2.1 Presentation of Financial Statements in Constant Argentine Pesos.**

Effective September 1, 1995, pursuant to Decree No. 316/95, the Bank discontinued its prior practice of adjusting the financial statements for inflation. Effective January 1, 2002, however, as a result of the application of Argentine Central Bank, National Securities Commission ( CNV ) and Argentine Federation of Professional Councils in Economic Sciences (FACPCE) rules, the Group re-applied the application of the adjustment for inflation.

In 2002, Argentina experienced a high rate of inflation. The wholesale Price Index (WPI) increased approximately 118.44% in 2002.

Primarily as a result of the stabilization of the WPI during the first half of 2003, the Argentine government, the Argentine Central Bank and the CNV eliminated the requirement that financial statements be prepared in constant currency.

**2.2 Foreign Currency.**

Foreign currency is stated at the U.S. dollar rate of exchange set by the Argentine Central Bank, prevailing at the close of operations on the last business day of each year.

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(Expressed in thousands of Argentine pesos)

Assets and liabilities valued in foreign currencies other than the U.S. dollar are converted into U.S. dollars using the year end exchange rates issued by the Argentine Central Bank.

For financial reporting purposes, these assets and liabilities are then translated into pesos at the year-end U.S. dollar to Argentine peso exchange rate.

**2.3 Government and Private Securities.**

Government securities mainly represent obligations of the Argentine government. Corporate securities included in this caption consist of listed corporate equity securities, mutual funds and listed debt securities.

Realized and unrealized gains and losses on sales and interest income on government and corporate securities are included as Net Income from government and corporate securities in the accompanying statements of income.

**Government Securities**

As of December 31, 2011 the Bank records its holdings according to the following:

*Holdings Recorded at Fair Value*

These holdings include trading securities that were valued according to volatilities or present values data issued by the Argentine Central Bank.

The same criterion was applied to holdings of such securities used in purchase and sale transactions pending settlement and repo transactions.

*Holdings Recorded at their Acquisition Cost plus the Interest Rate of Return (I.R.R.)*

In this caption, the Group records Peso-denominated Bonds issued by the Argentine Nation at Badlar rate due 2015 (Bonar 2015) for a face value of Ps. 139,178. This holding has been valued at their acquisition cost increased on an exponential basis according to their I.R.R. In the case the market value of the instrument is lower than its book value, 50% of the monthly accrual of the I.R.R. must be charged to an asset regularizing account. Said regularizing account shall be reversed by charging to income to the extent its balance exceeds the positive difference the market value and book value.

The same criterion was applied to the securities used in repo transactions.

*Government Securities from Repo transactions with the Argentine Central Bank*

These holdings include government securities that were valued according to volatilities or present values data issued by the Argentine Central Bank.

The same criterion was applied to holdings of such securities used in purchase and sale transactions pending settlement and repo transactions.

*Securities Issued by the Argentine Central Bank*

a) At Fair Value:

These have been valued according to volatilities or present values data issued by the Argentine Central Bank. The same criterion was applied to holdings of such securities used in repo transactions.

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b) At the Acquisition Cost plus the I.R.R.:

These holdings have been valued at their acquisition cost increased on an exponential basis according to their I.R.R. The same criterion was applied to holdings of such securities used in repo transactions.

**Investments in listed private securities**

These securities are recorded at fair value, and any difference between their book value and fair value is recognized as a gain or loss in the income statement.

**2.4 Financial Trust Debt Securities and Certificates of Participation.**

Debt securities that are incorporated at face value are recorded at technical value. The remaining holdings in debt securities are recorded at cost plus the interest rate of return. Certificates of participation are accounted for under the equity method.

**2.5 Interest Income (Expense) Recognition.**

For loans and deposits, interest is recognized on a compounded basis, which provides for an increasing effective rate over the life of the loan or deposit.

The Bank suspends the accrual of interest generally when the related loan is past due and the collection of interest and principal is in doubt. The suspension of interest corresponds to the loans classified as with problems and deficient performance or below, under the Argentine Central Bank's classification rules. Accrued interest remains on the Bank's books and is considered to be part of the loan balance when determining the allowance for loan losses. Regarding impaired loans, interest is recognized on a cash basis after reducing the balance of accrued interest, if applicable.

Reference Stabilization Index ( CER ) is accrued in all lending and borrowing transactions originally carried out in foreign currency prior to the pesification process.

**2.6 Allowances for Loan Losses.**

The Bank provides for estimated future possible losses on loans and the related accrued interest through the establishment of an allowance for loan losses. The allowance charged to expense is determined by management based upon loan classification, actual loss experience, current and expected economic conditions, delinquency aging, and an evaluation of potential losses in the current loan portfolio. Specific attention is given to loans with evidence that may negatively affect the Group's ability to recover the loan and accrued interest.

**2.7 Provisions for Contingencies.**

The Group has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. The Group accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Group's estimates of the outcomes of these matters and the Group's

lawyers' experience in responding, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect on the Group's future results of income and financial condition or liquidity.

**2.8 Equity Investments.**

Equity Investments include equity investments in companies where a Non-controlling interest is held.



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Under Argentine Banking GAAP, the equity method is used to account for investments where a significant influence in the corporate decision making process exists. Significant influence is considered to be present if one of the following applies:

Ownership of a portion of a related company's capital granting the voting power necessary to influence the approval of such company's financial statements and profits distribution.

Representation in the related company's board of directors or corporate governance body.

Participation in the definition of the related company's policies.

Existence of significant transactions between the company holding the interest and the related company (for example, when the former is the latter's only supplier or by far its most important client).

Interchange of senior officers among companies.

Technical dependence of one of the companies on the other.

Equity investments in companies where corporate decisions are not influenced, in terms of the criteria listed above, are accounted for at the lower of cost or equity method.

**2.9 Bank Premises and Equipment and Miscellaneous Assets.**

Bank premises and equipment and miscellaneous assets are valued at cost adjusted for inflation (as described in Note 2.1), less accumulated depreciation.

Construction in progress is carried at cost adjusted for inflation (as described in Note 2.1).

Financial leases that mainly transfer risks and benefits inherent to the leased property are registered at the beginning of the lease either by the cash value of the leased property or the present value of cash flows established in the financial lease, whichever is the lowest.

Accumulated depreciation is computed under the straight-line method at rates over the estimated useful lives of the assets, which generally are estimated to be 50 years for properties, 10 years for furniture and fixtures, and 5 years for others. Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective fixed assets. When assets are retired or otherwise disposed of, the cost and the related accumulated

depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

**2.10 Intangible Assets.**

Intangible assets are valued at cost adjusted for inflation (as described in Note 2.1) and are amortized on a straight-line basis over 120 months for goodwill and over a range of 60 months for organization and development costs. Under Argentine Banking GAAP, goodwill is no longer recognized as an asset when it is estimated that amounts of future income will not be sufficient to absorb the amortization of goodwill or when there are other reasons to presume that the amount of an investment made, will not be recovered in full.

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Effective March 2003, the Argentine Central Bank established that the difference resulting from compliance with court decisions made in lawsuits filed challenging the current regulations applicable to deposits with the financial system, within the framework of the provisions of Law No. 25,561, Decree No. 214/02 and supplementary regulations, must also be recorded under this caption. Such difference must be amortized in a maximum of 60 equal monthly and consecutive installments as of April 2003.

As of December 31, 2011 and 2010, this item has been fully amortized; thus total accumulated amortization amounts to Ps. 866,570 and Ps. 859,638 respectively.

The Bank carried out the abovementioned amortization for the purposes of complying with the provisions set forth by the Argentine Central Bank only. However, the Bank has repeatedly reserved its right to make claims in view of the negative effect caused on its financial condition by the reimbursement of deposits originally in U.S. dollars pursuant to court orders, which exceeded the amount established in the aforementioned regulation. On November 30, 2003, the bank formally requested the National Executive Branch, with a copy to the Ministry of Economy (MECON) and to the Argentine Central Bank, the payment of due compensation for the losses incurred that were generated by the asymmetric pesification and especially for the negative effect on its financial condition caused by court resolutions.

**2.11 Shareholders Equity.**

Shareholders Equity accounts have been adjusted for inflation following the procedure described in Note 2.1, except for the Capital Stock and Paid-in Capital accounts, which have been stated at their original values. The adjustment of these accounts was allocated to the Inflation adjustments to capital stock and paid-in capital account.

**2.12 Minimum Presumed Income Tax and Income Tax.**

Effective 1998, a Minimum Presumed Income Tax (MPIT) was established as a complementary component of income tax obligations. MPIT is a minimum taxation, which assesses at the tax rate of 1% of certain assets. Ultimately, the tax obligation will be the higher of MPIT or income tax. For financial entities, the taxable basis is 20% of their computable assets. If in a fiscal year, the MPIT obligation exceeds the income tax liability, the surplus will be available as a credit against future income tax.

The Bank has recognized the MPIT amount paid in the year and the accumulated amount paid in prior years as an asset for future tax deductions.

Based on the provisions set forth by the Argentine Central Bank, the Group recorded an asset related to the MPIT amounting to Ps.186,408 and Ps.395,738, as of December 31, 2011 and 2010, respectively.

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and therefore income taxes for Banco Galicia are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, Grupo Galicia and Grupo Galicia's non-bank subsidiaries apply the deferred income tax method. As a result, Grupo Galicia and its non-bank subsidiaries had recognized a deferred tax asset as of December 31, 2011 and 2010.

**2.13. Liabilities Banco de Galicia y Buenos Aires S.A.'s customers fidelity program *Quiero* (I want)**

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Under Argentine Banking GAAP there is no specific guidance to account for fidelity programs, consequently, the Bank used the guidance in U.S. GAAP to develop a model with the following characteristics:

The Bank records the points assigned to the Bank's customers through the *Quiero* ( I want ) Program at its fair value. Said value is assessed by means of the use of a mathematical model that takes into account certain events of exchange percentages, the cost for the exchanged points based on the combination of available products and the preferences of the Bank's customers, as well as the expiration term of the customers non-exchanged points.

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

As of December 31, 2011, the Bank recorded liabilities for Ps. 50,521 from its customers non-exchanged points under the caption Miscellaneous Liabilities .

**2.14 Statements of Cash Flows.**

The consolidated statements of cash flows were prepared using the measurement methods prescribed by the Argentine Central Bank. Cash and cash equivalents include cash and due from banks and highly liquid investments with an original maturity of three months or less.

**2.15 Use of Estimates.**

The preparation of financial statements in conformity with Argentine Banking GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. Restriction on Cash and Due from Banks and Other Assets.**

3.1 Pursuant to Argentine Central Bank regulations, Banco Galicia must maintain a monthly average liquidity level. Computable assets for complying with the minimum cash requirement are cash and the checking accounts opened at the Argentine Central Bank.

The minimum cash requirement at the end of each fiscal year was as follows (as measured in average daily balances):

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Peso balances	Ps. 3,917,272	Ps. 2,841,388
Foreign currency balances	1,944,576	1,903,774

3.2 Certain of the Group's other assets are pledged or restricted from use under various agreements. The following assets were restricted at each balance sheet date:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Funds and securities pledged under various arrangements	Ps. 1,044,154	Ps. 943,830
Shares on equity investments (*)	5,250	5,250
Deposits in the Argentine Central Bank, restricted under Argentine Central Bank regulations	2,693	2,402
Loans granted as collateral(**)	123,541	85,147
<b>Total</b>	<b>Ps. 1,175,638</b>	<b>Ps. 1,036,629</b>

- (\*) Shares over which transferability is subject to prior approval of the National or Provincial authorities, as applicable, under the terms of certain concession contracts signed.

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

The Bank, as a shareholder of Aguas Cordobesas S. A. and proportionally to its 10.833% interest, is jointly responsible for the contractual obligations arising from the concession contract during the entire term thereof. Should any of the other shareholders fail to comply with the commitments arising from their joint responsibility, the Bank may be forced to assume the unfulfilled commitment by the grantor, but only in the proportion and to the extent of the interest held by the Bank.

(\*\*) Securities granted as collateral for lines of credit provided by the International Finance Corporation ( IFC ). The Bank used Bonar 2015 Bonds to collateralized Ps. 108,035 and Ps.55,075 IFC lines of credit at December 31, 2011 and 2010, respectively. Furthermore, as of December 31, 2011, Banco de Galicia y Buenos Aires S.A. used National Government Bonds due 2015 in Pesos for a Face Value (F.V.) of 8,200 equal to Ps. 10,422 as collateral for the loans granted within the Credit Program to the Province of San Juan for the amount of Ps. 5,305.

In addition, the Bank used National Government Bonds due 2015 in Pesos for a F.V. of 4,000 equal to Ps. 5,084 as collateral for the loans granted within the Credit Program to the Province of Mendoza for the amount of Ps. 3,106.

**4. Interest-Bearing Deposits with Other Banks.**

As of December 31, 2011 and 2010, the overnight foreign bank interest-bearing deposits included under the caption Loans Other amounted to Ps. 65,981 and Ps. 215,282, respectively.

**5. Government and Private Securities.**

Government and corporate securities consist of the following at the respective balance sheet dates:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Government Securities		
Holdings Recorded at Fair Market Value		
- Government Bonds	105,381	56,100
- Others	1,334	12,131
<b>Total Holdings Recorded at Fair Market Value</b>	<b>Ps. 106,715</b>	<b>Ps. 68,231</b>
Holdings Recorded at their Acquisition Cost plus the I.R.R.		
- Government Bonds	162,414	133,756
<b>Total Holdings Recorded at their Acquisition Cost plus the I.R.R.</b>	<b>Ps. 162,414</b>	<b>Ps. 133,756</b>
Government Securities from Repo Transactions with the Argentine Central Bank		

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- Government Bonds		40,600	
<b>Total Government Securities from Repo Transactions with the Argentine Central Bank</b>			
	Ps.	40,600	Ps.
<b>Securities Issued by the Argentine Central Bank</b>			
- Argentine Central Bank Bills at Fair Market Value		10,313	359,073
- Argentine Central Bank Bills for Repo Transactions		1,344,245	180,232
- Argentine Central Bank Bills at Acquisition Cost plus the I.R.R.		713,541	257,454
- Argentine Central Bank Notes at Fair Market Value		2,146,017	2,903
- Argentine Central Bank Notes for Repo Transactions		66,494	
- Argentine Central Bank Notes at Acquisition Cost plus the I.R.R.		637,396	1,266,061
<b>Total Securities Issued by the Argentine Central Bank</b>		<b>4,918,006</b>	<b>2,065,723</b>
<b>Total Government Securities</b>	Ps.	<b>5,227,735</b>	Ps. <b>2,267,710</b>
<b>Investments in listed Private Securities</b>			
- Notes (Listed)		1,088	4,484
- Shares		2,040	68
- Negotiable Mutual Funds from Abroad (E.T.F.s)			5,750
<b>Total Private Securities</b>		<b>3,128</b>	<b>10,302</b>
<b>Total Government and Private Securities</b>	Ps.	<b>5,230,863</b>	Ps. <b>2,278,012</b>



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As of December 31, 2011, Bonar 2015 Bonds sold under repurchase agreements amounted to Ps. 513,864 and were recorded under the caption Other Receivables resulting from financial brokerage .

As of December 31, 2010, Bonar 2015 Bonds and Securities issued by Argentine Central Bank sold under repurchase agreements amounted to Ps.394,833 and Ps.359,428, respectively and were recorded under the caption Other Receivables resulting from financial brokerage .

**6. Loans.**

The lending activities of the Bank consist of the following:

Loans to the non-financial public sector: loans to the federal and provincial governments of Argentina.

Loans to the financial sector: loans to local banks and financial entities.

Loans to the non-financial private sector and residents abroad: include the following types of lending:  
*Advances* short-term obligations drawn on by customers through overdrafts.

*Promissory Notes* endorsed promissory notes, discounted and purchased bills and factored loans.

*Mortgage loans* loans to purchase or improve real estate and collateralized by such real estate or commercial loans secured by real estate.

*Pledge loans* loans where collateral is pledged as an integral part of the loan document.

*Credit card loans* loans to credit card holders.

*Personal loans* loans to individuals.

*Others* includes mainly short-term placements in foreign banks.

Pursuant to Argentine Central Bank regulations, financial entities must disclose the breakdown of their loan portfolio to: the non-financial public sector, the financial sector and the non-financial private sector and residents abroad. In addition, financial entities must disclose the type of collateral established on the applicable loans to the non-financial private sector and the pledges granted on loans (preferred guarantees relative to a registered senior pledge).

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As of December 31, 2011 and 2010, the classification of the Group's loan portfolio was as follows:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Non-financial public sector	Ps. 24,606	Ps. 24,565
Financial sector (Argentine)	326,239	80,633
Non-financial private sector and residents abroad	31,837,635	22,287,056
- With preferred guarantees	1,441,277	1,257,111
- With other guarantees	4,866,007	3,694,518
- Unsecured	25,530,351	17,335,427
<b>Subtotal</b>	<b>32,188,480</b>	<b>22,392,254</b>
Allowance for loan losses (See Note 7)	(1,283,953)	(1,038,473)
<b>Total</b>	<b>Ps. 30,904,527</b>	<b>Ps. 21,353,781</b>

The Bank also records its loan portfolio by industry segment. The following industry segments comprised the most significant loan concentrations as of December 31, 2011 and 2010, respectively:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Consumer	54.77%	54.68%
Manufacturing	14.75%	13.47%
Primary Products	11.99%	11.03%
Services	6.11%	6.63%
Wholesale Trade	5.96%	6.85%
Retail Trade	3.50%	4.05%
Construction	1.59%	1.42%
Financial Sector	1.32%	1.42%

**7. Allowance for Loan Losses.**

The activity in the allowance for loan losses for the fiscal years ended December 31, 2011, 2010 and 2009, was as follows:

	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Balance at beginning of year	Ps. 1,038,473	Ps. 806,446	Ps. 526,801
Provision charged to income	820,083	523,588	625,897

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Allowances Reversed	(22,146)	(8)	(5,424)
Foreign exchange effect and other adjustments (*)	30	195,776	13,693
Loans charged off	(552,487)	(487,329)	(354,521)
Balance at end of year	Ps. 1,283,953	Ps. 1,038,473	Ps. 806,446

(\*) As of December 31, 2010 Ps. 185,381 of allowances as of the acquisition date of Compañía Financiera Argentina S.A. was included.

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Certain loans, principally small loans, are charged directly to income and are not reflected in the activity in the allowance for loan losses. The Loan loss provision in the accompanying statements of income includes:

	<b>2011</b>	<b>December 31, 2010</b>	<b>2009</b>
Provisions charged to income	Ps. 820,083	Ps. 523,588	Ps. 625,897
Direct charge-offs	19,776	17,079	10,501
Other receivable losses	2,471	9,921	3,051
Financial leases	1,040	936	56
	<b>Ps. 843,370</b>	<b>Ps. 551,524</b>	<b>Ps. 639,505</b>

The Bank has entered into certain troubled debt restructuring agreements with customers. The Bank has eliminated any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge against the allowance for loan losses. Loans under such agreements amounted to Ps. 137,276, Ps. 123,462 and Ps. 197,460 as of December 31, 2011, 2010 and 2009, respectively.

**8. Other Receivables Resulting from Financial Brokerage.**

The composition of other receivables from financial brokerage, by type of guarantee, is as follows:

	<b>2011</b>	<b>December 31, 2010</b>
Preferred guarantees, including deposits with		
The Argentine Central Bank	Ps. 613,490	Ps. 420,328
Other guarantees	568	604
Unsecured	4,455,108	3,036,864
Less: Allowance for doubtful accounts	(55,375)	(131,806)
	<b>Ps. 5,013,791</b>	<b>Ps. 3,325,990</b>

The breakdown of the caption other included in the balance sheet was as follows:

	<b>2011</b>	<b>December 31, 2010</b>
Mutual funds	Ps. 143,309	Ps. 147,009
Galtrust I	538,768	620,501

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Other financial trust participation certificates	818,065	455,874
Accrued commissions	47,036	38,418
Others	623,630	537,511
	Ps. 2,170,808	Ps. 1,799,313

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**9. Equity Investments.**

Equity investments in other companies consisted of the following as of the respective balance sheet dates:

	December 31,	
	2011	2010
<b>In Financial Institutions, complementary and authorized activities</b>		
Banelco S.A	Ps. 8,097	Ps. 9,569
Visa Argentina S.A	3,899	3,000
Mercado de Valores de Buenos Aires S.A.	8,139	8,138
Tarjeta Naranja Perú S.A	8,044	
Banco Latinoamericano de Exportaciones S.A	2,133	1,971
Others	790	790
<b>Total equity investments in Financial Institutions, complementary and authorized activities</b>	Ps. 31,102	Ps. 23,468
<b>In Non-financial Institutions</b>		
Electrigral S.A	5,455	5,455
A.E.C. S.A	26,703	26,703
Aguas Cordobesas S.A	8,911	8,911
Distrocuyo S.A.	3,955	
Other	1,501	1,574
<b>Total equity investments in non-financial institutions</b>	Ps. 46,525	Ps. 42,643
<b>Allowances</b>	Ps. (21,462)	Ps. (13,263)
<b>Total Equity investments</b>	Ps. 56,165	Ps. 52,848

**10. Bank Premises and Equipment and Intangible Assets.**

The major categories of Grupo Financiero Galicia's premises and equipment and accumulated depreciation, as of December 31, 2011 and 2010, were as follows:

	December 31,	
	2011	2010
Land and buildings	P s. 1,032,702	P s. 973,556
Furniture and fittings	256,034	227,155
Machinery and equipment	499,415	423,111

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Vehicles	11,015	8,528
Others	1,187	4,444
Accumulated depreciation	(765,661)	(688,727)
	P s. 1,034,692	P s. 948,067

Depreciation expense recorded for the fiscal years ended December 31, 2011, 2010 and 2009, was Ps.92,942, Ps. 76,899 and Ps. 73,904, respectively.

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The major categories of intangible assets as of December 31, 2011 and 2010 were as follows:

	December 31,	
	2011	2010
Goodwill, net of accumulated amortization of Ps.12,776 and Ps.98,767, respectively	Ps. 10,827	Ps. 23,467
Organization and development expenses, net of accumulated amortization of Ps.428,650 and Ps. 336,276, respectively	711,944	430,648
	Ps. 722,771	Ps. 454,115

Total amortization expenses for the fiscal years ended December 31, 2011, 2010 and 2009, was Ps. 124,169, Ps. 355,408 and Ps. 166,675, respectively.

Organization and development expenses included software and the related implementation services purchased from third parties, with a net book value of Ps.583,970; Ps.349,527 and Ps.213,226 at December 31, 2011, 2010 and 2009, respectively.

The table below shows the components of goodwill by type of activity for the periods presented:

	December 31,	
	2011	2010
Banking	10,827	19,903
Data Processing		3,564
	Ps. 10,827	Ps. 23,467

**11. Miscellaneous Assets.**

Miscellaneous assets consisted of the following as of December 31, 2011 and 2010:

	December 31,	
	2011	2010
Construction in progress	Ps. 21,791	Ps. 5,423
Deposits on fixed asset purchases	15,751	2,848
Stationery and supplies	16,305	12,254
Real estate held for sale	2,772	3,584
Assets under leasing agreements	18,885	19,157
Land and Building	72,454	21,897



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Others	15,148	16,240
	Ps. 163,106	Ps. 81,403

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**12. Allowances and Provisions.**

Allowances on other assets and reserves for contingencies were as follows:

	December 31,	
	2011	2010
Allowances against asset accounts:		
Other receivables resulting from financial brokerage, for collection risk (a)	55,375	131,806
Assets under financial leases (a)	6,509	5,469
Equity investments in other companies (b)	21,462	13,263
Miscellaneous receivables, for collection risk (a)	54,456	26,025
Reserves for contingencies:		
For severance payments (c)	15,060	12,139
Litigations (d)	91,892	84,051
Other contingencies (e)	82,582	87,956
Sundry liabilities arising from credit card activities (f)	35,021	46,493
Other commitments (g)	2,162	125
Differences arising from court deposits dollarization (h)	1,996	1,846
Negative Goodwill (i)	346,931	465,634
Total reserves for contingencies	Ps. 575,644	Ps. 698,244

(a) Based upon an assessment of debtors' performance, the economic and financial situation and the guarantees collateralizing their respective transactions.

(b) Includes the estimated losses due to the excess of the cost plus dividend method over the equity method in non-majority owned equity investments.

(c) Estimated amounts payable under labor lawsuits filed against the Bank by former employees.

(d) Litigation arising from different types of claims from customers (e.g., claims for thefts from safe deposit boxes, the cashing of checks that have been fraudulently altered, discrepancies in deposits and payments services that the Bank renders, etc).

(e) At the date of these consolidated financial statements, there are several review and assessment processes ongoing, at different progress stages, initiated by the provincial and Autonomous City of Buenos Aires' Tax Authorities related to the turnover tax, mainly corresponding to fiscal year 2002, and basically in connection with the Compensatory Bond set forth by the National Government in order to compensate financial institutions for the losses resulting from the asymmetric pesification of loans and deposits.

The Bank has been expressing its disagreement regarding these adjustments at the corresponding administrative and/or legal proceedings. These proceedings and their possible effects are constantly being monitored by the management division. Even though the foregoing has not been finally resolved yet, the Bank considers it has complied with its tax liabilities in full pursuant to current regulations, since it is not possible to foresee the final outcome, the Bank has established provisions deemed suitable according to each process' status.



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As regards Compañía Financiera Argentina S.A., the Argentine Revenue Service (AFIP) conducted audits on fiscal years 1998 and 1999, not accepting certain uncollectible loans to be recorded as uncollectible receivables deductible from income tax and minimum presumed income tax. The original amount claimed for taxes by the tax collection authorities totals Ps.2,094.

Since the final resolution of this controversy is still uncertain, provisions have been set up to cover such contingencies.

(f) Reserves for a guarantee of credit-cards receivable and for the estimated liability for the insurance of the payment of credit-cards balance in the event of the death of the credit-card holders.

At the date of these consolidated financial statements, the Argentine Revenue Service (AFIP), the Revenue Board of the Province of Córdoba and the Municipalities of the cities of Mendoza and San Luis are in the process of conducting audits, with respect to claims made by such agencies, regarding taxes applicable to Credit Cards issuing companies. The original amount claimed for such reason, totals Ps.10,959, approximately.

Based on the opinions of tax advisors, the companies believe that the abovementioned claims are both legally and technically groundless.

However, since the final outcome of these measures cannot be foreseen, provisions have been set up to cover such contingencies. Therefore, both companies are taking the corresponding administrative and legal steps in order to solve such issues.

(g) Represents contingent commitments in connection with customers classified in categories other than the normal categories under Argentine Banking GAAP.

(h) Represents the difference between the amounts of deposits subject to pesification at Ps. 1.40 and such amounts at the exchange rate as of December 31, 2011.

(i) In accordance with Argentine Central Bank regulations, as a result of the difference between the cost of acquisition and the value of assets and liabilities acquired as of June 30, 2010, consistently valued with those of the Group, a negative goodwill of Ps.450,547 was recorded for Compañía Financiera Argentina S.A. and Ps.15,087 for Cobranzas y Servicios S.A., which were recorded under the caption Liabilities Provisions .

The allocation to income of the negative goodwill is carried out on a straight-line basis over 60 months, taking into account Argentine Central Bank regulations on the subject. Therefore, the negative goodwill recorded for Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. were Ps. 335,776 and Ps. 11,155 respectively, as of December 31, 2011.

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**13. Other Liabilities Resulting from Financial Brokerage- Banks and International Entities, and Loans from Domestic Financial Institutions**

The Bank also borrows funds under different credit arrangements from local and foreign banks and international lending agencies as follows:

	December 31,	
	2011	2010
<b>Description</b>		
<b>Banks and International Entities</b>		
Contractual long-term Liabilities		
Floating Rate Bank Loans 2019	9,496	8,232
Internacional Finance Corp. (I.F.C.)	256,399	229,540
Other lines from foreign banks	17,669	
<b>Total long-term liabilities</b>	Ps. 283,564	Ps. 237,772
Contractual short-term liabilities:		
Other lines from foreign banks	1,142,258	408,973
<b>Total short-term liabilities</b>	Ps. 1,142,258	Ps. 408,973
<b>Total Banks and International Entities</b>	Ps. 1,425,822	Ps. 646,745
<b>Loans from Domestic Financial Institutions</b>		
Contractual long-term liabilities:		
BICE (Banco de Inversión y Comercio Exterior)	60,726	23,709
Other lines from domestic banks	538,479	434,064
<b>Total long-term liabilities</b>	Ps. 599,205	Ps. 457,773
Contractual short-term liabilities:		
Other lines from credit from domestic banks	216,046	155,424
<b>Total short-term liabilities</b>	Ps. 216,046	Ps. 155,424
<b>Total Domestic Financial Institutions</b>	Ps. 815,251	Ps. 613,197
<b>TOTAL</b>	Ps. 2,241,073	Ps. 1,259,942

Accrued interest on the above liabilities in the amount of Ps.10,620 and Ps.6,245 as of December 31, 2011 and 2010, respectively, are included in **Others** under the caption **Other Liabilities Resulting from Financial Brokerage** in the accompanying balance sheet.

Long-term debt of Ps.882,769 corresponds mainly to: (a) a line of credit from the IFC for Ps.256,399 for financing investment projects, b) debt issued as a result of the Bank's foreign debt restructuring completed in May 2004 for Ps.9,496, (c) debt with domestic banks for Ps.538,479, corresponding mainly of the regional credit-card companies, (d) lines of credit from the BICE for Ps.60,726 for financing investment projects.



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As of December 31, 2011, maturities of the above long-term loans for each of the following five fiscal years and thereafter were as follows:

Contractual long-term Liabilities	
2012	558,579
2013	212,185
2014	56,488
2015	43,279
2016	2,742
Thereafter	9,496

Ps. 882,769

**14. Other Liabilities Resulting from Financial Brokerage Negotiable Obligations**

The amounts outstanding and the terms corresponding to outstanding negotiable obligations at the dates indicated were as follows:

	Currency	Maturity	Annual Interest Rate	As of December 31,	
				2011	2010
Negotiable Obligations (1)					
Long-term liabilities:					
9 % Notes Due 2003 (Semi-annual interest, principal payable at maturity)	US\$	2003	9,00%	7,057	6,652
Banco Galicia- Due 2018 (Semi-annual interest, principal payable at maturity)	US\$	2018	8,75%	1,277,915	
Banco Galicia- Subordinated Due 2019 (Semi-annual interest, principal payable at maturity)	US\$	2019	11,00%	984,364	1,253,027
Tarjetas Cuyanas S.A. Class V series II (Interest quarterly, principal payable at maturity)	Ps.	2013	Badlar + 400 b.p.	72,626	
Tarjetas Cuyanas S.A. Class VI series I (Interest quarterly, principal payable at maturity)	US\$	2012	7,50%	80,119	
Tarjetas Cuyanas S.A. Class VI series II (Interest quarterly, principal payable at maturity)	US\$	2013	8,50%	30,380	
Tarjetas Cuyanas S.A. S. XVIII (Interest fixed semi-annual interest principal payable every six months)	US\$	2012	12,00%	9,965	39,164
Tarjetas Cuyanas S.A. Class III (Issued at a discounted base, principal payable at maturity)	US\$	2011	6,00%		79,841

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	Currency	Maturity	Annual Interest Rate	As of December 31,	
				2011	2010
Tarjetas Naranja S.A. Class IV (Interest fixed semi-annual interest principal payable every six months)	US\$	2011	15,50%		77,064
Tarjetas Naranja S.A. Class IX Series II (Interest fixed semi-annual interest, principal payable at maturity)	US\$	2011	12,50%		59,038
Tarjetas Naranja S.A. Class XII (Interest fixed quarterly interest, principal payable at maturity)	US\$	2011	6,10%		139,214
Tarjetas Naranja S.A. Class XIII (Interest fixed semi-annual interest, principal payable in 3 annual quotas )	US\$	2017	9,00%	843,787	
Tarjetas Naranja S.A. Class XIV Series II (Interest quarterly, principal payable at maturity)	Ps.	2013	Badlar+340 b.p.	77,650	
Tarjetas Naranja S.A. Class XVI Series I (Interest fixed, payable quarterly, principal payable at maturity)	US\$	2012	7,50%	90,517	
Tarjetas Naranja S.A. Class XVI Series II (Interest fixed, payable quarterly, principal payable at maturity)	US\$	2013	8,75%	59,655	
CFA ON Clase III Series II (Quarterly interest, principal payable every 3 months)	Ps.	2012	Badlar+408 b.p.	42,315	
CFA ON Clase IV (Quarterly interest, principal payable at maturity)	Ps.	2013	Badlar+400 b.p.	100,569	
CFA ON Clase V series II (Quarterly interest, principal payable at maturity)	Ps.	2013	Badlar+425 b.p.	62,555	
Grupo Financiero Galicia Class I Series II (Interest fixed semi-annual interest, principal payable at maturity)	US\$	2011	12,50%		42,128
Grupo Financiero Galicia Class II Series II (Interest fixed semi-annual interest, principal payable at maturity)	US\$	2012	8,00%	78,089	70,546
Grupo Financiero Galicia Class II Series III (Interest fixed semi-annual interest, principal payable at maturity)	US\$	2013	9,00%	109,633	106,782
<b>TOTAL</b>				<b>Ps. 3,927,196</b>	<b>1,873,456</b>



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	Currency	Maturity	Annual Interest Rate	As of December 31,	
				2011	2010
<b>Short-term liabilities:</b>					
Tarjeta Naranja Class X (Quarterly interest, principal payable at maturity)	Ps.	2011	Badlar + 275 b.p.		48,177
Tarjeta Naranja Class XI (Quarterly interest, principal payable at maturity)	Ps.	2011	Badlar + 295 b.p.		40,919
Tarjetas Cuyanas S.A. Class I (Quarterly interest, principal payable at maturity)	Ps.	2011	Badlar + 300 b.p.		28,854
Tarjetas Cuyanas S.A. Class II (Quarterly interest, principal payable at maturity)	Ps.	2011	9,95%		37,484
Tarjeta Naranja S.A. ON Clase XIV Series I (Interest fixed, payable quarterly, principal payable at maturity)	Ps.	2012	13,50%	20,040	
Tarjetas Naranja S.A. Class XV (Interest quarterly, principal payable at maturity)	Ps.	2012	Badlar + 375 b.p.	61,651	
Tarjetas Cuyanas S.A. S. IV (Interest quarterly, principal payable at maturity)	Ps.	2012	Badlar + 285 b.p.	48,333	
Tarjetas Cuyanas S.A. Class V series I (Interest quarterly, principal payable at maturity)	Ps.	2012	14,00%	12,776	
CFA Class V S I (Quarterly interest, principal payable at maturity)	Ps.	2012	Badlar + 325 b.p.	84,560	
<b>TOTAL</b>				<b>Ps. 227,360</b>	<b>155,434</b>
<b>Total Notes</b>				<b>Ps. 4,154,556</b>	<b>2,028,890</b>

(1) Only principal, except for Subordinated Obligations which include accrued interest for Ps.51,645.

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As of December 31, 2011 and 2010, interest and principal on all of the above debt securities denominated in U.S. dollars were payable in U.S. dollars except for Tarjeta Naranja s Class IV, IX and XVI Notes and Tarjetas Cuyanas Class XVIII Notes, which were payable in Pesos.

Accrued interest on the above liabilities for Ps.75,077 and Ps.12,885 as of December 31, 2011 and 2010, respectively, was included in Other under the caption Other Liabilities Resulting from Financial Brokerage in the accompanying balance sheet.

Long-term negotiable obligations as of December 31, 2011 mature as follows:

	Maturity Long Term
Past Due (*)	7,057
2012	381,991
2013	432,083
2014	
2015	281,262
2016	281,262
Thereafter	2,543,541
	3,927,196

(\*) Corresponds to past due debt not yet restructured.

**15. Balances in Foreign Currency.**

The balances of assets and liabilities denominated in foreign currencies (principally in U.S. dollars(\*)) were as follows:

	Ps.2,769,587	Ps.2,769,587
	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Cash and due from banks	Ps . 2,769,587	Ps . 3,131,530
Government and private securities	57,335	40,169
Loans	4,290,584	3,103,434
Other receivables resulting from financial brokerage	553,188	426,779
Assets under financial leases	35,787	28,018
Equity investments in other companies	2,212	2,046
Miscellaneous receivables	44,648	45,879
Bank premises and equipment	22	419
Miscellaneous assets	43	40
Unallocated items	345	45
Other assets	17	6

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<b>Total</b>	Ps .	7,753,768	Ps .	6,778,365
<b>Liabilities:</b>				
Deposits	Ps .	4,535,817	Ps .	4,017,664
Other liabilities resulting from financial brokerage		5,668,794		2,344,487
Miscellaneous liabilities		21,143		19,233
Provisions		17,278		13,868
Subordinated Negotiable Obligations		984,364		1,253,027
Unallocated items		286		472
Other Liabilities		115		101
<b>Total</b>	Ps .	11,227,797	Ps .	7,648,852

(\*) Exchange rate 4.3032 as of December 31, 2011 and 3.9758 as of December 31, 2010

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The Group covers its foreign currency mismatch through foreign currency futures transactions. These transactions are carried out through auto-regulated markets (MAE / ROFEX) and with customers.

**16. Transactions with Related Parties**

The Group has granted loans to certain related parties including related officers, equity-method investees and consolidated companies. Total loans outstanding as of December 31, 2011 and 2010, amounted to Ps.139,402 and Ps.126,502, respectively, and the change from December 31, 2010 to December 31, 2011, reflects payments amounting to Ps.40,746 and advances of Ps.51,862. Furthermore, there were foreign exchange differences of Ps.1,784 on the above-mentioned portfolio between those dates.

Such loans were made in the ordinary course of business at normal credit terms, including interest rates and collateral requirements, and, in management's opinion, such loans represent normal credit risk.

**17. Breakdown of Captions Included in the Income Statement.**

	2011	December 31, 2010	2009
<b>Financial Income</b>			
<b>Interest on other receivables resulting from financial brokerage:</b>			
Interest on purchased certificates of deposits	25,383	11,684	14,914
Advance payment-Leasing	5,064	1,968	2,928
Other	4,139	1,786	5,413
	Ps . 34,586	Ps . 15,438	Ps . 23,255
<b>Other</b>			
Premiums on forward purchases of Government securities under repos	49,465	29,584	16,114
Interest on pre-export and export financing	87,992	73,298	94,517
Result from other credits by financial brokerage	5,586	4,543	60,550
Net position of valuation public sector loans			4,106
Net position of forward transactions in pesos	616		27
Other	606	223	
	Ps . 144,265	Ps . 107,648	Ps . 175,314
<b>Financial Expenses</b>			
<b>Interest on other liabilities resulting from financial brokerage:</b>			
Interest on negotiable obligations	238,791	92,980	157,970
	111,619	72,624	74,002

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Interest on other liabilities resulting from financial  
brokerage from other banks and international entities

	Ps .	350,410	Ps .	165,604	Ps .	231,972
<b>Other interest</b>						
Interest for other deposits		25,726		6,360		2,862
Other		173		7		20
	Ps .	25,899	Ps .	6,367	Ps .	2,882

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	2011	December 31, 2010	2009
<b>Other</b>			
Premiums on repo transactions	28,595	13,169	33,780
Contributions and taxes on financial income	367,392	236,792	135,644
Net position of forward transactions in pesos		48,630	24,068
Other	11,437	627	375
	Ps. 407,424	Ps. 299,218	Ps. 193,867
<b>Income from services</b>			
<b>Other</b>			
Commissions on credit cards	1,479,306	1,127,881	781,367
Safety rental	72,283	51,248	30,221
Insurance premiums	11,614	337	12,671
Other	291,038	89,020	78,644
	Ps. 1,854,241	Ps. 1,268,486	Ps. 902,903
<b>Expenses for services</b>			
<b>Other</b>			
Gross revenue taxes	186,980	131,260	91,016
Linked with credit cards	329,175	295,150	212,427
Other	94,458	14,946	14,706
	Ps. 610,613	Ps. 441,356	Ps. 318,149
<b>Administrative expenses</b>			
<b>Other operating expenses</b>			
Rentals	125,805	85,551	62,234
Electricity and communications	135,573	106,439	85,850
Maintenance and repair expenses	96,394	67,274	52,134
Security Services	116,393	75,707	50,282
Other operating expenses	52,131	38,670	29,604
	Ps. 526,296	Ps. 373,641	Ps. 280,104
<b>Miscellaneous income</b>			
<b>Other</b>			
Interest on miscellaneous receivables	67,488	25,375	31,076
Premiums and commissions from insurance business	745,376	388,486	333,669
Waiver for repayment of debt			85,550

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Other	71,678	61,635	52,051
	Ps. 884,542	Ps. 475,496	Ps. 502,346

**Miscellaneous losses**

**Other**

Claims	6,355	3,412	2,561
Commissions and expenses on insurance business	288,070	136,228	93,686
Other	39,414	28,192	26,921
	Ps. 333,839	Ps. 167,832	Ps. 123,168

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**18. Income Taxes.**

Income tax for the fiscal years ended December 31, 2011, 2010 and 2009, amounted to Ps.753,863, Ps.258,191 and Ps.155,992, respectively. The statutory income tax rate as of December 31, 2011, 2010 and 2009 was 35%. As of December 31, 2010, the Group had tax loss carryforwards in the approximate amount of Ps.262,400, that may reduce future year's taxable income for income tax purposes. Such tax loss carryforwards were fully applied as of December 31, 2011.

As of December 31, 2011 and 2010, the consolidated Group's MPIT available to credit against future income tax amounts to Ps.186,408 and Ps.395,738, respectively. Such MPIT expire over the following ten years.

**19. Shareholders' Equity and Restrictions Imposed on the Distribution of Dividends.**

The distribution of retained earnings in the form of dividends is governed by the Corporations Law and CNV regulations. These rules obligate Grupo Galicia to transfer 5% of its net income to a legal reserve until the reserve reaches an amount equal to 20% of the company's capital stock.

In the case of Banco Galicia, Argentine Central Bank rules require 20% of the profits shown in the income statement plus (less) prior year adjustments to be allocated to a legal reserve.

This proportion applies regardless of the ratio of the legal reserve to the capital stock. Should the legal reserve be used to absorb losses, dividends shall be distributed only if the value of the legal reserve exceeds 20% of the capital stock plus the capital adjustment.

The Argentine Central Bank set forth the criteria for the distribution of dividends by financial institutions. According to the new rules, dividends can be distributed up to the positive amount resulting after deducting from retained earnings the reserves that may be legally and statutory required, as well as the following items: the difference between the book value and the market value of a financial institution's portfolio of public sector assets and/or debt instruments issued by the Argentine Central Bank not valued at market price, the amount of the asset representing the losses from lawsuits related to deposits and any adjustments required by the external auditors or the Argentine Central Bank to be recognized.

In addition, to be able to distribute dividends, a financial institution must comply with the capital adequacy rule, with the minimum capital requirement and the regulatory capital calculated with the purpose to determine its ability to distribute dividends, by deducting from its assets and retained earnings all the items mentioned in the paragraph above, as well as the asset recorded in connection with the MPIT and the amounts allocated to the repayment of long-term debt instruments computable as core capital.

Moreover, in such calculation, a financial institution will not be able to compute the temporary reductions in the capital affecting minimum capital requirements, computable regulatory capital or a financial institution's capital adequacy.

In addition to the above-mentioned, the Argentine Central Bank shall not accept distribution of profits as long as computable capital is lower than minimum capital requirements increased by 75% including the requirement with regard to operational risk.

Distribution of profits shall require the prior authorization of the Argentine Central Bank's Superintendence of Financial and Foreign Exchange Institutions, which intervention shall have the purpose of verifying the aforementioned requirements have been fulfilled.



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Tarjeta Naranja S.A.'s Ordinary and Extraordinary Shareholders Meeting held on March 16, 2006 decided to set the maximum limit for the distribution of dividends at 25% of the realized and liquid profits of each fiscal year. This restriction shall remain in force as long as the company's shareholders' equity is below Ps. 300,000.

Tarjeta Naranja S.A. has agreed, pursuant to the terms and conditions of the Class IV and XIII Negotiable Obligations not to distribute dividends that may exceed 50% of the company's net income. This restriction also applies in the case there is any excess on certain indebtedness ratios.

**20. Minimum Capital.**

Grupo Galicia is not subject to the minimum capital requirements established by the Argentine Central Bank.

In addition, Grupo Galicia meets the minimum capital requirements established by the Corporations Law, which amount to Ps.12.

Pursuant to Argentine Central Bank regulations, Banco Galicia is required to maintain a minimum capital, which is calculated by weighting the risks related to assets and to the balances of bank premises and equipment and miscellaneous and intangible assets.

As called for by Argentine Central Bank regulations, as of December 31, 2011 and 2010, the minimum capital requirements were as follows:

	<b>Minimum Capital</b>	<b>Computable Capital</b>	<b>Computable Capital as a % of Minimum Capital</b>
December 31, 2011	Ps. 2,860,486	Ps. 4,416,112	154.38
December 31, 2010	Ps. 2,007,081	Ps. 3,593,930	179.06

**21. Earnings per Share.**

Earnings per share are based upon the weighted average of common shares outstanding of Grupo Galicia in the amount of 1,241,407 for the fiscal years ended December 31, 2011, 2010 and 2009.

Earnings per share for the fiscal years ended December 31, 2011, 2010 and 2009, were 0.892, 0.329, and 0.185, respectively.

As of December 31, 2011, 2010 and 2009, there were no outstanding dilutive instruments and therefore for the purposes of calculating earnings per share Grupo Galicia had a simple capital structure.

**22. Contribution to the Deposit Insurance System.**

Law No. 24,485 and Decree No. 540/95 established the creation of the Deposit Insurance System to cover the risk attached to bank deposits, in addition to the system of privileges and safeguards envisaged in the Financial Institutions Law.

The National Executive Branch through Decree No. 1127/98 dated September 24, 1998 established the maximum amount for this insurance system to demand deposits and time deposits denominated either in Pesos and/or in foreign currency. As from January 2011, said amount has been established at Ps. 120.



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This system does not cover deposits made by other financial institutions (including time deposit certificates acquired through a secondary transaction), deposits made by parties related to Banco Galicia, either directly or indirectly, deposits of securities, acceptances or guarantees and those deposits set up after July 1, 1995, at an interest rate exceeding the one established regularly by the Argentine Central Bank based on a daily survey conducted by it. Also excluded are those deposits whose ownership has been acquired through endorsement and those placements made as a result of incentives other than the interest rate. This system has been implemented through the creation of the Deposit Insurance Fund ( FGD ), which is managed by a company called Seguros de Depósitos S.A. (SEDESA). The shareholders of SEDESA are the Argentine Central Bank and the financial institutions, in the proportion determined for each one by the Argentine Central Bank based on the contributions made to the fund.

As of January 1, 2005, the Argentine Central Bank set this contribution in 0.015%.

As of December 31, 2011, 2010 and 2009, the standard contribution to the Deposits Insurance System amounted to Ps.44,874, Ps.31,839 and Ps.26,030, respectively, recorded in the Consolidated Statements of Income in Financial Expenses under the caption Contributions made to Deposit Insurance Fund .

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**23. Statements of Income and Balance Sheets.**

The presentation of financial statements according to the Argentine Central Bank rules differs significantly from the format required by the Securities and Exchange Commission under Rules 210.9 to 210.9-07 of Regulation S-X (Article 9). The statement of income presented below discloses the categories required by Article 9 using Argentine Banking GAAP:

	2011	December 31, 2010	2009
<b>Interest income:</b>			
Interest and fees on loans (*)	Ps. 5,307,748	Ps. 3,174,796	Ps. 2,278,655
Interest and dividends on investment securities:			
Non taxable interest income	235,187	21,263	270,353
Interest on interest bearing deposits with other banks	565	746	638
Interest on other receivables from financial brokerage	172,050	135,620	90,186
Trading account interest, net	457,737	318,121	284,837
 Total interest income	 6,173,287	 3,650,546	 2,924,669
<b>Interest expense</b>			
Interest on deposits	1,307,826	766,710	880,775
Interest on securities sold under agreements to repurchase	28,595	13,169	33,780
Interest on short-term liabilities from financial intermediation	28,254	77,350	67,283
Interest on long-term liabilities from financial intermediation (*)	483,382	235,985	233,477
 Total interest expense	 1,848,057	 1,093,214	 1,215,315
 Net interest income	 4,325,230	 2,557,332	 1,709,354
 Provision for loan losses, net of reversals	 639,045	 445,833	 595,713
 Net interest income after provision for loan losses	 3,686,185	 2,111,499	 1,113,641

(\*) Includes CER/CVS adjustments.

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	2011	December 31, 2010	2009
<b>Non-interest income:</b>			
Service charges on deposit accounts	Ps. 471,354	Ps. 323,328	Ps. 253,299
Credit-card service charges and fees	1,350,887	981,215	704,025
Other commissions	1,692,671	1,188,063	882,084
Income from equity in other companies	132,696	62,054	11,347
Premiums and commissions on insurance business	745,376	388,486	333,669
Other	82,327	127,723	195,426
<b>Total non-interest income</b>	<b>Ps. 4,475,311</b>	<b>Ps. 3,070,869</b>	<b>Ps. 2,379,850</b>
<b>Non-interest expense:</b>			
Commissions	881,586	601,797	424,847
Salaries and social security charges	2,029,918	1,407,961	975,767
Fees and external administrative services	481,424	268,235	183,730
Depreciation of bank premises and equipment	92,942	76,899	73,904
Personnel services	124,156	89,345	76,760
Rentals	125,805	85,551	62,234
Electricity and communications	135,573	106,439	85,850
Advertising and publicity	280,486	189,596	127,836
Taxes	935,030	608,485	406,161
Amortization of organization and development expenses	104,597	63,132	45,908
Maintenance and repair expenses	96,394	67,274	52,134
Commissions and expenses on insurance business	288,070	136,228	93,686
Amortization of Amparo claims	6,933	280,946	109,310
Other Provisions and reserves	87,622	102,387	109,296
Other	459,192	326,668	234,289
<b>Total non-interest expense</b>	<b>Ps. 6,129,728</b>	<b>Ps. 4,410,943</b>	<b>Ps. 3,061,712</b>
Income before tax expense	2,031,768	771,425	431,779
Income tax expense	753,863	258,191	155,992
<b>Net Income</b>	<b>Ps. 1,277,905</b>	<b>Ps. 513,234</b>	<b>Ps. 275,787</b>
Less: Net Loss attributable to non-controlling interest	170,962	104,333	46,512
<b>Net Income attributable to Controlling interest</b>	<b>Ps. 1,106,943</b>	<b>Ps. 408,901</b>	<b>Ps. 229,275</b>
<b>Net income per Ordinary Share in Argentine Pesos</b>	<b>0.892</b>	<b>0.329</b>	<b>0.185</b>



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Argentine Central Bank rules also require certain classifications of assets and liabilities, which are different from those required by Article 9. The following balance sheet presents Grupo Galicia's balance sheet as of December 31, 2011 and 2010, as if they had followed Article 9 balance sheet disclosure requirements using Argentine Banking GAAP.

	December 31,	
	2011	2010
<b>Assets:</b>		
Cash and due from banks	Ps . 6,430,617	Ps . 5,657,730
Interest-bearing deposits in other banks	65,981	215,282
Federal funds sold and securities purchased under resale agreements or similar agreements	1,631,035	240,811
Trading account assets	5,295,723	2,706,167
Investment securities	2,808,772	2,297,543
Loans	31,591,420	21,861,678
Allowances for loan losses	(1,283,953)	(1,038,473)
Miscellaneous receivables	762,489	823,602
Bank Premises and Equipment	1,034,692	948,067
Intangible Assets	722,771	454,115
Other assets	2,445,497	1,945,243
<b>Total assets</b>	<b>Ps . 51,505,044</b>	<b>Ps . 36,111,765</b>
<b>Liabilities and Shareholders' Equity:</b>		
Deposits	Ps . 29,899,642	Ps . 22,115,956
Short-term borrowing	1,585,664	719,831
Other liabilities	409,195	273,792
Amounts payable for spot and forward purchases to be settled	564,045	950,453
Other liabilities resulting from financial brokerage	8,263,663	5,022,761
Long-term debt	4,809,965	2,569,001
Miscellaneous Liabilities	1,316,297	909,632
Contingent liabilities	575,644	698,244
<b>Total Liabilities</b>	<b>47,424,115</b>	<b>33,259,670</b>
Common Stock	1,241,407	1,241,407
Other stockholders' equity	2,310,208	1,228,093
Non-controlling Interest	529,314	382,595
<b>Total Shareholders' Equity</b>	<b>4,080,929</b>	<b>2,852,095</b>
<b>Total Liabilities and Equity</b>	<b>Ps . 51,505,044</b>	<b>Ps . 36,111,765</b>





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The carrying value and market value of each classification of Investment securities in the Article 9 balance sheet were as follows:

	December 31, 2011			December 31, 2010				
	Carrying value	Unrealized Gains	Unrealized Losses	Market value	Carrying value	Unrealized Gains	Unrealized Losses	Market value
<b>Securities issued by the National Government</b>								
Bonar 2015 Bonds	779,731	294,145		849,254	642,147	198,693		726,643
GalTrust I	720,710	503,064		720,710	783,761	566,115		783,761
<b>Other Debt Securities and Certificates of Participation</b>								
Almafuerte Special Fund	174,091	3,602		177,693	169,890		(3,167)	166,723
Other assets	1,134,240			1,134,240	701,745			701,745
<b>TOTAL</b>	<b>Ps. 2,808,772</b>	<b>Ps. 800,811</b>		<b>Ps. 2,881,897</b>	<b>Ps. 2,297,543</b>	<b>Ps. 764,808</b>	<b>(3,167)</b>	<b>Ps. 2,378,872</b>

As of December 31, 2011 and 2010 the Group maintained investments in Certificates of Participation in Almafuerte Special Fund and Trusts sponsored by the Bank and its subsidiaries. At such dates the Group has determined that unrealized losses on these investments were temporary as the Group did not: i) intends to sell the security, (ii) it is more likely than not the Group will be required to sell the security before recovering its cost, or (iii) the Group does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell).

The maturities as of December 31, 2011, of the Investment securities included in the Article 9 balance sheet were as follows:

	December 31, 2011				
	Carrying Value	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 years but within 10 years	Maturing after 10 years
Bonar 2015 Bonds Investments	779,731		779,731		
Galtrust I	720,710	82,629	478,790	159,291	
Almafuerte Special Fund	174,091	6,092	167,999		
Other assets	1,134,240	704,150	270,895	69,175	90,020
<b>TOTAL</b>	<b>Ps. 2,808,772</b>	<b>792,871</b>	<b>1,697,415</b>	<b>228,466</b>	<b>90,020</b>

The following table presents realized gains and losses from AFS securities:

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<b>Year ended December 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Proceeds from sales		2,376,489	
Gross realized gains		971,680	
Net unrealized gains	39,170	408,981	1,312,212

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**24. Operations by Geographical Segment.**

The main financial information, classified by country where transactions originate, is shown below. Most of the transactions originated in the Republic of Uruguay were with Argentine citizens and enterprises, and were denominated in U.S. dollars. Transactions between different geographical segments have been eliminated for the purposes of this Note.

	2011	December 31, 2010	2009
Total revenues:(*)			
Republic of Argentina	Ps. 10,846,006	Ps. 6,868,807	Ps. 5,417,227
Republic of Uruguay	16,063	8,195	14,489
Grand Cayman Island	4,732	940	65
Net income (loss), net of monetary effects allocable to each country:			
Republic of Argentina	1,107,687	418,066	238,740
Republic of Uruguay	(3,967)	(8,647)	(7,274)
Grand Cayman Island	3,223	(518)	(2,191)
Total assets:			
Republic of Argentina	51,102,871	35,538,519	27,350,754
Republic of Uruguay	88,918	167,749	237,544
Grand Cayman Island	1,237	1,795	14,068
Bank Premises and Equipment			
Republic of Argentina	1,034,670	947,648	897,583
Republic of Uruguay	22	419	738
Miscellaneous assets			
Republic of Argentina	163,063	81,363	63,803
Republic of Uruguay	43	40	38
Goodwill			
Republic of Argentina	10,827	23,467	26,346
Other intangible assets			
Republic of Argentina	711,944	430,648	545,409
Republic of Uruguay			569
Geographical segment assets as a percentage of total assets			
Republic of Argentina	99.83%	99.53%	99.09%
Republic of Uruguay	0.17%	0.47%	0.86%
Grand Cayman Island			0.05%

(\*) The caption Revenues include financial income, income from services and miscellaneous income.

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**25. Financial Instruments with Off-Balance Sheet Risk.**

The Group has been party to financial instruments with off-balance sheet risk in the normal course of its business in order to meet the financing needs of its customers. These instruments expose the Bank to credit risk above and beyond the amounts recorded in the consolidated balance sheets. These financial instruments include commitments to extend credit, standby letters of credit, guarantees granted and acceptances.

The Group uses the same credit policies in making commitments, conditional obligations and guarantees as it does for granting loans. In management's opinion, the Group's outstanding commitments and guarantees do not represent unusual credit risk.

The Group's exposure to credit loss in the event of non-performance by the counterparty to the financial instrument for commitments to extend credit, standby letters of credit, guarantees granted and acceptances is represented by the contractual notional amount of those investments.

A summary of the credit exposure related to these items is shown below:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Commitments to extend credit	Ps. 2,552,994	Ps. 1,840,214
Standby letters of credit	403,734	335,761
Guarantees granted	333,976	213,830
Acceptances	116,370	111,744

Commitments to extend credit are agreements to lend to a customer at a future date, subject to the meeting of the contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent actual future cash requirements of the Group. The Group evaluates each customer's creditworthiness on a case-by-case basis. In addition to the above commitments, as of December 31, 2011 and 2010, the available purchase limits for credit card holders amounted to Ps.36,378,671 and Ps.25,950,025, respectively.

Standby letters of credit and guarantees granted are conditional commitments issued by the Group to guarantee the performance of a customer to a third party.

Acceptances are conditional commitments for foreign trade transactions.

The credit risk involved in issuing letters of credit and granting guarantees is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to its customers, the Group may require counter-guarantees. These financial customer guarantees are classified by type, as follows:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Preferred counter-guarantees	Ps. 12,688	Ps. 15,503
Other counter-guarantees	99,698	48,640



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The Group accounts for checks drawn on it and other banks, as well as other items in process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until such time when the related item clears or is accepted. In management's opinion, the risk of loss on these clearing transactions is not significant. The amounts of clearing items in process were as follows:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Checks drawn on the Bank	Ps. 421,273	Ps. 419,405
Checks drawn on the other Bank	659,759	529,215
Bills and other items for collection	4,716,946	3,575,900

As of December 31, 2011 and 2010, the trusts' funds amounted to Ps.3,265,680 and Ps.2,502,979, respectively.

In addition, the Group had securities in custody, which as of December 31, 2011 and 2010, amounted to Ps. 11,825,332 and Ps.10,634,818, respectively.

As of December 31, 2011, the Group also has off-balance sheet contractual obligations arising from the leasing of certain properties used as a part of our distribution network. The estimated future lease payments in connection with these properties are as follows:

2012	75,407
2013	85,636
2014	95,484
2015	106,083
2016	116,466
2017 and After	126,165
<b>Total</b>	<b>Ps. 605,241</b>

**26. Derivative Financial Instruments.**

The Group's management of financial risks is carried within the limits of the policies approved by the Board of Directors in such respect. In that sense, derivatives allow, depending on market conditions, to adjust risk exposures to the established limits, thus contributing to keep such exposures within the parameters set forth by said policies. The Group plans to continue to use these instruments in the future, as long as their use is favorably assessed, in order to limit certain risk exposures.

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The derivative instruments held by the Group as of December 31, 2011 and 2010 were as follows:

Type of Contract	Underlying	Average Weighted Maturity Term as of December 31, 2011	Notional Amount as of December 31, 2011	Net Book Value as of December 31, 2011 Asset / (Liability)	Net Book Value as of December 31, 2010 Asset / (Liability)	Fair Value as of December 31, 2011	Fair Value as of December 31, 2010
<b>FORWARDS (a)</b>							
- Purchases	Foreign currency	3 months	6,006,508	(2,794)	(3,163)	(2,794)	(3,163)
- Sales	Foreign currency	2 months	2,090,664	3,035	1,932	3,035	1,932
<b>FUTURES (b)</b>							
- Purchases	Interest Rate	4 months	429,000				
- Sales	Interest Rate	4 months	281,000				
<b>FORWARDS - CLIENTS (c)</b>							
- Purchases	Foreign currency	2 months	330,379				
- Purchases	Foreign currency	4 months	69,544	(768)	(92)	(768)	(92)
- Sales	Foreign currency	2 months	330,379				
- Sales	Foreign currency	3 months	275,277	8,372	3,471	8,372	3,471
<b>FORWARD FOREIGN CURRENCY HEDGE CONTRACT (d)</b>							
- Purchases	Foreign currency	2 months	8,000	(1,024)		(1,024)	
- Purchases	Foreign currency	3 months	20,000	(2,160)	(5,120)	(2,160)	(5,120)
- Purchases	Foreign currency	4 months	10,000	(860)	(2,710)	(860)	(2,710)
- Purchases	Foreign currency	6 months	10,000	(467)		(467)	
<b>OPTIONS (e)</b>							
- Put option written Boden 2012 coupon	National government securities	12 months	11,874				(302)
- Put option written Boden 2013 coupon	National government securities	18 months	56,277				(3,421)
- Call option bought on Gold Futures	Other	4 months	9,028				
- Call option written on Gold Futures	Other	4 months	9,470				
<b>INTEREST RATE SWAP (f)</b>							
- Fixed for variable interest rate	Interest Rate	6 months	105,000				
- Variable for fixed interest rate	Interest Rate	6 months	174,000				

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(a) These transactions are made through recognized exchange markets, such as Mercado Abierto Electrónico (MAE) and Mercado a Término de Rosario (ROFEX).

The general settlement method for these transactions does not require delivery of the traded underlying notional. Rather, settlement is carried on a daily basis for the difference, if any, between the closing price of the underlying and the closing price or value of the underlying corresponding to the previous day, the difference in price being charged to income.

As of December 31, 2011 there are pending purchases-sales forwards transactions amounts to Ps (2,794) and Ps. 3,035, respectively.

(b) These transactions are conducted within the trading environment created by the M.A.E. The underlying is the Badlar rate for time deposits of 30 to 35 days and of more than one million Pesos of private banks. Settlement is carried on a daily basis for the difference between the forward price or value of the traded underlying asset and the closing price or value, the difference in price being charged to income.

In case balances pending settlement exist, they are recorded under Other Receivables from Financial Brokerage and/or Other Liabilities Resulting from Financial Brokerage, as the case may be.

As of December 31, 2011 and 2010, there are not pending amounts recorded for purchases-sales futures transactions.

(c) These transactions have been conducted directly with customers. The Group records under Other Receivables from Financial Brokerage and / or Other Liabilities Resulting from Financial Brokerage, as the case may be, the difference between the agreed foreign currency exchange rate and such exchange rate at the end of the year according with the future prices published by Rofex.

(d) The Group entered into forward foreign currency hedge contracts, aimed to hedge the risk associated with the exchange rate exposure of financial debt designated in U.S. Dollars.

The settlement of the outstanding transactions at the settlement date shall be carried without the physical delivery of the currency. That is to say, it shall be by compensation or difference between the spot exchange rate for settlement and the forward exchange rate.

(e) Put options: As established by Decree 1836/02 and Argentine Central Bank regulations, in connection with the second exchange offered by the government to exchange restructured deposits for government bonds, the Bank granted an option to sell coupons to the holders of restructured deposits certificates who had opted to receive Boden 2013 Bonds and Boden 2012 Bonds in exchange for their certificates.

The exercise price will be equal to that resulting from converting to pesos the face value of each coupon in U.S. dollars at a rate of Ps.1.40 per U.S. dollar adjusted by applying the CER, which arises from comparing the index at February 3, 2002 to that corresponding to the due date of the coupon. That value shall in no case exceed the principal and interest amounts in pesos resulting from applying the face value of the coupon in U.S. dollars at the buying exchange rate quoted by Banco de la Nación Argentina (Banco Nación) on the payment date of that coupon.

As of December 31, 2011 and 2010, the options bought and sold were recorded at their exercise price in memorandum accounts. The premiums collected and/or paid have been accrued on a straight-line basis over the life of the contract.



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Call options: These transactions have been conducted with the purpose of hedging the variable yield of the deposits received by the Bank and set forth by the Argentine Central Bank.

The deposit date, the term to exercise the option and the underlying asset are the same than those for the related deposit. Notional amounts have been computed so that the offset value of derivative instruments is similar to the variable yield of the investment. Changes in the value of the underlying asset at the time of the arrangement and at fiscal year-end, equivalent to the variable yield, have been recognized in Income and are recorded under Other Receivables Resulting from Financial Brokerage and/or under Other Liabilities Resulting from Financial Brokerage, as appropriate. Premiums received and/or paid have accrued on a straight-line basis during the currency of the agreement.

As of December 31, 2011, call options bought and written totaled Ps.9,028 and Ps.9,470, respectively. These options have been recorded under Memorandum Accounts Debit-Derivatives Notional Value of Call Options Bought and under Memorandum Accounts Credit-Derivatives Notional Value of Call Options Written.

(f) These transactions are conducted within the environment created by the MAE, and the settlement thereof is carried out on a monthly basis, in pesos, for the difference between the cash flows calculated using a variable rate (Badlar for time deposits of 30 to 35 days of private banks) and the cash flows calculated using a fixed rate, or vice versa, on the notional value traded, the difference in price being charged to income.

In case accrued balances pending settlement exist, they are recorded under Other Receivables from Financial Brokerage and/or Other Liabilities Resulting from Financial Brokerage, as the case may be.

**27. Disclosure about Fair Value of Financial Instruments.**

ASC 825, Disclosures about Fair Value of Financial Instruments requires disclosures of estimates of fair value of financial instruments. These estimates were made at the end of December 2011 and 2010. Because many of the Bank's financial instruments do not have a readily trading market from which to determine fair value, the disclosures are based upon estimates regarding economic and current market conditions and risk characteristics. Such estimates are subjective and involve matters of judgment and, therefore, are not precise and may not be reasonably comparable to estimates of fair value for similar instruments made by other financial institutions.

The estimated fair values do not include the value of assets and liabilities not considered financial instruments.

In order to determine the fair value, cash flows were discounted for each category or group of loans having similar characteristics, based on credit risk, guarantees and/or maturities, using rates offered for similar loans by the Bank as of December 31, 2011 and 2010, respectively.

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	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
<b>Derivative activities: (see Note 26)</b>				
Assets	Ps 11,407	Ps 11,407	Ps 5,403	Ps 5,403
Liabilities	8,073	8,073	11,085	14,808(*)
<b>Non derivative activities:</b>				
<b>Assets:</b>				
Cash and due from banks (1)	Ps 6,418,891	Ps 6,418,891	Ps 5,645,571	Ps 5,645,571
<b>Government securities (2)</b>				
At fair market value	2,370,139	2,370,139	430,207	430,207
At acquisition cost plus IRR	2,857,596	2,886,192	1,867,503	1,849,295
Private Securities	3,128	3,128	10,302	10,302
Loans (3)	30,904,527	31,118,836	21,353,781	22,122,026
Others (4)	5,162,002	5,111,782	3,526,930	3,514,578
<b>Liabilities:</b>				
Deposits (5)	Ps 30,135,137	Ps 30,122,198	Ps 22,222,764	Ps 20,210,974
<b>Other liabilities resulting from financial Intermediation:</b>				
<b>Banks and international entities and Loans from Domestic Financial Institutions (6) and</b>				
Negotiable obligations (7)	6,487,448	6,269,460	3,307,905	3,307,916
Others (8)	8,415,982	7,905,956	5,542,108	5,240,036

(\*) The difference between book value and fair value is related to Boden 2012 and Boden 2013 Bonds written options, which were recorded off-balance under Argentine Banking GAAP, and treated as derivatives and recorded at its fair value for U.S. GAAP purposes, as described in note 35.l.

The following is a description of the estimating techniques applied:

(1) **Cash and due from banks:** By definition, cash and due from banks are short-term and do not possess credit loss risk. The carrying values as of December 31, 2011 and 2010 are a reasonable estimate of fair value.

(2) **Government securities:** As of December 31, 2011 and 2010 holdings recorded at fair market value correspond to government bonds and securities issued by Argentine Central Bank which are carried at fair value. As of December 31, 2011 and 2010 holdings recorded at their acquisition cost plus the IRR correspond mainly to Bonar 2015 bonds and securities issued by Argentine Central Bank which fair value corresponds to their quoted market value.

(3) **Loans:** The fair values of loans are estimated for groups of similar characteristics, including type of loan, credit quality incorporating the credit risk factor. For floating- or adjustable-rate loans, which mature or are repriced within a short period of time, the carrying values are considered to be a reasonable estimate of fair values. For fixed-rate loans, market prices are not generally available and the fair values are estimated discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity. For nonperforming loans, the fair values are generally determined on an individual basis by discounting the estimated future cash flows and may be based on the appraisal value of underlying collateral as appropriate.



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**(4) Others:** Includes other receivables from financial brokerage and equity investments in other companies. A majority of the items include purchases of government securities held for investment purposes which fair value is determined by the quoted market value of the underlying government securities, mostly Bonar 2015 Bonds and Securities issued by Argentine Central Bank. This caption also include financial trusts certificates of participation which their fair value is estimated using valuation techniques to convert the future amounts to a single present amount discounted. The measurement is based on the value indicated by current market expectation about those future amounts. The estimated of the cash flows is based on the future cash flows from the securitized assets, considering the prepayments, historical loan performance, etc. Equity investments in companies where significant influence is exercised are not within the scope of ASC 825, Financial Instruments. Equity investments in other companies are carried at market value less costs to sell.

**(5) Deposits:** The fair value of deposit liabilities on demand and savings account deposits is similar to its book value. The fair value of time deposits was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities.

**(6) Banks and international entities and loans from domestic financial institutions:** Includes credit lines borrowed under different credit arrangements from local and foreign banks and entities. Most of them were restructured as of May 2004. As of December 2011 and 2010, when no quoted market prices were available, the estimated fair value has been calculated by discounting the contractual cash flows of these liabilities at estimated market rates.

**(7) Negotiable obligations:** As of December 31, 2011 and 2010, the fair value of the negotiable obligations was determined based on quoted market prices and when no quoted market prices were available, the estimated fair value has been calculated by discounting the contractual cash flows of these liabilities at estimated market rates.

**(8) Others:** Includes other liabilities resulting from financial brokerage. Their fair value was estimated at the expected future cash flows discounted at the estimated rates at year-end.

**28. Situation of Banco Galicia Uruguay S.A. (in liquidation).**

During fiscal year 2009, Banco Galicia Uruguay S.A. (in liquidation) wholly repaid in advance the debt restructuring plan entered into with its creditors. Therefore and having fulfilled its obligations, its shareholders have resolved, at the Shareholders Meeting held on June 30, 2010, to voluntarily dissolve and liquidate the company.

Furthermore, taking into consideration the financial condition and the evolution estimated in the liquidation process, shareholders decided to reduce the company's computable capital for a value equal to US\$2,069 through the voluntary redemption of shares, which was carried out on October 28, 2010.

Pursuant to current regulations, the corporate name is, as from said date, Banco Galicia Uruguay S.A. (in liquidation).

At fiscal year-end, Banco Galicia Uruguay S.A. (in liquidation)'s Shareholder's Equity amounts to Ps.50,707.

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**29. Preferred Liabilities of the former Banco Almafuerite Coop. Ltda.**

As a consequence of the dissolution of former Banco Almafuerite Coop. Ltda., the Bank assumed certain preferred liabilities corresponding to five branches of said financial institution. As a counterpart, the Bank received a Class A Participation Certificate of the Nues Trust Fund and has been involved in the creation of a Special Fund. Both transactions were implemented pursuant to Resolution No. 659, dated November 27, 1998, adopted by the Board of Directors of the Argentine Central Bank within the framework of Section 35 bis, section II, clauses a) and b) of the Financial Institutions Law.

On June 30, 2006, the holders of Class A Participation Certificates of the Nues Trust and the contributors to the Special Fund subscribed a new agreement in order to achieve the total repayment of unpaid balances corresponding to Class A Participation Certificates and the subsequent liquidation of the Special Fund.

On July 6, 2010, the outstanding balance of Class A participation certificates was fully paid and the Special Fund's balance was partially paid, thus generating a remaining balance equal to the original contribution to the fund.

As of December 31, 2011 and 2010 the Special Fund's balances amount to Ps. 174,091 and Ps. 169,890, respectively.

As of December 31, 2011 and 2010 the underlying assets of the Special Fund were invested in Bonar 2014 Bonds amounting to Ps. 394,875 and to Ps. 370,946, respectively. As of December 31, 2011 and 2010 the Bank held 45% of the Special Fund.

**30. Financial Trusts.**

a) Financial trusts with the Bank as trustee outstanding at fiscal year-end:

Name	Issuance Date	Estimated maturity date	Trustee	Trust assets	Portfolio transferred	Book value of securities held in own portfolio	
						12.31.11	12.31.10
Galtrust I	10.13.00	10.10.15	First Trust of New York N.A.	Secured Bonds in Pesos at 2% due 2018 (1)	U.S. 490,224 (*)	Ps. 538,768	Ps. 521,862
Galicia	04.16.02	05.06.32	Bapro Mandatos y Negocios S.A.	National Government Bonds in Pesos at 2% due 2014 (2)	Ps. 108,000	Ps. 121,520	Ps. 96,364
Créditos Inmobiliarios Galicia II	10.12.05	12.15.25	Deutsche Bank S.A.	Mortgage loans	Ps. 150,000		Ps. 721
Galicia Personales VII	02.21.08	11.15.12	Deutsche Bank S.A.	Personal loans	Ps. 150,000		Ps. 1,652
<b>Totals</b>						<b>Ps. 660,288</b>	<b>Ps. 620,599</b>

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- (\*) The remaining US\$ 9,776 was transferred in cash.
- (1) In exchange for loans to the Provincial Governments.
- (2) In exchange for secured loans.

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b) As of December 31, 2011 and December 31, 2010, the Bank records financial trusts in own portfolio:

Received as loans repayment for Ps.112,924 and Ps.20,752, respectively.

Acquired as investments for Ps.315,641 and Ps.140,084, respectively.

c) Trust Activities

Trust contracts for purposes of guaranteeing compliance with obligations:

Purpose: in order to guarantee compliance with contractual obligations, the parties to these agreements have agreed to deliver to the Bank, amounts as fiduciary property, to be invested according to the following detail:

Date of Contract	Trustor	Balances of Trust	
		Funds December 31, 2011	Maturity Date (1)
04.10.07	Sullair	7	01.31.13
02.12.08	Sintoplast	8	01.28.13
12.21.09	Las Blondas	7	04.30.14
09.24.10	Grupo Gestión	2,042	09.30.12
12.07.10	Aceitero Trust Fund	1,941	12.31.12
12.20.10	Tecsan II	24,097	12.28.13
07.26.11	Tecsan III	100,338	07.28.16
10.21.11	Coop. de Trab. Portuarios	1,000	10.21.13
	<b>Total</b>	<b>Ps. 129,440</b>	

(1) These amounts shall be released monthly until settlement date of trustor obligations or maturity date, whichever occurs first.

Financial trust contracts:

Purpose: to administer and exercise the fiduciary ownership of the trust assets until the redemption of debt securities and participation certificates:

Date of Contract	Trust	Balances of Trust	
		Funds December 31, 2011	Maturity Date

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		Ps.	US\$	
07.13.05	Rumbo Norte I	1,253	28	07.13.12(3)
10.12.05	Hydro I	11,810		09.05.17(2)
12.05.06	Faid 2011	10,666		02.28.12(3)
12.06.06	Gas I	17,324		12.31.12(3)
09.05.07	Saturno VII	90		03.31.12(3)
05.06.08	Agro Nitralco II	8,432		12.31.12(3)
05.14.09	Gas II	2,787,515		05.31.14(3)
08.31.10	Sursem I	18		03.31.12(3)
02.10.11	Cag S.A.	39,212		06.30.12(3)
03.22.11	Atanor	28,773		04.01.12(3)
04.25.11	Faid 2015	58,262		02.29.16(3)
06.08.11	Mila III	37,450		10.31.16(3)
07.04.11	Sursem II	17,970		07.31.12(3)

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09.01.11	Mila IV	27,815	06.30.17(3)
09.14.11	Cag S.A. II	37,295	09.30.12(3)
10.07.11	Sursem III	13,045	11.30.12(3)
11.02.11	Fideicred Agro I	39,188	07.26.12(3)
	Totals	3,136,118	28

- (2) These amounts shall be released monthly until redemption of debt securities.  
(3) Estimated date, since maturity date shall occur at the time of the distribution of all of trust assets.  
d) Banco de Galicia y Buenos Aires S.A.'s activities as Security Agent:

d.1) Under the terms and conditions for the issuance of Negotiable Obligations Class I for a F.V. of US\$ 25,000 corresponding to INVAP S.E., Banco de Galicia y Buenos Aires S.A. entered into an agreement with the latter whereby the Bank undertakes the function of Security Agent.

Pursuant to the terms set forth in the above agreement, INVAP S.E. granted in rem rights with first pledge and privilege over payment rights and any other credit right owned by INVAP S.E. in favor of the Security Agent and in representation of the holders of the secured obligations, in order that the latter can guarantee compliance thereof until the redemption of such Negotiable Obligations.

The Bank, in its capacity as Security Agent, is in charge of the administration of pledged banking accounts, authorized investments, and also carries out all functions specified under the terms and conditions of the agreement. Pledged balances as of December 31, 2011 amount to US\$ 38,063 and Ps. 57, while as of December 31, 2010 said balances amounted to US\$ 34,774 and Ps. 97.

d.2) On April 8, 2011 Banco de Galicia y Buenos Aires S.A. was appointed Security Agent to custody the National Treasury's endorsement guarantees in favor of ENARSA (*Energía Argentina SA*) that were assigned in favor of *Nación Fideicomisos SA* in its capacity of Trustee of ENARSA-BARRAGAN and ENARSA-BRIGADIER LOPEZ financial trusts.

Said endorsement guarantees secure the payment of all obligations arising from the above-mentioned trusts for the total amount of US\$ 1,340,000.

The Bank, in its capacity as Security Agent, will custody the documents regarding the National Treasury's endorsement guarantees and will be in charge of managing all legal and notarial proceedings with respect to the enforcement thereof.

As of December 31, 2011, the balances recorded from these transactions amount to US\$ 1,364,097 and Ps. 408.

**31. Segment Reporting.**

The Group has disclosed its segment information in accordance with the Disclosures about Segments of an Enterprise and Related Information ASC 280-10. Operating segments are defined as components of an enterprise about which separate financial information is available and which is regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance. Reportable segments consist of one or more operating segments with similar economic characteristics, distribution systems and regulatory environments. The information provided for Segment Reporting is based on internal reports used by the Board of Directors.

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The Group measures the performance of each of its business segments primarily in terms of Net income in accordance with the regulatory reporting requirements of the Argentine Central Bank. Net income and other segment information are based on Argentine Banking GAAP and are consistent with the presentation of the Group's consolidated financial statements.

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The following summarizes the aggregation of Grupo Financiero Galicia's operating segments into reportable segments:

**Banking**: corresponds to the results of our banking business and represents the accounts of Banco de Galicia y Buenos Aires S.A. consolidated line by line with Banco Galicia Uruguay S.A. and its subsidiaries. The results Galicia Valores S.A. Sociedad de Bolsa, and Galicia Administradora de Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversión, which are controlled by the Bank are shown under income from equity investments.

**Regional Credit Cards**: shows the results of our regional credit card and consumer finance business and represents the accounts of Tarjetas Regionales S.A. consolidated with its subsidiaries. As of December 31, 2011, Tarjetas Regionales S.A.'s main subsidiaries were Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A.

**CFA Personal Loans**: shows the results of Compañía Financiera Argentina S.A. This Company was incorporated as of June 30, 2010 in the consolidated financial statements of the Bank.

**Insurance**: includes the results of our insurance business and represents the accounts of Sudamericana Holding S.A. and its subsidiaries, including the results of the 12.5% interest owned by the Bank. As of December 31, 2011, Grupo Financiero Galicia S.A. maintained, through Sudamericana Holding S.A., controlling interests in Galicia Vida Compañía de Seguros S.A., Galicia Retiro Compañía de Seguros S.A. and Sudamericana Asesores de Seguros S.A.

**Other Grupo Businesses**: shows the results of Galicia Warrants S.A., Net Investment S.A. (in both cases, including the 12.5% interest of the Bank), Galval Agente de Valores S.A. and GV Mandataria de Valores S.A.

The column Adjustments comprises (i) intercompany transactions between us and our consolidated subsidiaries and among these companies, if corresponding, which are eliminated in our consolidated income statement; (ii) adjustments to compensate for not showing the results of Galicia Valores S.A. Sociedad de Bolsa, Galicia Administradora de Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversión consolidated line by line with Banco Galicia but as income from equity investments, while in our consolidated financial statements, the accounts of these companies are shown line by line; (iii) the results corresponding to Non-controlling interests in the Bank and (iv) all of our stand alone income and expenses, including goodwill amortization, different from income from our interests in our subsidiaries.

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In Pesos Thousands	Banking	Regional Credit Cards	CFA Personal Loans	Insurance	Other Grupo s Businesses	Adjustments	Consolidated Total
<b>Year ended December 31, 2011</b>							
Net Financial Income	2,362,549	701,587	655,534	47,510	680	(24,317)	3,743,543
Net Income from Services	1,095,450	1,571,092	36,014		19,182	(270,035)	2,451,703
<b>Net Operating Revenue</b>	<b>3,457,999</b>	<b>2,272,679</b>	<b>691,548</b>	<b>47,510</b>	<b>19,862</b>	<b>(294,352)</b>	<b>6,195,246</b>
Provisions for Loan Losses	494,109	270,390	78,871				843,370
Administrative Expenses	2,302,358	1,402,148	373,481	103,214	21,786	2,224	4,205,211
<b>Net Operating Income</b>	<b>661,532</b>	<b>600,141</b>	<b>239,196</b>	<b>(55,704)</b>	<b>(1,924)</b>	<b>(296,576)</b>	<b>1,146,665</b>
<b>Income from Equity Investment</b>							
<i>Tarjetas Regionales SA</i>	347,019					(347,019)	
<i>Compañía Financiera Argentina SA</i>	315,026					(315,026)	
<i>Sudamericana</i>	11,285					(11,285)	
<i>Others</i>	17,711					114,985	132,696
Other Income (Loss)	80,389	141,202	94,513	199,005	3,808	233,490	752,407
Non-controlling interests		(106,418)				(64,544)	(170,962)
<b>Pre-tax Income</b>	<b>1,432,962</b>	<b>634,925</b>	<b>333,709</b>	<b>143,301</b>	<b>1,884</b>	<b>(685,975)</b>	<b>1,860,806</b>
Income tax provision	325,700	287,906	111,143	50,330	2,586	(23,802)	753,863
<b>Net Income</b>	<b>1,107,262</b>	<b>347,019</b>	<b>222,566</b>	<b>92,971</b>	<b>(702)</b>	<b>(662,173)</b>	<b>1,106,943</b>
Net Income as a % of Grupo Financiero Galicia s Net Income	100%	31%	20%	8%			
<b>Average:</b>							
Private Loans	19,608,300	5,087,467	1,522,954				26,218,721
Deposits	25,146,838		289,384			(8,031)	25,428,191
<b>End of Period:</b>							
Assets	43,324,590	7,306,208	2,326,969	390,391	39,831	(2,194,963)	51,193,026
Equity	3,602,824	1,099,184	954,067	135,072	21,334	(2,260,866)	3,551,615

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In Pesos Thousands	Banking	Regional Credit Cards	CFA Personal Loans	Insurance	Other Grupo s Businesses	Adjustments	Consolidated Total
<b>Year ended December 31, 2010</b>							
Net Financial Income	1,426,748	503,385	282,021	28,656	(738)	(37,861)	2,202,211
Net Income from Services	880,591	1,040,109	25,902		12,835	(177,560)	1,781,877
<b>Net Operating Revenue</b>	<b>2,307,339</b>	<b>1,543,494</b>	<b>307,923</b>	<b>28,656</b>	<b>12,097</b>	<b>(215,421)</b>	<b>3,984,088</b>
Provisions for Loan Losses	307,240	199,461	44,823				551,524
Administrative Expenses	1,693,034	905,035	159,165	56,188	17,351	14,541	2,845,314
<b>Net Operating Income</b>	<b>307,065</b>	<b>438,998</b>	<b>103,935</b>	<b>(27,532)</b>	<b>(5,254)</b>	<b>(229,962)</b>	<b>587,250</b>
<b>Income from Equity Investment</b>							
<i>Tarjetas Regionales SA</i>	270,494					(270,494)	
<i>Compañía Financiera Argentina SA</i>	133,277					(133,277)	
<i>Sudamericana</i>	4,023					(4,023)	
<i>Others</i>	13,665					48,389	62,054
Other Income (Loss)	(259,390)	101,716	37,473	75,102	4,602	162,618	122,121
Non-controlling interests		(78,417)				(25,916)	(104,333)
<b>Pre-tax Income</b>	<b>469,134</b>	<b>462,297</b>	<b>141,408</b>	<b>47,570</b>	<b>(652)</b>	<b>(452,665)</b>	<b>667,092</b>
Income tax provision		191,803	51,195	16,269	1,303	(2,379)	258,191
<b>Net Income</b>	<b>469,134</b>	<b>270,494</b>	<b>90,213</b>	<b>31,301</b>	<b>(1,955)</b>	<b>(450,286)</b>	<b>408,901</b>
Net Income as a % of Grupo Financiero Galicia s Net Income	115%	66%	22%	8%	(1)%		
<b>Average:</b>							
Private Loans	12,818,609	3,341,756	640,405			2	16,800,722
Deposits	18,111,998		116,499			(13,095)	18,215,402
<b>End of Period:</b>							
Assets	30,212,422	4,888,094	1,754,255	293,886	37,810	(1,478,404)	35,708,063
Equity	2,595,660	812,252	787,460	105,102	22,599	(1,853,573)	2,469,500

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In Pesos Thousands	Banking	Regional Credit Cards	Insurance	Other Grupo Businesses	Adjustments	Consolidated Total
<b>Year ended December 31, 2009</b>						
Net Financial Income	1,144,226	375,491	28,543	(1,931)	(1,151)	1,545,178
Net Income from Services	727,855	736,985		12,485	(166,405)	1,310,920
<b>Net Operating Revenue</b>	<b>1,872,081</b>	<b>1,112,476</b>	<b>28,543</b>	<b>10,554</b>	<b>(167,556)</b>	<b>2,856,098</b>
Provisions for Loan Losses	388,665	250,840				639,505
Administrative Expenses	1,321,785	621,865	42,984	19,255	23,240	2,029,129
<b>Net Operating Income</b>	<b>161,631</b>	<b>239,771</b>	<b>(14,441)</b>	<b>(8,701)</b>	<b>(190,796)</b>	<b>187,464</b>
<b>Income from Equity Investment</b>						
<i>Tarjetas Regionales SA</i>	133,028				(133,028)	
<i>Sudamericana</i>	3,352				(3,352)	
<i>Others</i>	13,139				(1,792)	11,347
Other Income (Loss)	(139,303)	54,966	55,327	15,629	246,349	232,968
Non-controlling interests		(32,642)			(13,870)	(46,512)
<b>Pre-tax Income</b>	<b>171,847</b>	<b>262,095</b>	<b>40,886</b>	<b>6,928</b>	<b>(96,489)</b>	<b>385,267</b>
Income tax provision		129,067	14,153	4,576	8,196	155,992
<b>Net Income</b>	<b>171,847</b>	<b>133,028</b>	<b>26,733</b>	<b>2,352</b>	<b>(104,685)</b>	<b>229,275</b>
Net Income as a % of Grupo Financiero Galicia s						
Net Income	75%	58%	12%	1%		
<b>Average:</b>						
Private Loans	8,959,360	2,402,489			(18,215)	11,343,634
Deposits	14,765,933				(7,376)	14,758,557
<b>End of Period:</b>						
Assets	27,224,687	3,365,737	260,694	39,209	(3,287,961)	27,602,366
Equity	2,126,522	586,757	90,801	21,854	(773,395)	2,052,539

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**32. Agreement for the purchases of shares**

The Argentine Central Bank's Board of Directors, through Resolution No. 124 dated June 7, 2010, authorized the Bank to purchase 95% of the shares belonging to the following companies: Compañía Financiera Argentina S.A., Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.). Furthermore, through the above-mentioned resolution the Argentine Central Bank authorized the subsidiary Tarjetas Regionales S.A. to purchase the remaining 5% of the shares belonging to said companies.

The total purchase price paid amounted to Ps.328,279 for Compañía Financiera Argentina, Ps.835 for Cobranzas y Servicios S.A. and Ps.4,809 for Procesadora Regional S.A. (former Universal Processing Center S.A.).

Pursuant to the Argentine Central Bank regulations, and due to the difference between the acquisition cost and the value of assets and liabilities purchased as of June 30, 2010, valued in line with those that belong to the Group, a negative goodwill amounting to Ps.500,608 was recorded by Compañía Financiera Argentina S.A. and a negative goodwill of Ps.16,764 was recorded by Cobranzas y Servicios S.A., both of which were recorded in caption Liabilities-Provisions.

The negative goodwill is charged to Income on a straight-line basis during 60 months, pursuant to the Argentine Central Bank regulations in that regard.

*Additional disclosures for business combinations as required by ASC 805-10-50-2 (h)*

The table below presents an unaudited condensed income statement data of CFA (Compañía Financiera Argentina S.A., Cobranzas y Servicios S.A. and Procesadora Regional S.A. are collectively refer to as CFA ) for the six-month period ending December 31, 2010, which represents the results of CFA since the acquisition date included in Grupo Galicia's consolidated income statement for the year ended December 31, 2010.

	<b>Condensed income statement of CFA for the six-month period ending December 31, 2010</b>
Net financial income	282,021
Net Income from services	25,902
<b>Net operating revenue</b>	<b>307,923</b>
Provisions for loan losses	(44,823)
Administrative expenses	(159,165)
<b>Net operating income</b>	<b>103,935</b>
Other income loss	37,473
Non-controlling interest	
<b>Pre-tax income</b>	<b>141,408</b>
Income tax provision	(51,195)
<b>Net Income</b>	<b>90,213</b>

The table below presents the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010 which give effect to Grupo Galicia's acquisition of CFA as if it had occurred on January 1, 2010.

The unaudited pro forma condensed consolidated income statement presented below is derived from the historical financial statements of CFA and Grupo Galicia's in accordance with Argentina Banking GAAP. Such unaudited pro forma consolidated financial information does not include eliminations related to transactions between Grupo Galicia and CFA, the anticipated realization of cost savings from any operating

efficiencies, synergies or restructurings resulting from the integration of CFA.

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Grupo Galicia believes that the assumptions used to derive the unaudited pro forma condensed consolidated income statement are reasonable given the information available; however, such assumptions are subject to change and the effect of any such change could be material. The unaudited pro forma condensed consolidated income statement has been provided for information purposes only and is not necessarily indicative of the financial condition or results of operations that would have been achieved had the transaction actually been completed on the dates indicated and do not purport to be indicative of results of operations at any future date or for any future period.

	Unaudited pro-forma condensed income statement of Grupo Galicia for the twelve-month period ending December 31, 2010	Unaudited pro-forma condensed income statement Grupo Galicia for the twelve-month period ending December 31, 2009
Net financial income	2,453,977	1,918,615
Net Income from services	1,807,430	1,351,678
<b>Net operating revenue</b>	<b>4,261,407</b>	<b>3,270,293</b>
Provisions for loan losses	(681,602)	(791,689)
Administrative expenses	(2,999,289)	(2,269,451)
<b>Net operating income</b>	<b>580,516</b>	<b>209,153</b>
Other income	194,764	273,057
Non-controlling interest	(104,333)	(155,992)
<b>Pre-tax income</b>	<b>670,947</b>	<b>326,218</b>
Income tax provision	(283,428)	(65,871)
<b>Net Income</b>	<b>387,519</b>	<b>260,347</b>

**33. Differences between the Argentine Central Bank's regulations and Argentine GAAP in the Autonomous City of Buenos Aires.**

The main differences between the Argentine Central Bank's regulations and Argentine GAAP are detailed below:

**Bonar 2015 Bonds in Holdings recorded at their acquisition cost plus IRR**

In January 2010, Bonar 2015 with a face value of Ps.668,178 were recorded in this item, from which face value Ps.627,178 were valued at their acquisition cost increased according to the internal rate of return (I.R.R.) and face value Ps.41,000 were valued at fair values as of the previous fiscal year-end. Holdings of these securities are valued at their acquisition cost at the closing of operations on the day before they were recognized. Consequently, the recognition of face value Ps.627,178 generated income for Ps.240,624.

As of December 31, 2011, these holdings have been valued at their acquisition cost increased on an exponential basis according to their I.R.R. The same criterion was applied to holdings of such bonds used in reverse repo transactions. Under Argentine GAAP these securities should be valued at market price, the Bank's Shareholders' Equity would have been increased by Ps.69,523 as of December 31, 2011.

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**Conversion of financial statements**

The conversion into pesos of the financial statements of the foreign branches and subsidiaries for the purpose of their consolidation with Banco Galicia's financial statements, made in accordance with Argentine Central Bank regulations differ from Argentine GAAP (Technical Pronouncement No. 18). Argentine GAAP requires that:

- a) The measurements in the financial statements that are stated in fiscal year-end foreign currency (current values, recoverable values) be converted into pesos at the balance sheet date exchange rate; and
- b) The measurements that are stated in foreign currency of periods predating the closing date (for example: those which represent historical costs, income, expenses) in the financial statements be converted into pesos at the pertinent historical exchange rates, restated at fiscal year-end currency due to the application of Technical Pronouncement No. 17. Quotation differences arising from conversion of the financial statements are treated as financial income or losses, as the case may be.

The application of this criterion instead of that mentioned in Note 2.2 does not have a significant impact on the Group's financial statements.

**Allowance for loan losses – Non-financial public sector**

Current Argentine Central Bank regulations on the establishment of allowances provide that receivables from the public sector are not subject to allowances for uncollectibility risk. Under Argentine GAAP, those allowances must be estimated based on the recoverability risk of those assets.

**Negative Goodwill**

As of December 31, 2011 and 2010, the Bank have recorded a negative goodwill (net of the accumulated amortizations) for Ps.346,931 and Ps.465,634, respectively, thus regularizing the equity investments. This negative goodwill stems from the difference between the acquisition cost paid by the companies Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. and their equity method value estimated at the time of the purchase.

Pursuant to the Argentine Central Bank regulations, the negative goodwill is recorded regularizing the equity investment and subsequently charged to income on a straight-line basis during 60 months. Pursuant to Argentine GAAP, negative goodwill should be recognized as a gain as the time of the purchase.

**Accounting for income tax according to the deferred tax method**

The Bank determines the Income Tax charge by applying the statutory tax rate to the estimated taxable income, without considering the effect of any temporary differences between accounting and tax results.

Under Argentine GAAP, income tax must be recognized using the deferred tax method and, therefore, deferred tax assets or liabilities must be established based on the aforementioned temporary differences. In addition, unused tax loss carryforwards or fiscal credits that may be offset against future taxable income should be recognized as deferred assets, provided that taxable income is likely to be generated.

**Adoption of the International Financial Reporting Standards by the National Securities Commission**

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The international financial reporting standards adopted by the National Securities Commission (C.N.V.) are not applicable to Banco de Galicia y Buenos Aires S.A., Galicia Seguros S.A. and Galicia Retiro S.A. This is due to the fact that the C.N.V. holds the position to accept accounting criteria set forth by other regulatory or control bodies, such as those established by the Argentine Central Bank for the companies included in the Financial Institutions Law and those established by the Argentine Superintendency of Insurance for insurance companies.

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It is worth noting that Technical Pronouncement No. 26 waives the compulsory application of the International Financial Reporting Standards to companies regarding which, even if they have negotiable securities within the public offering system, whether because of their capital or else their negotiable obligations, the C.N.V. holds the position to accept accounting criteria set forth by other regulatory or control bodies, such as companies included in the Financial Institutions Law and insurance companies.

In line with the aforementioned, on April 28, 2010, the Company's Board of Directors approved the specific implementation plan, which excluded Banco de Galicia y Buenos Aires S.A. and the insurance companies.

Later, on November 24, 2011, the C.N.V. issued General Resolution No. 595 through which companies that invest in banks and insurance companies are exempted from the mandatory adoption of the I.F.R.S. Therefore, due to the fact that Banco de Galicia y Buenos Aires S.A. is the Company's main equity investment, a financial institution subject to the Argentine Central Bank regulations, the Company will continue following the valuation and disclosure criteria applied by Banco de Galicia y Buenos Aires S.A. for the presentation of the consolidated financial statements. Therefore, on January 24, 2012, the Company's Board of Directors decided to suspend the application of the implementation plan submitted in due time.

Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A., institutions which are both included in the public offering system because of their Negotiable Obligations pursuant to Law No.17811, have approved their respective implementation plans according to the provisions set forth in General Resolution No. 562 issued in December 2009 by the C.N.V. Thus, Tarjetas Regionales S.A.'s Board of Directors approved a plan to voluntarily implement said regulations, which was carried out in coordination with the above-mentioned subsidiaries and allows for the application of such regulations as from January 1, 2012.

**34. Subsequent events**

**Grupo Financiero Galicia**

On January 4, 2012 Grupo Financiero Galicia acquired in the market 500,000 shares of Banco Galicia. As a result Grupo Financiero Galicia stake in Banco Galicia as of January 2012 increased from 94.84% to 94.93%.

On April 19, 2012, our shareholders held a shareholders' meeting during which they approved the payment of dividends in cash in the amount of Ps.17.8 million which represents 1.4% with regard to 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

On April 24, 2012, the Board of Directors approved the issuance of Class III notes for a total global maximum face value of up to US\$32 million.

**Banco Galicia**

After fiscal year end, the organizational structure changed due to the following events:

Tarjeta Naranja S.A.'s board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja S.A. (merging company).

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Tarjetas Regionales carried out a capital increase that was mainly paid in by the contribution of the minority shareholders' holdings in its subsidiaries Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A. Therefore, Banco Galicia's direct and indirect interest decreased to 77% of the capital stock and the remaining 23% is held by the shareholders who, by means of the above-mentioned contribution, became Tarjetas Regionales' minority shareholders.

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The Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

The Argentine Central Bank also established new requirements regarding dividend distribution. The excess of computable capital over the minimum requirement was increased from 30% to 75%, including 100% of the above mentioned requirement for operational risk.

**Tarjetas Regionales**

On January 6, 2012, the board of directors of Tarjetas Cuyanas, a subsidiary of Tarjetas Regionales, approved the issuance of its Class VII notes, to be issued in one or two series, for a nominal aggregate maximum amount of Ps.150 million. On January 24, 2012 Tarjetas Cuyanas issued Series I and Series II notes, for a face value of Ps.106.1 million and Ps.43.9 million respectively.

**Compañía Financiera Argentina**

On April 12, 2012, the distribution of a cash dividend for Ps.176.3 million was approved at CFA's shareholders' meeting.

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**35. Summary of Significant Differences between Argentine Central Bank Rules and United States Accounting Principles.**

As discussed more fully in u. Consolidated Cash Flows below, the company has restated the previously presented cash flows in accordance with the generally accepted accounting principles in the United States ( US GAAP ) for the years ended December 31, 2010 and 2009.

The following is a description of the significant differences between Argentine Banking GAAP and U.S. GAAP.

**a. Income tax**

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and, therefore, income taxes for Banco Galicia and CFA are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, Grupo Galicia and Grupo Galicia's non-bank subsidiaries apply the deferred income tax method. As a result, Grupo Galicia and its non-banking subsidiaries have recognized a deferred tax asset as of December 31, 2011 and 2010.

For the purposes of U.S. GAAP reporting, Grupo Galicia applies ASC 740-10 Accounting for Income Taxes . Under this standard, income tax is recognized based on the assets and liabilities method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax basis of Grupo Galicia's assets and liabilities. Deferred tax assets are recognized if it is more likely than not that such assets will be realized.

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Deferred tax assets (liabilities) are summarized as follows:

	ASC 740-10 applied to Argentine GAAP balances		December 31, 2011 ASC 740-10 applied to U.S. GAAP adjustments		U.S. GAAP Deferred Tax total
<b>Deferred tax assets</b>					
Allowance for loan losses private sector		237,743		(7,379)	230,364
Intangible assets		1,326		73,851	75,177
Impairment of fixed assets and foreclosed assets				19,110	19,110
Debt restructuring				14,924	14,924
Investments		13,146			13,146
Liabilities		93,314			93,314
Others		46,441		41,178	87,619
<b>Total gross deferred tax assets</b>	Ps.	391,970	Ps.	141,684	Ps. 533,654
<b>Deferred tax liabilities:</b>					
Investments				(29,272)	(29,272)
Others		(102,495)			(102,495)
<b>Total gross deferred tax liabilities</b>	Ps.	(102,495)	Ps.	(29,272)	Ps. (131,767)
<b>Net deferred income tax asset</b>	Ps.	289,475	Ps.	112,412	Ps. 401,887

	ASC 740-10 applied to Argentine GAAP balances		December 31, 2010 ASC 740-10 applied to U.S. GAAP adjustments		U.S. GAAP Deferred Tax total
<b>Deferred tax assets</b>					
Allowance for loan losses private sector		165,836		(22,919)	142,917
Intangible assets		997		46,766	47,763
Impairment of fixed assets and foreclosed assets				19,598	19,598
Debt restructuring				26,603	26,603
Investments		7,175			7,175
Liabilities		70,838			70,838
Others		89,128		30,970	120,098
Loss carry forward		91,840			91,840



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Total gross deferred tax assets	Ps.	425,814	Ps.	101,018	Ps.	526,832
<b>Deferred tax liabilities:</b>						
Allowance for loan losses public sector		(54,514)				(54,514)
Provincial public debt				(27,541)		(27,541)
Others		(117,998)				(117,998)
<b>Total gross deferred tax liabilities</b>	<b>Ps.</b>	<b>(172,512)</b>	<b>Ps.</b>	<b>(27,541)</b>	<b>Ps.</b>	<b>(200,053)</b>
Net deferred income tax asset	Ps.	253,302	Ps.	73,477	Ps.	326,779

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The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory income tax rate in Argentina to income before income tax, calculated on the basis of U.S. GAAP for the fiscal years ended December 31, 2011, 2010 and 2009:

	<b>2011</b>	<b>December 31, 2010</b>	<b>2009</b>
Income before taxes and non controlling interest	Ps. 1,737,935	Ps. 3,035,816	Ps. 940,268
Tax rate in force	35%	35%	35%
Result for the year at the tax rate	608,277	1,062,536	329,094
Permanent differences	70,478	(554,414)	(274,578)
<b>Income tax expense</b>	<b>Ps. 678,755</b>	<b>Ps. 508,122</b>	<b>Ps. 54,516</b>

As of December 31, 2010 and 2009, the Group had tax loss carryforwards, which may reduce future year's taxable income for income tax purposes. Such tax loss carryforwards have been consumed as of December 31, 2011.

In addition, according to the taxable income projections, the Group estimates that it is more likely than not that it will recover the temporary differences and the presumed minimum income tax with future taxable income and the presumed minimum income tax will be utilized during 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

Accounting for Uncertainty in Income Taxes, ASC 740-10 was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards ASC 740-10. ASC 740-10 became effective for the Group on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2011, there were no uncertain tax positions.

The Group classifies income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on the Group's overall financial position or results of operations.

The following table shows the tax years open for examination as of December 31, 2011, by major tax jurisdictions in which the Group operates:

Jurisdiction	Tax year	
Argentina	2007	2011
Uruguay	2007	2011

**b. Commissions on loans**

Under Argentine Banking GAAP, the Bank does not defer loan origination fees and costs. In accordance with U.S. GAAP under ASC 310, loan origination fees net of certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

Therefore the Shareholders' Equity adjustment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011 and 2010 amounted to Ps. (118,544) and Ps. (84,642) respectively.



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**c. Intangible assets****Goodwill Amortization and impairment**

The following table summarizes the U.S. GAAP shareholders' equity adjustments as of December 31, 2011 and 2010:

	December 31,	
	2011	2010
Goodwill impairment (1)	(3,688)	(11,483)
Reversal of amortizations (2)	44,414	43,618
<b>Total</b>	<b>Ps. 40,726</b>	<b>Ps. 32,135</b>

- (1) The amount includes goodwill recognized under Argentine Banking GAAP, which should be reversed for U.S. GAAP purposes. The adjustment has decreased because during 2011, the Bank has fully amortized a portion of goodwill which was previously impaired for U.S. GAAP purposes.
- (2) Goodwill is amortized for Argentine Banking GAAP purposes. Under U.S. GAAP, according to ASC 350-20, since June 30, 2001, goodwill is no longer amortized. ASC 350 requires that goodwill should be reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and adjusted in case that an impairment is detected. Goodwill amortization recorded under Argentine Banking GAAP has been reversed for U.S. GAAP purposes. During the year ended December 31, 2011, 2010 and 2009, no impairment was recorded.

**Negative Goodwill Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A.**

As described in note 32, due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of June 30, 2010, for the purchase of Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. the Group recorded negative goodwill amounting to Ps.500,608 by Compañía Financiera Argentina S.A. and Ps.16,764 by Cobranzas y Servicios S.A., respectively, under the caption Liabilities-Provisions. The negative goodwill is subsequently charged to Income on a straight-line basis during 60 months.

Under U.S. GAAP, ASC 805 requires the acquisition of the controlling interest of Compañía Financiera Argentina and Cobranzas y Servicios S.A. to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value.

Considering that the net assets acquired were originally recorded at their fair value under Argentine Banking GAAP, no adjustments for U.S. GAAP purposes were recorded in this regard. However, the negative goodwill recorded as a liability and being amortized over a 60 months period under Argentine Banking GAAP, has been fully recognized as a gain in the consolidated statement of income for U.S. GAAP purposes under the caption Miscellaneous Income.

In addition, the amortization of negative goodwill recorded under Argentine Banking GAAP has been reversed for U.S. GAAP purposes.

As of December 31, 2011 and 2010, the Group has a balance of Ps. 346,931 and Ps. 465,634 respectively, related to the negative goodwill which has been reversed for U.S. GAAP purposes.



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**Software costs**

Under U.S. GAAP, ASC 850-40 defines three stages for the costs of computer software developed or obtained for internal use: the preliminary project stage, the application development stage and the post-implementation operation stage. Only the second stage costs should be capitalized. Under Argentine Banking GAAP, the Bank capitalized costs relating to all three of the stages of software development.

During the year ended December 31, 2011, the Bank has capitalized software costs related to the preliminary project stage and the post-implementation operation stage which were expensed as incurred for U.S. GAAP purposes and therefore increasing the U.S. GAAP adjustment as of December 31, 2011.

Therefore the Shareholders' Equity adjustment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011 and 2010 is as follows:

	December 31,	
	2011	2010
Capitalized cost expensed for U.S. GAAP purposes	(232,638)	(142,866)
Amortization adjustments	21,635	9,253
<b>Total</b>	<b>Ps. (211,003)</b>	<b>Ps. (133,613)</b>

**d. Loan loss reserves****(i) Loans - Non-financial national public sector**

During the fiscal year ended December 31, 2001, and as a consequence of Decree No. 1387/01, effective as of November 6, 2001, the Bank swapped part of its Argentine public-sector debt instruments, under the Promissory Note/Bond program, for secured loans.

During January 2009 the National Government offered a public debt swap, including secured loans set forth in Decree No. 1387/01 and other debt securities. Regarding such measure, the Bank took part in an exchange of National Secured Loans - DUE:2009-7%, Bond Promissory Note G+580 Mega (fixed rate), for other public sector assets pursuant to their market prices.

Under Argentine Banking GAAP, the Secured Loans have been valued on the basis of the highest value that arises from the difference between the present value, informed by the Argentine Central Bank, and their net book value. The latter value is the book value recorded as of January 31, 2009, increased monthly by the IRR and adjusted by the CER, net of charged financial services received. In the case these Secured Loans' present value is lower than their book value, the monthly accrual is charged to an asset regularizing account. Such account shall be reversed by charging its balance to Income as long as such balance is higher than the positive difference existing between the present value and the net book value, as recorded in the previous fiscal year.

In accordance with U.S. GAAP, specifically ASC 310-20, satisfaction of one monetary asset (in this case a loan or debt security) by the receipt of another monetary asset (in the case a secured loan) for the creditor is generally based on the market value of the asset received in satisfaction of the debt (an extinguishment). In this particular case, the secured loan being received is substantially different in structure and in interest rates than the debt securities swapped. Therefore, the fair value of the loans was determined on the balance sheet date based on the contractual cash

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flows of the loan received discounted at an estimated market rate. The estimated fair value of the loan received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss. The difference between the cost basis and amounts expected to be collected is being amortized on an effective yield basis over the life on the loan.

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During the year ended December 31, 2010 the Bank sold its position in these loans. Therefore, as of December 31, 2011 and 2010, the shareholders' equity does not include a reconciliation item related to the above mentioned adjustment.

**(ii) Loans to the non-financial private sector and residents abroad**

For the purposes of analyzing our loan loss reserve under U.S. GAAP, the Bank divides the loan portfolio into performing and non-performing commercial and consumer loans.

The non-performing commercial loan portfolio is comprised of loans falling into the following classifications of the Argentine Central Bank:

With Problems  
High Risk of Insolvency  
Uncollectible

The Bank applies ASC 310-10 to all commercial loans classified as With problems, High Risk of Insolvency and Uncollectible or commercial loans more than 90 days past due. All non-performing commercial loans are individually assessed for impairment. All other loans are assessed on a collective basis.

The allowance for significant non-performing loans is measured based on the present value of estimated future cash flows discounted at the original effective loan rate or on the fair value of the collateral net of estimated costs to sell in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when estimated future cash flows discounted at their original effective rate or collateral fair value is lower than book value.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, the Bank performs an analysis of historical losses from consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes, resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Many factors can affect the Bank's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

Allowances on homogeneous loan portfolios are established based on probability of default, which is defined as the probability of the debtor within a specific loan portfolio or segment and rating, defaulting on its obligations within the next twelve (12) months. Under U.S. GAAP, this probability of default is determined by analyzing estimated defaults or foreclosures based on portfolio trends, historical losses, and client's payment behavior.



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**a. Allowance for Credit Losses and Recorded Investments in Financial Receivables**

The following table presents the allowance for loan losses and the related carrying amount of Financial Receivables for the years ended December 31, 2011 and 2010 respectively:

	As of December 31, 2011		
	Consumer Loan Portfolio	Commercial Loan Portfolio	Total
<b>Allowances for loan losses:</b>			
Beginning balance	729,212	75,474	804,686
Charge-offs	(457,741)	(94,746)	(552,487)
Recoveries	(22,146)		(22,146)
Foreign Exchange effect and other adjustments	30		30
Provision	881,554	167,840	1,049,394
<b>Ending balance</b>	<b>1,130,909</b>	<b>148,568</b>	<b>1,279,477</b>
Ending balance- individually evaluated for impairment		40,475	40,475
Ending balance- collectively evaluated for impairment	1,130,909	108,093	1,239,002
<b>Financing receivables:</b>			
<b>Ending balance</b>	<b>20,204,801</b>	<b>13,352,209</b>	<b>33,557,010</b>
Ending balance: individually evaluated for impairment		81,054	81,054
Ending balance: collectively evaluated for impairment	20,204,801	13,271,155	33,475,956

	As of December 31, 2010		
	Consumer Loan Portfolio	Commercial Loan Portfolio	Total
<b>Allowances for loan losses:</b>			
Beginning balance	671,268	81,024	752,292
Charge-offs	(353,691)	(133,638)	(487,329)
Recoveries	(8)		(8)
Foreign Exchange effect and other adjustments	10,395		10,395
Provision	401,248	128,088	529,336
<b>Ending balance</b>	<b>729,212</b>	<b>75,474</b>	<b>804,686</b>
Ending balance- individually evaluated for impairment		61,607	61,607
Ending balance- collectively evaluated for impairment	729,212	13,867	743,079

**Financing receivables:**

<b>Ending balance</b>	<b>14,123,190</b>	<b>9,428,926</b>	<b>23,552,116</b>
Ending balance: individually evaluated for impairment		137,175	137,175
Ending balance: collectively evaluated for impairment	14,123,190	9,291,751	23,414,941

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**b. Loan Charge-offs and recoveries**

Under Argentine Banking GAAP, recoveries on previously charged-off loans are recorded directly to income and the amount of charged-off loans in excess of amounts specifically allocated is recorded as a direct charge to the income statement. The Bank does not partially charge off troubled loans until final disposition of the loan, rather, the allowance is maintained on a loan-by-loan basis for its estimated settlement value. Under U.S. GAAP, all charge off and recovery activity is recorded through the allowance for loan loss account. Further, loans are generally charged to the allowance account when all or part of the loan is considered uncollectible. In connection with loans in judicial proceedings, resolution through the judicial system may span several years. Loans in judicial proceedings, greater than three years as of December 31, 2011, 2010 and 2009, amounted to Ps.5,966, Ps. 5,061 and Ps.1,726, respectively. Under U.S. GAAP these loans were completely provisioned. The Bank also classified loans, many of which are in judicial proceedings, which amounted to approximately Ps. 144,103, Ps.178,400 and Ps.109,000 as of December 31, 2011, 2010 and 2009, respectively, as uncollectible, although the Bank may hold preferred guarantees. Under U.S. GAAP, these loans would have been charged off. Therefore, the balance of loans and allowance for loan losses would be decreased by these amounts. The Bank's practice does not affect the accompanying Statements of Income or Shareholders' equity as the Bank's reserve contemplates all losses inherent in those troubled loans.

**c. Impaired Loans**

ASC 310, requires a creditor to measure impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This Statement is applicable to all loans (including those restructured in a troubled debt restructuring involving amendment of terms), except large groups of smaller-balance homogenous loans that are collectively evaluated for impairment. Loans are considered impaired when, based on Management's evaluation, a borrower will not be able to fulfill its obligation under the original loan terms.

The following table discloses the amounts of loans considered impaired in accordance with ASC 310 updated by ASU 2010-20, as of December 31, 2011 and 2010:

	As of December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b><i>With no related allowance recorded:</i></b>			
<b>Commercial</b>			
Impaired Loans	7,334	5,460	
<b><i>With an allowance recorded:</i></b>			
<b>Commercial</b>			
Impaired Loans	73,720	68,957	40,475
<b>Total</b>	<b>81,054</b>	<b>74,417</b>	<b>40,475</b>

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	As of December 31, 2010		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b><i>With no related allowance recorded:</i></b>			
<b>Commercial</b>			
Impaired Loans	6,147	2,956	
<b><i>With an allowance recorded:</i></b>			
<b>Commercial</b>			
Impaired Loans	131,028	236,899	61,607
<b>Total</b>	<b>137,175</b>	<b>239,855</b>	<b>61,607</b>

The average recorded investments for impaired loans were Ps. 127,186 and Ps. 184,855 for the years ended December 31, 2011 and 2010, respectively.

The interest income recognized on impairment loans amounted to Ps. 6,495, Ps. 3,451 and Ps. 1,667 for the years ended December 31, 2011, 2010 and 2009, respectively.

**d. Non-accrual Loans**

Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .

The following table represents the amounts of nonaccruals, segregated by class of loans, as of December 31, 2011 and 2010, respectively:

	As of December 31,	
	2011	2010
<b>Consumer</b>		
Advances	32,052	26,586
Promissory Notes	21,929	25,030
Mortgage Loans	5,835	7,638
Personal Loans	184,800	169,018
Credit Card Loans	328,589	221,786
Other Loans	7,176	12,469
<b>Total Consumer</b>	<b>580,381</b>	<b>462,527</b>
<b>Commercial</b>		
Performing Loans		
Impaired Loans	52,295	135,710

<b>Total Commercial</b>	<b>52,295</b>	<b>135,710</b>
<b>Total Non-accrual loans</b>	<b>632,676</b>	<b>598,237</b>

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An aging analysis of past due loans, segregated by class of loans, as of December 31, 2011 and 2010 were as follows:

	As of December 31, 2011						Total Financing
	30-90 Days Past Due	91-180 Days Past Due	181-360 Days Past Due	Greater than 360	Total Past Due	Current	
<b>Consumer</b>							
Advances	8,568	8,600	15,796	7,656	40,620	292,518	333,138
Promissory Notes	4,613	5,975	8,722	7,232	26,542	974,345	1,000,887
Mortgage Loans	4,784	1,343	517	3,975	10,619	450,328	460,947
Personal Loans	135,295	85,069	90,324	9,407	320,095	5,343,315	5,663,410
Credit Cards Loans	240,774	143,001	175,776	9,812	569,363	11,894,259	12,463,622
Other Loans	1,972	2,297	1,209	3,670	9,148	273,649	282,797
<b>Total Consumer Loans</b>	<b>396,006</b>	<b>246,285</b>	<b>292,344</b>	<b>41,752</b>	<b>976,387</b>	<b>19,228,414</b>	<b>20,204,801</b>
<b>Commercial:</b>							
Performing Loans						13,271,155	13,271,155
Impaired loans		4,815	37,370	38,869	81,054		81,054
<b>Total Commercial Loans</b>		<b>4,815</b>	<b>37,370</b>	<b>38,869</b>	<b>81,054</b>	<b>13,271,155</b>	<b>13,352,209</b>
<b>Total</b>	<b>396,006</b>	<b>251,100</b>	<b>329,714</b>	<b>80,621</b>	<b>1,057,441</b>	<b>32,499,569</b>	<b>33,557,010</b>

	As of December 31, 2010						Total Financing
	30-90 Days Past Due	91-180 Days Past Due	181-360 Days Past Due	Greater than 360	Total Past Due	Current	
<b>Consumer</b>							
Advances	7,124	7,879	10,705	8,002	33,710	203,599	237,309
Promissory Notes	3,572	5,695	9,949	9,386	28,602	789,459	818,061
Mortgage Loans	5,489	2,585	1,222	3,831	13,127	469,721	482,848
Personal Loans	91,978	63,211	86,722	19,085	260,996	3,757,871	4,018,867
Credit Cards Loans	137,370	88,265	115,653	17,868	359,156	7,994,885	8,354,041
Other Loans	3,272	5,018	3,021	4,430	15,741	196,323	212,064
<b>Total Consumer Loans</b>	<b>248,805</b>	<b>172,653</b>	<b>227,272</b>	<b>62,602</b>	<b>711,332</b>	<b>13,411,858</b>	<b>14,123,190</b>
<b>Commercial:</b>							
Performing Loans						9,291,751	9,291,751
Impaired loans			16,872	112,996	129,868	7,307	137,175
<b>Total Commercial Loans</b>			<b>16,872</b>	<b>112,996</b>	<b>129,868</b>	<b>9,299,058</b>	<b>9,428,926</b>

<b>Total</b>	<b>248,805</b>	<b>172,653</b>	<b>244,144</b>	<b>175,598</b>	<b>841,200</b>	<b>22,710,916</b>	<b>23,552,116</b>
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Financial receivables that are past due 90 days or more do not accrue interests.

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**e. Credit Quality Indicators**

The following tables contain the loan portfolio classification by credit quality indicator set forth by the Argentine Central Bank,

**Commercial Portfolio:**

Loan Classification	Description
1, Normal Situation	The debtor is widely able to meet its financial obligations, demonstrating significant cash flows, a liquid financial situation, an adequate financial structure, a timely payment record, competent management, available information in a timely, accurate manner and satisfactory internal controls, The debtor is in the upper 50% of a sector of activity that is operating properly and has good prospects.
2, With Special Follow-up	Cash flow analysis reflects that the debt may be repaid even though it is possible that the customer's future payment ability may deteriorate without a proper follow-up. This category is divided into two subcategories: (2,a), Under Observation. (2,b), Under Negotiation or Refinancing Agreements.
3, With Problems	Cash flow analysis evidences problems to repay the debt, and therefore, if these problems are not solved, there may be some losses.
4, High Risk of Insolvency	Cash flow analysis evidences that repayment of the full debt is highly unlikely.
5, Uncollectible	The amounts in this category are deemed total losses, Even though these assets may be recovered under certain future circumstances, inability to make payments is evident at the date of the analysis, It includes loans to insolvent or bankrupt borrowers.

Credit quality indicators for the commercial portfolio are reviewed, at a minimum, on an annual basis.

**Consumer Portfolio:**

Loan Classification	Description
1, Normal Situation	Loans with timely repayment or arrears not exceeding 31 days, both of principal and interest,
2, Low Risk	Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days, A customer classified as Normal having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 5% of principal,
3, Medium Risk	Some inability to make payments, with arrears of more than 91 days and up to 180 days, A customer classified as Low Risk having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 5% of principal,
4, High Risk	Judicial proceedings demanding payment have been initiated or arrears of more than 180 days and up to one year, A customer classified as Medium Risk having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 10% of principal.
5, Uncollectible	Loans to insolvent or bankrupt borrowers, or subject to judicial proceedings, with little or no possibility of collection, or with arrears in excess of one year.





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Credit quality indicators for the consumer portfolio are reviewed on a monthly basis.

The following table shows the loan balances categorized by credit quality indicators for the years ended December 31, 2011 and 2010:

	As of December 31, 2011					Total
	1	2	3	4	5	
	Normal Situation	With special follow-up or Low Risk	With problems or Medium Risk	High risk of insolvency or High risk	Uncollectible	
<b>Consumer</b>						
Advances	292,518	8,568	8,600	15,796	7,656	333,138
Promissory Notes	974,345	4,613	5,975	8,722	7,232	1,000,887
Mortgage Loans	450,328	4,784	1,343	517	3,975	460,947
Personal Loans	5,343,315	135,295	85,069	90,324	9,407	5,663,410
Credit Cards Loans	11,894,259	240,774	143,001	175,776	9,812	12,463,622
Other Loans	273,649	1,972	2,297	1,209	3,670	282,797
<b>Total Consumer Loans</b>	<b>19,228,414</b>	<b>396,006</b>	<b>246,285</b>	<b>292,344</b>	<b>41,752</b>	<b>20,204,801</b>
<b>Commercial:</b>						
Performing loans	13,225,772	45,383				13,271,155
Impaired loans		28,759	11,547	37,880	2,868	81,054
<b>Total Commercial Loans</b>	<b>13,228,490</b>	<b>71,424</b>	<b>11,547</b>	<b>37,880</b>	<b>2,868</b>	<b>13,352,209</b>
<b>Total Financing Receivables</b>	<b>32,456,904</b>	<b>467,430</b>	<b>257,832</b>	<b>330,224</b>	<b>44,620</b>	<b>33,557,010</b>

	As of December 31, 2010					Total
	1	2	3	4	5	
	Normal Situation	With special follow-up or Low Risk	With problems or Medium Risk	High risk of insolvency or High risk	Uncollectible	
<b>Consumer</b>						
Advances	203,599	7,124	7,879	10,705	8,002	237,309
Promissory Notes	789,459	3,572	5,695	9,949	9,386	818,061
Mortgage Loans	469,721	5,489	2,585	1,222	3,831	482,848
Personal Loans	3,757,871	91,978	63,211	86,722	19,085	4,018,867
Credit Cards Loans	7,994,885	137,370	88,265	115,653	17,868	8,354,041
Other Loans	196,323	3,272	5,018	3,021	4,430	212,064
<b>Total Consumer Loans</b>	<b>13,411,858</b>	<b>248,805</b>	<b>172,653</b>	<b>227,272</b>	<b>62,602</b>	<b>14,123,190</b>

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<b>Commercial:</b>						
Performing loans	9,204,218	87,533				9,291,751
Impaired loans		1,465	53,299	78,230	4,181	137,175
<b>Total Commercial Loans</b>	<b>9,204,218</b>	<b>88,998</b>	<b>53,299</b>	<b>78,230</b>	<b>4,181</b>	<b>9,428,926</b>
<b>Total Financing Receivables</b>	<b>22,616,076</b>	<b>337,803</b>	<b>225,952</b>	<b>305,502</b>	<b>66,783</b>	<b>23,552,116</b>

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(Expressed in thousands of Argentine pesos)

As of December 31, 2011 and 2010, the total shareholders' equity adjustment for loan impairment-private sector was as follows:

	Argentine Banking GAAP	U.S. GAAP	Adjustment
December 31, 2010	Ps. 870,169	Ps. 804,686	Ps. 65,483
Variations	430,396	474,791	(44,395)
December 31, 2011	Ps. 1,300,565	Ps. 1,279,477	Ps. 21,088

**e. Government securities and other investments****(i) Compensatory and Hedge bonds received and Hedge Bonds in connection with the compensation for foreign currency position and compensatory bonds received and to be received in connection with the compensation for asymmetric pesification .**

Argentine Central Bank Communiqué A 3650 established the regulations necessary to implement the provisions of Decree No.905/02 in connection with the compensation of the negative effects of the conversion into pesos at different exchange rates of financial institutions' assets and liabilities and the resulting foreign currency mismatches left in their respective balance sheets.

In order to acquire the Hedge Bond, the Bank enters into an advance with the Argentine Central Bank, with interest payable at CER plus 2%. In the case of the Hedge Bond and the related financing to be obtained from the Argentine Central Bank, the transaction to acquire the Hedge Bond was retroactive to February 3, 2002. The Bank could withdraw its request to acquire the Hedge Bond prior to approval of the Argentine Central Bank and prior to the execution of the transaction.

Under U.S. GAAP, the activity of the compensation bonds has been reflected in the income statement considering that the compensation bonds were adjusted to its market value. The activity includes (1) the effect of the exchange rate between the Argentine pesos and the U.S. dollars for the compensation bonds to be received, (2) the cancellation of certain amounts related to the disputes with the Central Bank and (3) the payments made in satisfaction to the deposits held in Uruguay, and foreign debt restructuring.

During the year ended December 31, 2010, all compensatory and hedge bonds were sold. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the 2009 shareholders' equity adjustment of Ps. 175,818 plus Ps. 830,119 of gains previously recorded through other comprehensive income that are being realized and reversed through the income statement.

As of December 31, 2011 the Shareholders' Equity and Net Income, do not include any reconciliation item related to Compensatory and Hedge Bond.

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**(ii) External Notes / Discount Bonds and GDP-Linked Negotiable Securities**

In January 2006, the Bank accepted the offer to exchange its External Notes, for Discount Bonds in Pesos and GDP-Linked Negotiable Securities issued under Argentine debt restructuring. The Bank received the new instrument for an original principal amount equal to 33.7% for the External Notes carrying value as of December 31, 2004.

Under Argentine Banking GAAP, the Discount Bonds and GDP Linked Negotiable Securities have been recorded at the lower of the total future nominal cash payments up to maturity, specified by the terms and conditions of the new securities, and the carrying value of the securities tendered as of March 17, 2005, equivalent to the present value of the Bogar Bonds cash flows at that date.

During the year ended December 31, 2010, the Discount Bonds and GDP-Linked Negotiable Securities were sold. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the 2009 shareholders equity adjustment of Ps. 284,111 plus Ps. 132,209 of gains previously recorded through other comprehensive income that are being realized and reversed through the income statement.

As of December 31, 2011 the Shareholders Equity and Net Income, do not include any reconciliation item related to Discount Bonds and GDP Linked Negotiable Securities.

**(iii) Bonar 2015 Bonds**

The Bank exchanged National Government Bonds in Pesos at 2% due 2014 (Boden 2014 Bonds) with a face value of Ps.683,647 (recorded in the Bank's Shareholders equity in February 2009 within the scope of an exchange transaction of National Secured Loans at market price) for Bonar 2015 Bonds with a face value of Ps.912,669.

Under Argentine Banking GAAP, the bonds related to public debt instruments subscribed, were stated in the Shareholders Equity at the value these exchanged securities had been recorded.

In accordance with U.S. GAAP, specifically ASC 310-20, satisfaction of one monetary asset by the receipt of another monetary asset for the creditor is generally based on the market value of the asset received in satisfaction of the debt (an extinguishment). In this particular case, the securities being received are substantially different in structure and in interest rates than the debt securities swapped. Therefore, such amounts should initially be recognized at their fair value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.

As of December 31, 2011 and 2010, the bonds have been recorded at their acquisition cost increased according to the accrual of their internal rate of return (IRR) under Argentine Banking GAAP.

Under U.S. GAAP, the BONAR 2015 bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

2011					2010				
Amortized	Book Value	Fair Value	Unrealized	Shareholders	Amortized	Book Value	Fair Value	Unrealized	Shareholders
Cost U.S.	Argentine	Book value	Gain	equity	Cost U.S.	Argentine	Book value	Gain	equity
GAAP	Banking	under U.S.		Adjustment	GAAP	Banking	under U.S.		Adjustment
	GAAP					GAAP (*)	GAAP		

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(\*) GAAP

(In thousands of Ps.)

Bonar 2015 Bonds	555,109,731	849,254	294,145	69,523	527,950	642,147	726,643	198,693	84,496
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(\*) Under Argentine banking GAAP, Bonar 2015 are recorded in the captions Holdings recorded at their acquisition cost plus IRR , other receivable from financial brokerage and miscellaneous assets .

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**(iv) Other investments**

The following table summarizes the U.S. GAAP adjustment related to other investments, as of December 31, 2011 and 2010:

	Book Value Argentine Banking GAAP	2011 Fair Value Book value under U.S. GAAP	Shareholders' Equity Adjustment (in thousands of Ps.)	Book Value Argentine Banking GAAP	2010 Fair Value Book value under U.S. GAAP	Shareholders' Equity Adjustment
Almafuerte Special Fund	174,091	177,693	3,602	169,890	166,723	(3,167)
Securities issued by BCRA	3,551,937	3,566,052	14,115	2,411,393	2,405,585	(5,808)
Others	23,691	20,744	(2,947)	13,491	19,482	5,991
Total	3,749,719	3,764,489	14,770	2,594,774	2,591,790	(2,984)

**Almafuerte Special Fund**

Under Argentine Banking GAAP, Almafuerte Special Fund was accounted at the equity method.

Under U.S. GAAP, the Special Fund was classified as available-for-sale securities, and therefore, recognized at fair value with changes in other comprehensive income.

As of December 31, 2011 and 2010, and for U.S. GAAP purposes, the Group has determined that unrealized losses / gains on this investment are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery and the results of its review conducted to identify and evaluate investments that have indications of possible impairments.

**Securities issued by BCRA**

As of December 31, 2011 and 2010 under Argentine Banking GAAP the Group holds securities issued by the Argentine Central Bank, which were classified under the caption "Securities issued by the Argentine Central Bank", and recorded at its fair value or their cost plus accrued interest determined on an exponentially basis according to their internal rate of return (IRR) according to the volatility published by the Argentine Central Bank. For U.S. GAAP purposes, all these securities were classified as trading and accounted for at its fair value with changes recorded in the income statement.

**f. Items in process of collection**

The Bank does not give accounting recognition to checks drawn on the Bank or other banks, or other items to be collected until such time as the related item clears or is accepted. Such items are recorded by the Bank in memorandum accounts. U.S. banks, however, account for such items through balance sheet clearing accounts at the time the items are presented to the Bank.

Grupo Galicia's assets and liabilities would be increased by approximately Ps.5,797,978, Ps.4,524,520 and Ps. 3,099,320 applying U.S. GAAP at December 31, 2011, 2010 and 2009, respectively.





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**g. Compensation related to the payment of deposits**

Financial institutions have requested the Government for compensation for the losses generated from the payment of deposits pursuant to judicial orders at the free market exchange rate, which was higher than that established by the government for conversion into pesos of the financial institutions' assets and liabilities.

Through Communiqué A 3916, the Argentine Central Bank allowed the recording of an intangible asset for the difference between the amount paid by financial institutions pursuant to judicial orders and the amount resulting from the conversion into pesos of the dollar balance of the deposits reimbursed at the Ps.1.40 per U.S. dollar exchange rate (adjusted by CER and interest accrued until the date of the reimbursement). The corresponding amount must be amortized over 60 months beginning April 2003. As of December 31, 2009, the amount recorded under

Intangible Assets, net of accumulated amortization, was Ps.259,053. During the fiscal year ended December 31, 2010, these amounts were totally amortized.

As of the date of preparation of these financial statements, neither the Supreme Court nor the National Government has taken any measures to compensate for these issues.

Under U.S. GAAP, the right to obtain this compensation is not considered an asset. As of December 31, 2011 and 2010, the shareholders' equity does not include any reconciliation item considering the total amortization of the assets, under Argentine Central Bank rules.

**h. Securitizations**

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2011 and 2010:

	Book Value Argentine Banking GAAP	2011 Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders' Equity Adjustment (in thousands of Ps.)	Book Value Argentine Banking GAAP	2010 Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders' Equity Adjustment
Galtrust I (1)	538,768	538,768		521,862	521,862	
Financial Trust Galicia (2)	121,520	22,000	(99,520)	96,364	36,241	(60,123)
<b>Total</b>	<b>660,288</b>	<b>560,768</b>	<b>(99,520)</b>	<b>618,226</b>	<b>558,103</b>	<b>(60,123)</b>

**(1) Financial trust Galtrust I**

The financial trust Galtrust I was created in October 2000 in connection with the securitization of provincial loans for a total amount of Ps.1,102 million. The securitized loans were from the portfolio of loans granted to provincial governments, guaranteed by the federal tax revenues shared with the provincial governments.

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During 2002, the portfolio of loans included and the related retained interest in Galtrust I were subject to the pesification. As a result the retained interest in the trust was converted into pesos at an exchange rate of 1.40 to 1 and the interest rate for their debt securities changed to CER plus 10%. During 2003, Galtrust I had swapped its provincial loans for Bogar Bonds.

Under Argentine Banking GAAP, this transaction was accounted for as sales and the debt securities and certificates retained by the Bank are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

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The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage, and its balance as of December 31, 2011 and 2010, was Ps. 538,768 and Ps.521,862, respectively.

As of December 31, 2011 and 2010, under Argentine Banking GAAP, the Group recorded certain reserves to adjust the equity method used to account for the residual interest in the trust, at its fair value.

The fair value of these securities was determined on the balance sheet date, based on an internal valuation technique estimating future cash flows for this certificate of participation, discount at a present value with a rate comparable with internal rates of return of other CER adjusted bonds. Such fair value constituted the new cost basis for this investment.

As of December 31, 2011 and 2010, the Group applied new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification) that were effective on January 1, 2010, which amend the accounting for transfers of financial assets and consolidation of variable interest entities (VIEs).

The new guidance eliminates the concept of qualified special purpose entities ( QSPEs ) that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, the Group must evaluate all existing securitization trusts that formerly qualified as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

Insufficient Equity Investment at Risk

Equity lacks decision-making rights

Equity with non-substantive voting rights

Lacking the obligation to Absorb an Entity's Expected Losses

Lacking the right to receive an Entity's expected residual returns

Under the new guidance, the primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether the Group has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Group considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.

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Under ASC 810-10-65, the Group should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. The Group must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in the Group's financial statements as of January 1st 2010, as if ASU 2009-17 had been effective as of the date of the Group's initial involvement with the financial trusts. Any difference between the net amount added (net assets of each financial trusts where the Group is primary beneficiary) from the Group's balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings as of December 31, 2010.

In accordance with ASC 810, the Group was deemed to be the primary beneficiary of this trust and, therefore, the Bank reconsolidated the assets and liabilities of the mentioned trust. Upon consolidation, the Bogar Bonds were classified as available-for-sale securities and measured at fair value with changes recorded in other comprehensive income. Since the fair value of the residual interest in the trust recorded under Argentine Central Bank rules was determined based on the fair value of the Bogar Bonds, recorded as an assets in the trust, there is no difference in the measurement basis of the net assets held and recorded under Argentine Central Bank rules and the assets and liabilities recorded under U.S. GAAP. The only difference between both standards is that under U.S. GAAP, changes in the fair value of the Bogar Bonds are recorded in other comprehensive income, while under Argentine Banking GAAP; changes are recorded in the consolidated income statement.

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**(2) Financial Trust Galicia**

Under this trust, National Government Promissory Notes in pesos at 2% due 2014 for Ps. 108,000 were transferred and a Certificate of Participation and Debt Securities were received in exchange. Those National Government Promissory Notes were previously received in exchange of National Secured Loans held by the Group.

For Argentine Banking GAAP purposes, the debt securities and certificates retained by the Bank are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust. The cost of these securities was determined based on the book value of the Promissory Notes transferred.

This transfer was not considered a true sale for U.S. GAAP purposes, and therefore, it was recorded as a secured borrowing according with ASC 860. Therefore, the Bank recognized in its consolidated balance sheet, the Promissory Notes transferred to the financial trust.

Under U.S. GAAP, the Promissory notes were classified as loans recorded at amortized cost with the corresponding loan loss reserve, if applicable. The U.S. GAAP adjustment is related to the difference between the cost basis used under both standards. For Argentine Banking GAAP, the cost was determined based on the carrying value of National Secured Loans previously held and exchanged for the Promissory Notes, while under U.S. GAAP, the cost was determined based on the fair value of each National Secured Loans transferred in exchange of the Promissory Notes received.

**Additional information required by U.S. GAAP**

The table below presents the aggregated assets and liabilities of the financial trusts which have been consolidated for U.S. GAAP purposes:

	December 31,	
	2011	2010
Cash and due from banks	Ps. 11,193	Ps. 11,626
Government securities and Promissory Note	961,038	1,009,154
Other assets	75	1,149
<b>Total Assets</b>	<b>Ps. 972,306</b>	<b>Ps. 1,021,929</b>
Debt Securities	Ps. 324,332	Ps. 414,510
Certificates of Participation	647,790	604,665
Other liabilities	184	2,754
<b>Total Liabilities</b>	<b>Ps. 972,306</b>	<b>Ps. 1,021,929</b>

The Group's maximum loss exposure, which amounted to Ps. 972,306 and Ps. 1,021,929 as of December 31, 2011 and 2010, respectively is based on the unlikely events that all of the assets in the VIE's become worthless and incorporates potential losses associated with assets recorded on the Group's balance sheet.



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**Other transfers of financial assets accounted for as sales under U.S. GAAP**

As of December 31, 2009, the Bank has entered into different securitizations that were accounted for as sales under Argentine Banking GAAP. The transfers of financial assets related to the creation of certain trusts were considered sales for U.S. GAAP purposes under ASC 860 and for that reason debt securities and certificates retained by the Bank are considered to be available for sale securities under U.S. GAAP.

As of December 31, 2010 these financial trusts had been liquidated. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the previous year's adjustments.

As of December 31, 2011 the Group has not issued new financial trusts accounted for as sales under U.S. GAAP.

**i. Acceptances**

Under Argentine Banking GAAP, acceptances are accounted for in memorandum accounts. Under U.S. GAAP, third party liability for acceptances should be included in Other Receivables Resulting from Financial Brokerage representing Group customers' liabilities on outstanding drafts or bills of exchange that have been accepted by the Group. Acceptances should be included in Other Liabilities Resulting from Financial Brokerage representing the Group's liability to remit payment upon the presentation of the accepted drafts or bills of exchange.

The Group's assets and liabilities would be increased by approximately Ps.116,370, Ps.111,744 and Ps.58,904, had U.S. GAAP been applied as of December 31, 2011, 2010 and 2009, respectively.

**j. Impairment of real estate properties and foreclosed assets**

Under Argentine Banking GAAP, real estate properties and foreclosed assets are carried at cost adjusted by depreciation over the life of the assets. In accordance with ASC 360-10 Impairment of Long-lived Assets, such assets are additionally subject to: recognition of an impairment loss if the carrying amounts of those assets are not recoverable from their undiscounted cash flows and an impairment loss measured as the difference between the carrying amount and fair value of the assets.

The Group evaluates potential impairment loss relating to long-lived assets by comparing their carrying amounts with the undiscounted future expected cash flows generated by the assets over the remaining life of the assets. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the assets. Testing whether an asset is impaired and measuring the impairment loss is performed for asset groupings at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2002, the Group determined that the uncertainty of the Argentine economic situation had a significant impact on the recoverability of its long-lived assets and evaluated its properties for impairment. An impairment loss was recorded in 2002.

Foreclosed assets are carried at the lower of cost and market. In 2002, the Group recorded a valuation allowance reflecting a decrease in the market values of its foreclosed properties.

In 2011 and 2010, no additional impairment was recorded in real estate properties and foreclosed assets.

The Argentine Banking GAAP depreciations for 2011 and 2010 of the assets impaired in 2002 have been reversed for U.S. GAAP purposes.





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Therefore the Shareholders' Equity adjustment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011 and 2010 amounted to Ps. (54,600) and Ps. (55,995) respectively.

**k. Equity investments in other companies**

Under Argentine Banking GAAP, the equity investments in companies where significant influence exists are accounted for under the equity method. The remaining investments have been accounted for under the cost method, taking their equity method value as a limit in book value.

In addition, for U.S. GAAP purposes, under ASC 320, the Group should determine if any factors are present that might indicate the fair value of the investment has been negatively impacted during the fiscal year. If it is determined that the fair value of an investment is less than the related company's value, an impairment of the investment must be recognized.

As of December 31, 2011 and 2010, the group concluded that the carrying amount of certain investments would not be recoverable and therefore an impairment loss was recorded for U.S. GAAP purposes.

Therefore the Shareholders' Equity adjustment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011 and 2010 amounted to Ps. (21,489) and Ps. (29,738) respectively.

**l. Financial Guarantees**

**Exchange of deposits with the financial system II Written Options.**

Pursuant to the decree 1836/02 and the Argentine Central Bank Communiqué A 3828, the Bank entered into an exchange offer to exchange restructured deposit certificates ( CEDROS ) for Boden 2012 Bonds and Boden 2013 Bonds. The Boden Bonds offered to the holders of CEDROS are unsecured government bonds denominated in U.S. dollars. As a part of the restructuring, the Bank granted an option to sell coupons to the holders of restructured deposits certificates who had opted to receive Boden 2013 Bonds and Boden 2012 Bonds in exchange for their certificates.

The exercise price will be equal to that resulting from converting to pesos the face value of each coupon in U.S. dollars at a rate of Ps.1.40 per U.S. dollar adjusted by applying the CER, which arises from comparing the index at February 3, 2002 to that corresponding to the due date of the coupon. That value shall in no case exceed the principal and interest amounts in pesos resulting from applying the face value of the coupon in U.S. dollars at the buying exchange rate quoted by Banco de la Nación Argentina (Banco Nación) on the payment date of that coupon.

Under Argentine Banking GAAP, these options were recorded off-balance. For U.S. GAAP, these options are treated as derivatives, and therefore, the Bank recorded the fair value of such options in accordance with the requirements of ASC 815, with changes in fair value recorded through earnings. As of December 31, 2011 the Group has not recorded any balance related to these options. The fair value as of December 31, 2010, of these options amounted to Ps.3,723 (liability) .

**Other Financial Guarantees.**

During 2011 and 2010, the Company entered into different agreements to guarantee lines of credit of selected customers amounting to Ps.810,085 and Ps.443,207, respectively. As of December 31, 2011 and 2010, guarantees granted by the Bank amounted to Ps. 258,168 and Ps.124,705, respectively.



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As of December 31, 2011 and 2010, the Group maintained the following guarantees:

	Maximum Potential Payments (*)	2011 Estimated Proceeds From collateral Recourse	U.S. GAAP Carrying Amount - Asset /(Liability)
Financial guarantees	258,168	10,825	892
	Ps. 258,168	Ps. 10,825	Ps. 892
	Maximum Potential Payments (*)	2010 Estimated Proceeds From collateral Recourse	U.S. GAAP Carrying Amount - Asset /(Liability)
Financial guarantees	124,705	6,822	(125)
	Ps. 124,705	Ps. 6,822	Ps. (125)

(\*) The maximum potential payments represent a worse-case scenario, and do not necessarily reflect expected results. Estimated proceeds from collateral and recourse represent the anticipated value of assets that could be liquidated or received from other parties to offset the Company's payments under guarantees.

Under U.S. GAAP, effective January 1, 2003, the Bank adopted Guarantor's Accounting and Disclosures Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others, ASC 460 Guarantees. As of December 31, 2011 and 2010, the Bank recognized a liability for the fair value of the obligations assumed at its inception. Such liabilities are being amortized over the expected term of the guarantee. As of December 31, 2011 and 2010, the fair value of the guarantees amounted to Ps. 9,933 and Ps. 6,947 respectively.

**m. Non-controlling interest**

Under Argentine Central Bank rules, the non-controlling interest is required to be disclosed as a component of the liabilities. Under U.S. GAAP, non-controlling interest should be reported as a separate component within equity in the consolidated financial statements. Additionally, consolidated net income and comprehensive income are reported with separate disclosure of the amounts attributable to the parent company and to the non-controlling interest.

**n. Foreign Debt Restructuring**

On May 18, 2004, the Group completed the restructuring of its foreign debt. As a result of this restructuring, the Group recorded a Ps. 142.5 million gain under Argentine Banking GAAP.

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For U.S. GAAP purposes, the restructuring is accounted for in each of two steps. The first step of the restructuring required the holders of the Group's debt to exchange its old debt for new debt in two tranches. Pursuant to Determining Whether a Debtor's Modification or Exchange of Debt Instruments is within the scope of ASC 470 (ASC 820), the Group did not receive any concession from the holders of the debt and therefore, the first step restructuring was not considered a trouble debt restructuring. Pursuant to Debtors Accounting for a Modification

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or Exchange of Debt Instruments ASC 470-50, the first step of the restructuring was accounted for as a modification of the old debt and therefore the Group did not recognize any gain or loss. The second step of the restructuring offers the holders of the Group's debt issued in the first step explained above to exchange it for new securities including cash, Boden 2012 Bonds and equity shares of the Group. Pursuant to U.S. GAAP this second step, the restructuring was accounted for in accordance with Accounting by Debtors and Creditors for Trouble Debt Restructurings ASC 310-40, as a partial settlement of the debt through the transfer of certain assets and equity at its fair value. After deducting the considerations used to repay the debt, ASC 310-40 requires the comparison of the future cash outflows of the restructured debt and the carrying of the debt at the restructuring date.

Gain on troubled debt restructuring is only recognized when the remaining carrying value of the debt at the date of the restructuring exceeds the total future cash payments of the restructured debt reduced by the fair value of the assets and equity given as payment of the debt. Since the total future cash outflows of the restructured debt exceeds the carrying value of the old debt, no gain on restructuring was recorded under U.S. GAAP.

As a result, under U.S. GAAP, the carrying amount of the restructured debt is greater than the amount recorded under Argentine Banking GAAP. Therefore, under U.S. GAAP, a new effective interest rate was determined to reflect the present value of the future cash payments of the restructured debt.

Furthermore, under U.S. GAAP, expenses incurred in a trouble debt restructuring are expensed as incurred. Expenses related to the issuance of equity were deducted directly from the shareholder's equity.

The Group repurchased part of the debt maturing in 2010 and 2014. In addition, Negotiable Obligations were repaid in advance. For U.S. GAAP purposes, these transactions were considered as an extinguishment of debt. Therefore, the U.S. GAAP adjustment recorded in previous years related to the debt extinguished was reversed in 2010 and 2009 respectively, generating a gain of approximately Ps. 34,462 and Ps. 20,461 included in 2010 and 2009 U.S. GAAP net income reconciliation. During 2011, the Group has not repurchased any of its debt instruments.

During 2011, the Group paid in advance the interest capitalized related to the Subordinated Negotiable Obligation for an amount of approximately US\$ 95,8 million that was scheduled to be paid originally in 2014. This advance payment does not constitute a modification of terms of the Negotiable Obligation for U.S. GAAP purposes.

Shareholders' Equity adjustments between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011 and 2010 amounted to Ps. (42,640) and Ps. (76,008) respectively.

**o. Repurchase Agreements and Reverse Repurchase Agreements ( Repos and Reverse Repos )**

During 2011, 2010 and 2009, the Bank entered into Repo and Reverse Repo agreements of financial instruments: Boden 2012 Bonds, Securities issued by Argentine Central Bank, Discount Bonds and Bonar 2015 Bonds. (See note 35.e)

Under Argentine Banking GAAP, initial measurement of such agreements implies sale or purchase accounting together with the recognition of an asset and liability due to the investing or financing transaction entered into.

For U.S. GAAP purposes these transactions have not qualified as true sales and therefore these transactions were classified as available for sale securities and trading and recorded at fair value. The corresponding net adjustment in shareholders' equity under U.S. GAAP is included under the caption Bonar 2015 Bonds as of December 31, 2011 and 2010.



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**p. Fair Value Measurements Disclosures**

Effective January 1, 2008, ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. ASC 820 -10, among other things, requires the Group to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In addition, ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, the Group has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

**Fair Value Hierarchy**

ASC 820-10, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In addition, ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in non-active markets;
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Determination of Fair Value**

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, the Bank's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

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The Group believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following section describes the valuation methodologies used by the Group to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

**Assets**

**a) Government securities and other investments**

Listed investment securities: where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities includes national and government bonds, instruments issued by BCRA and corporate securities.

Other investments securities: as quoted market prices are not available, then fair values are estimated by using a discount cash flow model which includes assumptions based upon projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and contractual interest paid to third-party investors. These are classified within level 3 of the valuation hierarchy.

**b) Securities receivable under repurchase agreements**

Securities receivables under repurchase agreements are classified within level 1 of the valuation hierarchy using quoted prices available in the active market for Bonar 2015 Bonds and Securities issued by Argentine Central Bank where the securities are traded.

**c) Securitizations**

As of December 31, 2011 and 2010 the caption includes the consolidated assets of Galtrust I. The fair value was estimated by using the discounted cash flows of the assets. Therefore, these are classified within level 3 of the valuation hierarchy.

**d) Derivatives Financial Instruments**

Forward transactions traded in autoregulated markets are made through recognized exchange markets, such as Mercado Abierto Electrónico (MAE) and Mercado a Término de Rosario (ROFEX).

The general settlement method for these transactions does not require delivery of the traded underlying asset. Rather, settlement is carried on a daily basis for the difference, if any, between the closing price of the underlying asset and the closing price or value of the underlying asset corresponding to the previous day, the difference in price being charged to income. Therefore, they are classified in Level 1 of the fair-value hierarchy.

Forward transactions conducted directly with customers are recorded as the difference between the agreed foreign currency exchange rate and such exchange rate at the end of the year according with the future prices published by Rofex. Therefore, they are classified in Level 2 of the fair-value hierarchy.



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**Liabilities**

**e) Securities to be delivered under spot and forward sales to be settled**

Securities to be delivered under spot and forward sales to be settled are classified within level 1 of the valuation hierarchy using quoted prices available in the active market for Securities issued by the Argentine Central Bank where the securities are traded.

**f) Derivatives Financial Instruments**

Forward transactions traded in autoregulated markets are made through recognized exchange markets, such as Mercado Abierto Electrónico (MAE) and Mercado a Término de Rosario (ROFEX).

The general settlement method for these transactions does not require delivery of the traded underlying asset. Rather, settlement is carried on a daily basis for the difference, if any, between the closing price of the underlying asset and the closing price or value of the underlying asset corresponding to the previous day, the difference in price being charged to income. Therefore, they are classified in Level 1 of the fair-value hierarchy.

Forward transactions conducted directly with customers are recorded as the difference between the agreed foreign currency exchange rate and such exchange rate at the end of the year according with the future prices published by Rofex. Therefore, they are classified in Level 2 of the fair-value hierarchy.

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**Items measured at fair value on a recurring basis**

The following table presents the financial instruments carried at fair value as of December 31, 2011 and 2010, for U.S. GAAP purposes by ASC 820-10 valuation hierarchy (as described above).

	Total carrying value	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)
<b>Balances as of December 31, 2011</b>				
<b>ASSETS</b>				
a) Government securities and other investments				
a.1) Holdings recorded at fair value	Ps. 396,287	Ps. 396,287	Ps.	Ps.
a.2) Government securities from repo transactions with Argentine Central Bank	Ps. 40,600	Ps. 40,600	Ps.	Ps.
a.3) Securities issued by Argentine Central Bank	Ps. 5,023,340	Ps. 5,023,340	Ps.	Ps.
a.4) Investments in listed Private Securities Shares	Ps. 2,040	Ps. 2,040	Ps.	Ps.
Notes	Ps. 1,088	Ps. 1,088	Ps.	Ps.
a.5) Other Investments (*)	Ps. 198,437	Ps.	Ps.	Ps. 198,437
b) Securities receivable under repurchase agreements				
b.1) Bonar 2015 Bonds	Ps. 559,682	Ps. 559,682	Ps.	Ps.
b.2) Securities issued by Argentine Central Bank	Ps. 102,020	Ps. 102,020	Ps.	Ps.
c) Securitizations				
Galtrust I Bogar Bonds (**)	Ps. 720,710	Ps.	Ps.	Ps. 720,710
d) Derivatives financial instruments	Ps. 11,407	Ps. 3,035	Ps. 8,372	Ps.
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>Ps. 7,055,611</b>	<b>Ps. 6,128,092</b>	<b>Ps. 8,372</b>	<b>Ps. 919,147</b>
<b>LIABILITIES</b>				
e) Securities to be delivered under spot and forward sales to be settled	Ps. (1,559,308)	Ps. (1,559,308)	Ps.	Ps.
f) Derivatives financial instruments				
Foreign exchange contracts	Ps. (8,073)	Ps. (2,794)	Ps. (5,279)	Ps.
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>Ps. (1,567,381)</b>	<b>Ps. (1,562,102)</b>	<b>Ps. (5,279)</b>	<b>Ps.</b>

(\*) This amount is related to the fair value of certificates of participation held in the Almafuerde Special Fund and debt securities of Saturno Trust

(\*\*) Therefore, the Ps. 720,710 corresponds to the fair value of the Bogar Bonds recorded as an asset in Galtrust I.

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	<b>Total carrying value</b>	<b>Quoted market prices in active markets (Level 1)</b>	<b>Internal models with significant observable market parameters (Level 2)</b>	<b>Internal models with significant unobservable market parameters (Level 3)</b>
<b>Balances as of December 31, 2010</b>				
<b>ASSETS</b>				
a) Government securities and other investments				
a.1) Holdings recorded at fair value	Ps. 219,587	Ps. 219,587	Ps.	Ps.
a.2) Securities issued by Argentine Central Bank	Ps. 2,059,915	Ps. 2,059,915	Ps.	Ps.
a.3) Investments in listed Private Securities Shares	Ps. 68	Ps. 68	Ps.	Ps.
Notes	Ps. 4,484	Ps. 4,484	Ps.	Ps.
Negotiable Mutual Funds	Ps. 5,750	Ps. 5,750	Ps.	Ps.
a.4) Other Investments (*)	Ps. 186,205	Ps.	Ps.	Ps. 186,205
b) Securities receivable under repurchase agreements				
b.1) Bonar 2015 Bonds	Ps. 575,287	Ps. 575,287	Ps.	Ps.
b.2) Securities issued by Argentine Central Bank	Ps. 549,901	Ps. 549,901	Ps.	Ps.
c) Securitizations				
Galtrust I Bogar Bonds (**)	Ps. 783,761	Ps.	Ps.	Ps. 783,761
d) Derivatives financial instruments	Ps. 5,403	Ps. 1,932	Ps. 3,471	Ps.
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>Ps. 4,390,361</b>	<b>Ps. 3,411,174</b>	<b>Ps. 3,471</b>	<b>Ps. 969,966</b>
<b>LIABILITIES</b>				
e) Securities to be delivered under spot and forward sales to be settled				
	Ps. (204,231)	Ps. (204,231)	Ps.	Ps.
f) Derivatives financial instruments				
Options	Ps. (3,723)	Ps.	Ps. (3,723)	Ps.
Foreign exchange contracts	Ps. (11,085)	Ps. (3,163)	Ps. (7,922)	Ps.
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>Ps. (219,039)</b>	<b>Ps. (207,394)</b>	<b>Ps. (11,645)</b>	<b>Ps.</b>

(\*) This amount is related to the fair value of certificates of participation held in the Almafuerde Special Fund and debt securities of Saturno Trust

(\*\*) Therefore, the Ps. 783,761 corresponds to the fair value of the Bogar Bonds recorded as an asset in Galtrust I.

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**Changes in level 3 fair value measurements**

The table below includes a roll forward of the balance sheet amounts as of December 31, 2011, 2010 and 2009 (including the change in fair value) for financial instruments classified by the Group within level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement.

	<b>Galtrust I - Bogar bonds</b>	<b>Other investments</b>	<b>Total Fair Value Measurements</b>
<b>Fair value, December 31, 2009</b>	<b>Ps. 211,647</b>	<b>Ps. 461,641</b>	<b>Ps. 673,288</b>
Total gains or losses (realized/unrealized)	572,114	(251,244)	320,870
Included in earnings		(7,265)	(7,265)
Included in other comprehensive income	572,114	(243,979)	328,135
Settlements		(24,192)	(24,192)
<b>Fair value, December 31, 2010</b>	<b>Ps. 783,761</b>	<b>Ps. 186,205</b>	<b>Ps. 969,966</b>
Total gains or losses (realized/unrealized)	(63,051)	12,232	(50,819)
Included in earnings		1,262	1,262
Included in other comprehensive income	(63,051)	10,970	(52,081)
<b>Fair value, December 31, 2011</b>	<b>Ps. 720,710</b>	<b>Ps. 198,437</b>	<b>Ps. 919,147</b>

The table below summarizes gains and losses due to changes in fair value, recorded in earnings for level 3 assets and liabilities during the year:

<b>Balances as of December 31, Available for sale securities</b>	<b>Total Fair Value Measurements</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Classification of gains and losses included in earnings :			<b>Ps.</b>
Financial Income	<b>Ps. 1,262</b>	<b>Ps. (7,265)</b>	<b>Ps. 18,737</b>
Total	<b>Ps. 1,262</b>	<b>Ps. (7,265)</b>	<b>Ps. 18,737</b>

The Group did not transfer any assets or liabilities between levels 1 and 2 of the fair value hierarchy during 2011.

In addition, the Group is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair value measurements in accordance with GAAP. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Group records nonrecurring adjustments for including certain impairment amounts for impaired loans calculated in accordance with ASC 310-10 when establishing the allowance for loan losses. Estimates of fair value used for impaired loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. Loans subject to nonrecurring fair value measurement were Ps. 40,579 and Ps. 75,567 as of December 31, 2011 and 2010 classified as Level 3.

**q. New authoritative pronouncements**

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In December 2011, FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* to effectively defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow the Board time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In December 2011, FASB issued ASU 2011-11, *Disclosures about offsetting assets and liabilities (Topic 210)*, to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this Update. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Management is currently evaluating the impact the ASU 2011-11 would have on the Bank's financial statement and U.S. GAAP disclosures.

In December 2011, FASB issued ASU 2011-10, *Derecognition of in substance Real Estate (Topic 360)*, to resolve the diversity in practice about whether the guidance in sup-topic 360-20 applies to a parent that ceases to have a controlling interest in a subsidiary that is in substance real estate. The amendments are effective for fiscal years, and interim periods within those years beginning on or after December 15, 2013. Early adoption is permitted. The adoption had no impact on the U.S. GAAP disclosures and financial information released by the Bank for the reporting period ending on December 31, 2011.

In September 2011, FASB issued ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350)*, to simplify how the way entities, both public and nonpublic, test goodwill for impairment. The amendments in this update will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.

In June 2011, FASB issued ASU 2011-05, *Comprehensive Income (Topic 220)*, to clarify that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

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In May 2011, FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, as a result of the work developed by the FASB and the IASB to expand common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). The amendments in this update requires additional disclosures including the following: (1) Information about transfers between Level 1 and Level 2 of the fair value hierarchy, (2) Information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs, (3) The categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact the ASU 2011-02 would have on the Bank's financial statement and U.S.GAAP disclosures.

In April 2011, FASB issued ASU 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*, to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by the amendments in this update. The guidance in this update is effective for the first interim or annual period beginning on or after December 15, 2011.

In April 2011, FASB issued ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The new guidance requires for creditors to evaluate modifications and restructurings of receivables using a more principles-based approach, which may result in more modifications and restructurings being considered troubled debt restructurings. In addition, the amendments to Topic 310 clarify that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables when evaluating whether a restructuring constitutes a troubled debt restructuring. As a result of applying these amendments, the Bank considers management believes that newly considerations in its U.S. GAAP disclosures and financial information should be applied. Management is currently evaluating the impact the ASU 2011-02 would have on the Bank's financial statement and U.S.GAAP disclosures.

In January 2011, FASB issued ASU 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in ASU 2010-20*, to temporarily delay the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring. Under the existing effective date in ASU 2010-20, the Bank would have provided disclosures about troubled debt restructurings for periods beginning on or after December 15, 2010. According to ASU 2011-02, the amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Management is currently evaluating the impact the ASU 2011-01 would have on the Bank's financial statement and U.S.GAAP disclosures.

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**r. Consolidated net income**

	2011	December 31, 2010	2009
Net income as stated	Ps. 1,106,943	Ps. 408,901	Ps. 229,275
Loan origination fees and costs (Note 35 b.)	(33,902)	7,422	(51,828)
<b>Intangible assets:</b>			
Goodwill amortization and impairment (Note 35 c.)	8,591	6,928	11,458
Negative goodwill (Note 35 c.)	(118,703)	465,634	
Software cost (Note 35 c.)	(77,390)	(56,259)	(30,548)
Compensation related to the payment of deposits (Note 35 g.)		259,053	57,821
Equity investments in other companies			
Impairment (Note 35 k.)	8,249	1,810	(4,731)
Loans non Financial Public Sector Secured loans (Note 35 d.(i))		282	32,213
Loan impairment Private sector (Note 35 d.(ii))	(44,395)	1,812	112,166
Securitized (Note 35 h.)	23,654	(12,920)	(36,639)
<b>Government Securities and other investments:</b>			
Compensatory Bond received and Hedge Bond (Note 35 e.(i))		1,005,937	91,438
Discount Bonds (Note 35 e.(ii))		428,686	51,587
GDP Linked Negotiable Securities (Note 35 e.(ii))		(12,366)	2,465
Bonar 2015 Bonds ( Note 35 e. (iii))	(110,425)	(346,761)	232,564
Other investments (Note 35 e. (iv))	10,985	115,494	17,912
Amortization of real estate properties and foreclosed assets previously impaired under U.S. GAAP (Note 35 j.)	1,395	1,395	1,395
<b>Recognition for the fair value of obligations assumed under financial guarantees issued (Note 35 l.)</b>	4,740	8,361	31,303
Foreign Debt restructuring (Note 35 n.)	33,368	61,264	34,111
Deferred Income tax (Note 35 a.)	75,108	(249,931)	101,476
Minimum Presumed Income Tax (Note 35 a.)		328,619	(44,198)
Non-controlling interest (Note 35 m.)	170,962	104,333	46,512
<b>Net income (loss) in accordance with U.S. GAAP</b>	Ps. 1,059,180	Ps. 2,527,694	Ps. 885,752
<b>Less Net Loss / (Income) attributable to the Non-controlling Interest (Note 35 m)</b>	(192,459)	(234,121)	(115,529)
	Ps. 866,721	Ps. 2,293,573	Ps. 770,223

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Net Income (Loss) attributable to Parent Company  
in accordance with U.S. GAAP

Average number of shares outstanding (in thousands) (Note 21)	1,241,407	1,241,407	1,241,407
Basic net income (loss) per share in accordance with U.S. GAAP (Note 21)	0.698	1.848	0.620
Diluted net income (loss) per share in accordance with U.S. GAAP (Note 21)	0.698	1.848	0.620

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**s. Consolidated shareholders equity**

	December 31,	
	2011	2010
Shareholders equity as stated	Ps. 3,551,615	Ps. 2,469,500
Loan origination fees and costs (Note 35 b.)	(118,544)	(84,642)
Intangible assets:		
Goodwill amortization and impairment (Note 35 c.)	40,726	32,135
Negative Goodwill (Note 35 c.)	346,931	465,634
Software Cost (Note 35 c.)	(211,003)	(133,613)
Equity investments in other companies Impairment (Note 35 k.)	(21,489)	(29,738)
Loan impairment Private sector (Note 35 d.(ii))	21,088	65,483
Government securities and other investments:		
Bonar 2015 Bonds (Note 35 e. (iii))	69,523	84,496
Other Investments (Note 35 e. (iv))	14,770	(2,984)
Securizations (Note 35 h.)	(99,520)	(60,123)
Impairment of real estate properties and foreclosed assets (Note 35 j.)	(67,155)	(67,155)
Amortization of real estate properties and foreclosed assets previously impaired under U.S. GAAP (Note 35 j.)	12,555	11,160
Deferred Income tax (Note 35 a.)	401,887	326,779
Recognition for the fair value of obligations assumed under financial guarantees issued (Note 35 l.)	892	(3,848)
Foreign debt restructuring (Note 35 n.)	(42,640)	(76,008)
Non-controlling interest (Note 35m.)	529,314	382,211
Consolidated shareholders equity (deficit) in accordance with U.S. GAAP	Ps. 4,428,950	Ps. 3,379,287
Non-controlling Interest (Note 35 m.)	(552,841)	(382,220)
Consolidated Parent Company Shareholders Equity (Deficit) in accordance with U.S. GAAP	Ps. 3,876,109	Ps. 2,997,067

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Roll forward analysis of shareholders' equity under U.S. GAAP at December 31, 2011, 2010 and 2009:

	Capital Stock	Paid in Capital	Adjustments to Shareholders Equity	Profit reserves Legal	Other	Other Comprehensive Income (loss)	(Accumulated deficit) /Retained Earnings	Total Shareholders Equity Parent Company	Non controlling interest
Balance at December 31, 2008	Ps. 1,241,407	Ps. 606	Ps. 294,254	Ps. 37,157	Ps. 97,204	Ps. 34,662	Ps. (2,459,703)	Ps. (754,413)	Ps.
Distribution of retained earnings:									
Absorption approved by the shareholders meeting on April 28,2009									
Legal Reserve				8,841			(8,841)		
Discretionary Reserve					167,978		(167,978)		
Net, unrealized gain / (loss) of available-for-sale securities, net of tax						1,220,512		1,220,512	(73,132)
Net Income (Loss) in accordance with U.S. GAAP							770,223	770,223	(115,529)
Balance at December 31, 2009	Ps. 1,241,407	Ps. 606	Ps. 294,254	Ps. 45,998	Ps. 265,182	Ps. 1,255,174	Ps. (1,866,299)	Ps. 1,236,322	Ps. (188,661)
Distribution of retained earnings:									
Absorption approved by the shareholders meeting on April 28,2010									
Legal Reserve				11,464			(11,464)		
Discretionary Reserve					217,811		(217,811)		
Net, unrealized gain / (loss) of available-for-sale securities, net of						(532,828)		(532,828)	40,562

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tax										
Net Income (Loss) in accordance with U.S. GAAP								2,293,573	2,293,573	(234,121)
Balance at December 31, 2010	Ps. 1,241,407	Ps. 606	Ps. 294,254	Ps. 57,462	Ps. 482,993	Ps. 722,346	Ps. 197,999	Ps. 2,997,067	Ps. (382,220)	
Distribution of retained earnings:										
Absorption approved by the shareholders meeting on April 27, 2011										
Legal Reserve				20,445				(20,445)		
Discretionary Reserve					363,628			(363,628)		
Cash Dividends								(24,828)	(24,828)	23,859
Unrealized gain of available-for-sale securities, net of tax						37,149		37,149		(2,021)
Net Income (Loss) in accordance with U.S. GAAP								866,721	866,721	(192,459)
Balance at December 31, 2011	Ps. 1,241,407	Ps. 606	Ps. 294,254	Ps. 77,907	Ps. 846,621	Ps. 759,495	Ps. 655,819	Ps. 3,876,109	Ps. (552,841)	

**Comprehensive income**

Reporting Comprehensive Income ASC 220, establishes standards for reporting and the display of comprehensive income and its components (revenues, expenses, gains and losses) in the financial statements. Comprehensive income is the total of net income and all transactions, and other events and circumstances from non-owner sources.

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

The following disclosure presents the Comprehensive Income according to ASC 220, for the fiscal years ended December 31, 2011, 2010 and 2009:

	2011	December 31, 2010	2009
<b>Income Statement</b>			
Financial Income	Ps. 5,985,617	Ps. 4,778,002	Ps. 3,374,800
Financial Expenditures	2,240,833	1,343,357	1,434,408
Net Financial Income (Loss)	3,744,784	3,434,645	1,940,392
Provision for Loan Losses	887,765	549,712	527,339
Income from Services	3,458,771	2,506,687	1,802,381
Expenditures from Services	1,064,378	721,124	515,648
Administrative Expenses	4,301,457	2,881,200	2,063,546
Net Income / (Loss) from Financial Brokerage	949,955	1,789,296	636,240
Miscellaneous Income	1,218,334	1,544,179	594,630
Miscellaneous Losses	430,354	297,659	290,602
Net Income / (Loss) before Income tax	1,737,935	3,035,816	940,268
Income Tax	678,755	508,122	54,516
Net income (loss) under U.S. GAAP	1,059,180	2,527,694	885,752
Less Net (Income) / Loss attributable to the Non-controlling Interest	(192,459)	(234,121)	(115,529)
Net Income / (Loss) attributable to Parent Company	866,721	2,293,573	770,223
<b>Other comprehensive income (loss):</b>			
Unrealized gains / (losses) on securities, net	37,149	(532,828)	1,220,512
Other comprehensive income / (loss), net	37,149	(532,828)	1,220,512
Comprehensive income	Ps. 903,870	Ps. 1,760,745	Ps. 1,990,735

Accumulated non-owner changes in equity (accumulated other comprehensive income) as of December 31, 2011, 2010 and 2009 were as follows:

	2011	December 31, 2010	2009
Boden 2012 Bonds			830,119
Compensatory Bond (1)			
GalTrust I (2)	503,064	566,115	193,651
Discount Bonds (3)			132,209



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Bonar 2015 Bonds	294,145	198,693	85,032
Other	3,602	(3,167)	83,329
Accumulated other comprehensive income	Ps. 800,811	Ps. 761,641	Ps. 1,324,340
Less, accumulated other comprehensive income attributable to the Non-controlling interest	(41,316)	(39,295)	(69,166)
Net accumulated other comprehensive income attributable to Parent Company	Ps. 759,495	Ps. 722,346	Ps. 1,255,174

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

- (1) During the year ended December 31, 2010, the group sold all its position in Boden 2012 Bonds Compensatory Bonds, generated a gain of Ps.1,005,937 recorded under the caption Financial Income in the consolidated income Statement Under U.S. GAAP.
- (2) In 2011 and 2010, the Group adopted ASU 2009-16 and ASU 2009-17. Under these new standards, the Group started consolidated Galtrust I, including the Bogar Bonds for an amount of Ps. 720,710 and Ps.783,761 respectively, recorded as assets in such trust. Prior to 2010, the Group only recorded the Certificates of Participation it held in such trust.
- (3) During the year ended December 31, 2010, the group sold all its position in Discount Bonds, generated a gain of Ps.428,686 recorded under the caption Financial Income in the consolidated income Statement Under U.S. GAAP

There were no available for sale securities with a continuous loss position of 12 months or more. The Group has determined that unrealized losses on investments as of December 31, 2011 are temporary as the Group did not i) intends to sell the security, (ii) it is not more likely than not the Group will be required to sell the security before recovering its cost, or (iii) the Group does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell).

**u. Consolidated cash flows**

In the process of finalizing the US GAAP financial information for the year ended December 31, 2011 management identified an error in the presentation of the cash flow information. Specifically, for US GAAP purposes the Company has been incorrectly presenting the financial income collected (interest income) and financial expense paid (interest expense) within investing and financing activities, respectively instead of presenting them within operating activities. Management evaluated this error and concluded that it was material to the previously presented cash flow information under US GAAP and as a result, the Company has restated the cash flow information originally presented for fiscal years ended December 31, 2010 and 2009, as described in the table below. In addition the previously reported presentation utilized Argentine Banking GAAP measurement principles and the table below also includes adjustments to reconcile the new presentation to the US GAAP measurement principles.

	December 31, 2010			
	As Previously reported	Corrections	Reconciling items to US GAAP measurements	As Restated
	Ps.	Ps.	Ps.	Ps.
Net income	408,901			408,901
Adjustments to reconcile net income to net cash (used in) provided by operating activities	463,299	1,714,954	(203,185)	1,975,068
Net cash provided by / (used in) operating activities	872,200	1,714,954	(203,185)	2,383,969
Net cash (used in) / provided by investing activities	(2,813,140)	(2,590,461)	466,924	(4,936,677)
Net cash provided by / (used in) financing activities	3,844,636	875,507	(268,606)	4,451,537
Effect of exchange rate changes on cash and cash equivalents	111,091			111,091
	Ps. 2,014,787	Ps.	Ps. (4,867)	Ps. 2,009,920

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Increase / (decrease) in cash and cash equivalents, net

Cash and cash equivalents at the beginning of the year	5,428,730		16,493	5,445,223
Cash and cash equivalents at the end of the year	Ps. 7,443,517	Ps.	Ps. 11,626	Ps. 7,455,143

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	December 31, 2009			
	As Previously reported	Corrections	Reconciling items to US GAAP measurements	As Restated
Net income	Ps. 229,275	Ps.	Ps.	Ps. 229,275
Adjustments to reconcile net income to net cash (used in) provided by operating activities	1,235,485	1,031,520	(210,571)	2,056,434
Net cash provided by / (used in) operating activities	1,464,760	1,031,520	(210,571)	2,285,709
Net cash (used in) / provided by investing activities	(1,526,003)	(2,201,313)	506,253	(3,221,063)
Net cash provided by / (used in) financing activities	517,855	1,169,793	(314,435)	1,373,213
Effect of exchange rate changes on cash and cash equivalents	176,735			176,735
Increase / (decrease) in cash and cash equivalents, net	Ps. 633,347	Ps.	Ps. (18,753)	Ps. 614,594
Cash and cash equivalents at the beginning of the year	4,795,383		35,246	4,830,629
Cash and cash equivalents at the end of the year	Ps. 5,428,730	Ps.	Ps. 16,493	Ps. 5,445,223

ASC 230 Statement of Cash Flows provides guidance for the reporting of cash flows within Operating, Investing and Financing categories. For US GAAP purposes the Company considers as cash equivalents all highly liquid investments with original maturities of three months or less, including cash and cash equivalents corresponding to financial trusts consolidated in accordance with Note 35.h.

	For the year ended December 31,		
	2011	2010	2009
Cash	6,418,891	5,645,571	3,696,309
Cash equivalents	3,850,951	1,797,946	1,732,421
<b>Cash and cash equivalents as shown in the statement of cash flows under Argentine Banking GAAP</b>	<b>Ps . 10,269,842</b>	<b>Ps . 7,443,517</b>	<b>Ps . 5,428,730</b>
Cash and cash equivalents corresponding to financial trusts	11,193	11,626	16,493

<b>Cash and cash equivalents in the Statement of Cash Flows under US GAAP</b>	<b>Ps . 10,281,035</b>	<b>Ps . 7,455,143</b>	<b>Ps . 5,445,223</b>
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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

The following table presents the reconciliation of the condensed consolidated statements of cash flows under Argentine Banking GAAP and US GAAP:

	For the year ended December 31,		
	2011	2010	2009
<b>Reconciliation of cash flows under Argentine Banking GAAP and US GAAP</b>			
<b>Net cash flow provided by operating activities under Argentine Banking GAAP</b>	<b>Ps. 457,658</b>	<b>Ps. 2,762,967</b>	<b>Ps. 1,274,445</b>
Loans, available for sale securities, deposits at the Argentine Central Bank and organization and development expenses reclassified to investing activities	10,554,506	5,040,272	3,642,778
Deposits and repo transactions reclassified to financing activities	(7,076,388)	(4,991,983)	(2,324,327)
Interest paid on debt	(407,756)	(224,102)	(96,616)
Financial trust consolidated under US GAAP	(15,927)	(203,185)	(210,571)
<b>Net cash flow provided by operating activities under US GAAP (as restated for December 31, 2010 and 2009)</b>	<b>Ps. 3,512,093</b>	<b>Ps. 2,383,969</b>	<b>Ps. 2,285,709</b>
<b>Net cash flow used in investing activities under Argentine Banking GAAP</b>	<b>Ps. (273,375)</b>	<b>Ps. (363,329)</b>	<b>Ps. (84,538)</b>
Net increase in Loans, available for sale securities, deposits at the Argentine Central Bank and organization and development expenses	(10,554,506)	(5,040,272)	(3,642,778)
Financial trust consolidated under US GAAP - corresponding to loans and securities	105,019	466,924	506,253
<b>Net cash flow used in investing activities under US GAAP (as restated for December 31, 2010 and 2009)</b>	<b>Ps. (10,722,862)</b>	<b>Ps. (4,936,677)</b>	<b>Ps. (3,221,063)</b>
<b>Net cash flow provided by (used in) financing activities under Argentine Banking GAAP</b>	<b>Ps. 2,396,556</b>	<b>Ps. (495,942)</b>	<b>Ps. (733,295)</b>
Deposits and repo transactions	7,076,388	4,991,983	2,324,327
Interest paid on debt reclassified to operating activities	407,756	224,102	96,616
	(89,525)	(268,606)	(314,435)

Financial trust consolidated under US GAAP -  
corresponding to debt

<b>Net cash flow provided by financing activities under US GAAP (as restated for December 31, 2010 and 2009)</b>	<b>Ps. 9,791,175</b>	<b>Ps. 4,451,537</b>	<b>Ps. 1,373,213</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>Ps. 245,486</b>	<b>Ps. 111,091</b>	<b>Ps. 176,735</b>
Cash and cash equivalents at the beginning of the year under US GAAP	7,455,143	5,445,223	4,830,629
Cash and cash equivalents at the end of the year under US GAAP	10,281,035	7,455,143	5,445,223
<b>Net increase (decrease) in cash and cash equivalents under US GAAP</b>	<b>Ps. 2,825,892</b>	<b>Ps. 2,009,920</b>	<b>Ps. 614,594</b>

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**v. Concentration of risk Total exposure to the public sector Argentine government and provinces**

The Group has significant exposure to the Argentine national government and provinces in the form of government securities net positions, secured loans and other debt obligations. As of December 31, 2011 and 2010, the Group had the following bonds and loans outstanding:

	December 31, 2011		December 31, 2010	
	Argentine		Argentine	
	Banking GAAP	U.S. GAAP	Banking GAAP	U.S. GAAP
Argentine national government loans	Ps. 23,578	Ps. 23,578	Ps. 21,397	Ps. 21,397
Other Argentine public-sector receivables	320,278	224,360	266,254	202,964
Galtrust I (securitization of Provincial Loans)	532,680	532,680	515,966	515,966
Securities issued by the Argentine Central Bank	3,551,937	3,566,052	2,411,393	2,405,585
Bonar 2015 Bonds	779,731	849,254	642,147	726,643
Other (1)	68,869	68,869	87,289	87,289
<b>Total</b>	<b>Ps. 5,277,073</b>	<b>Ps. 5,264,793</b>	<b>Ps. 3,944,446</b>	<b>Ps. 3,959,844</b>

(1) Includes bonds and other national government bonds.

**w. Risks and Uncertainties****Government Securities**

As of December 31, 2011, the Group's exposure to the Argentine public sector represented approximately 10.31% of the total Group's assets. Although the Group's exposure to the Argentine public sector consists of performing assets, the realization of the Group's assets, its income and cash flow generation capacity and future financial condition is dependent on the Argentine government ability to comply with its payment obligations.

Argentine Central Bank's regulations state that, the total exposure of financial institutions to the non-financial public sector must not exceed 35% of their total assets.

As of December 31, 2011 and 2010, the Group was in compliance with the general limit of 35% imposed by the Argentine Central Bank.

**x. Allowance for loan losses**

Management believes that the current level of allowance for loan losses recorded for U.S. GAAP purposes are sufficient to cover incurred losses of the Group's loan portfolio as of December 31, 2011. Many factors can affect the Group's estimates of allowance for loan losses, including expected cash flows, volatility of default probability, migrations and estimated loss severity. The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.





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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**y. U.S. GAAP estimates**

Valuation reserves, impairment charges and estimates of market values on assets and step up bonds discounting, as established by the Group for U.S. GAAP purposes are subject to significant assumptions of future cash flows and interest rates for discounting such cash flows. Losses on the exchange of government and provincial bonds and on retained interests in securitization trusts could be significantly affected by higher discount rates. Should the discount rates change in future years, the carrying amounts and charges to income and shareholders' equity will also change. In addition, as estimates of future cash flows change, the carrying amounts which are dependent on such cash flows could be affected as well. It is possible that changes to the carrying amounts of loans, investments and other assets will be adjusted in the near term in amounts that are material to the Group's financial position and results of income.

**36. Parent only Financial Statements**

The following are the unconsolidated balance sheets of Grupo Galicia as of December 31, 2011 and 2010 and the related unconsolidated statements of income, and cash flows for the fiscal years ended December 31, 2011, 2010 and 2009.

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**Balance sheet (Parent Company only)**

	December 31,	
	2011	2010
<b>ASSETS</b>		
A. Cash and due from Banks		
Cash	Ps. 11	Ps. 11
Financial institutions and correspondents	887	819
	Ps. 898	Ps. 830
B. Loans		
To the financial sector	45,385	57,857
	Ps. 45,385	Ps. 57,857
C. Other receivables resulting from financial brokerage		
Other receivables not included in the debtor classification		
Regulations	3,487	1,198
Other receivables included in the debtor classification		
Regulations	55,938	25,268
Accrued interest receivable included in the debtor		
Classification regulations		2
	Ps. 59,425	Ps. 26,468
D. Equity investments		
In financial institutions	3,525,490	2,522,197
Other	131,098	88,948
	Ps. 3,656,588	Ps. 2,611,145
E. Miscellaneous receivables		
Other	26,671	1,428
Allowances	(17,614)	
	Ps. 9,057	Ps. 1,428
F. Bank premises and equipment	1,187	1,012
G. Intangible assets		
Goodwill	10,827	12,766
Organization and development expenses	28	36
	Ps. 10,855	Ps. 12,802
<b>Total Assets</b>	<b>Ps. 3,783,395</b>	<b>Ps. 2,711,542</b>



**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

	December 31,	
	2011	2010
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
H. Other liabilities resulting from financial brokerage		
Unsubordinated negotiable obligations	Ps. 193,680	Ps. 221,048
Loans from domestic financial institutions	19,625	
Balances from forward transactions without delivery of underlying asset to be settled	3,184	7,830
Accrued interest and quotation differences payable	1,546	2,133
	218,035	231,011
I. Miscellaneous liabilities		
Directors and Syndics fees	Ps. 790	Ps. 195
Other	12,955	10,836
	13,745	11,031
<b>Total Liabilities</b>	Ps. 231,780	Ps. 242,042
<b>SHAREHOLDERS EQUITY</b>	Ps. 3,551,615	Ps. 2,469,500
<b>Total Liabilities and Shareholders Equity</b>	Ps. 3,783,395	Ps. 2,711,542

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**Statement of Income (Parent Company only)**

	2011		December 31, 2010		2009	
A. Financial income						
Interest on loans granted to the financial sector		153		181		120
Interest on other receivables resulting from financial brokerage		112		54		74
Net income from government and corporate securities		274		161		484
Exchange rate differences on gold and foreign currency						16,120
Other						27
	Ps.	539	Ps.	396	Ps.	16,825
B. Financial expenses						
Interest on other liabilities resulting from financial brokerage	Ps.	17,744	Ps.	18,796	Ps.	11,071
Exchange rate differences on gold and foreign currency		14,154		23,221		
Interests on Other Loans from Financial Institutions		392				
Other		276		243		266
	Ps.	32,566	Ps.	42,260	Ps.	11,337
C. Gross brokerage margin		(32,027)		(41,864)		5,488
F. Administrative expenses						
Personnel expenses		9,019		6,338		3,786
Directors and syndics fees		1,966		1,362		1,080
Other fees		4,463		4,144		5,125
Taxes		2,247		2,993		6,984
Other operating expenses		579		717		685
Other		1,353		7,559		5,558
	Ps.	19,627	Ps.	23,113	Ps.	23,218
Net Income from financial brokerage	Ps.	(51,654)	Ps.	(64,977)	Ps.	(17,730)
H. Miscellaneous income						
Net income from equity investments		1,155,060		473,918		188,069
Other		7,679		2,722		86,090
	Ps.	1,162,739	Ps.	476,640	Ps.	274,159
I. Miscellaneous losses						
Other		3,209		2,733		2,401
	Ps.	3,209	Ps.	2,733	Ps.	2,401
Net Income before tax		1,107,876		408,930		254,028

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J. Income tax	Ps.	933	Ps.	29	Ps.	24,753
Net income for the fiscal year	Ps.	1,106,943	Ps.	408,901	Ps.	229,275

(1) Includes the foreign currency position compensation.

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the fiscal years ended December 31, 2011, 2010 and 2009**

(Expressed in thousands of Argentine pesos)

**Statement of cash flows (Parent Company only)**

	2011	December 31, 2010	2009
<b>Cash Flow from operating activities:</b>			
Net Income for the year	Ps. 1,106,943	Ps. 408,901	Ps. 229,275
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation of bank premises and equipment and miscellaneous assets	116	95	87
Amortization of intangible assets	1,952	1,345	1,289
Equity gain of subsidiaries and dividends from subsidiaries	(1,021,192)	(455,105)	(172,100)
Unrealized foreign exchange losses / (gains)	16,221	23,740	(16,046)
Decrease / (Increase) in assets	7,141	29,441	(27,091)
Decrease in liabilities	(22,152)	(9,280)	(18,932)
<b>Net cash provided by / (used in) operating activities</b>	<b>Ps. 89,029</b>	<b>Ps. (863)</b>	<b>Ps. (3,518)</b>
<b>Cash Flow from investing activities:</b>			
Additions of investments in other companies	(25,669)	(7,723)	
Additions to bank premises and equipment, miscellaneous, and intangible assets	(296)	(4,648)	(39)
<b>Net cash used in investing activities</b>	<b>Ps. (25,965)</b>	<b>Ps. (12,371)</b>	<b>Ps. (39)</b>
<b>Cash Flow from financing activities:</b>			
Cash dividends paid	(18,792)		
Contributions to Controlled Companies	(850)	(4,070)	(12,082)
(Decrease) / Increase in Financial Debts	(8,330)	25,699	7,573
<b>Net cash (used in) / provided by financing activities</b>	<b>Ps. (27,972)</b>	<b>Ps. 21,629</b>	<b>Ps. (4,509)</b>
<b>Increase / (Decrease) in cash and cash equivalents, net</b>	<b>Ps. 35,092</b>	<b>Ps. 8,395</b>	<b>Ps. (8,066)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>27,298</b>	<b>19,422</b>	<b>27,562</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,067)</b>	<b>(519)</b>	<b>(74)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>Ps. 60,323</b>	<b>Ps. 27,298</b>	<b>Ps. 19,422</b>
<b>Supplemental disclosures relative to cash flows:</b>			
Interest paid	Ps. 15,930	Ps. 13,244	Ps. 14,487
Income tax paid	Ps.	Ps. 21,822	Ps.
Minimum Presumed Income Tax	Ps. 481	Ps.	Ps.



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The accompanying condensed financial statements have been prepared in accordance with Argentine Banking GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with Argentine Banking GAAP have been condensed or omitted. The Company's majority-owned subsidiaries are recorded using the equity method of accounting. The footnotes' disclosures contain supplemental information relating to the operations of Grupo Galicia; as such, these financial statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

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**PRESENTATION OF FINANCIAL INFORMATION**

Grupo Financiero Galicia S.A. ( Grupo Financiero Galicia ) is a financial services holding company incorporated in Argentina and is one of Argentina's largest financial services groups. In this annual report, references to we, our, and us are to Grupo Financiero Galicia and its consolidated subsidiaries, except where otherwise noted. Our consolidated financial statements consolidate the accounts of the following companies:

Grupo Financiero Galicia;

Banco de Galicia y Buenos Aires S.A., our largest subsidiary, its wholly-owned subsidiaries Banco Galicia Uruguay S.A. (in liquidation) ( Galicia Uruguay ) and Galicia Cayman Limited ( Galicia Cayman ), and other subsidiaries and affiliated companies required to be consolidated under Argentine Banking GAAP (collectively Banco Galicia except where otherwise noted);

Tarjetas Regionales S.A. ( Tarjetas Regionales ) and its operating subsidiaries;

Compañía Financiera Argentina S.A. ( Compañía Financiera Argentina or CFA );

Sudamericana Holding S.A. ( Sudamericana ) and its subsidiaries;

Galicia Warrants S.A. ( Galicia Warrants );

Net Investment S.A. ( Net Investment ),

Galval Agente de Valores S.A. ( Galval ); and

GV Mandataria de Valores S.A. ( GV Mandataria ).

We maintain our financial books and records in Argentine Pesos and prepare our financial statements in conformity with the accounting rules of the Argentine Central Bank, which entity prescribes the generally accepted accounting principles for all financial institutions in Argentina. This annual report refers to those accounting principles as Argentine Banking GAAP. Argentine Banking GAAP differs in certain relevant respects from generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP. Argentine Banking GAAP also differs in certain significant respects from the generally accepted accounting principles in the United States, which we refer to as U.S. GAAP. See Note 33 to our audited consolidated financial statements included in this annual report for a description of the differences between Argentine GAAP and Argentine Banking GAAP, and Note 35 to our audited consolidated financial statements for a reconciliation of the principal differences between Argentine Banking GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of our net income and total shareholders' equity for the three fiscal years ended December 31, 2011 and Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation.

In this annual report, references to US\$ and Dollars are to United States Dollars and references to Ps. or Pesos are to Argentine Pesos. The exchange rate used in translating Pesos into Dollars and used in calculating the convenience translations included in the following tables is the Reference Exchange Rate which is published by the Argentine Central Bank and which was Ps.4.3032, Ps.3.9758 and Ps.3.7967 per US\$1.00 as of December 31, 2011, December 31, 2010 and December 31, 2009, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or at any other rate.

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Our fiscal year ends on December 31, and references in this annual report to any specific fiscal year are to the twelve-month period ended December 31 of such year.

Unless otherwise indicated, all information regarding deposit and loan market shares and other financial industry information has been derived from information published by the Argentine Central Bank.

We have expressed all amounts in millions of Pesos, except percentages, ratios, multiples and per-share data.

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**FORWARD LOOKING STATEMENTS**

This annual report contains forward-looking statements that involve substantial risks and uncertainties, including, in particular, statements about our plans, strategies and prospects under the captions Item 4. Information on the Company-Capital Investments and Divestitures , Item 5.

Operating and Financial Review and Prospects-Item 5.A. Operating Results-Principal Trends and Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources . All statements other than statements of historical facts contained in this annual report (including statements regarding our future financial position, business strategy, budgets, projected costs and management's plans and objectives for future operations) are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of such words as may , will , expect , intend , estimate , anticipate , believe , continue or other similar terminology. Although we believe that the reflected in these forward-looking statements are reasonable, no assurance can be provided with respect to these statements. Because these statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely from those contemplated in such forward-looking statements include but are not limited to:

changes in Argentine government regulations applicable to financial institutions, including tax regulations and changes in or failures to comply with banking or other regulations;

changes in general political, legal, social or other conditions in Argentina, Latin America or abroad;

fluctuations in the Argentine rate of inflation;

changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies, including expected or unexpected turbulence or volatility in domestic or international financial markets;

changes in the macroeconomic situation at the regional, national or international levels, and the influence of these changes on the microeconomic conditions of the financial markets in Argentina;

increased competition in the banking, financial services, credit card services, insurance, asset management and related industries;

changes in interest rates which may, among other things, adversely affect margins;

a loss of market share by any of Banco Galicia's main businesses;

a change in the credit cycle, increased borrower defaults and/or a decrease in the fees charged to clients;

Banco Galicia's inability to sustain or improve its performance;

Banco Galicia's inability to obtain additional debt or equity financing on attractive conditions or at all, which may limit its ability to fund existing operations and to finance new activities;

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technological changes and changes in Banco Galicia's ability to implement new technologies;

changes in the saving and consumption habits of its customers and other structural changes in the general demand for financial products, such as those offered by Banco Galicia;

possible financial difficulties of the Argentine government;

volatility of the Peso and the exchange rates between the Peso and foreign currencies; and

other factors discussed under Item 3. Key Information-Item 3.D. Risk Factors in this annual report.

You should not place undue reliance on forward-looking statements, which speak only as of the date that they were made. Moreover, you should consider these cautionary statements in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to forward-looking statements after completion of this annual report to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

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**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**Item 3.A. Selected Financial Data**

The following table presents summary historical financial and other information about us as of the dates and for the periods indicated.

Our financial statements do not include any effect for inflation accounting other than the adjustments to non-monetary assets through February 28, 2003.

The selected consolidated financial information as of December 31, 2011 and December 31, 2010 and for the fiscal years ended December 31, 2011, 2010 and 2009 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2009, December 31, 2008 and December 31, 2007 and for the fiscal years ended December 31, 2008 and December 31, 2007 has been derived from our audited consolidated financial statements not included in this annual report.

You should read this data in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements included in this annual report.

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	Fiscal Year Ended December 31,					
	2011	2011	2010	2009	2008	2007
	<i>(in millions of Dollars, except as noted)<sup>(1)</sup></i>					
	<i>Unaudited</i>		<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>			
<b>Consolidated Income Statement in Accordance with Argentine Banking GAAP</b>						
Financial Income	1,398.4	6,017.7	3,614.9	3,005.6	2,559.3	1,997.9
Financial Expenses	528.5	2,274.2	1,412.7	1,460.5	1,421.0	1,246.7
Net Financial Income <sup>(2)</sup>	869.9	3,743.5	2,202.2	1,545.1	1,138.3	751.2
Provision for Losses on Loans and Other Receivables	196.0	843.4	551.5	639.5	395.4	255.5
Income before Taxes	432.4	1,860.8	667.1	385.3	250.8	117.5
Income Tax	(175.2)	(753.9)	(258.2)	(156.0)	(74.0)	(71.5)
Net Income / (Loss)	257.2	1,106.9	408.9	229.3	176.8	46.0
Earnings / (Loss) per Share (in Pesos)	0.207	0.892	0.329	0.185	0.142	0.037
Cash Dividends per Share (in Pesos)	0.003	0.014	0.020			
Stock Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.665	2.861	1.989	1.653	1.487	1.333
<b>Amounts in Accordance with U.S. GAAP</b>						
Net Income / (Loss)	201.4	866.7	2,293.6	770.2	(1,171.0)	592.9
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	0.162	0.698	1.848	0.620	(0.943)	0.478
Book Value / (Deficit) per Share (in Pesos)	0.726	3.122	2.414	0.996	(0.608)	0.192
Financial Income	1,391.0	5,985.6	4,779.2	3,374.8	1,201.7	2,433.2
Financial Expenses	520.7	2,240.8	1,343.4	1,434.4	1,391.3	1,160.1
Net Financial Income / (Loss)	870.3	3,744.8	3,435.8	1,940.4	(189.6)	1,273.1
Provision for Losses on Loans and Other Receivables	206.3	887.8	549.7	527.3	450.1	203.4
Income Tax	157.7	678.8	508.1	(54.5)	50.9	(92.5)
<b>Consolidated Balance Sheet in Accordance with Argentine Banking GAAP</b>						
Cash and Due from Banks	1,491.7	6,418.9	5,645.6	3,696.3	3,405.1	2,960.0
Government Securities, Net	1,214.8	5,227.7	2,267.7	3,907.2	1,531.8	1,693.0
Loans, Net	7,181.7	30,904.5	21,353.8	13,477.9	11,774.6	11,601.0
Total Assets	11,896.5	51,193.0	35,708.1	27,602.4	24,735.8	22,828.7
Deposits	7,003.0	30,135.1	22,222.8	17,039.4	14,056.1	13,165.6
Other Funds <sup>(3)</sup>	4,068.2	17,506.3	11,015.8	8,510.5	8,834.0	8,008.6
Total Shareholders' Equity	825.3	3,551.6	2,469.5	2,052.5	1,845.7	1,654.5
Average Total Assets <sup>(4)</sup>	9,675.5	41,635.7	29,118.4	24,685.3	23,412.5	21,332.4
<b>Percentage of Period-end Balance Sheet Items Denominated in Dollars:</b>						
Loans, Net of Allowances	13.88	13.88	14.53	17.78	16.97	15.13
Total Assets	15.15	15.15	18.98	24.95	28.85	27.60
Deposits	15.05	15.05	18.08	18.16	16.98	15.53
Total Liabilities	23.57	23.57	23.01	27.73	32.47	32.84
<b>Amounts in Accordance with U.S. GAAP</b>						
Trading Securities	1,233.9	5,309.8	2,700.4	2,011.9	989.6	476.2
Available-for-Sale Securities	669.7	2,881.9	2,384.9	3,916.9	2,050.0	3,717.3
Total Assets	13,003.5	55,956.7	40,593.9	30,377.6	25,159.7	24,429.1
Total Liabilities	12,102.8	52,080.6	37,596.9	29,141.3	25,914.1	24,191.0
Shareholders' Equity (Deficit)	900.7	3,876.1	2,997.1	1,236.3	(754.4)	238.1





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	2011	Fiscal Year Ended December 31,			2007
		2010	2009	2008	
		<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>			
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b>Profitability and Efficiency</b>					
Net Yield on Interest Earning Assets <sup>(5)</sup>	13.26%	11.38%	9.10%	5.72%	4.13%
Financial Margin <sup>(6)</sup>	11.72	10.02	8.41	5.72	4.12
Return on Average Assets <sup>(7)</sup>	3.07	1.76	1.12	0.91	0.37
Return on Average Shareholders' Equity <sup>(8)</sup>	37.39	18.63	11.69	10.13	2.86
Net Income from Services as a Percentage of Operating Income <sup>(9)</sup>	39.57	44.71	45.90	51.07	54.86
Efficiency ratio <sup>(10)</sup>	67.88	71.39	71.05	76.57	77.29
<b>Capital</b>					
Shareholders' Equity as a Percentage of Total Assets	6.94%	6.92%	7.44%	7.46%	7.25%
Total Liabilities as a Multiple of Shareholders' Equity	13.41x	13.46x	12.45x	12.40x	12.80x
Total Capital Ratio	12.63%	15.19%	14.35%	13.92%	15.54%
<b>Liquidity</b>					
Cash and Due from Banks as a Percentage of Total Deposits	21.30%	25.40%	21.69%	24.23%	22.48%
Loans, Net as a Percentage of Total Assets	60.37	59.80	48.83	47.60	50.82
<b>Credit Quality</b>					
Past Due Loans <sup>(11)</sup> as a Percentage of Total Loans	1.82%	2.57%	3.95%	2.87%	2.77%
Non-Accrual Loans <sup>(12)</sup> as a Percentage of Total Loans	2.63	3.37	4.77	3.49	3.14
Allowance for Loan Losses as a Percentage of Non-accrual Loans <sup>(12)</sup>	152.01	137.57	118.64	123.11	114.05
Net Charge-Offs <sup>(13)</sup> as a Percentage of Average Loans	1.49	2.37	2.84	1.83	0.65
<b>Ratios in Accordance with U.S. GAAP</b>					
<b>Capital</b>					
Shareholders' Equity (deficit) as a Percentage of Total Assets	6.93%	7.38%	4.07%	(3.00)%	0.97%
Total Liabilities as a Multiple of Total Shareholders' Equity	13.44x	12.54x	23.57x	(34.35)x	101.61x
<b>Liquidity</b>					
Loans, Net as a Percentage of Total Assets	55.06%	52.56%	45.55%	49.59%	49.36%
<b>Credit Quality</b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	202.23	163.37	108.37	141.34	132.13
<b>Inflation and Exchange Rate</b>					
Wholesale Inflation <sup>(14)</sup>	12.67%	14.56%	10.04%	8.82%	14.56%
Consumer Inflation <sup>(15)</sup>	9.51	10.92	7.69	7.24	8.47
Exchange Rate Variation <sup>(16)</sup> (%)	8.23	4.72	9.93	9.61	2.66
CER <sup>(17)</sup>	9.54	11.04	6.95	7.97	8.50

*The ratios disclosed above are considered significant by the management of Grupo Financiero Galicia despite of the fact that they are not a specific requirement of any GAAP.*

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- (1) The exchange rate used to convert the December 31, 2011 amounts into Dollars was Ps.4.3032 per US\$1.00. All amounts are stated in millions of Pesos, except inflation and exchange rates, percentages, ratios, multiples and per-share data.
- (2) Net financial income primarily represents income from interest on loans and other receivables resulting from financial brokerage plus net income from government and corporate debt securities, including gains and losses, minus interest on deposits and other liabilities from financial intermediation. It also includes the CER adjustment.
- (3) Includes primarily debt with merchants and liabilities with other banks and international entities.
- (4) The average balances of assets, including the related interest that is due are calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales consolidated with its operating subsidiaries, and on a monthly basis for Grupo Financiero Galicia and its non-banking subsidiaries.
- (5) Net interest earned divided by interest-earning assets. For a description of net interest earned, see Item 4. Information on the Company-Selected Statistical Information-Interest-Earning Assets-Net Yield on Interest-Earning Assets .
- (6) Financial margin represents net financial income divided by average interest-earning assets.
- (7) Net income excluding minority interest as a percentage of average total assets.
- (8) Net income as a percentage of average shareholders' equity.
- (9) Operating income is defined as net financial income plus net income from services.
- (10) Administrative expenses as a percentage of operating income as defined above.
- (11) Past-due loans are defined as the aggregate principal amount of a loan plus any accrued interest that is due and payable for which either the principal or any interest payment is 91 days or more past due.
- (12) Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .
- (13) Charge-offs plus direct charge-offs minus bad debts recovered.
- (14) As measured by the annual change in the end-of-period Wholesale Price Index ( WPI ), published by INDEC.
- (15) As measured by the annual change in the end-of-period Consumer Price Index ( CPI ), published by INDEC.
- (16) Annual change in the end-of-period exchange rate expressed in Pesos per Dollar.
- (17) The CER is the Coeficiente de Estabilización de Referencia , an adjustment coefficient based on changes in the CPI.

**Exchange Rate Information**

The following table sets forth the annual high, low, average and period-end exchange rates for Dollars for the periods indicated, expressed in Pesos per Dollar and not adjusted for inflation.

	High	Exchange Rate <sup>(1)</sup>		Period-End
		Low	Average	
			(in Pesos per Dollar)	
2007	3.1797	3.0553	3.1196 <sup>(2)</sup>	3.1510
2008	3.4537	3.0128	3.1797	3.4537
2009	3.8545	3.4497	3.7478	3.7967
2010	3.9857	3.7942	3.9226	3.9758
2011	4.3035	3.9715	4.1442	4.3032
December 2011	4.3035	4.2780	4.2888 <sup>(3)</sup>	4.3032
January 2012	4.3383	4.3048	4.3206	4.3362
February 2012	4.3565	4.3337	4.3463	4.3565
March 2012	4.3785	4.3345	4.3563	4.3785

- (1) Using closing reference exchange rates as published by the Argentine Central Bank.
- (2) Annual average: based on the last day of each month's closing quotation.
- (3) Monthly average: daily closing quotations.

As of April 17, 2012, the exchange rate was Ps.4.3948 for US\$1.00.

**Item 3.B. Capitalization and Indebtedness**

Not applicable.



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**Item 3.C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**Item 3.D. Risk Factors**

*You should carefully consider the risks described below in addition to the other information contained in this annual report. In addition, most, if not all, of the risks described below must be evaluated bearing in mind that our most important asset is our equity interest in Banco Galicia, thus, a material change in Banco Galicia's shareholders' equity or income statement would also adversely affect our businesses and results of operations. We may also face risks and uncertainties that are not presently known to us or that we currently deem immaterial, which may impair our business. Our operations, property and customers are located mainly in Argentina. Accordingly, the quality of our customer portfolio, loan portfolio, financial condition and results of operations depend, to a significant extent, on the macroeconomic and political conditions prevailing in Argentina. In general, the risk assumed when investing in the securities of issuers from countries such as Argentina, is higher than when investing in the securities of issuers from developed countries.*

**Risk Factors Relating to Argentina**

*Political and economic instability in Argentina, the deterioration of market conditions and the intervention by the Argentine government, among other factors, may adversely affect Grupo Financiero Galicia's business and prospects.*

Historically, the Argentine economy has experienced periods of high levels of instability and volatility, low or negative economic growth and high and variable inflation and devaluation levels. During 2001 and 2002, Argentina went through a period of major political, economic and social instability, which led to a partial default by Argentina in the payment of its sovereign debt, and the devaluation of the Peso in January 2002, after over ten years of parity with the Dollar.

The Argentine economy in general, the operating results of Grupo Financiero Galicia and its subsidiaries or the rights of the holders of securities issued by such institutions or their value, may be materially and adversely affected by a number of possible factors, including, among others, Argentina's inability to sustain its current economic recovery, the effects of inflation, Argentina's limited ability to obtain external financing, a decline in the international prices for Argentina's main commodity exports, a significant real appreciation of the Peso against the Dollar, intervention by the Argentine government in the form of an ever-changing regulatory framework (including, for example, the recent nationalization of YPF, Argentina's largest and previously Spanish-owned oil company), the vulnerability of the Argentine economy to external shocks, and a devaluation of the Peso or exchange rate controls.

*Argentina's economic growth since the 2001-2002 economic crisis may not be sustainable in light of current economic conditions and any significant decline in Argentina's rate of recovery could adversely affect Grupo Financiero Galicia's financial condition.*

Although general economic conditions in Argentina have recovered significantly during the years since the 2001-2002 economic crisis, there is uncertainty as to whether this growth is sustainable. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine Peso, a high excess production capacity resulting from a long period of deep recession and high commodity prices. The global economic crisis of 2008 led to a sudden economic decline in Argentina during 2009, accompanied by political and social unrest, inflationary and Peso depreciation pressures and lack of consumer and investor confidence. According to the Argentine Statistics and Census Agency (*Instituto Nacional de Estadísticas y Censos*, INDEC), Argentina's Gross Domestic Product (GDP), in real terms, grew by 0.9% in 2009, 9.2% in 2010 and 8.9% in 2011. GDP may not increase or remain stable in the future. Even though during 2010 and 2011 the Argentine economy has grown significantly, there is uncertainty as to whether Argentina will be able to maintain this level of economic growth.

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The economic and financial crisis in certain European countries, the United States or any other important commercial partner of Argentina, a decline in the international demand for Argentine products, a lack of stability and competitiveness of the Peso against foreign currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties, among other factors, may affect the development of the Argentine economy and cause volatility in the local capital markets, which could have a material adverse effect on the financial condition and the results of operations of Grupo Financiero Galicia and its subsidiaries.

The Argentine economy still remains fragile, as reflected by the following economic conditions:

capital outflows remain high,

Argentina's ability to attract foreign direct investment is low;

the current fiscal situation is at risk of deterioration;

inflation has risen and threatens to accelerate;

the regulatory environment continues to be uncertain and has been subject to frequent change;

Argentina's international financing is limited; and

the recovery has depended to some extent on high commodity prices, which are volatile and beyond the control of the Argentine government.

If any of the above developments over which we have no control were to occur, including a decline in economic growth or increased economic instability, they may have an adverse effect on our business and financial condition or results of operations.

***Inflation could increase from current levels, and materially and adversely affect the Argentine economy and Grupo Financiero Galicia's financial position and business.***

According to INDEC, the CPI increased by 7.7% in 2009, 10.9% in 2010 and 9.5% in 2011; while the wholesale price index went up to 10.0% in 2009, 14.6% in 2010 and 12.7% in 2011. The accuracy of these measurements is in doubt, and the actual CPI and wholesale price index could be substantially higher than those indicated by INDEC. If it is determined that it is necessary to correct the consumer price index and other INDEC indices that use the CPI in their calculation, there could be a significant decrease in confidence in the Argentine economy.

In the past, inflation has materially undermined the Argentine economy and the Argentine government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same may materially and adversely affect the business volume of the financial system and prevent the growth of intermediation activity levels. This result, in turn, would adversely affect the level of economic activity and employment.

High inflation would also undermine Argentina's foreign competitiveness and adversely affect economic activity, employment, real salaries, consumption and interest rates. In addition, the dilution of the positive effects of the Peso devaluation on the export-oriented sectors of the Argentine economy will decrease the level of economic activity in the country. In turn, a portion of the Argentine debt is adjusted by the Coeficiente de Estabilización de Referencia, the Stabilization Coefficient Index, or CER Index, a currency index that is strongly tied to inflation. Therefore, any significant increase in inflation would cause an increase in Argentina's debt and, consequently, the country's financial obligations. A high level of uncertainty with respect to these economic variables, and a general lack of stability with respect to inflation could cause a shortening of contract terms and affect the ability of businesses to plan and make decisions, thereby materially and adversely affecting economic activity, and lowering consumers' income and their purchasing power.

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All the above mentioned developments may have a material adverse effect on the financial position, operating results and business of Grupo Financiero Galicia and its subsidiaries.

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***Due to a default by Argentina on its debt obligations in 2001 and litigation in respect of the same, the ability of Argentina and of private sector companies in Argentina, to obtain financing and to attract direct foreign investment is and will continue to be limited, which may have material adverse effects on the economy and the financial performance of Grupo Financiero Galicia.***

Argentina has very limited access to foreign financing. As of December 31, 2001, Argentina's total public debt amounted to US\$144.5 billion. In December of 2001, Argentina defaulted on over US\$81.8 billion in external debt to bondholders. In addition, since 2002, Argentina suspended payments on over US\$15.7 billion in debt to multilateral financial institutions (e.g. the IMF and the Paris Club) and other financial institutions. In 2006, Argentina cancelled all of its outstanding debt with the IMF totaling approximately US\$9.5 billion, and through various exchange offers made to bondholders between 2004 and 2010, restructured over US\$74 billion of its defaulted debt. Although on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club, a decision which was accepted by the Paris Club, negotiations related to such repayment remain open. As of December 31, 2011, the Argentine government was still in default with respect to over US\$11 billion of debt to bondholders. As of such date, Argentina's total public debt amounted to US\$175 billion (excluding the debt in default to bondholders).

In addition, the foreign shareholders of several Argentine companies, including public utilities and bondholders that did not participate in the exchange offers described above, have filed claims that exceed US\$20 billion with the International Centre for Settlement of Investment Disputes (ICSID) alleging that the emergency measures adopted by the Argentine government differ from the just and equal treatment dispositions set forth in several bilateral investment treaties to which Argentina is a party. As of the date hereof, the ICSID has ruled that the Argentine government must pay an amount of approximately US\$1 billion, plus interest and incurred expenses, in respect of such claims. Litigation and claims against the Argentine government have resulted in material judgments and may result in new material judgments against the Argentine government, which could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have all the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, on our financial condition.

Argentina's default with respect to the payment of its foreign debt, its delay in completing the debt restructuring process with creditors that did not participate in the related exchange offers and the aforementioned complaints filed against Argentina could prevent the Argentine government and private sector companies in Argentina from accessing the international capital markets and receiving direct foreign investment. Accordingly, the Argentine government may not have sufficient financial resources to foster economic growth. Moreover, investment in the private sector, which is also necessary to promote economic growth, may not occur at the necessary levels due to a lack of financing.

If Argentina does not fully recuperate its ability to access the international capital markets and attract direct foreign investment, there is a risk that the country will not obtain the requisite capital to foster the investment cycle and sustain a fast-paced economic growth. The country's fiscal condition could be adversely affected, which in turn could generate more inflation and undermine the Argentine government's ability to implement economic policies designed to foster growth. Unless a sustained growth cycle materializes, political, social and economic instability could prevail once again, all of which would have a material adverse effect on the prospects of the Argentine economy and, therefore, a material adverse impact on Grupo Financiero Galicia's financial condition and operating results.

***A decline in the international prices for Argentina's main commodity exports and a significant real appreciation of the Peso against the Dollar could affect Argentina's economy, create new pressures on the exchange market and have a material adverse effect on the prospects of Grupo Financiero Galicia.***

Argentina's economic growth since the 2001-2002 economic crisis has taken place within a context of increasing prices for exports, such as soy, which represented 23.8% of Argentine exports in 2011. High prices for commodities have contributed to the increase in exports by Argentina since the third quarter of 2002, and have contributed to increased tax revenues for the Argentine government, mainly from export taxes (withholdings).

Fluctuations in prices for commodities exported by Argentina and a significant increase in the value of the Peso (in real terms) may reduce Argentina's competitiveness and significantly affect the country's exports. A decrease in exports could affect Argentina's economy, have a material adverse effect on public finances due to a loss of tax revenues, cause an imbalance in the country's exchange market which, in turn, could lead to increased volatility with respect to the exchange rate. In addition, and more importantly in the short term, a significant appreciation of the Peso could materially reduce the Argentine government's revenues in real terms and affect its ability to make payments on its debt obligations, as these revenues are heavily derived from export taxes (withholdings). This could worsen the financial condition of the Argentine public sector, increase unemployment and lead to an increase in taxes or a need to inject additional currency into the Argentine financial system through the printing of money, which could lead to inflation and potentially materially and adversely affect the Argentine economy, as well as Grupo Financiero Galicia's financial condition and operating results.





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***High volatility in the regulatory framework, specifically with respect to financial institutions, could have a material adverse effect on the country's economy in general, and Grupo Financiero Galicia's financial position specifically.***

The Argentine government continues to exert significant control over the economy. Political and social pressures could inhibit the implementation by the Argentine government of policies designed to maintain price stability, generate growth and enhance consumer and investor confidence.

Financial institutions are particularly subject to significant regulation from multiple regulatory authorities, including the Argentine Central Bank, the Argentine National Securities Commission (*Comisión Nacional de Valores*, the CNV) and the Financial Information Unit (*Unidad de Información Financiera*, the UIF), all of whom may, amongst other things, impose sanctions on Grupo Financiero Galicia's businesses, including Banco Galicia, for non-compliance with their applicable regulations.

It is not certain whether any material regulatory proceeding in the future will be initiated against, or result in a resolution adverse to, Grupo Financiero Galicia, its shareholders or directors.

Law No. 26,739 enacted on March 22, 2012 amended the charter of the Argentine Central Bank. No assurances can be provided about what effects the subsequent changes in banking regulations could have on financial institutions in general, and on its business, financial conditions and/or results of operations.

There can be no assurance that potential future enactments of governmental regulation by Argentine authorities will not materially and adversely affect the assets or the operating results of companies in the private sector, including Grupo Financiero Galicia and its subsidiaries, the rights of the holders of securities issued by such entities, or the value of such securities.

The lack of a stable regulatory framework could impose significant limitations on the activities of the financial system and the business of Grupo Financiero Galicia, including Banco Galicia, and would create uncertainty with respect to its future financial situation and results of operations.

***The Argentine economy and its goods and financial services and securities markets remain vulnerable to external shocks, which could materially and adversely affect the country's economic growth and Grupo Financiero Galicia's prospects.***

The financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other countries. Although such conditions may vary from country to country, investor reactions to events occurring in one country may substantially affect capital flows to issuers in other countries, and may substantially affect the trading prices of their securities. Decreased capital inflows and lower prices in the exchange markets of a country may have a material adverse effect on the real economy of such country in the form of higher interest rates or volatility in the exchange rate. This has had and may have in the future, a negative impact on the Argentine economy and could continue to adversely affect the country's economy in the near future.

In the past, Argentina's economy was adversely affected by developments in other markets, such as, among others, the political and economic events that occurred in Mexico at the end of 1994, the collapse of various Asian economies between 1997 and 1998, the subprime mortgage market crisis in the U.S in 2007 and 2008, the sovereign debt crisis in some European countries during the last years and growth concerns around developed countries. There is a risk that similar events may have a material adverse effect on the Argentine economy in the future.

The Argentine economy is vulnerable to the evolution of the aforementioned developments. Both inflation and growth concerns, if materialized, could change the favorable external conditions.

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It is difficult to predict what the final impact of this crisis will be on the liquidity and interest rates of the international markets, world economic growth and trade, the international prices for commodities, and the flow of capital to emerging economies. It is also difficult to predict the manner and the extent to which these events may materially adversely affect Argentina.

As a consequence of such economic and financial crisis, the world's major economies have entered into recessions or have showed a marked decrease in their economic activity; this could create an unfavorable international economic environment for Argentina, which could require government-driven adjustments to Argentine economic policy and result in lower economic growth.

A new global economic and/or financial crisis, or the effects of the crisis, may affect the Argentine economy and consequently may affect the results and operations of Grupo Financiero Galicia and its subsidiaries, including Banco Galicia.

***A future devaluation of the Peso could limit the ability of, or prevent Grupo Financiero Galicia from, being able to make payments with respect to its foreign currency denominated obligations.***

If the Peso were to devalue significantly in the future, it could have an adverse effect on the ability of Argentine companies to make timely payments on their foreign currency denominated obligations, generate high inflation, reduce real salaries, and have an adverse effect on companies focused on the domestic market, such as public services companies and financial companies. It could also adversely affect the ability of the Argentine government to honor its foreign debt obligations.

These adverse effects on the Argentine economy could materially and adversely affect Grupo Financiero Galicia's businesses and impair its ability to honor its obligations denominated in a foreign currency.

***We may be unable to make payments in Dollars and/or to make payments outside of Argentina due to exchange controls.***

Decree No. 1,570/01, which became effective on December 3, 2001, imposed certain restrictions on the transfer of foreign currency abroad by prohibiting usual transfer transactions of funds to accounts outside of Argentina. The same restriction was maintained by Decree No. 1,606/01, which also included certain additional exceptions for the transfer of funds into Argentina after December 3, 2001.

Additionally, pursuant to Decree No. 616/05 (and related provisions), the Argentine government has regulated incoming and outgoing flows of funds. In general, this rule provides that, subject to certain exceptions, certain funds transferred into Argentina by residents or non-residents are subject to the creation of a mandatory deposit called an *encaje* equal to 30% of the amount transferred, which is to be deposited in Dollars, for one year, in a non-transferable, non-interest-bearing account at a local financial institution. This rule establishes that, subject to certain exceptions, in order to transfer currency from Argentina to foreign accounts, the approval of the Argentine Central Bank must be obtained, and it further establishes certain maximum amounts that individuals may acquire in the foreign exchange market. For a further description of these and other foreign exchange control actions, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market .

No assurance can be provided that the above-mentioned regulations will not be amended, or that new regulations (or implementation measures) will not be enacted in the future that operate to further limit foreign exchange flows into and out of Argentina. Any such measures, as well as any additional controls and/or restrictions, could materially and adversely affect Grupo Financiero Galicia's ability to access international capital markets, make payments of principal and/or interest on its liabilities denominated in a foreign currency or transfer abroad (totally or partially) funds and adversely affect the financial condition and results of Grupo Financiero Galicia's operations. Therefore, non-resident investors and Argentine residents with assets located outside of Argentina should particularly take into account the regulation (and its amendments) that govern access to the foreign exchange market. Grupo Financiero Galicia may be unable to make payments in Dollars and/or to make payments outside of Argentina due to the exchange market restrictions currently in place and/or due to restrictions on the ability of companies to transfer funds abroad.

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***It may be difficult to effect service of process against Grupo Financiero Galicia's executive officers and directors, and foreign judgments may be difficult to enforce or unenforceable in Argentina.***

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain within the United States. Grupo Financiero Galicia and substantially all of its subsidiaries are companies incorporated under the laws of Argentina. Substantially all of its directors, members of the supervisory committee, officers and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina. Although Grupo Financiero Galicia has an agent to receive service of process in any action against it in the United States with respect to its ADSs, none of its executive officers or directors has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult to effect service of process against Grupo Financiero Galicia's executive officers and directors. Additionally, pursuant to Argentine law, a foreign judgment will be enforced in Argentina, provided that the requirements set forth in Sections 517 through 519 of the Argentine Code of Civil and Commercial Procedure are met; if it is a matter of provincial law, the requirements in the applicable local codes of procedure must be satisfied instead. In both instances, the foreign judgment must not infringe on the principles of Argentine public policy, as determined by the competent courts of Argentina. As such, foreign judgments may not, in certain circumstances, be enforceable in Argentina and, to the extent such foreign judgments are found to be enforceable, the process of enforcement may be difficult and time-consuming.

***The Reform of the Retirement and Pension Integrated System materially and adversely affected the local capital markets and may materially and adversely affect Grupo Financiero Galicia's ability to obtain liquidity for its operations.***

The Argentine Congress approved, through its enactment of Law No. 26,425 on November 20, 2008, the elimination of the private retirement system led by the Retirement and Pension Fund Administrators (the AFJPs), which was merged into, and replaced by, a single public regime, referred to as the Argentine Social Security Integrated System (*Sistema Integrado Previsional Argentino, the SIPA*). The law provided that, among other measures: (i) funds accumulated in the private retirement system over the previous fourteen years would be administered by the Argentine National Social Security Administration (*Administración Nacional de la Seguridad Social, the ANSES*) going forward and (ii) the retirement system would be public and citizens would be required to make their social security payments to this new system.

The elimination of this system created a significant change in the operations of the local capital markets, as the AFJPs were, historically, significant institutional investors in respect of local issuances of debt and equity. The dynamics of the local capital markets changed due to the considerable decrease in liquidity and increase in concentration. The elimination of institutional investors and the related sources of funding from the local market could materially and adversely affect Grupo Financiero Galicia's future ability to access liquidity through the domestic capital markets to fund its operations.

In addition, the Argentine government, through its assumption of the AFJP's equity investments in a variety of the country's main private companies, became a significant shareholder in such companies. The nationalization of the AFJPs has adversely affected investor confidence in Argentina, which may impact Grupo Financiero Galicia's ability to undertake access the capital markets in the future.

***The Argentine government may impose regulations that raise labour costs in the private sector, which would increase Grupo Financiero Galicia's operating costs.***

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to increase wages and provide specified benefits to employees, and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations are demanding significant wage increases. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on Grupo Financiero Galicia's expenses and business, results of operations and financial condition.

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**Risk Factors Relating to the Argentine Financial System**

*The stability of the Argentine banking system might be affected by a loss of confidence of depositors.*

During 2001, a significant amount of deposits were withdrawn from Argentine banks. This massive withdrawal of deposits was mainly due to the loss of depositor confidence in the ability of the Argentine government to pay its debts and to maintain the Peso-Dollar parity in the context of its solvency crisis.

If depositors once again withdraw significant holdings from banks, there may be a substantial negative impact on the manner in which financial institutions, including Banco Galicia, conduct their business, and on their ability to operate as financial intermediaries. Loss of confidence in the international financial markets may also affect the trust of Argentine depositors in local banks.

While conditions have improved in the financial system, an adverse economic situation, even if not related to the financial system, could result in the transfer of capital from local financial institutions, as depositors seek to protect their assets from a new crisis. Any massive withdrawal of deposits could cause liquidity problems for financial institutions, and as a result, a contraction in credit supply.

In the case of a future shock such as the insolvency of one or more banks, or a crisis in confidence of depositors, the Argentine government could impose new controls on foreign exchange market or transfers to foreign markets, or take other measures that could lead to new social and political tensions and undermine the financial progress of the government, which would adversely affect Argentina's economy and growth prospects.

This could impact Grupo Financiero Galicia's and its subsidiaries' results.

*If the size of financial intermediation relative to GDP is not restored to significant levels, the capacity of financial institutions, including Banco Galicia, to generate profits may be negatively affected.*

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity in Argentina decreased dramatically: private sector credit fell from 24% of GDP in December 2000 to 7.7% in June 2004 and total deposits as a percentage of GDP fell from 31% to 23.2% during the same period. The depth of the crisis and the effect of the crisis on depositors' confidence in the financial system created significant uncertainties as to the likelihood that the financial system would fully recover its ability to act as an intermediary between savings and credit. Further, the ratio of total private sector deposits and loans to GDP in Argentina are low when compared to international levels and lower than the periods prior to the crisis, especially in the case of loans to the private sector, which represented approximately 15% of Argentine GDP as of December 31, 2011.

There are no assurances that the necessary steps will be taken to restore financial intermediation activities to levels that allow for an adequate income generation capacity by Argentine financial institutions, including Banco Galicia, or that such actions will be sufficient to prevent Argentine financial institutions, such as Banco Galicia, from having to assume excessive risks in terms of maturity mismatches. Under these circumstances and for an undetermined period of time, the scale of operations of financial institutions that operate in Argentina, including Banco Galicia, their business volume, the size of their assets and liabilities or their ability to generate results could be lower than before the crisis which, in turn, may impact the results of its operations.

*The limited availability of medium- and long-term funding sources in Argentina may limit the capacity of Argentine financial institutions, including Banco Galicia, to continue growing.*

Most deposits in the Argentine financial system are either demand or short-term time deposits. The sources of medium- and long-term funding for financial institutions are currently limited. If Argentine financial institutions, such as Banco Galicia, are unable to access adequate funding sources or are required to pay high costs in order to obtain the same, their results of operations may be negatively impacted which, in the case of Banco Galicia, may adversely impact its ability to repay its debt.

*Argentine financial institutions continue to have exposure to the public sector (including securities issued by the Argentine Central Bank) and its repayment capacity which, in periods of economic downturn, may negatively impact their results of operations.*

Argentine financial institutions continue to have exposure to the public sector and its repayment capacity. The Argentine government's ability to honor its financial obligations is dependent on, among other things, its ability to establish economic policies that succeed in fostering sustainable economic growth in the long-term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.



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With respect to Banco Galicia, in particular, as of December 31, 2011, its net position in the Argentine public sector reached Ps.5,201 million, representing approximately 10% of its total assets and 1.4 times its shareholders' equity. Of this total, Ps.1,664 million corresponded to Argentine government securities while the remaining Ps.3,537 million were Argentine Central Bank debt instruments. As a result, Banco Galicia's income generating capacity may be materially impacted, or may be particularly impacted by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia's ability to honor its financial obligations could be adversely affected by the Argentine government's payment capacity or its failure to meet its obligations in regard to Argentine government obligations owed to Banco Galicia.

***The Argentine government may once again impose limitations on the enforcement of creditor rights in Argentina which could adversely affect the businesses of financial institutions, including Banco Galicia's.***

To protect debtors affected by the 2001-2002 economic crisis, beginning in 2002 the Argentine government adopted measures that temporarily suspended proceedings for the enforcement of creditors' rights, including mortgage foreclosures and bankruptcy petitions. Most of these measures have been rescinded. The Argentine government, however, could re-implement measures with retroactive effect or, if faced with adverse economic conditions, could adopt additional measures that could adversely affect the businesses of financial institutions, including those of Banco Galicia.

***The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by Grupo Financiero Galicia and its subsidiaries.***

Argentine Law No. 24,240 (the Consumer Protection Law) sets forth certain rules and principles designed to protect consumers, which include Banco Galicia's customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26,361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the Credit Card Law) also sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event that Grupo Financiero Galicia and its subsidiaries are found to be in violation of any provision of the Consumer Protection Law or the Credit Card Law, the penalties and remedies outlined above could prevent or limit the collection of payments due from services and financing provided by Grupo Financiero Galicia and its subsidiaries and materially and adversely affect their financial results. Grupo Financiero Galicia cannot provide any assurance that judicial and administrative rulings based on the newly enacted regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations.

***Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system and Banco Galicia's business and financial condition.***

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits related to collective interests such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail, their success could have an adverse effect on the financial or insurance industry and, consequently, Grupo Financiero Galicia's business and financial condition.

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**Risk Factors Relating to Us**

***Increased competition, reduction in the number of financial market participants and reduced spreads without a corresponding increase in lending volumes could adversely affect Banco Galicia's operations and profits.***

We expect competition in the financial market to increase and a continued consolidation among the number of market participants leading to the creation of larger banks with more resources than Banco Galicia. Such consolidation and increased competition could require Banco Galicia to expend significant resources to defend its current market share in the agricultural and livestock sector, small and medium sized companies (SMEs) business sector and consumer finance operations. Banco Galicia and other subsidiaries of Grupo Financiero Galicia could experience reduced prices and margins and/or decreased volume of operations and market share, and therefore, the results of their operations could be adversely affected.

Similarly, we expect that competition to gain market share in the SMEs business segments is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect the results of Banco Galicia's operations by decreasing the margins it is able to generate from this sector of clients.

***Tax audits or disputes, or changes in the tax laws applicable to Grupo Financiero Galicia, could materially increase its tax payments, and certain administrative proceedings started by tax authorities against financial institutions such as Banco Galicia could generate losses to such institutions.***

We exercise significant judgment in calculating our provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may affect their accuracy. The tax authorities may disagree with our tax treatment of certain material items potentially causing an increase in our tax liabilities.

Furthermore, changes to existing laws may also increase our effective tax rate. A substantial increase in our tax burden could have an adverse effect on our financial results.

Certain tax authorities in the provinces and in the City of Buenos Aires initiated administrative proceedings against certain financial institutions in order to collect higher gross income taxes from such financial institutions from year-end 2002 onwards. Provincial tax authorities claim a substantial amount in connection with gross income generated by financial institutions in 2002, as such authorities include the income related to the Compensatory Bond (as defined below), into the income subject of the tax. The purpose of the Compensatory Bond was to compensate financial institutions for the losses that they would otherwise incur as a result of the measures implemented to face the 2001-2002 economic crisis, in particular, the Asymmetric Pesification. Although the final decision of these proceedings is uncertain, there have been certain non definitive rulings for the bank's position, but financial institutions, including Banco Galicia, could suffer certain losses.

***Adverse conditions in the credit and capital markets and in the exchange rates may have a material adverse effect on Grupo Financiero Galicia's financial condition and results of operations and adversely impact some of Grupo Financiero Galicia's funding sources, therefore limiting its ability to access funding from such sources in a cost effective and/or timely manner.***

Grupo Financiero Galicia may sustain losses relating to its investment in fixed or variable income securities in capital stock, and in its monetary position due to, among other reasons, changes in market prices, defaults and fluctuations in interest rates and in the exchange rate. A deterioration in the capital markets may cause Grupo Financiero Galicia to record net losses due to a decrease in the value of its investment portfolios, in addition to the losses from trading positions caused by volatility in the prices of the financial markets, even if the economy does not suffer overall. Any of these losses could have a material adverse effect on our results of operations.

Some of Banco Galicia's liquidity is derived from domestic banking institutions and/or the domestic capital markets. As of December 31, 2011, Banco Galicia's liquidity ratio was 37.85%, as measured by liquid assets as a percentage of total deposits (liquid assets include cash and due from banks, holdings of securities issued by the Argentine Central Bank (Lebac and Nobac), net interbank loans, short-term placements with correspondent banks and reverse repurchase agreement transactions in the local market). Any disruptions in the local capital markets or in the local banking market, as have been experienced in Argentina in the past from time to time, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial condition and/or results of operations.





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***Grupo Financiero Galicia's subsidiaries estimate and establish reserves for potential credit risk and credit losses, which may be inaccurate or insufficient, which may, in turn, materially and adversely affect their financial condition and results of operations.***

Grupo Financiero Galicia's subsidiaries estimate and establish reserves for potential credit risk and credit losses related to changes in levels of income of borrowers, increased rates of inflation, increased levels of non-performing loans or an increase in interest rates. This process requires complex and subjective analysis, including economic projections and assumptions regarding the ability of debtors to repay their loans.

Therefore, if in the future Grupo Financiero Galicia's subsidiaries are unable to effectively control the level of quality of their loan portfolio, if loss reserves for loans are inadequate to cover future losses on loans, or if they are required to increase their loss reserves due to an increase in the amount of their non-performing portfolio loans, the financial condition of Grupo Financiero Galicia's subsidiaries and their results of operations could be materially and adversely affected.

***Changes in market conditions, and any risks associated thereto, could materially and adversely affect the financial condition and results of operations of Grupo Financiero Galicia.***

Grupo Financiero Galicia is directly and indirectly affected by changes in market conditions. Market risk, or risk in the valuation of assets, liabilities or revenues may be adversely affected by a change in market conditions. This risk is inherent in the products and instruments associated with our operations, including long-term loans and short-term deposits, securities and bonds. Changes in market conditions could materially and adversely affect our financial condition and results of operations, including fluctuations in interest and currency exchange rates, stock prices, changes in the volatility of interest rates and foreign currency exchange, among others.

***Grupo Financiero Galicia's main subsidiary, Banco Galicia, could fail to fully or timely detect money laundering and other illegal or inappropriate activities which could result in Banco Galicia incurring additional liability and could harm its business and reputation.***

Banco Galicia must be in compliance with all applicable laws against money laundering, terrorism financing and other regulations in Argentina. These laws and regulations require, among other things, that Banco Galicia adopt and implement policies and procedures which involve getting to know the client and reporting suspicious and material transactions to the applicable regulatory authorities. While Banco Galicia has adopted policies and procedures intended to detect and prevent the use of its bank network for money laundering activities and by terrorists, terrorist organizations and other general individual organizations, such policies and procedures may fail to fully eliminate the risk that Banco Galicia has been or is currently being used by other parties, without its knowledge, to engage in activities related to money laundering or other illegal or inappropriate activities. To the extent that Banco Galicia has not detected or does not detect such illegal activities, the relevant Governmental agencies to which it reports have the power and authority to impose fines and other penalties on Banco Galicia. In addition, its business and reputation could be adversely affected if clients use it for money laundering activities or illegal or inappropriate purposes.

***Interruption or failure in our information technology systems could adversely affect our operations and financial position.***

Our subsidiaries' success is dependent upon the efficient and uninterrupted operation of their communications and computer hardware systems, including those systems related to the operation of their ATMs and website. Our communications and computer hardware systems and transactions could be harmed or interrupted by fire, flood, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or interruptions. Any of the foregoing events could cause system interruptions, delays and the loss of critical data and could prevent us from operating at optimal levels or at all. In addition, disaster recovery planning may not be sufficient to cover all of these events and we could have inadequate insurance coverage or limits which could prevent us from receiving full compensation for our losses from a principal interruption. If any of these events occur, it could damage our reputation, be costly to cure and adversely affect our transactions as well as our results of operations and financial position.

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***Grupo Financiero Galicia could be unable to invest in its business developments and/or to repay its financial obligations due to a lack of liquidity caused by it being a holding company.***

Grupo Financiero Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate nor hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo Financiero Galicia's ability to invest in its business developments and/or to repay obligations is subject to the funds generated by its subsidiaries and their ability to pay cash dividends. In the absence of such funds, Grupo Financiero Galicia could have to resort to financing options at unappealing prices, rates and conditions. Additionally, such financing could be unavailable when Grupo Financiero Galicia may need it.

Grupo Financiero Galicia's subsidiaries are under no obligation to pay any amount to enable Grupo Financiero Galicia to carry out investment activities and/or to cancel its liabilities, or to give Grupo Financiero Galicia funds for such purposes. Each of the subsidiaries is a legal entity separate from Grupo Financiero Galicia, and due to certain circumstances, legal or contractual restrictions, as well as to the subsidiaries' financial condition and operating requirements, Grupo Financiero Galicia's ability to receive dividends could be limited and, its ability to develop its business and/or to comply with its payment obligations could be limited.

In addition, under certain regulations, Banco Galicia faces certain restrictions related to dividend distribution. In particular, after the end of 2011, the Argentine Central Bank modified the regulations regarding dividend distribution. The new regulation established that after paying dividends, a financial institution must have an excess of computable capital over the minimum requirement of 75%, up from the previous requirement of 30%. As a result of these regulations, Banco Galicia could not declare dividends for the fiscal year ended December 31, 2011.

Notwithstanding the fact that investments in its business developments and the repayment of Grupo Financiero Galicia's obligations could be afforded through means other than dividends, such as bank loans or new issuances in the capital market, investors should take such restrictions into account when analyzing Grupo Financiero Galicia's investment developments and/or its ability to cancel its obligations. For further information on dividend distribution restrictions, see Item 8. Financial Information-Dividend Policy and Dividends .

***Argentina has different corporate disclosure and governance standards than those you may be familiar with in the United States and, as a foreign private issuer, Grupo Financiero Galicia has different disclosure and other requirements than U.S. domestic registrants.***

The securities laws of Argentina, which govern open or publicly listed companies, aim to promote disclosure of all material corporate information to the public. Argentine disclosure requirements, however, are more limited than those in the United States in important respects and, as a foreign private issuer, Grupo Financiero Galicia is subject to different disclosure and other requirements than a domestic U.S. registrant. For example, as a foreign private issuer, in the United States, Grupo Financiero Galicia is not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports or to file current reports upon the occurrence of certain events, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants under Section 16 of the Exchange Act. In addition, although Argentine laws provide for disclosure and other similar requirements in connection with publicly listed companies, including, for example, with respect to insider trading and price manipulation, applicable Argentine laws are different from those in the United States and in certain respects may provide for different or fewer protections or remedies as compared to the comparable laws in the United States. Grupo Financiero Galicia relies on exemptions from the Nasdaq rules which permit Grupo Financiero Galicia to follow Argentine legal requirements rather than certain Nasdaq requirements applicable to domestic issuers. See -Nasdaq Corporate Governance Standards. Accordingly, the information available to you is not the same as, and is more limited than, the information available to shareholders of a U.S. company.

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### ***Payments under the class B shares or ADSs may be subject to withholding under FATCA.***

Grupo Financiero Galicia may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (often referred to as the Foreign Account Tax Compliance Act or FATCA ) to withhold U.S. tax at a 30% rate on all or a portion of distributions on the class B shares or ADSs which are treated as foreign passthru payments made on or after January 1, 2017. In particular, withholding may apply to payments: (i) to an investor who does not provide information sufficient for Grupo Financiero Galicia to determine whether the investor is a U.S. person or should otherwise be treated as holding a United States account of Grupo Financiero Galicia, or (ii) to an investor or any other financial institution through which payment on the class B shares or ADSs is made that is a non-U.S. financial institution that is not in compliance with FATCA (a nonparticipating foreign financial institution ). The extent to which FATCA may apply to distributions paid on or with respect to the class B shares or ADSs is not currently clear since guidance and administrative rules regarding FATCA are still being developed by U.S. tax authorities.

## **Item 4. Information on the Company**

### **History and Development of the Company**

Our legal name is Grupo Financiero Galicia S.A. We are a financial services holding company that was incorporated on September 14, 1999, as a *sociedad anónima* ( a stock corporation ) under the laws of Argentina. As a holding company we do not have operations of our own and conduct our business through our subsidiaries. Banco Galicia is our main subsidiary and one of Argentina s largest full-service banks. Through the operating subsidiaries of Tarjetas Regionales, a holding company controlled by Banco Galicia, and CFA (97% Banco Galicia, 3% Grupo Financiero Galicia S.A.) we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. Through Sudamericana and its subsidiaries we provide insurance products in Argentina. We directly or indirectly own other companies providing financial related products as explained herein. We are one of Argentina s largest financial services groups with consolidated assets of Ps.51,193 million as of December 31, 2011.

Our goal is to consolidate our position as one of Argentina s leading comprehensive financial services providers while continuing to strengthen Banco Galicia s position as one of Argentina s leading banks. We seek to broaden and complement the operations and businesses of Banco Galicia, through holdings in companies and undertakings whose objectives are related to and/or can produce synergies with financial activities. Our non-banking subsidiaries operate in financial and related activities that Banco Galicia cannot undertake or in which it is limited to invest in due to restrictive banking regulations.

Our domicile is in Buenos Aires, Argentina. Under our bylaws, our corporate duration is until June 30, 2100. Our duration can be extended by a resolution passed at a general extraordinary shareholders meeting. Our principal executive offices are located at Teniente General Juan D. Perón 456, Second Floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

Our agent for service of process in the United States is C T Corporation System, presently located at 111 8th Avenue, New York, New York 10011.

### **Organizational Structure**

The following table illustrates our organizational structure as of December 31, 2011. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

Galicia Uruguay (in liquidation), incorporated in Uruguay and currently not an operating financial institution;

Galval, incorporated in Uruguay;

Galicia Cayman, incorporated in the Cayman Islands;

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Tarjeta Naranja Dominicana S.A., incorporated in the Dominican Republic; and

Tarjeta Naranja Perú S.A., incorporated in Perú.

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After fiscal year end, the organizational structure changed due to the following events:

Tarjeta Naranja S.A.'s board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja S.A. (merging company).

Tarjetas Regionales carried out a capital increase that was mainly paid in by the contribution of the minority shareholders' holdings in its subsidiaries Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A. Therefore, Banco Galicia's direct and indirect interest decreased to 77% of the capital stock and the remaining 23% is held by the shareholders who, by means of the above-mentioned contribution, became Tarjetas Regionales' minority shareholders.

After giving effect to the above-mentioned changes, the following table represents the corporate structure as of the date of this annual report.

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**History**

***Grupo Financiero Galicia***

Grupo Financiero Galicia was formed on September 14, 1999 as a financial services holding company to hold all of the shares of the capital stock of Banco Galicia held by members of the Escasany, Ayerza and Braun families. Its initial nominal capital amounted to 24,000 common shares, 12,516 of which were designated as class A ordinary (common) shares (the class A shares ) and 11,484 of which were designated as class B ordinary (common) shares (the class B shares ).

Following Grupo Financiero Galicia's formation, the holding companies that held the shares in Banco Galicia on behalf of the Escasany, Ayerza and Braun families were merged into Grupo Financiero Galicia. Following the merger, Grupo Financiero Galicia held 46.34% of the outstanding shares of Banco Galicia. In addition, and due to the merger, Grupo Financiero Galicia's capital increased from 24,000 to 543,000,000 common shares, 281,221,650 of which were designated as class A shares and 261,778,350 of which were designated as class B shares. Following this capital increase, all of our class A shares were held by EBA Holding S.A., an Argentine corporation that is 100% owned by our controlling shareholders, and our class B shares were held directly by our controlling shareholders in an amount equal to their ownership interests in the holding companies that were merged into Grupo Financiero Galicia.

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On May 16, 2000, our shareholders held an extraordinary shareholders meeting during which they unanimously approved a capital increase of up to Ps.628,704,540 and the public offering and listings of our class B shares. All of the new common shares were designated as class B shares, with a par value of Ps.1.00. During this extraordinary shareholders meeting, all of our existing shareholders waived their preemptive rights. In addition, the shareholders determined that the exchange ratio for the exchange offer would be one class B share of Banco Galicia for 2.5 of our class B shares and one ADS of Banco Galicia for one of our ADSs. The exchange offer was completed in July 2000 and the resulting capital increase was of Ps.549,407,017. At date of completion of the exchange offer, our only significant asset was our 93.23% interest in Banco Galicia.

On January 2, 2004, our shareholders held an extraordinary shareholders meeting during which they approved a capital increase of up to 149,000,000 preferred shares, each of them mandatorily convertible into one of our class B shares on the first anniversary of the date of issuance, to be subscribed for in up to US\$100.0 million of face value of subordinated notes to be issued by Banco Galicia to its creditors in the restructuring of the foreign debt of its head office in Argentina (the Head Office) and its Cayman Branch, or cash. This capital increase was carried out in connection with the restructuring of Banco Galicia's foreign debt. On May 13, 2004, we issued 149,000,000 preferred non-voting shares, with preference over the ordinary shares in the event of liquidation, each with a face value of Ps.1.00. The preferred shares were converted into class B shares on May 13, 2005. With this capital increase, our capital increased to Ps.1,241,407,017. For more information on Banco Galicia's debt restructuring, please see below.

In 2000, Net Investment was established as a holding company, of which Grupo Financiero Galicia had 87.5% ownership. During that year, Grupo Financiero Galicia also entered the bank-assurance business acquiring a participation in Sudamericana and in 2001 acquired the 87.5% of Galicia Warrants. As of the date of this annual report Grupo Financiero Galicia owns the 87.5% of each company, with the remaining 12.5% being held by Banco Galicia.

In January 2005, we created Galval, a securities broker based in Uruguay, with the purpose of providing trading and custody services. We own 100% of the capital and voting rights of this subsidiary.

In August 2007, Grupo Financiero Galicia exercised its preemptive rights in Banco Galicia's share issuance and subscribed for 93.6 million shares of Banco Galicia. The consideration consisted of: (i) US\$102.2 million face value of notes due 2014 issued by Banco Galicia in May 2004, and (ii) cash. After the capital increase, Grupo Financiero Galicia held 94.66% of Banco Galicia's shares, up from 93.60%. For more information on Banco Galicia's capital increase, please see -Banco Galicia-Banco Galicia's 2007 Capital Increase.

In March 2008, GV Mandataria was incorporated with the purpose of carrying out securities-related representations, mandates and commissions of all types, involving both domestic and international companies. Grupo Financiero Galicia holds 90% of GV Mandataria's stock, and the remaining 10% is held by Galval.

As of December 31, 2011, the controlling percentage held by Grupo Financiero Galicia in Banco Galicia was 94.84%. During January 2012, Grupo Financiero Galicia's ownership of Banco Galicia reached 94.93%.

***Banco Galicia***

Banco de Galicia y Buenos Aires S.A. is a banking corporation organized as a stock corporation under Argentine law and supervised and licensed to operate as a commercial bank by the *Superintendencia de Entidades Financieras y Cambiarias* (Superintendency of Financial Institutions and Exchange Bureaus or the Superintendency).

Banco Galicia was founded in September 1905 by a group of businessmen from the Spanish community in Argentina and initiated its activities in November of that year. Two years later, in 1907, Banco Galicia's stock was listed on the Buenos Aires Stock Exchange (BASE). Banco Galicia's business and branch network increased significantly by the late 1950s and continued expanding in the following decades, after regulatory changes allowed Banco Galicia to exercise its potential and gain a reputation for innovation, thereby achieving a leading role within the domestic banking industry.

In the late 1950s, Banco Galicia launched the equity fund FIMA Acciones and founded the predecessor of the asset manager Galicia Administradora de Fondos S.A., Sociedad Gerente de Fondos Comunes de Inversión (Galicia Administradora de Fondos). Beginning in the late 1960s Banco Galicia began to establish an international network mainly comprised of branches in New York and in the Cayman Islands, a bank in Uruguay and several representative offices.





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In order to develop automated banking in Argentina and avoid bank disintermediation (i.e., when consumers directly access information or goods rather than using intermediaries) in the provision of electronic information and fund transfer services, in 1985, Banco Galicia established, together with four other private-sector banks operating in Argentina, Banelco S.A. to operate a nationwide automated teller system, which became the largest in the country. During the same year, Banco Galicia also acquired an interest in VISA Argentina S.A., and is currently one of the largest issuers of such cards in Argentina.

During the 1990s, Banco Galicia implemented a growth and modernization strategy directed at achieving economies of scale and increasing productivity and, therefore, heavily invested in developing new businesses, acquiring new customers, widening its product offering, developing its IT and human resources capabilities, and expanding its distribution capacity. This was comprised of traditional channels (branches) and, especially, alternative channels, including new types of branches (in-store for example), ATMs, banking centers, phone banking and internet banking.

As part of its growth strategy, in 1995, Banco Galicia began a new expansion drive into the *Interior* of Argentina where high growth potential was believed to exist. Argentines refer to the *Interior* as that part of the country's territory different from the federal capital and the areas surrounding the city of Buenos Aires ( Greater Buenos Aires ), i.e., the provinces, including the Buenos Aires Province but excluding the city of Buenos Aires and its surroundings. Typically the Interior is underserved relative to the city of Buenos Aires and its surroundings with respect to access to financial services and its population tends to use fewer banking services. As such, mainly between 1995 and 1999, Banco Galicia acquired equity interests in entities or formed several non-banking companies providing financial services to individuals in the Interior through the issuance of proprietary brand credit cards. See -Regional Credit Card Companies below. In addition, in 1997, Banco Galicia acquired a regional bank that was merged into it, with branches located mainly in Santa Fe and Córdoba, two of the wealthiest and more populated Argentine provinces.

In order to fund its strategy, during the 1990s, Banco Galicia tapped the international capital markets for both equity and debt. In June 1993, Banco Galicia carried out its initial international public offering in the United States and Europe and, as a result, began to list its American Depositary Receipts ( ADRs ) on the Nasdaq Stock Market until 2000, when Banco Galicia's shares were exchanged for our shares. In 1991, it was the first Argentine bank to issue debt in the European capital markets and, in 1994, it was the first Latin American issuer of a convertible bond. In 1996, Banco Galicia raised equity again through a local and international public offering.

In 1996, Banco Galicia entered the bank-assurance business through an agreement with ITT Hartford Life Insurance Co. for the joint development of initiatives in the life insurance business. In this same year, Banco Galicia initiated its internet presence, which evolved into a full e-banking service for both companies and individuals.

At the end of 2000, Banco Galicia was the largest private-sector bank in the Argentine market with a 9.8% deposit market share.

In 2001 and 2002 Argentina experienced a severe political and financial crisis, which had a material adverse effect on the financial system and on financial businesses as a whole, including Banco Galicia, but especially on financial intermediation activity. However, during the crisis, the provision of banking services of a transactional nature was maintained. With the normalization of the Argentine economy's situation and the subsequent growth cycle that began in mid 2002, financial activities began to expand at high rates, which translated into high growth at the level of the financial system as a whole, including Banco Galicia. The provision of services continued to develop, even further than prior to the crisis, and financial intermediation resumed progressively.

Beginning in May 2002, Banco Galicia began to implement a series of initiatives to deal with the liquidity shortage caused by the systemic deposit run, the unavailability of funding and other adverse effects of the 2001-2002 crisis on the financial system as a whole. Banco Galicia significantly streamlined its operations and reduced its administrative expenses and, immediately after launching such initiatives, restored its liquidity. Also, in late 2002 and early 2003, Banco Galicia closed all of its operating units abroad or began to wind them down. In addition, Banco Galicia: (i) restructured most of its commercial loan portfolio, a process that was substantially completed in 2005, (ii) restructured its foreign debt, a process that began in 2002 and that was completed in May 2004, and resulted in an increase in its capitalization, and (iii) in February 2004, finalized the restructuring of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis.

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Together with the launching of the above-mentioned initiatives, Banco Galicia began to normalize its activities, progressively restoring its customer relations and growing its business with the private sector. In 2007, Banco Galicia finalized the full repayment of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis. In addition, in August 2007, Banco Galicia repaid in full the notes that it had issued to restructure the debt of its New York Branch and undertook a share offering to increase its capitalization, in order to be able to support the increase in regulatory capital requirements on a bank's exposure to the public sector and the growth of its business with the private sector. For more information, see "Banco Galicia's 2007 Capital Increase" below.

On June 1, 2009, Banco Galicia entered into a stock purchase agreement with AIG and with AIG Consumer Finance Group Inc. for the purchase of the shares of CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (collectively the "CFA Group"), Argentine companies that are involved in financial and related activities.

Pursuant to Resolution No. 124, dated June 7, 2010, the Argentine Central Bank authorized the purchase of the shares of the CFA Group by Banco Galicia and Tarjetas Regionales and on August 31, 2010, through Resolution No. 299, the National Commission for the Defense of Competition (*Comisión Nacional de Defensa de la Competencia*) approved the transaction. The purchase of the shares of the CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales (5%) on June 24, 2010. The price to acquire the shares of these companies was Ps.333.9 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. See "Compañía Financiera Argentina" below.

*Restructuring of the Foreign Debt of Banco Galicia's Head Office in Argentina and its Cayman Branch*

On May 18, 2004, Banco Galicia successfully completed the restructuring of US\$1,320.9 million of the debt of Banco Galicia's Head Office and its Cayman Branch, consisting of bank debt (including debt with multilateral credit agencies) and bonds. This amount represented 98.2% of the foreign debt eligible for restructuring. As of December 31, 2011, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1.6 million.

Based on the final amounts validly tendered, on May 18, 2004, Banco Galicia paid creditors who elected to participate in the cash offer and the Boden offer and issued the following new debt instruments:

US\$648.5 million of long-term Dollar-denominated debt instruments, of which US\$464.8 million were Dollar-denominated notes due 2014 (referred to as the "Step Up Notes Due 2014" or the "2014 Notes") issued under an indenture.

US\$399.8 million of medium-term Dollar-denominated debt instruments, of which US\$352.8 million were Dollar-denominated notes due 2010 (referred to as the "Floating Rate Notes Due 2010" or the "2010 Notes") issued under an indenture.

US\$230.0 million of subordinated Dollar-denominated debt instruments, of which US\$218.2 million were Dollar-denominated notes due 2019 (referred to as the "Subordinated Notes Due 2019" or the "2019 Notes") issued under an indenture.

In January 2010, Banco Galicia paid the last amortization installment of its 2010 Notes, for a principal amount of US\$34.2 million and in November 2010, Banco Galicia redeemed all its 2014 Notes, for an outstanding principal amount of US\$102.3 million.

During February 2011, Banco Galicia partially redeemed capitalized interest of its Subordinated Notes Due 2019 for US\$90.1 million, which amount was capitalized between January 1, 2004 and December 31, 2010, and was originally scheduled to be paid on January 1, 2014. In addition, as part of such partial redemption, Banco Galicia also paid all other interest accrued on such partially redeemed amount up to the day before the redemption date for US\$1.4 million. Interest accrues on these notes at a fixed annual rate of 5% and is payable semiannually.

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In addition, in December 2011, with respect to the same notes, Banco Galicia made an advance payment of interest, including both interest that capitalized from January 1, 2011 to June 30, 2011, as well as interest that had accrued on such capitalized amount as of the day before such advanced payment, of US\$5.5 million and US\$0.3 million, respectively. Such payment was originally scheduled to be made on January 1, 2014.

As of December 31, 2011, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$228.4 million, US\$88.7 million lower than as of December 31, 2010 and US\$327.8 million lower than as of December 31, 2009, due to amortization, prepayments and advance cancellations. For more information see Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-Contractual Obligations, and Funding.

*Banco Galicia's 2007 Capital Increase*

On October 11, 2006, Banco Galicia's shareholders resolved to increase Banco Galicia's capital stock by up to 100 million ordinary (common) book-entry, class B shares, with one vote per share and a nominal value of Ps.1.0 each. The new shares could be purchased, at the option of the purchaser, in cash or in 2010 Notes, 2014 Notes and/or 2019 Notes. The offer was made only to shareholders. The purpose of the capital increase was to guarantee Banco Galicia's compliance with the Argentine Central Bank's capital adequacy rules, in light of the increase in such requirements. This increase was expected because of the projected growth of Banco Galicia's business volume with the private sector and the Argentine Central Bank's regulations establishing increasing capital requirements in respect of public-sector assets.

On July 27, 2007, we purchased 93,604,637 new shares through the exercise of our preemptive rights. During August 2007, Banco Galicia issued 93,664,806 new shares through the exercise of its shareholders' preemptive and accretion rights. In total, the transaction led to a net increase in Banco Galicia's shareholders' equity of Ps.493 million, of which Ps.466 million was an aggregate increase in Banco Galicia's shareholders' equity items capital stock and issuance premiums, net of issuance costs, and Ps.27 million was a profit in connection with the portion paid for in 2014 Notes, given that these notes were received by Banco Galicia at a value lower than their book value.

*Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.*

In 1983, Galicia Uruguay was established as a *Casa Bancaria*, a license that granted an offshore status, as an alternative service location for Banco Galicia's customers. In September and October 1999, the Uruguayan government's executive branch and the Uruguayan Central Bank, respectively, approved Galicia Uruguay's status as a full service domestic bank. Due to the effects of the 2001-2002 crisis on Galicia Uruguay, in early 2002, the Central Bank of Uruguay suspended its activities and assumed control and management of Galicia Uruguay. In December 2002, Galicia Uruguay restructured its deposits into debt maturing in 2011. On June 1, 2004, Galicia Uruguay's license to operate as a domestic commercial bank was revoked by the Central Bank of Uruguay, but it retained the license from the Uruguayan government's executive branch. Control and management of Galicia Uruguay by the Central Bank of Uruguay ended on February 22, 2007. On May 15, 2009, Galicia Uruguay made available to its clients in advance US\$27.3 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011.

On May 29, 2009, the Special General Meeting of Galicia Uruguay approved the voluntary reduction of capital by redemption of shares. Following such capital reduction, Banco Galicia held 100% of the capital stock of Galicia Cayman, of which formerly 65.34% was controlled by Galicia Uruguay and the remaining 34.66% by Banco Galicia. As of the closing of fiscal year 2011 the shareholders' equity of Galicia Uruguay amounted to Ps.50.7 million.

At the date of this annual report, Galicia Uruguay was in the process of being liquidated and therefore was not engaged in any active business and its restructured debt (time deposits and notes) has been repaid in full.

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Galicia Cayman was established in 1988 in the Cayman Islands as another alternative service location for Banco Galicia's customers. Galicia Uruguay's situation adversely affected its subsidiary Galicia Cayman, which commenced voluntary liquidation and surrendered its banking license effective as of December 31, 2002. In May 2003, Galicia Cayman together with the provisional liquidators designated by the Grand Court of the Cayman Islands completed a debt restructuring plan and, with the authorization of such Court, presented it to all creditors for their consideration. The plan was approved, in whole, by the vote of 99.7% of creditors, exceeding the legal majority required, on July 10, 2003, and became effective and mandatory for all creditors. On February 2, 2006, the Grand Court of the Cayman Islands declared the plan as terminated and ended the involvement of any third parties in the company's management beginning on February 23, 2006.

***Regional Credit Card Companies***

In the mid-1990s, Banco Galicia made the strategic decision to target the non-banked individuals market, which, in Argentina, typically includes the low and medium-low income segments of the population which typically live in the *Interior* of the country, in addition to certain locations of the Greater Buenos Aires. To implement this strategic decision, among others, in 1995, Banco Galicia began investing in non-bank companies operating in certain regions of the *Interior*, providing financial services to individuals through the issuance of credit cards with proprietary brands and extending credit to its customers through such cards. We refer to these companies in aggregate as the Regional Credit Card Companies.

In 1995, Banco Galicia made the first investment in this business by acquiring a minority stake in Tarjeta Naranja S.A. and in 1997 increased its ownership to 80%. This company had begun operations in 1985 in the city of Córdoba, the second largest city in Argentina, by marketing Tarjeta Naranja, its proprietary brand credit card, in this city and had enjoyed local growth.

In 1996, Banco Galicia formed Tarjetas Cuyanas S.A., to operate in the Cuyo Region (the provinces of Mendoza, San Juan and San Luis) in partnership with local businessmen. This company launched the Nevada Card in May 1996 in the city of Mendoza. Also in 1996, Banco Galicia formed a new company, Tarjetas del Mar S.A., to operate in the city of Mar del Plata and its area of influence. Tarjetas del Mar S.A. began marketing the Mira card in March 1997.

In early 1997, Banco Galicia purchased an interest in Comfiar S.A., a consumer finance company operating in the provinces of Santa Fe and Entre Ríos, which was merged into Tarjeta Naranja S.A. in January 2004.

In 1999, Banco Galicia reorganized its participation in this business through Tarjetas Regionales, a holding company wholly owned by Banco Galicia and Galicia Cayman, which achieved control of Tarjeta Naranja S.A., Comfiar S.A., Tarjetas Cuyanas S.A., and Tarjetas del Mar S.A. In addition, in 1999, Tarjetas Regionales acquired a 12.5% interest in Tarjetas del Sur S.A., a credit card company operating in southern Argentina. In January 2000, this interest increased to 60% and, in February of the same year, Tarjeta Naranja S.A. acquired the remaining 40%. In March 2001, Tarjetas del Sur S.A. merged into Tarjeta Naranja S.A.

As of December 31, 2011, Banco Galicia held 75.3% of Tarjetas Regionales while Galicia Cayman held the remaining 24.7%. Directly or indirectly, as of that date, Banco Galicia held 80.0% of Tarjeta Naranja S.A., 60.0% of Tarjetas Cuyanas S.A., and 99.94% of Tarjetas del Mar S.A. Following the completion of our fiscal year ended December 31, 2011, the ownership interests in Tarjetas Regionales and its operating subsidiaries were modified. See Item 8. Financial Information - Significant Changes. These companies have experienced a significant expansion of their customer bases, in absolute terms and with respect to the range of customers served, number of cards issued, distribution networks and size of operations, as well as a technological upgrade and general modernization. By mid 1995, Tarjeta Naranja S.A. had approximately 200,000 cards outstanding. As of December 31, 2011, the Regional Credit Card Companies, on a consolidated basis, had more than 6.6 million issued cards and were the largest proprietary brand credit card operation in Argentina.

In terms of funding, the Regional Credit Card Companies have historically used one or more of the following third party sources of financing: merchants, bond issuances, bank loans and other credit lines, financial leases and securitizations using financial trust vehicles. This diversification has allowed the Regional Credit Card Companies to maintain and expand their business without depending excessively on one single source or provider.

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The business operations of the Regional Credit Card Companies are exposed to foreign exchange rate fluctuations and interest rate fluctuations; however, they mitigate the foreign exchange rate risk in respect of their business and operation through hedging transactions and to try to offset their interest rate exposure with assets that bear interest at similar floating rates. In addition, the Regional Credit Card Companies have an overall liquidity policy to have sufficient liquidity to cover at least three months of future operations and they also formulate a cash flow projection for each upcoming year. These internal policies and practices ensure adequate working capital through which the Regional Credit Card Companies protect their operations against short-term cash shortages, allowing them to focus on expanding their business and continuously better serving their clients.

### ***Compañía Financiera Argentina***

CFA is a financial company which operates under the Financial Institutions Law and other regulations set forth by the Argentine Central Bank.

CFA is a leading financial company in Argentina in the personal loans business, providing consumer personal loans through different products. Within this framework, CFA grants unsecured personal loans within the Argentine territory, mainly through its *Efectivo Sí* offices, intermediary entities (mutuals, unions, cooperatives, etc.) and the financing of purchases through its affiliated merchants. It also issues credit cards, but on a small scale.

CFA had different names before adopting its current name. It was originally set up under the name Río de la Plata Sociedad Anónima Comercial y de Financiaciones on August 16, 1960, and in 1977 the name was changed to Burofinanz S.A. Compañía Financiera (authorized by Resolution No. 424 of the Argentine Central Bank, dated December 29, 1977).

In 1992, CFA carried out its commercial activities under the name Interbonos Compañía Financiera S.A. (authorized by Resolution No. 284 of the Argentine Central Bank, dated June 17, 1992), as agent of the *Mercado Abierto* (fixed income brokerage) and later it shifted its activities to personal financing, providing small loans through retail merchants for the acquisition of different consumer goods. In 1994, it created *Efectivo Sí*, which is a product aimed at satisfying the financial needs of the non-bankarized population sector, or that segment of the population characterized by limited interaction with traditional banks.

In 1995, Banco de Crédito Argentino acquired an interest in the company's capital stock and later Banco de Crédito Argentino was acquired by BBVA Banco Francés S.A., which became the major shareholder of CFA. Subsequently, the *División Convenios* (Agreements Division) was created, which allowed CFA to enter the market of agreements with mutuals, unions, cooperatives and other intermediary organizations, and grant loans to its associates.

The Argentine Central Bank, through its Resolution No. 85 dated February 7, 1996, registered CFA's change of denomination to Compañía Financiera Argentina S.A. and authorized it to operate as a financial company under the Financial Institutions Law, thus allowing CFA to initiate its activities since February 27, 1996.

In 1998, most of CFA's capital stock was acquired by AIG Consumer Finance Group Inc., a company controlled by AIG American International Group Inc. Six years later, in 2004, the *Cuota Sí* product was designed, aimed at financing purchases through affiliated merchants.

In June 2010, Compañía Financiera Argentina was acquired by Banco Galicia and Tarjetas Regionales, with an interest in CFA's capital stock of 95% and 5%, respectively.

During fiscal year 2011, the 5% interest held by Tarjetas Regionales was acquired by Grupo Financiero Galicia and Banco Galicia, which acquired 3% and 2% of such interest, respectively. Following such acquisition, Banco Galicia held a 97% interest in CFA.

### ***Sudamericana Holding***

In 1996, Banco Galicia entered the bank-assurance business, through the establishment of a joint venture with Hartford Life International to sell life insurance and annuities, in which it had a 12.5% interest. In December 2000, Banco Galicia sold its interest in this company and purchased 12.5% of Sudamericana, a subsidiary of Hartford Life International. As a result of various acquisitions, Grupo Financiero Galicia owns 87.5% of Sudamericana (with the remaining 12.5% being held by Banco Galicia) which offers life, retirement and property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property and casualty and life insurance, Galicia Retiro Compañía de Seguros S.A. (Galicia Retiro), which provides retirement insurance and Galicia Broker Asesores de Seguros S.A. (insurance broker).



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### ***Net Investment***

Net Investment was established in February 2000 as a holding company (87.5% owned by Grupo Financiero Galicia and 12.5% owned by Banco Galicia) whose initial purpose was to invest in and develop businesses related to technology, communications, internet connectivity and web contents. Net Investment has performed its activities in the areas of business to business e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during fiscal year 2010, Net Investment purchased shares of a company that carries out activities related to business development through the internet. As of December 31, 2011, the equity investment held by Net Investment is equivalent to 0.19% of such company's net worth.

The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

### ***Galicia Warrants***

Galicia Warrants was founded in April 1993, when it obtained the authorization from the relevant authorities to store goods and issue certificates of deposits of goods and warrants under the provisions of Law N° 9,643.

Galicia Warrants is a leading company in the deposit certificates and warrants issuance market and its main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. Its main objective is to enable its customers to access credit and financing, which are secured by the property kept under custody. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake, and Banco Galicia, with the remaining 12.5%

### ***Galval***

Galval was formed in January 2005 under the laws of República Oriental del Uruguay and gradually started to operate in September 2005. Galval is a company that indirectly makes use of the free trade zone of Montevideo and renders brokerage services in República Oriental del Uruguay. Grupo Financiero Galicia owns the 100% of this company's capital stock and voting rights.

### ***GV Mandataria***

In March 2008, GV Mandataria was incorporated with the purpose of carrying out representations, mandates and commissions of all types, whether involving domestic or international companies. Grupo Financiero Galicia holds 90% of GV Mandataria's stock, and the remaining 10% is held by Galval.

### ***Business***

#### ***Banking***

Banco Galicia is our largest subsidiary. Banco Galicia operates in Argentina and substantially all of its customers, operations and assets are located in Argentina. Banco Galicia is a bank that provides, directly or through its subsidiaries, a wide variety of financial products and services to large corporations, SMEs, and individuals.

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Banco Galicia is one Argentina's largest full-service banks and is a leading provider of financial services in Argentina. According to information published by the Argentine Central Bank, as of December 31, 2011, Banco Galicia ranked second in terms of assets, deposits and loan portfolio within private-sector banks in Argentina. As of the same date, Banco Galicia also ranked first among private-sector domestic banks in terms of assets, loans and deposits. Its market share of private sector deposits and of loans to the private sector was of 8.78% and of 8.64% respectively, as of the end of 2011. On a consolidated basis, as of the end of fiscal year 2011, Banco Galicia had total assets of Ps.50,658 million, total loans of Ps.30,881 million, total deposits of Ps.30,149 million, and its shareholders' equity amounted to Ps.3,603 million.

Banco Galicia provides a full range of financial services through one of the most extensive and diversified distribution platforms amongst private-sector financial institutions in Argentina. This distribution platform, as of December 31, 2011, was comprised of 244 full service banking branches, located throughout the country, 1,534 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. Banco Galicia's customer base, on an unconsolidated basis, was comprised of more than 2.3 million customers, who were comprised of mostly individuals but who also included more than 60,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, it is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sectors. Banco Galicia's primary clients are classified into two categories, the Wholesale Banking Division and the Retail Banking Division.

For a breakdown of Banco Galicia's revenues by category of activity for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Banking.

*Wholesale Banking*

The Wholesale Banking Division manages and develops Banco Galicia's relationship with the companies of the different economic sectors.

As of December 31, 2011, Banco Galicia continued to strengthen its position in the corporate sector, by increasing the cross-selling of its various products to existing clients, by continuing to provide better quality financial products and services and by forging close relationships with its corporate customers and ensuring that its officers provide such customers with dedicated and focused customer service. These financial products and services offered included, among others, collection and payment services, commercial credit cards that are tailored for the needs of particular market segments, direct payroll deposit, capital market alternatives, foreign trade solutions and corporate e-banking services through Galicia Office. In addition, during fiscal year 2011, as an indicator of the efforts being undertaken by Banco Galicia to provide better quality products and services, Banco Galicia also obtained an ISO 9001 Certification for *Comunidad Electrónica de Cobros* (a certification for an electronic collection community) and renewed certification of the quality management system *Cobranza Integrada Galicia* (Galicia Integral Collection), both of which are valuable recognitions for Banco Galicia's business.

Banco Galicia is committed to Argentina's economic growth. For the fiscal year ended on December 31, 2011, Banco Galicia provided financial assistance to more than 56,000 companies in Argentina by providing such companies with access to credit lines that they could then use to finance their working capital needs for medium and long-term investment projects. Such commitment becomes clear in Banco Galicia's total loan portfolio structure (excluding the loan portfolio of Tarjetas Regionales), of which 58% accounts for the financing of production-related sectors (38% SMEs and Agriculture and Livestock sector, and 20% for large companies and corporations).

During fiscal year 2011, Ps.32,000 million were granted as loans to companies across the country, whereas funds managed increased by 24%. The offer of Peso and Dollar-denominated medium- and long-term financing increased through different agreements with both domestic and international multilateral agencies. Additionally, the benefits of all subsidized credit lines or lines with special conditions offered by the national and provincial public sector were offered to customers.



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In line with the investment on capital goods in the productive sector, Banco Galicia disbursed more than Ps.340 million for leasing credit lines throughout fiscal year 2011 and, as part of its efforts to continue to manage value chain integration, Banco Galicia also created new alliances with leading Argentine companies to provide special financing conditions, entering into 115 agreements for the purchase of machines, seeds, agrochemicals, trucks and vehicles, among others; and purchases for over Ps.471 million were financed. In addition, as part of Banco Galicia's role in the continued development of the livestock sector, Banco Galicia entered into various agreements with both livestock brokers and breeding ranches to finance the purchase of breeding cattle (including both bulls and cows) between such entities by providing medium-term loans.

Galicia Office is Banco Galicia's corporate e-banking service, which companies use, without any cost, to make inquiries and requests about their banking products (accounts, loans, investments, Visa and Galicia Rural liquidations), as well as gain access to a wide range of information about their check portfolio and returned checks, request and ratify checkbooks, make transfers between their accounts and third party accounts, make investments, consult Banco Galicia regarding their foreign trade transaction balance, make payments to their employees with maximum security, renew their digital signature online and make payments to their suppliers. The volume of queries and transactions made through Galicia Office continues to grow year after year as well as the volume of companies currently subscribed to the service; currently more than 47,000 companies are using Galicia Office. During the fiscal year ended December 31, 2011, total queries reached 81.9 million and monetary transactions amounted to 3.4 million, representing a 24% increase, as compared to fiscal year 2010. Taking into account InterBanking (an electronic payment company) and Galicia Office, transactions amounting to Ps.407,292 million were conducted, representing a 50.3% increase in fiscal year 2011 as compared to fiscal year 2010.

### Corporate Banking

During 2011, Banco Galicia strengthened its position as one of the leading banks in this customer segment, by increasing its market penetration sharply and improving the indexes that measure the opinion customers have regarding Banco Galicia. This was accomplished through commercial planning, tailor-made financial and non-financial solutions based on the requirements of this segment's customers, and the specialized advisory service from a professional team.

The foreign trade business had a significant level of activity, reaching US\$8,526 million and 27,826 transactions. In addition, this division actively participated in the structuring of debt transactions in capital market issuances.

### Companies

During 2011, Banco Galicia's leading position strengthened in the business segment, which was called medium-sized companies until 2010, and Banco Galicia significantly increased its market penetration and value in the Argentine provinces, thus elevating Banco Galicia's provincial presence to a similar level as its already stable presence in the Autonomous City of Buenos Aires and Greater Buenos Aires.

The electronic account transactions for this segment increased by 58% during 2011 as a result of the *Cobranza Integrada Galicia* (Galicia Integral Collection), *Pago de Haberes* (Direct Payroll Deposits) and *Pago a Proveedores* (Payment to Suppliers) services, and as a result of increased foreign trade transactions conducted through Galicia Office.

Additionally, growth in this segment increased as a result of foreign trade. Specifically, during 2011 a team of foreign trade professionals similar to the already existing commercial officers team was created to advise our corporate customers on foreign trade matters which helped increase our revenues from foreign trade transactions. These revenues increased to represent 52% of our overall revenues in this segment for fiscal year 2011 as compared to 47% for fiscal year 2010.

### Agricultural and Livestock Sector

Banco Galicia's leading position in the agriculture and livestock sector continues to strengthen year after year. For the sixth year in a row, the annual survey of ICASA/Mora y Araujo Consultant for Chacra Magazine that establishes the best positioned brands in this sector concluded that Banco Galicia is the best positioned private financial entity in the agriculture and livestock sector.

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Through Tarjeta Galicia Rural (TGR), the leading card in the agriculture and livestock market with over 50% of the market share of the credit card business specializing in this sector, Banco Galicia continues to develop benefits to finance supplies, goods and services for this sector. During fiscal year ended December 31, 2011, the sales volume for this card amounted to Ps.1,856 million, which represented a 47% increase as compared to the fiscal year ended December 31, 2010.

Throughout 2011, new agreements were entered into with leading companies of the agriculture and livestock sector to offer them interest-free, 90 to 240-day exclusive financing conditions with Tarjeta Galicia Rural; in addition, during the pre-campaign, farm operators were offered the option of buying their supplies with TGR card from companies that held agreements as of March 2011 and paying for them in 2012.

Once again Banco Galicia promoted awards such as *Excelencia Agropecuaria La Nación Banco Galicia* (La Nación-Banco Galicia's Agriculture and Livestock Excellence Award), *Banco Galicia Revista Chacra a la Gestión Solidaria del Campo* (Banco Galicia-Chacra Magazine's Rural Solidarity Award) and CAPA-Banco Galicia. Banco Galicia also supported various research and outreach activities.

### Capital Markets and Investment Banking

Banco Galicia's capital market activity is focused on corporate debt transactions and, to a lesser extent, on securitization transactions. In addition, Banco Galicia contributes to the optimization of its affiliated companies' financing strategies.

### Non-Financial Public Sector

During the fiscal year ended December 31, 2011, Banco Galicia continued improving its position as a service provider for the public sector, by visiting and offering services to several municipalities and national universities. As a result of these actions, new agreements were entered into and additional services were offered to the municipal sector. Furthermore, Banco Galicia continued taking part in different public bids on direct payroll deposits. Banco Galicia believes that the work carried out during fiscal year 2011 provides an excellent stepping stone for Banco Galicia to position itself as a leader within the public sector in 2012.

### Foreign Trade

During 2011, import and export operations conducted through Banco Galicia totaled US\$14,084 million, which represented a 33.4% increase as compared to the previous year. Banco Galicia's foreign trade market share amounted to 8.2%, with more than 116,000 transactions processed.

In order to improve internal operating processes and streamline transaction settlements, a foreign trade team was created within the operations department. This team is exclusively dedicated to the settlement of transactions from Galicia Office. During 2011, Galicia Office recorded approximately 48,000 foreign trade transactions conducted by 2,000 customers.

Through the Customer Contact Center and specialized personnel, the foreign trade service answered 246,172 phone calls from customers requesting information and advice regarding their transactions.

### Retail Banking

The Retail Banking Division manages Banco Galicia's business with individuals from all income brackets, micro and smaller businesses (i.e., those businesses with annual revenues below Ps.20 million) and small retailers and professionals. Retail Banking provides a wide range of financial products and services, encompassing transactions, loans, and investments. On the transactions side, Banco Galicia offers its customers current and savings accounts, credit and debit cards, and payroll direct deposit, among other services. Banco Galicia's customers have access to its services through its branch network as well as through its electronic distribution channels. See -Sales and Marketing.

In 2011, various actions were implemented in order to improve profitability, increase Banco Galicia's growth and implement a service model for high-income customer segments.

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In June 2011, Banco Galicia launched *Éminent*, a value added program oriented to meet the requirements of the most demanding and sophisticated customers, based not only in new products but also in a new trademark and identity and a more efficient and closer service model. *Éminent* provides a differentiated platform with exclusive benefits for these selected customers, which include, but is not limited to: discounts, unique dining experiences, hotels, travel events, technology, sporting events and clothing discounts. Other benefits to these customers include: preferential treatment both in branches and other service channels, more attentive service from officers by reducing the number of customers handled by each officer and promptness in transactions settlements and claim resolution. This program will also provide an exclusive portal and home banking site, specialized advice on investment based on a training program delivered to more than 190 *Éminent* officers and training of approximately 1,000 employees and new premium Visa Signature and American Express *Éminent* credit cards. Additionally, more comfortable and private environments were created in branches, not only at the tellers but also in *Éminent* officers' offices and meeting rooms. By the end of 2011, 67 branches had been totally or partially refurbished, and Banco Galicia is planning to increase this to 140 branches by July 2012. As of December 2011, there were more than 70,000 *Éminent* customers.

Banco Galicia continued lead in the direct deposit of salaries, with an 11% increase in the number of customers as compared to 2010.

Banco Galicia views SMEs as a major driving force for the economy and for strengthening Argentina's productive activity.

Therefore, being near Small Companies is a priority for Banco Galicia, by assisting them as they grow, meeting their requirements and providing adequate, prompt and simple solutions. As of December 2011, Small Companies, which include companies with annual revenues of up to Ps.20 million, had 40,000 customers, 5,000 of which were incorporated during fiscal year 2011, representing a 14% increase as compared to fiscal year 2010.

Private Banking offers services to individuals with medium to high net incomes through management of their investment portfolios and provision of financial advisory services. Private Banking offers its customers a wide range of domestic financial investment alternatives, giving priority to Banco Galicia's products (deposits and FIMA mutual funds, among others) and to trusts and securities for which Banco Galicia acts as an arranger. In addition, Private Banking offers broad geographic coverage, with 13 service centers throughout Argentina.

For the fourth year in a row, the Private Banking Division has obtained the ISO 9001 Certification for the *Modelo de Atención de Clientes* (Customer Service Model). Additionally, for the second year in a row, Euromoney selected Galicia Private Banking as the best local private bank.

Banco Galicia issues Visa, Visa Débito, American Express and MasterCard credit cards, and currently has 1.95 million active accounts, in addition to the proprietary credit cards issued by the Regional Credit Card Companies.

Banco Galicia has placed special emphasis on its personal loan customer base and has aimed at sustaining growth while maintaining its excellent risk levels. With this goal in mind, Banco Galicia has continued to simplify credit screening measures through an automatic credit rating process for those customers whose salaries are directly deposited in Banco Galicia or those who already have an outstanding loan.

Banco Galicia is focused on offering tailored lines of credit with characteristics that are in line with the different needs and income segments of its customers. Such focus has allowed Banco Galicia to increase the amount of lines of credit it offers while also achieving increasing profitability levels.

Banco Galicia's extensive branch network is one of the key components of its distribution network, and is one of its most important competitive advantages. Banco Galicia's distribution network is supported by the use of its intranet (Banco Galicia's system of branch-to-branch communication), the use of its information technology systems, the customer incentives that it consistently offers and the constant monitoring of its customer service quality.

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As of December 31, 2011, Banco Galicia's branch network's geographical distribution was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires	80
Greater Buenos Aires	62
Rest of the Province of Buenos Aires	30
Santa Fe	15
Córdoba	15
Mendoza	9
Entre Ríos and Chubut	4 each
Río Negro	3
Corrientes, La Pampa, Misiones, San Luis, Tierra del Fuego and Tucumán	2 each
Catamarca, Chaco, Formosa, Jujuy, La Rioja, Neuquén, Salta, Santa Cruz, Santiago del Estero and San Juan	1 each
<b>Total</b>	<b>244</b>

Apart from its branches, Banco Galicia uses Red Galicia 24 (Banco Galicia's ATM and self-service terminals network), the [bancogalicia.com](http://bancogalicia.com) portal, Galicia Servicios Móviles, its Retail Sales Unit, and the Commercial Planning area of its Customer Contact Center, which are service, transactional and sales channels focused on individual and corporate customers.

Banco Galicia's ATMs and self-service terminals provide its customers with a means of solving their transactional needs in a simple, safe and affordable way, on a 24/7 basis. They are distributed all over the country in the branch network and other locations, such as gas stations, supermarkets and shopping malls.

Toward the end of 2009, Banco Galicia was the first bank in Argentina to provide an ATM that allows customers to deposit funds without using an envelope. During the last quarter of 2011, Banco Galicia added new smart self-service terminals that support envelope-free deposits and recognize and validate both cash and checks. The main advantages of these machines are online crediting, the convenience and extended times provided to make deposits, and the reduction in processing times and paper use as it is no longer necessary to use envelopes to make a deposit.

The [bancogalicia.com](http://bancogalicia.com) website makes it possible for customers to request products according to their needs with the assistance of an interactive advisor, obtain information on promotions in the innovative benefits catalogue, and get information about all the products and services offered by Banco Galicia. It also facilitates access to Banco Galicia's specific web pages for both individuals (Galicia home banking) and companies (Galicia Office), allowing customers to access Banco Galicia's products and services from any location, 365 days a year.

Galicia Servicios Móviles is a suite of services for cell phones (SMS, WAP, and Java and iPhone applications), allowing customers to inquire about their accounts, pay balances, subscribe to alerts and obtain information regarding their credit cards.

*Regional Credit Card Companies*

The companies devoted to the issuance of regional credit cards and the provision of financing transactions to consumers are subsidiaries of Banco Galicia through Tarjetas Regionales (Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A.).

Through the Regional Credit Card Companies, Tarjetas Regionales is the largest non-bank credit card issuer in Argentina and one of the largest in Latin America, in each case, based on the number of credit cards issued. It is also one of the two largest merchant acquirers in Argentina and one of the largest credit card processors in Argentina. As of December 31, 2011, Tarjetas Regionales had more than 2.4 million active accounts, 6.5 million issued credit cards and more than 153,800 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market

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share of issued credit cards in Argentina was approximately 17.5% and of active accounts in Argentina was approximately 21%. As the credit card processor for all of our credit card operations, Tarjetas Regionales processes approximately 101.2 million transactions per year.

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Tarjetas Regionales has a distinctive business model that it believes is well-suited to developing economies in Latin America and to the cultural background of its clients. Its business model of credit card issuance and related credit services focuses on the specific needs of lower- and lower-middle-income clients through personalized and attentive services using its extensive network of branches. This model was developed in the *Interior* of Argentina through the Regional Credit Card Companies, two credit card companies that have distinct geographic coverage. Tarjetas Regionales' client base is primarily in the *Interior*, where each of its brands has a leading presence in its coverage area. Its current expansion efforts in Argentina are focused on the greater Buenos Aires area. In addition, it has exported its model to the Dominican Republic, where it commenced operations in 2007 through a joint venture with Grupo León, and Peru, where we commenced operations in 2011 through a joint venture with Banco de Crédito del Perú.

Through the Regional Credit Card subsidiaries, Tarjetas Regionales issues, operates and processes its own branded credit cards, the Tarjeta Naranja credit card and the Tarjeta Nevada credit card, which allow credit card holders to charge purchases of goods and services in a network of more than 153,800 merchants that have agreed to accept these proprietary credit cards. At December 31, 2011, these proprietary credit cards accounted for, on average, approximately 55% of its issued credit cards and, for the year ended December 31, 2011, approximately 81% in terms of its average monthly purchase volumes. Tarjetas Regionales also offers its clients international credit card brands such as Visa, MasterCard and American Express that are issued by Banco Galicia on its behalf. In addition to its credit card business, Tarjetas Regionales also extends personal loans, through the Regional Credit Card Companies, to its clients either for the account of the Regional Credit Card Companies or for the account of Banco Galicia at the election of the relevant Regional Credit Card Company. Tarjetas Regionales provides its products and services through an extensive network of 250 branches, client service centers and other points of sale strategically located in most major Argentine cities and in limited locations in the Dominican Republic and Peru. Its branch network provides a critical service and payment interface for its clients, which allows it to provide targeted client service and form relationships with its clients and affiliated merchants.

For a breakdown of the Regional Credit Card Companies' revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Regional Credit Cards .

### *CFA*

CFA is the leading financial company in Argentina in the personal loan business. As of December 31, 2011, CFA's assets were over Ps.2,303 million and its shareholders' equity was Ps.933.6 million. CFA employed 1,118 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 486,000 customers, who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

### Main products:

*Efectivo Sí:* Unsecured personal loans payable in installments.

*Cuota Sí:* Product to finance purchases of goods through merchants associated with CFA, without using any cash or credit cards. Such goods include home appliances, household goods and construction materials.

*Loans to Public Sector Employees:* Loans targeted to public sector employees on the national level, which are deducted directly from their salary.

*Payroll Loans:* Granted to affiliates or associate members of mutuals, cooperatives, unions, etc.

*Credit Cards:* Issued by Visa and MasterCard, both at domestic and international level.

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*Pagos Jubilatorios de la ANSES* (Retirement and pension payment - National Social Security Administration): Aimed at retired people and pensioners collecting their payments at CFA.

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*Microfinance:* Credit lines for small ventures in specific geographic areas across the country.

*Insurance:* CFA sells different types of insurance policies from leading companies of the market to meet customers' needs. Throughout the year, the *Efectivo Sí* trademark has strengthened, mainly through advertising in the main soccer tournaments organized by the Argentine Soccer Association.

CFA's net income for fiscal year 2011 amounted to Ps.213 million. At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.1,600 million, representing a 38.7% increase as compared to fiscal year 2010 and had strong portfolio quality ratios.

CFA's objective is to secure, maintain and expand its leading position in the consumer finance market. During 2012, CFA expects to further grow and consolidate its customer portfolio and boost credit card circulation. With respect to financing, it will seek financing from the domestic capital market by issuing trusts and notes, and it will focus on increasing financing through time deposits at its branches.

For a breakdown of CFA's revenues for the last financial year, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-CFA Personal Loans .

### *Financial Division*

The Financial Division of Banco Galicia includes the Financial Operations, Banking Relations, Assets and Liabilities Management and Information Management and Support areas. In addition, this division is also involved in the mutual funds business and in the brokerage business through Galicia Valores.

The Financial Operations Division is responsible for, among other things, managing liquidity and the different financial risks of Banco Galicia, based on the parameters determined by Banco Galicia's board of directors. It manages positions in foreign currency and government securities, and it also acts as an intermediary and distributes financial instruments for its own customers (institutional investors) and corporate customers and individuals. It participates in different markets in its capacity as agent of the *Mercado Abierto Electrónico* ( MAE ) and member of the Rosario Futures Exchange, Financial Products Division. Through Galicia Valores, this department offers customers the ability to buy and sell securities on the BASE.

In 2011, Banco Galicia was ranked 2nd in the MAE's annual ranking for transactions of fixed-income instruments, rising two positions as compared to 2010.

The foreign trade volume increased by 37%, as compared to 2010, from US\$11,500 million to US\$15,700 million. As for the inter-banking wholesale market, total market volume decreased by 10%, and Banco Galicia's by 6%. With respect to the futures market, Banco Galicia traded a total of US\$12,300 million, representing a 21% increase as compared to 2010 due to an increase both in the call money between banks and in the customer transactions traded volume. With the above-mentioned values, Banco Galicia ended the year ranking fifth in Forex MAE, first in Rofex futures and fourth in the currency futures market OCT MAE (forward compensated transactions).

Although the traded volume of interest rate derivatives decreased since September 2011, Banco Galicia ranked second in 2011 in the futures traded volume with a total of Ps.5,500 million, and first in 2011 in swaps with a total traded volume of Ps.305 million. In both cases, as compared to 2010, the market share increased from 21.8% to 22.5% in futures, and 15.4% to 29.9% in swaps.

The Banking Relations Division is responsible, at the international level, for managing Banco Galicia's business relationships with correspondent banks, international credit agencies, official credit agencies and, at the domestic level, with financial institutions and exchange houses.



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The Assets and Liabilities Management Department is in charge of preparing and analyzing information aimed at managing the mismatches to which Banco Galicia's activities are subject, and maintaining the exposure within the policies determined by Banco Galicia's board of directors. This department's responsibilities include the provision of support to the Assets and Liabilities Committee (ALCO) through the analysis, quantification and control of the risks associated with different business strategies and market scenarios, as well as the follow-up and control of liquidity policies and currency mismatches, whether due to regulations of the Argentine Central Bank or Banco Galicia's internal policies.

Banco Galicia distributes the FIMA mutual funds through its broad distribution network (branches, electronic banking and telephone banking) to different customer segments (institutions, companies and individuals), while it acts as custodian of the assets that make up the funds in its role as depository. Galicia Administradora de Fondos is the company that manages investments and determines the value of the mutual fund units on a daily basis. The total value of the FIMA mutual funds was Ps.1,966 million as of December 31, 2011, with a market share of 6.7%.

### ***Insurance***

Galicia Seguros is a provider of a variety of property and casualty and life insurance products. Its most important line of business is group life insurance, including employee benefit plans and credit related insurance. With regard to property and casualty insurance products, it primarily underwrites home and ATM theft insurance. Galicia Retiro provides annuity products, and Galicia Broker Asesores de Seguros S.A. is an insurance broker. These companies operations are all located in Argentina.

Total insurance production of the aforementioned insurance companies amounted to Ps.608.5 million during 2011, 46% higher than the volume of premiums of the previous year (Ps.417.5 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.191 million more premiums written than in the same period of the previous fiscal year. As regards Galicia Seguros' business transactions, the focus was placed on continuing to increase the company's turnover and sales, which in 2011 amounted to Ps.174 million of annualized premiums. This represented a 15% growth when compared to the previous year, thus increasing the insurance policy laps ratio and extending the types of coverage offered.

Law No. 26,425 that created the Argentine Social Security Integrated System (Sistema Integrado Previsional Argentino, the SIPA) brought an end to pension-linked life annuities, the main product marketed by Galicia Retiro. Consequently, the company's main objective is to efficiently administrate current business and to analyze whether or not to re-launch new voluntary individual and group retirement products.

Within the current economic framework, measures aimed at complying with the goals established in the Business Plan will continue during 2012.

### ***Other Businesses***

**Galicia Warrants:** this company is a leading company in the deposit certificates and warrants issuance market. It has been continuously conducting transactions since 1994, supporting medium and large companies in regard to the custody of stocks. Galicia Warrants main objective is to enable its customers access to credit and financing, which are secured by the property kept under custody. Galicia Warrants main customers belong to the agricultural, industrial and agro-industrial sectors, and also include exporters and retailers. Within the framework of growth the Argentine economy has been experiencing, industrial and agro-industrial higher activity levels, resulted in higher demand for credit and, therefore, an increase in financing-related activities. During 2011 the company recorded income from services for Ps.16.9 million, with a net income amounting to Ps.4.6 million at the fiscal year-end.

**Net Investment:** this company has performed its activities in the areas of intercompany e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during fiscal year 2010 Net Investment purchased shares of a company that carries out activities related to business development through the internet. As of December 31, 2011, the equity investment held by Net Investment was equivalent to 0.19% of such company's net worth.

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The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

**Galval:** this company mainly generates fee income from brokerage and custodial services. As of December 31, 2011, it had customers' securities held in custody for US\$131.6 million, of which US\$10.6 million corresponded to the holding of securities of Grupo Financiero Galicia.

**GV Mandataria:** The company's main purpose is to carry out representations, mandates and commissions of all types, whether involving domestic or international companies. During 2011, income from services amounted to Ps.3 million, with a pretax net loss of Ps.0.7 million.

For a breakdown of the other businesses' revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Other Grupo Businesses .

## **Competition**

Due to our financial holding structure, competition is experienced at the level of our operating subsidiaries. We face strong competition in most of the areas in which our subsidiaries are active. For a breakdown of our total revenues, for each of the past three fiscal years, for the activities discussed below (i.e., banking, regional credit cards, CFA personal loans and insurance), see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments .

## **Banking**

Banco Galicia faces significant competition in all of its principal areas of operation from foreign banks operating in Argentina, mainly large retail banks which are subsidiaries or branches of banks with global operations; Argentine national and provincial government-owned banks; private-sector domestic banks and cooperative banks, as well as non-bank financial institutions.

With respect to private-sector customers, Banco Galicia's main competitors are large foreign banks and certain domestically-owned private-sector banks. Banco Galicia also faces competition from government-owned banks.

Banco Galicia's estimated deposit market share of private-sector deposits in the Argentine financial system was 8.78% as of December 31, 2011, compared to 8.35% as of December 31, 2010 and 7.81% as of December 31, 2009.

According to information published by the Argentine Central Bank, as of December 31, 2011, Banco Galicia was the second largest private-sector bank as measured by its assets, its deposits and its loan portfolio and ranked fourth in terms of net worth.

Banco Galicia believes that it has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, Banco Galicia believes it is one of the primary providers of financial services to individuals, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sector.

## **Argentine Banking System**

As of December 31, 2011, the Argentine financial system consisted of 80 financial institutions, of which 64 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 64 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 52 private-sector banks, 30 were private-sector domestically-owned banks; 21 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks); and 1 was a cooperative bank, also domestically-owned.

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As of the same date, the largest private-sector banks, in terms of total deposits, were: Banco Santander Río, Banco Galicia, BBVA Banco Francés, Banco Macro, HSBC Bank, Credicoop and Citibank. Banco Galicia, Banco Macro and Credicoop are domestically-owned banks and the others are foreign-owned banks. According to information published by the Argentine Central Bank as of December 31, 2011, private-sector banks accounted for 54.9% of total deposits and 60.8% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise significant entry or exit barriers, nor do they make any differentiation between locally or foreign-owned institutions. The only cooperative bank is active principally in consumer and middle-market banking, with a special emphasis on the lower end of the market. As of December 31, 2011, financial institutions (other than banks) accounted for approximately 0.3% of deposits and 3.1% of net loans in the Argentine financial system.

As of December 31, 2011, the largest Argentine national and provincial government-owned or related banks, in terms of total deposits, were Banco Nación and Banco de la Provincia de Buenos Aires. Under the provisions the Financial Institutions Law, public-sector banks have comparable rights and obligations to private banks, except that public-sector banks are usually chosen as depositaries for public-sector revenues and promote regional development and certain public-sector banks have preferential tax treatment. The bylaws of some public-sector banks provide that the governments that own them (both national and provincial governments) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires is not subject to any taxes, levies or assessments that the Argentine government may impose. According to information published by the Argentine Central Bank, as of December 31, 2011, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 44.8% of deposits and 36.1% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 80 at December 31, 2011, with the ten largest banks holding 77.3% of the system s deposits and 71.9% of the system s loans as of December 31, 2011.

Foreign banks continue to have significant presence, despite the fact that the number of foreign banks decreased by 18 through December 2011, as compared to the end of 2001, and that foreign banks share of total deposits has decreased since the 2001-2002 crisis while the share of domestic private-sector banks has increased.

### ***Regional Credit Cards***

The Regional Credit Card Companies credit cards represent approximately 17% of all personal credit cards issued in Argentina. On a national basis, the Regional Credit Card Companies compete with open credit card system companies, such as Visa, MasterCard and American Express. On a regional level, they face competition from regional credit card companies that operate within closed credit cards systems.

In the consumer loan market, the Regional Credit Card Companies compete with Argentine banks and other financial institutions that target similar economic segments. The main players in this segment include Banco Supervielle, Banco Columbia, Banco Comafi, Banco Credicoop and CFA, an affiliate of Tarjetas Regionales. Historically, certain international banks with presence in Argentina have attempted to target consumers in these economic segments and have been, to date and for the most part, unsuccessful.

In order to compete effectively at a national and on a regional basis, the Regional Credit Card Companies target low to middle income clients offering a personalized service and well recognized brands in each region. As of the date hereof, approximately 88% of their clients earn less than US\$1,250 per month. While other Argentine credit card issuers and consumer loan providers focus on earning interest on outstanding personal loans and credit card balances, they also focus on and have access to additional sources of revenues including merchant fees and commissions, which allow them to offer competitive pricing and financing terms. Furthermore, unlike other credit card issuers in Argentina, approximately 60% of their clients pay their credit card bill through their branch network. The broad geographical reach of their branch network, which is the second largest in Argentina, has allowed them to establish a local presence in all of the provinces of Argentina.

The Regional Credit Card Companies believe that their diversified and consistent funding sources, significant network of branches, robust information technology infrastructure, relationships with over 153,800 merchants and the brand recognition they enjoy provide them with a competitive edge to consolidate and expand their market share in their target market segment, making it difficult for new players to effectively compete in this market segment on a national scale.

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### ***Compañía Financiera Argentina***

CFA markets all of its financial products mainly to C1, C2, C3 and D1 segments (medium and low income segments). CFA's main competitors are: Banco Cetelem, Banco Columbia (which acquired the branch network of GE Money), Banco de Servicios y Transacciones (formerly Credilogros), Cooperativa la Capital del Plata, Caja de Crédito Cuenca, Banco de Servicios Financieros (Carrefour Group), Banco Supervielle and Banco Sáenz (Frávega Group). It is worth mentioning that CFA is ranked 10th within national personal loans market, over entities such as Citibank, Banco Supervielle, Banco Credicoop and Banco Hipotecario.

CFA also faces competition with certain entities which render non-regulated services, or small chains, located in less populated cities. Some big chains also offer their own financing, such as Garbarino, Frávega, Megatone and Riveiro, financed through the issuance of financial trusts.

### ***Insurance***

Sudamericana's subsidiaries face significant competition since, as of December 2011, the Argentine insurance industry was comprised of approximately 180 insurance companies, 37 of which were dedicated exclusively to life insurance and 21 to annuities. Subsidiaries of foreign insurance companies and the world's largest insurance companies with global operations are among these companies. In addition, as of that date, the number of brokers amounted to approximately 23,100 individuals and 470 companies.

During 2011, the insurance industry continued growing. Production amounted to Ps.52,600 million, 26.6% higher than the level recorded for 2010.

Out of the total insurance production, 80% relates to property insurance, 18% relates to life and personal insurance, and 2% relates to retirement insurance.

Within the 80% corresponding to property insurance, the automotive insurance segment continues to be the most significant one (44%), followed by the workers' compensation segment (31%).

Within the life insurance business, the group life insurance segment is the most significant, representing 65%, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.

As of December 2011, Galicia Seguros ranked sixth in terms of net premium of life insurance policies underwritten and first in terms of net premium of home insurance policies underwritten.

### **Sales and Marketing**

Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices of the Regional Credit Card Companies mainly serves the medium and low income segments of the population, which generally make less use of bank services, through offices located throughout the *Interior*. CFA's network serves the low income segment of the population, mainly in Buenos Aires and its outskirts. Through Banco Galicia, we operate a nationwide distribution network, which is one of the most extensive and diversified distribution networks among private-sector financial institutions in Argentina.

	<b>December 2011</b>
<b>Branches (number)</b>	
Bank Branches	244
Regional Credit Card Cos. Branches	188
CFA Branches	95
Business Centers and In-House Facilities	23
Private-Banking Centers	13
<b>Electronic Banking Terminals (number)</b>	
ATMs	726
Self-Service Terminals	808

**Electronic Banking Transactions** (*thousands per month*)

ATMs + Self-Service Terminals	13,980
Phone-Banking	391
e-banking	32,079

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Banco Galicia markets all of its financial products and services to high-, medium- and medium- to low-income individuals, including loans, insurance and FIMA family of mutual funds, among others, through its branch network, which operates on-line in real time. Within the branches, the sales force is specialized by type of customer and by customer segment. Banco Galicia's sales policy encourages tellers to perform sales functions as well. Wealthy individuals who are private banking customers are served by specialized officers and a specialized network of service centers, including a head office facility.

Commercial and investment banking services to large corporations and other entities are provided in a centralized manner. Branch officers are responsible for Banco Galicia's relationship with middle-market and small businesses and most of the agriculture and livestock sector customers. Banco Galicia also has established specialized centers that concentrate on providing service to businesses, which are distributed across the country and located in main cities of the *Interior* and certain customer companies' facilities.

All of Banco Galicia's individual and corporate customers have access to Banco Galicia's electronic distribution channels, including the ATM and self-service terminals network, a multifunction call center (the CCC), an e-banking website (bancogalicia.com) and a banking service through cell phones (Galicia Móvil).

Banco Galicia is client service oriented and assigns great importance to its service model and seeks to improve it constantly.

Banco Galicia has a segmented marketing approach and designs marketing campaigns focused on specific segments of Banco Galicia's customer base. Banco Galicia's marketing strategy is also focused on the development of long-term relationships with customers based on a deep and increasing knowledge of those customers. As part of this client-oriented strategy, Banco Galicia implemented a customer relationship management technology. Banco Galicia's investment in advertising has increased in the last years, in line with the general market's trend and particularly, the Argentine financial system's increase in investment and number of advertisers. These actions, along with massive events in shopping centers across the country and many direct-marketing programs have reinforced the perception of Banco Galicia as a close and friendly bank and have strengthened the brand image, allowing Banco Galicia to regain the top of mind (immediate brand recollection) leadership in its category.

Banco Galicia considers quality of service as the main element capable of distinguishing it from competitors. In order to measure this indicator, Banco Galicia periodically performs surveys, with positive results in recent years, showing high customer satisfaction.

The Regional Credit Card Companies market their products and services through a network of branches and service centers, the size of which depends on the size of the locations in which they operate. The companies' culture is strongly client service oriented and assigns great importance to quality of service. Sales officials receive intensive training in personalized sale of the companies' products and quality of service, given that the bulk of sales is conducted on a one-on-one basis. Quality of service at the branches is permanently monitored by third parties and availability is enhanced through extended business hours. In addition, each of the companies has a web site through which they conduct sales, receive customers' requests (such as requests for statements, loans or increases in the credit limits assigned and new cards, among others), provide information on and promote products. These sites include a link that allows payments to be made. In addition, each company has a call center, through which sales, post-sales and collection functions are performed.

CFA markets its products through a network of 59 branches and 36 points of sales, located throughout Argentina. The company leads the personal loan business among financial institutions in Argentina and offers its products to customers who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. As such, CFA offers its product Cuota SI in approximately 5,020 merchants, of which 788 are active, while the agreements are offered out of the branches through different channels. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

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To market its products, Sudamericana's subsidiaries mainly use Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution networks. They also use the sales officers of Galicia Broker Asesores de Seguros S.A. In addition Sudamericana has a telemarketing center of its own.

**Property**

The following are our main property assets, as of December 31, 2011:

Property	Address	Square Meters (approx.)	Main Uses
<b>Grupo Financiero Galicia</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
<b>Banco de Galicia y Buenos Aires S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	17,300	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	42,000	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,300	Administrative activities
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3,600	Administrative activities
<b>Banco Galicia Uruguay S.A. (in liquidation)</b>			
- Rented	-Bernardina Frago de Rivera 1438, Montevideo, Uruguay	580	Storage
	-Dr. Americo Ricaldoni 2468, Montevideo, Uruguay	400	Administrative activities
<b>Tarjeta Naranja S.A.</b>			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,307	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,883	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,249	Storage
	-Río Grande, Tierra del Fuego, Argentina	309	Administrative activities
	-San Jerónimo 2348 and 2350, Santa Fe, Argentina	1,475	Administrative activities
- Rented	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	Administrative activities and printing centre
<b>Tarjetas Cuyanas S.A.</b>			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,160	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Belgrano 1478, Mendoza, Argentina	175	Printing centre
<b>Compañía Financiera Argentina</b>			
- Rented	-Florida 238, Buenos Aires, Argentina	4,500	Administrative Activities
	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	1,700	Administrative Activities
<b>Galicia Seguros S.A.</b>			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities
<b>Galicia Warrants S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
<b>Galval Agente de Valores S.A.</b>			
- Rented	-Zona Franca, Montevideo, Uruguay	150	Administrative activities
<b>GV Mandataria de Valores S.A.</b>			
- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina <sup>(1)</sup>	147	Administrative activities

(1) Banco Galicia leases, from December 1, 2011 to November 30, 2014, a property to GV Mandataria, for US\$2,005 per month during the first year, US\$2,105 during the second year and US\$2,210 during the third year.

As of December 31, 2011, our distribution network consisted of:

Banco Galicia: 244 branches located in Argentina, 138 of which were owned and 106 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

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Tarjeta Naranja S.A.: 151 sales points located in 21 of the 23 Argentine provinces, 149 of which were rented by the company.

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Tarjetas Cuyanas S.A.: 44 sales points in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Rio Negro, Salta, Jujuy and Tucumán. All of them were rented.

CFA: 40 branches, 39 mini-branches and 16 payment centers, all of which were rented, located in all of Argentina's provinces, with at least one branch located in each province.

**Capital Investments and Divestitures**

During 2011, our capital expenditures amounted to Ps.584.6 million, distributed as follows:

Ps.198.6 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.386.0 million in organizational and IT system development expenses.

During 2010, our capital expenditures amounted to Ps.330.5 million, distributed as follows:

Ps.118.8 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.211.7 million in organizational and IT system development expenses.

During 2009, our capital expenditures amounted to Ps.179.5 million, distributed as follows:

Ps.61.3 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.118.2 million in organizational and IT system development expenses.

These capital expenditures were made mainly in Argentina.

In July 2009, Galicia Warrants sold its Silos plant in San Salvador, located in the province of Entre Ríos, which generated a before-tax profit of Ps.10.6 million.

In June, 2009, Banco Galicia entered into an agreement with American International Inc. ( AIG ) and AIG Consumer Finance Group Inc. to purchase the outstanding shares of CFA, a group of Argentine companies devoted to financial and complementary activities.

During fiscal year 2010, Banco Galicia purchased 95% of the shares of CFA and Tarjetas Regionales purchased the remaining 5% of the shares of CFA. The total cost for the shares was Ps.333.9 million (including acquisition costs), generating a negative goodwill of Ps.517.4 million resulting from the difference between the amount paid as acquisition cost and the book value of the net assets received.

During fiscal year 2011, the 5% interest in CFA owned by Tarjetas Regionales SA was acquired by Grupo Financiero Galicia SA (3%) and by Banco Galicia (2%, which added to its previous interest totaled 97%).

We have budgeted capital expenditures for the fiscal year ending December 31, 2012, for the following purposes and amounts:

*(In millions of Pesos)*

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Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones and other fixed assets)	Ps.	365.8
Organizational and IT System Development		503.2
<b>Total</b>	<b>Ps.</b>	<b>869.0</b>

In addition, during 2012 Galicia Seguros will invest Ps.11.7 million for the formation of a reinsurance company (Nova Re Compañía Argentina de Reaseguro S.A.), controlling 39% of the capital stock and voting rights of such company.

These capital expenditures will be made mainly in Argentina.

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Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2012 capital expenditures.

**Selected Statistical Information**

You should read this information in conjunction with the other information provided in this annual report, including our audited consolidated financial statements and Item 5. Operating and Financial Review and Prospects. We prepared this information from our financial records, which are maintained under accounting methods established by the Argentine Central Bank under Argentine Banking GAAP, and do not reflect adjustments necessary to reflect the information in accordance with U.S. GAAP.

The exchange rate used in translating Pesos into Dollars, which is used in calculating the convenience translations included in the following tables is the Reference Exchange Rate published by the Argentine Central Bank, which was Ps.4.3032, Ps.3.9758 and Ps.3.7967 per US\$1.00 as of December 31, 2011, December 31, 2010 and December 31, 2009, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or any other rate. See Item 3. Key Information-Exchange Rate Information.

**Average Balance Sheet and Income from Interest-Earning Assets and Expenses from Interest-Bearing Liabilities**

The average balances of interest-earning assets and interest-bearing liabilities, including the related interest that is receivable and payable, are calculated on a daily basis for Banco Galicia, Galicia Uruguay, Tarjetas Regionales and CFA on a consolidated basis. CFA was consolidated since the third quarter of fiscal year 2010. The average balances of interest-earning assets and interest bearing liabilities are calculated on a monthly basis for Grupo Financiero Galicia and its other non-banking subsidiaries.

Average balances have been separated between those denominated in Pesos and those denominated in Dollars. The average yield/rate is the amount of interest earned or paid during the period divided by the related average balance.

Net gains/losses on government securities and related differences in quoted market prices are included in interest earned. We manage our trading activities in government securities as an integral part of our business. We do not distinguish between interest income and market gains or losses on our government securities portfolio. The non-accrual loans balance is included in the average loan balance calculation.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2011.

	Fiscal Year Ended December 31, 2011 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
<i>(in millions of Pesos, except rates)</i>									
<b>Assets</b>									
Government Securities	3,781.5	652.8	17.26	4.4	0.2	4.55	3,785.9	653.0	17.25
<b>Loans</b>									
Private Sector	22,218.5	5,071.4	22.83	4,000.2	149.3	3.73	26,218.7	5,220.7	19.91
Public Sector									
Total Loans <sup>(1)</sup>	22,218.5	5,071.4	22.83	4,000.2	149.3	3.73	26,218.7	5,220.7	19.91
Other	1,677.8	207.5	12.37	258.9	5.0	1.93	1,936.7	212.5	10.97
<b>Total Interest-Earning Assets</b>	<b>27,677.8</b>	<b>5,931.7</b>	<b>21.43</b>	<b>4,263.5</b>	<b>154.5</b>	<b>3.62</b>	<b>31,941.3</b>	<b>6,086.2</b>	<b>19.05</b>
Cash and Gold	3,184.7			2,952.6			6,137.3		
Equity in Other Companies	678.0			248.3			926.3		
Other Assets	3,572.3			277.3			3,849.6		



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Allowances	(1,140.3)			(78.5)				(1,218.8)		
<b>Total Assets</b>	<b>33,972.5</b>			<b>7,663.2</b>				<b>41,635.7</b>		
<b>Liabilities and Equity</b>										
Deposits										
Current Accounts	0.6			2.7				3.3		
Savings Accounts	3,928.3	10.6	0.27	1,897.4				5,825.7	10.6	0.18
Time Deposits	10,153.5	1,285.9	12.66	1,816.7	11.3	0.62		11,970.2	1,297.2	10.84
Total Interest-Bearing Deposits	14,082.4	1,296.5	9.21	3,716.8	11.3	0.30		17,799.2	1,307.8	7.35
Other Financial Entities	696.5	134.8	19.35	636.4	11.1	1.74		1,332.9	145.9	10.95
Debt Securities	379.9	66.6	17.53	3,010.9	286.6	9.52		3,390.8	353.2	10.42
Other	114.4	9.2	8.04	691.6	31.9	4.62		806.0	41.1	5.10
<b>Total Interest-Bearing Liabilities</b>	<b>15,273.2</b>	<b>1,507.1</b>	<b>9.87</b>	<b>8,055.7</b>	<b>340.9</b>	<b>4.23</b>		<b>23,328.9</b>	<b>1,848.0</b>	<b>7.92</b>
Demand Deposits	6,878.8			750.2				7,629.0		
Other Liabilities	6,048.5			1,251.8				7,300.3		
Minority Interests	416.7							416.7		
Shareholders' Equity	2,960.8							2,960.8		
<b>Total Liabilities and Equity</b>	<b>31,578.0</b>			<b>10,057.7</b>				<b>41,635.7</b>		
<b>Spread and Net Yield</b>										
Interest Rate Spread				11.56				(0.61)		11.13
Cost of Funds Supporting										
Interest-Earning Assets				5.45				8.00		5.79
Net Yield on Interest-Earning Assets				15.99				(4.37)		13.27

(\*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2010.

	Fiscal Year Ended December 31, 2010 (*)									
	Pesos			Dollars			Total			
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	
<i>(in millions of Pesos, except rates)</i>										
<b>Assets</b>										
Government Securities	2,770.6	567.6	20.49	573.5	(181.0)	(31.56)	3,344.1	386.6	11.56	
<b>Loans</b>										
Private Sector	14,191.4	3,002.5	21.16	2,609.0	116.1	4.45	16,800.4	3,118.6	18.56	
Banco Galicia and Regional Credit										
Card Companies	13,551.0	2,683.1	19.80	2,609.0	116.1	4.45	16,160.0	2,799.2	17.32	
CFA	640.4	319.4	49.88				640.4	319.4	49.88	
Public Sector	0.4		0.20				0.4		0.20	
Total Loans <sup>(1)</sup>	14,191.8	3,002.5	21.16	2,609.0	116.1	4.45	16,800.8	3,118.6	18.56	

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Other	1,571.8	85.3	5.43	266.6	3.9	1.46	1,838.4	89.2	4.85
<b>Total Interest-Earning Assets</b>	<b>18,534.2</b>	<b>3,655.4</b>	<b>19.72</b>	<b>3,449.1</b>	<b>(61.0)</b>	<b>(1.77)</b>	<b>21,983.3</b>	<b>3,594.4</b>	<b>16.35</b>
Cash and Gold	2,084.8			2,233.0			4,317.8		
Equity in Other Companies	702.5			147.7			850.2		
Other Assets	2,735.0			183.6			2,918.6		
Allowances	(901.1)			(50.4)			(951.5)		
<b>Total Assets</b>	<b>23,155.4</b>			<b>5,963.0</b>			<b>29,118.4</b>		

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**Liabilities and Equity**

Deposits									
Current Accounts	328.1	5.5	1.67	180.0			508.1	5.5	1.08
Savings Accounts	2,717.5	7.7	0.28	1,298.7			4,016.2	7.7	0.19
Time Deposits	7,083.8	741.8	10.47	1,470.5	11.7	0.79	8,554.3	753.5	8.81
Total Interest-Bearing Deposits	10,129.4	755.0	7.45	2,949.2	11.7	0.40	13,078.6	766.7	5.86
Other Financial Entities									
Debt Securities	335.2	61.3	18.29	281.2	7.1	2.53	616.4	68.4	11.10
Other	256.7	32.3	12.58	2,019.4	196.2	9.72	2,276.1	228.5	10.04
Other	147.5	10.7	7.25	543.9	18.9	3.48	691.4	29.6	4.29
<b>Total Interest-Bearing Liabilities</b>	<b>10,868.8</b>	<b>859.3</b>	<b>7.91</b>	<b>5,793.7</b>	<b>233.9</b>	<b>4.04</b>	<b>16,662.5</b>	<b>1,093.2</b>	<b>6.56</b>
Demand Deposits									
Other Liabilities	4,746.0			390.7			5,136.7		
Minority Interests	3,995.8			786.5			4,782.3		
Shareholders Equity	341.9						341.9		
Shareholders Equity	2,195.0						2,195.0		
<b>Total Liabilities and Equity</b>	<b>22,147.5</b>			<b>6,970.9</b>			<b>29,118.4</b>		

**Spread and Net Yield**

Interest Rate Spread			11.81			(5.81)			9.79
Cost of Funds Supporting Interest-Earning Assets									
Net Yield on Interest-Earning Assets			4.64			6.78			4.97
			15.09			(8.55)			11.38

(\*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2009.

	Fiscal Year Ended December 31, 2009 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
<i>(in millions of Pesos, except rates)</i>									
<b>Assets</b>									
Government Securities	2,500.7	505.0	20.19	2,185.8	50.1	2.29	4,686.5	555.1	11.84
<b>Loans</b>									
Private Sector	9,431.6	2,049.8	21.73	1,912.0	140.3	7.34	11,343.6	2,190.1	19.31
Public Sector	120.0	27.0	22.50				120.0	27.0	22.50
Total Loans <sup>(1)</sup>	9,551.6	2,076.8	21.74	1,912.0	140.3	7.34	11,463.6	2,217.1	19.34
Other	1,717.9	111.2	6.47	510.0	4.0	0.78	2,227.9	115.2	5.17
<b>Total Interest-Earning Assets</b>	<b>13,770.2</b>	<b>2,693.0</b>	<b>19.56</b>	<b>4,607.8</b>	<b>194.4</b>	<b>4.22</b>	<b>18,378.0</b>	<b>2,887.4</b>	<b>15.71</b>
<b>Cash and Gold</b>									
Equity in Other Companies	1,515.2			1,913.5			3,428.7		
Other Assets	843.2			157.2			1,000.4		
	2,482.3			162.9			2,645.2		

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Allowances	(724.8)			(42.2)			(767.0)		
<b>Total Assets</b>	<b>17,886.1</b>			<b>6,799.2</b>			<b>24,685.3</b>		
<b>Liabilities and Equity</b>									
Deposits									
Current Accounts	790.0	12.9	1.63	497.3			1,287.3	12.9	1.00
Savings Accounts	1,988.4	5.7	0.29	1,026.1			3,014.5	5.7	0.19
Time Deposits	6,073.9	843.2	13.88	1,318.0	19.1	1.45	7,391.9	862.3	11.67
<b>Total Interest-Bearing Deposits</b>	<b>8,852.3</b>	<b>861.8</b>	<b>9.74</b>	<b>2,841.4</b>	<b>19.1</b>	<b>0.67</b>	<b>11,693.7</b>	<b>880.9</b>	<b>7.53</b>
Other Financial Entities	236.5	44.8	18.94	167.9	9.0	5.36	404.4	53.8	13.30
Debt Securities	325.8	59.7	18.32	2,404.1	164.6	6.85	2,729.9	224.3	8.22
Other	162.9	12.2	7.49	932.5	44.1	4.73	1,095.4	56.3	5.14



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<b>Total Interest-Bearing Liabilities</b>	<b>9,577.5</b>	<b>978.5</b>	<b>10.22</b>	<b>6,345.9</b>	<b>236.8</b>	<b>3.73</b>	<b>15,923.4</b>	<b>1,215.3</b>	<b>7.63</b>
Demand Deposits	3,058.8			6.2			3,065.0		
Other Liabilities	2,816.3			669.5			3,485.8		
Minority Interests	249.9						249.9		
Shareholders Equity	1,961.2						1,961.2		
<b>Total Liabilities and Equity</b>	<b>17,663.7</b>			<b>7,021.6</b>			<b>24,685.3</b>		
<b>Spread and Net Yield</b>									
Interest Rate Spread			9.34			0.49			8.08
Cost of Funds Supporting Interest-Earning Assets			7.11			5.14			6.61
Net Yield on Interest-Earning Assets			12.45			(0.92)			9.10

(\*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

**Changes in Net Interest Income-Volume and Rate Analysis**

The following table allocates, by currency of the underlying asset or liability, changes in our consolidated interest income and interest expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective average yield/rate for (i) the fiscal year ended December 31, 2011 compared with the fiscal year ended December 31, 2010; and (ii) the fiscal year ended December 31, 2010, compared with the fiscal year ended December 31, 2009. Differences related to rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2011/ Fiscal Year 2010, Increase (Decrease) due to changes in			Fiscal Year 2010/ Fiscal Year 2009, Increase (Decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
<i>(in millions of Pesos)</i>						
<b>Interest Earning Assets</b>						
Government Securities						
Pesos	149.8	(64.6)	85.2	55.2	7.4	62.6
Dollars	83.4	97.8	181.2	(11.0)	(220.1)	(231.1)
Total	233.2	33.2	266.4	44.2	(212.7)	(168.5)
Loans						
Private Sector						
Banco Galicia and Regional Credit Card Companies						
Pesos	1,815.8	253.1	2,068.9	1,005.5	(52.8)	952.7
Dollars	47.6	(14.4)	33.2	303.1	(327.3)	(24.2)
Total	1,863.4	238.7	2,102.1	1,308.6	(380.1)	928.5
Public Sector						
Pesos				(14.1)	(12.9)	(27.0)
Dollars						
Total				(14.1)	(12.9)	(27.0)
Other						
Pesos	6.1	116.1	122.2	(8.9)	(17.0)	(25.9)
Dollars	(0.1)	1.2	1.1	0.1	(0.2)	(0.1)

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Total	6.0	117.3	123.3	(8.8)	(17.2)	(26.0)
<b>Total Interest-Earning Assets</b>						
Pesos	1,971.7	304.6	2,276.3	1,037.7	(75.3)	962.4
Dollars	130.9	84.6	215.5	292.2	(547.6)	(255.4)
<b>Total</b>	<b>2,102.6</b>	<b>389.2</b>	<b>2,491.8</b>	<b>1,329.9</b>	<b>(622.9)</b>	<b>707.0</b>
<b>Interest Bearing Liabilities</b>						
<b>Demand Account</b>						
Pesos	(2.7)	(2.8)	(5.5)	(7.7)	0.3	(7.4)
Dollars						
Total	(2.7)	(2.8)	(5.5)	(7.7)	0.3	(7.4)
<b>Savings Account</b>						
Pesos	3.3	(0.4)	2.9	2.0		2.0
Dollars						
Total	3.3	(0.4)	2.9	2.0		2.0
<b>Time Deposits</b>						
Pesos	366.9	177.2	544.1	212.3	(313.7)	(101.4)
Dollars	2.4	(2.8)	(0.4)	2.6	(10.0)	(7.4)
Total	369.3	174.4	543.7	214.9	(323.7)	(108.8)

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<b>With Other Financial Entities</b>						
Pesos	69.7	3.8	73.5	18.0	(1.5)	16.5
Dollars	5.3	(1.3)	4.0	4.2	(6.1)	(1.9)
<b>Total</b>	<b>75.0</b>	<b>2.5</b>	<b>77.5</b>	<b>22.2</b>	<b>(7.6)</b>	<b>14.6</b>
<b>Notes</b>						
Pesos	18.9	15.4	34.3	(11.1)	(16.3)	(27.4)
Dollars	94.2	(3.8)	90.4	(19.5)	51.1	31.6
<b>Total</b>	<b>113.1</b>	<b>11.6</b>	<b>124.7</b>	<b>(30.6)</b>	<b>34.8</b>	<b>4.2</b>
<b>Other liabilities</b>						
Pesos	(2.9)	1.4	(1.5)	(1.1)	(0.4)	(1.5)
Dollars	5.9	7.1	13.0	(15.4)	(9.8)	(25.2)
<b>Total</b>	<b>3.0</b>	<b>8.5</b>	<b>11.5</b>	<b>(16.5)</b>	<b>(10.2)</b>	<b>(26.7)</b>
<b>Total Interest Bearing Liabilities</b>						
Pesos	453.2	194.6	647.8	212.4	(331.6)	(119.2)
Dollars	107.8	(0.8)	107.0	(28.1)	25.2	(2.9)
<b>Total</b>	<b>561.0</b>	<b>193.8</b>	<b>754.8</b>	<b>184.3</b>	<b>(306.4)</b>	<b>(122.1)</b>

The increase of Ps.2,491.8 million in interest income for the fiscal year ended December 31, 2011, as compared to the previous year, is mainly explained by the Ps.2,102.6 million benefit from the increase in the volume of interest-earning assets, together with the Ps.389.2 million increase in interest rates.

In particular, the Ps.2,276.3 million benefit from Peso-denominated assets was mainly due to an increase in volume, mainly as a result of the increase in loans to the private sector due to the strong demand. Likewise, the increase in interest rates in Pesos was mainly due to the 135 basis points ( b.p. ) increase in the average interest rate for loans to the private sector, from 18.56% to 19.91%.

The Ps.215.5 million net change in Dollar-denominated assets reflects increases of Ps.130.9 million and Ps.84.6 million in the volume of and in interest rate for interest earning assets, respectively.

In terms of interest expenses, the Ps.754.8 million increase for the fiscal year ended December 31, 2011, as compared to the previous year, is mainly due to the increase in the volume of time deposits, together with the increase in the average interest rate, which increased in line with the dynamics of the financial market.

In particular, the Ps.107.0 million increase in interest bearing liabilities denominated in Dollars reflects an increase in the volume of outstanding debt due to the US\$200.0 million issued by Tarjeta Naranja S.A. during January 2011 and the US\$300.0 million issued by Banco Galicia on May 4, 2011.

**Interest-Earning Assets-Net Yield on Interest-Earning Assets**

The following table analyzes, by currency of denomination, the levels of our average interest-earning assets and net interest earned, and illustrates the net yields and spreads obtained, for each of the periods indicated.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(in millions of Pesos, except percentages)</i>		
<b>Total Average Interest-Earning Assets</b>			
Pesos	27,677.8	18,534.2	13,770.2
Dollars	4,263.5	3,449.1	4,607.8
<b>Total</b>	<b>31,941.3</b>	<b>21,983.3</b>	<b>18,378.0</b>

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<b>Net Interest Earned <sup>(1)</sup></b>			
Pesos	4,424.6	2,796.1	1,714.5
Dollars	(186.4)	(294.9)	(42.4)
<b>Total</b>	<b>4,238.2</b>	<b>2,501.2</b>	<b>1,672.1</b>
<b>Net Yield on Interest-Earning Assets <sup>(2)</sup> (%)</b>			
Pesos	15.99	15.09	12.45
Dollars	(4.37)	(8.55)	(0.92)
<b>Weighted-Average Yield</b>	<b>13.27</b>	<b>11.38</b>	<b>9.10</b>
<b>Interest Spread, Nominal Basis <sup>(3)</sup> (%)</b>			
Pesos	11.56	11.81	9.34
Dollars	(0.61)	(5.81)	0.49
<b>Weighted-Average Yield</b>	<b>11.13</b>	<b>9.79</b>	<b>8.08</b>
<b>Credit Related Fees Included in Net Interest Earned</b>			
Pesos	146.2	109.5	84.2
Dollars			
<b>Total</b>	<b>146.2</b>	<b>109.5</b>	<b>84.2</b>

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- (1) *Net interest earned corresponds to the net financial income ( Financial Income minus Financial Expenses , as set forth in the Income Statement), plus (i) financial fees included in Income from Services In Relation to Lending Transactions in the Income Statement, (ii) contributions to the Deposits Insurance Fund included in the item with the same denomination that is part of the Financial Expenses caption in the Income Statement, and (iii) contributions and taxes on financial income included in the Income Statement under Financial Expenses Others ; minus (i) net income from corporate securities, included under Financial Income/Expenses Interest Income and Gains/Losses from Holdings of Government and Corporate Securities , in the Income Statement, (ii) differences in quotation of gold and foreign currency included in the item with the same denomination that is part of the Financial Expenses/Income caption in the Income Statement, and (iii) the premiums and adjustments on forward transactions in foreign currency, included in the item Financial Income-Others in the Income Statement. Net interest earned also includes income from government securities used as security margins in repurchase agreement transactions. This income/loss is included in Miscellaneous Income/Loss Others in the Income Statement. Net income from government securities includes both interest and gains/losses due to the variation of market quotations.*
- (2) *Net interest earned, divided by average interest-earning assets.*
- (3) *Interest spread, nominal basis is the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities.*

**Government and Corporate Securities**

The following table shows our holdings of government and corporate securities at the balance sheet dates stated below, and the breakdown of the portfolio in accordance with the Argentine Central Bank classification system and by the currency of denomination of the relevant securities. Our holdings of government securities represent mainly holdings of Banco Galicia.

	Fiscal Year Ended December 31,		
	2011	2010	2009
	(in millions of Pesos)		
<b>Government Securities</b>			
<b>Pesos</b>			
<b>Recorded at Cost plus Yield</b>	<b>162.4</b>	<b>133.7</b>	<b>43.3</b>
Issued by Argentine Central Bank Lebac and Nobac			43.3
Bonar Bonds	162.4	133.7	
<b>Recorded at Fair Market Value</b>	<b>93.1</b>	<b>38.4</b>	<b>100.7</b>
Bonar Bonds	61.1	13.3	42.7
Others	32.0	25.1	58.0
<b>Issued by Argentine Central Bank</b>	<b>4,917.9</b>	<b>2,065.7</b>	<b>1,615.1</b>
Lebac Unquoted	713.5	257.5	934.6
Lebac Quoted	10.3	359.1	633.9
Nobac Unquoted	637.4	1,265.0	29.5
Nobac Quoted	2,146.0	3.9	17.1
Nobac Repurchase Agreement Transactions	66.5		
Lebac Repurchase Agreement Transactions	1,344.2	180.2	
<b>Without Quotation</b>			<b>945.7</b>
Bonar Bonds			323.7
Discount Bonds in Pesos			622.0
<b>Total Government Securities in Pesos</b>	<b>5,173.4</b>	<b>2,237.8</b>	<b>2,704.8</b>
<b>Dollars</b>			
<b>Recorded at Fair Market Value</b>	<b>54.3</b>	<b>29.9</b>	<b>13.5</b>
Others	54.3	29.9	13.5
<b>Government Securities for Repurchase Agreement Transactions with the Argentine Central Bank</b>			<b>152.7</b>
Bonar Bonds			152.7
<b>Without Quotation</b>			<b>1,036.2</b>
Boden 2012 Bonds			1,032.4
Others			3.8
<b>Total Government Securities in Dollars</b>	<b>54.3</b>	<b>29.9</b>	<b>1,202.4</b>

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<b>Total Government Securities</b>	<b>5,227.7</b>	<b>2,267.7</b>	<b>3,907.2</b>
<b>Corporate Securities</b>	3.1	10.3	13.2
Corporate Equity Securities (Quoted) in Pesos	3.1	10.3	0.1
Corporate Equity Securities (Quoted) in Dollars			13.1
<b>Total Government and Corporate Securities</b>	<b>5,230.8</b>	<b>2,278.0</b>	<b>3,920.4</b>

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The increase in our holdings of Argentine government securities in 2011 can be mainly attributed to the increase in Lebac and Nobac (Argentine Central Bank bills and notes). The portfolio in Pesos corresponding to securities recorded at cost plus yield reflects Banco Galicia's holdings of bonds issued by the Argentine government due in 2015 ( Bonar 2015 Bonds ) for Ps.162.4 million.

The decrease in our holdings of Argentine government securities in 2010 can be mainly attributed to the sale of bonds issued by the Argentine government due in 2012 ( Boden 2012 Bonds ), Bonar 2015 Bonds, Argentine government discount bonds ( Discount Bonds ) and Argentine GDP-linked negotiable securities ( GDP-Linked Negotiable Securities ). The portfolio in Pesos corresponding to securities recorded at cost plus yield reflects Banco Galicia's holdings of Bonar 2015 Bonds for Ps.133.7 million.

All government securities, except for the Lebac and Nobac, which are issued by the Argentine Central Bank, were issued by the Argentine government.

*Government Securities Net Position*

The following table shows our net position in government and corporate securities at the balance sheet date, and the breakdown of the portfolio in accordance with the Argentine Central Bank classification system and by the securities' currency of denomination. The net position is defined as holdings plus forward purchases and spot purchases pending settlement, minus forward sales and spot sales pending settlement.

	Holdings	Forward Purchases <sup>(1)</sup>	As of December 31, 2011			Net Position
			Forward Sales <sup>(2)</sup>	Spot purchases to be settled	Spot sales to be settled	
<b>Government Securities</b>						
<b>Holdings Recorded at Cost plus Yield</b>						
Pesos	162.4	617.3				779.7
<b>Holdings Recorded at Fair Market Value</b>						
Pesos	93.1	18.9	(67.8)	21.0	(2.7)	62.5
Dollars	54.2		(51.6)	0.3	(0.1)	2.8
<b>Securities issued by the Argentine Central Bank</b>						
Pesos	4,918.0	148.3	(1,553.1)	38.8		3,552.0
<b>Total Government Securities</b>	<b>5,227.7</b>	<b>784.5</b>	<b>(1,672.5)</b>	<b>60.1</b>	<b>(2.8)</b>	<b>4,397.0</b>
<b>Corporate Equity Securities (Quoted)</b>	<b>3.2</b>			<b>8.1</b>		<b>11.3</b>
<b>Total Government and Corporate Securities</b>	<b>5,230.9</b>	<b>784.5</b>	<b>(1,672.5)</b>	<b>68.2</b>	<b>(2.8)</b>	<b>4,408.3</b>

(1) Forward purchases include securities granted as collateral.

(2) Forward sales include government securities deposits.

The net position of government securities as of December 31, 2011 amounted to Ps.4,408.3 million.

The net position of government securities at cost plus yield corresponds to Bonar 2015 Bonds, for Ps.779.7 million, whereas, the net position for securities issued by the Argentine Central Bank corresponds to Lebac and Nobac for Ps.3,552.0 million.

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The following table analyzes the remaining maturity and weighted-average yield of our holdings of government and corporate securities as of December 31, 2011. Our government securities portfolio yields do not contain any tax equivalency adjustments.

	Total Book Value	Maturity Yield		Maturing after 1 year but within 5 years		Maturing after 5 years but within 10 years		Maturing after 10 years	
		Maturing within 1 year Book Value	Yield <sup>(1)</sup>	Book Value	Yield <sup>(1)</sup>	Book Value	Yield <sup>(1)</sup>	Book Value	Yield <sup>(1)</sup>
<b>Government Securities</b>									
<b>Recorded at Fair Market Value</b>									
Pesos	93.1	26.0	10.5%	47.7	13.5%	13.2	2.0%	6.2	1.8%
Dollars	54.3	2.3	14.4%	52.0	7.0%				
<b>Recorded at Cost plus Yield</b>									
Pesos	162.4			162.4	19.4%				
<b>Instruments Issued by the Argentine Central Bank</b>									
Pesos	4,918.0	4,918.0	17.4%						
<b>Securities Without Quotation</b>									
Pesos									
Dollars									
<b>Total Government Securities</b>	<b>5,227.8</b>	<b>4,946.3</b>	<b>17.3%</b>	<b>262.1</b>	<b>15.9%</b>	<b>13.2</b>	<b>2.0%</b>	<b>6.2</b>	<b>1.8%</b>
<b>Corporate Debt Securities</b>	<b>3.1</b>	<b>3.1</b>	<b>2.7%</b>						
<b>Total Portfolio</b>	<b>5,230.9</b>	<b>4,949.4</b>	<b>17.3%</b>	<b>262.1</b>	<b>15.9%</b>	<b>13.2</b>	<b>2.0%</b>	<b>6.2</b>	<b>1.8%</b>

(1) Effective yield based on December 31, 2011 quoted market values.

As of December 31, 2011, we had the following investments in securities of issuers that exceeded 10% of our shareholders' equity.

<i>In millions of Pesos</i>	Issuer	December 31, 2011	
		Book Value	Market Value
Securities issued by the Argentine Central Bank	Argentine Central Bank	4,918.0	4,937.6

**Loan Portfolio**

Our total loans reflect Banco Galicia's, the Regional Credit Card Companies' and the CFA's loan portfolios including past due principal amounts. Personal loans and credit-card loans are typically loans to individuals granted by Banco Galicia, the Regional Credit Card Companies or CFA. The Regional Credit Card Companies' loans are included under Credit card loans, while most of CFA's loans are included under Personal loans. Also, certain amounts related to advances, promissory notes, mortgage loans and pledge loans are extended to individuals. However, advances and promissory notes mostly represent loans to companies. The following table analyzes our loan portfolio, i.e., Banco Galicia's loan portfolio consolidated with the Regional Credit Card Companies' and the CFA's loan portfolio, by type of loan and total loans with guarantees.



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	2011	2010	As of December 31,		
			2009	2008	2007
			<i>(in millions of Pesos)</i>		
Principal and Interest					
Non-Financial Public Sector	1.0	3.2	5.0	1,319.6	1,210.5
Local Financial Sector	326.2	80.6	25.4	148.1	110.0
Non-Financial Private Sector and Residents Abroad <sup>(1)</sup> Advances	2,302.1	979.2	630.1	594.4	792.1
Promissory Notes	6,412.3	4,534.3	3,205.4	2,116.3	2,911.2
Mortgage Loans	959.5	950.2	964.3	1,026.8	945.1
Pledge Loans	202.3	119.2	64.8	81.0	94.5
Personal Loans	5,785.7	4,093.6	1,724.4	1,217.6	977.9
Credit Card Loans	13,392.2	9,120.1	5,691.3	4,378.4	3,630.1
Placements in Banks Abroad	66.0	215.3	440.7	334.5	158.0
Other Loans	2,462.5	2,081.2	1,387.9	883.3	1,010.8
Accrued Interest, Adjustment and Quotation Differences Receivable	420.8	277.1	178.8	185.8	177.0
Documented Interest	(165.6)	(81.8)	(54.2)	(38.5)	(42.5)
Total Non-Financial Private-Sector and Residents Abroad	31,837.8	22,288.4	14,233.5	10,779.6	10,654.2
<b>Total Gross Loans</b>	<b>32,165.0</b>	<b>22,372.2</b>	<b>14,263.9</b>	<b>12,247.3</b>	<b>11,974.7</b>
Allowance for Loan Losses	(1,284.0)	(1,038.5)	(806.4)	(526.8)	(428.6)
<b>Total Loans</b>	<b>30,881.0</b>	<b>21,333.7</b>	<b>13,457.5</b>	<b>11,720.5</b>	<b>11,546.1</b>
Loans with Guarantees					
With Preferred Guarantees <sup>(2)</sup>	1,441.3	1,257.1	1,142.2	1,332.8	1,289.8
Other Guarantees	4,866.0	3,694.5	2,453.9	2,971.1	3,180.2
<b>Total Loans with Guarantees</b>	<b>6,307.3</b>	<b>4,951.6</b>	<b>3,596.1</b>	<b>4,303.9</b>	<b>4,470.0</b>

*(1) Categories of loans include:**Advances: short-term obligations drawn on by customers through overdrafts.**Promissory Notes: endorsed promissory notes, notes and other promises to pay signed by one borrower or group of borrowers and factored loans.**Mortgage Loans: loans granted to purchase or improve real estate and collateralized by such real estate and commercial loans secured by a real estate mortgage.**Pledge Loans: loans secured by collateral (such as cars or machinery) other than real estate, where such collateral is an integral part of the loan documents.**Personal Loans: loans to individuals.**Credit-Card Loans: loans granted through credit cards to credit card holders.**Placements in Banks Abroad: short-term loans to banks abroad.**Other Loans: loans not included in other categories.**Documented Interest: discount on notes and bills.**(2) Preferred guarantees include mortgages on real estate property or pledges on movable property, such as cars or machinery, where Banco Galicia has priority, endorsements of the Federal Office of the Secretary of Finance, pledges of Government securities, or gold or cash as collateral.*

As of December 31, 2011, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.32,165.0 million, a 43.8% increase as compared to the fiscal year ended December 31, 2010, due to a significant increase in loans to the private sector. Loans to the private sector before the allowance for loan losses amounted to Ps.32,164.0 million, with a 43.8% increase from the Ps.22,369.0 million existing as of the fiscal year ended December 31, 2010.

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For the fiscal year ended December 31, 2010, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.22,372.2 million, as compared to Ps.14,263.9 million as of December 31, 2009. This change is due to a significant increase in the portfolio of loans to the private sector, in line with the increase experienced by the Argentine market overall, together with the acquisition of CFA whose loan portfolio before allowances for loan losses amounted to Ps.1,378.4 million. Loans to the financial and non-financial public sector as of the fiscal year ended December 31, 2010 were Ps.3.2 million, 36% lower than the Ps.5.0 million outstanding as of the close of the previous fiscal year.

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**Table of Contents****Loans by Type of Borrower**

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2011, 2010 and 2009. The middle-market companies category includes Banco Galicia's loans to SMEs and the agricultural and livestock sectors while the individuals category includes loans granted by Banco Galicia, the Regional Credit Card Companies and CFA. Loans to individuals comprise both consumer loans and commercial loans extended to individuals with a commercial activity.

	2011		As of December 31, 2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
<b>Commercial Loans</b>	<b>13,623.7</b>	<b>42.36</b>	<b>9,410.0</b>	<b>42.06</b>	<b>6,645.6</b>	<b>46.59</b>
Corporate	4,454.5	13.85	2,768.1	12.37	1,801.1	12.63
Middle-Market Companies	9,169.2	28.51	6,641.9	29.69	4,844.5	33.96
- Agribusiness	3,615.9	11.24	2,458.2	10.99	1,962.9	13.76
- SMEs	5,553.3	17.27	4,183.7	18.70	2,881.6	20.20
<b>Individuals</b>	<b>18,115.2</b>	<b>56.32</b>	<b>12,640.9</b>	<b>56.51</b>	<b>7,142.8</b>	<b>50.07</b>
- Bank	9,562.2	29.73	6,807.0	30.43	4,296.4	30.12
- Regional Credit Card Companies	6,740.0	20.95	4,455.9	19.92	2,846.4	19.95
- CFA	1,813.0	5.64	1,378.0	6.16		
<b>Financial Sector <sup>(1)</sup></b>	<b>425.1</b>	<b>1.32</b>	<b>318.0</b>	<b>1.42</b>	<b>470.5</b>	<b>3.30</b>
<b>Non-Financial Public Sector</b>	<b>1.0</b>		<b>3.2</b>	<b>0.01</b>	<b>5.0</b>	<b>0.04</b>
<b>Total <sup>(2)</sup></b>	<b>32,165.0</b>	<b>100.00</b>	<b>22,372.1</b>	<b>100.00</b>	<b>14,263.9</b>	<b>100.00</b>

(1) Includes local and international financial sector. Financial Sector loans are primarily composed of interbank loans (call money loans), overnight deposits at international money center banks and loans to provincial banks.

(2) Before the allowance for loan losses.

**Loans by Economic Activity**

The following table sets forth as of the dates indicated an analysis of our loan portfolio according to the borrower's main economic activity. Figures include principal and interest.

	2011		As of December 31, 2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
<b>Financial Sector <sup>(1)</sup></b>	<b>425.1</b>	<b>1.32</b>	<b>318.0</b>	<b>1.42</b>	<b>470.5</b>	<b>3.30</b>
Services						
Non-Financial Public Sector	1.0	0.00	3.2	0.01	5.0	0.04
Communications, Transportation Health and Others	1,571.2	4.88	1,315.3	5.88	1,020.2	7.15
Electricity, Gas, Water Supply and Sewage Services	268.9	0.84	111.2	0.50	43.7	0.31
Other Financial Services	126.1	0.39	54.0	0.24	12.8	0.09
<b>Total</b>	<b>1,967.2</b>	<b>6.11</b>	<b>1,483.7</b>	<b>6.63</b>	<b>1,081.7</b>	<b>7.59</b>
Primary Products						
Agriculture and Livestock	3,318.9	10.32	2,268.0	10.14	1,803.8	12.65
Fishing, Forestry and Mining	537.7	1.67	199.3	0.89	177.8	1.25

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<b>Total</b>	<b>3,856.6</b>	<b>11.99</b>	<b>2,467.3</b>	<b>11.03</b>	<b>1,981.6</b>	<b>13.90</b>
<b>Consumer</b>	<b>17,617.0</b>	<b>54.77</b>	<b>12,232.7</b>	<b>54.68</b>	<b>6,781.5</b>	<b>47.54</b>
<b>Retail Trade</b>	<b>1,125.7</b>	<b>3.50</b>	<b>906.2</b>	<b>4.05</b>	<b>719.5</b>	<b>5.04</b>
<b>Wholesale Trade</b>	<b>1,918.3</b>	<b>5.96</b>	<b>1,532.8</b>	<b>6.85</b>	<b>931.4</b>	<b>6.53</b>
<b>Construction</b>	<b>510.0</b>	<b>1.59</b>	<b>318.1</b>	<b>1.42</b>	<b>177.0</b>	<b>1.24</b>
<b>Manufacturing</b>						
Foodstuffs	1,962.2	6.10	1,098.4	4.91	773.2	5.42
Transportation Materials	76.5	0.24	70.9	0.32	41.9	0.29
Chemicals and Oil	642.6	2.00	454.3	2.03	378.3	2.65
Manufacturing Industries	2,062.0	6.41	1,388.7	6.21	891.5	6.25
<b>Total</b>	<b>4,743.3</b>	<b>14.75</b>	<b>3,012.3</b>	<b>13.47</b>	<b>2,084.9</b>	<b>14.61</b>
<b>Other Loans</b>	<b>1.8</b>	<b>0.01</b>	<b>101.1</b>	<b>0.45</b>	<b>35.8</b>	<b>0.25</b>
<b>Total <sup>(2)</sup></b>	<b>32,165.0</b>	<b>100.00</b>	<b>22,372.2</b>	<b>100.00</b>	<b>14,263.9</b>	<b>100.00</b>

(1) Includes local and international financial sectors.

(2) Before the allowance for loan losses.

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Consumer loans account for the majority of the loan portfolio, which as of the fiscal year-end represented 54.77% of the total loan portfolio; similar to the 54.68% of the previous fiscal year. Consumer loans represented 47.54% of the loan portfolio as of December 31, 2009.

As for business activities, the most significant categories during the fiscal year ended December 31, 2011 were loans to the manufacturing industry, the primary production sector and trade (wholesale and retail), with a total portfolio share of 14.75%, 11.99% and 9.46%, respectively.

The most significant growth occurred in the construction sector, with a 60.3% increase as compared to the previous fiscal year and in the manufacturing industry, which increased 57.5% as compared to previous fiscal year-end.

*Maturity Composition of the Loan Portfolio*

The following table sets forth an analysis by type of loan and time remaining to maturity of our loan portfolio as of December 31, 2011.

	Within 1 Month	After 1 Month but within 6 Months	After 6 Months but within 12 Months	After 1 Year but within 3 Years	After 3 Years but within 5 Years	After 5 Years	Total at December 31, 2011
	<i>(in millions of Pesos)</i>						
<b>Non-Financial Public Sector <sup>(1)</sup></b>	<b>1.0</b>						<b>1.0</b>
<b>Financial Sector <sup>(1)</sup></b>	<b>147.3</b>	<b>90.0</b>	<b>88.9</b>				<b>326.2</b>
<b>Private Sector and Residents Abroad</b>	<b>16,574.9</b>	<b>7,542.4</b>	<b>3,039.8</b>	<b>3,478.7</b>	<b>998.3</b>	<b>203.7</b>	<b>31,837.8</b>
- Advances	1,571.4	575.7	144.1	11.4			2,302.6
- Promissory Notes	2,576.2	2,705.0	604.4	424.3	97.1	4.9	6,411.9
- Mortgage Loans	22.6	91.6	106.3	361.5	228.2	149.3	959.5
- Pledge Loans	10.3	40.9	44.3	101.5	5.1	0.3	202.4
- Personal Loans	348.5	1,289.5	1,223.3	2,233.4	643.4	47.7	5,785.8
- Credit-Card Loans	9,693.6	2,668.3	857.9	172.3			13,392.1
- Other Loans	2,098.7	171.4	59.5	174.3	24.5	1.5	2,529.9
- Accrued Interest and Quotation							
Differences Receivable <sup>(1)</sup>	420.8						420.8
- (Documented Interest)	(165.6)						(165.6)
- (Unallocated Collections)	(1.6)						(1.6)
<b>Allowance for Loan Losses <sup>(2)</sup></b>	<b>(1,284.0)</b>						<b>(1,284.0)</b>
<b>Total Loans, Net</b>	<b>15,439.2</b>	<b>7,632.4</b>	<b>3,128.7</b>	<b>3,478.7</b>	<b>998.3</b>	<b>203.7</b>	<b>30,881.0</b>

(1) Interest and the CER adjustment were assigned to the first month.

(2) Allowances were assigned to the first month as were past due loans and loans in judicial proceedings.

**Table of Contents***Interest Rate Sensitivity of Outstanding Loans*

The following table presents the interest rate sensitivity of our outstanding loans by denomination as of December 31, 2011.

	In millions of Pesos	As a % of Total Loans
<b>Variable Rate <sup>(1)(2)</sup></b>		
Pesos	1,308.4	27.95%
Dollars	260.7	5.57%
<b>Total</b>	<b>1,569.1</b>	<b>33.52%</b>
<b>Fixed Rate <sup>(2)(3)</sup></b>		
Pesos	2,931.5	62.63%
Dollars	180.1	3.85%
<b>Total</b>	<b>3,111.6</b>	<b>66.48%</b>

(1) Includes overdraft loans.

(2) Includes past due loans and excludes interest receivable, differences in quotations and the CER adjustment.

(3) Includes short-term and long-term loans whose rates are determined at the beginning of the loans' life.

**Credit Review Process**

Credit risk is the potential for financial loss resulting from the failure of a borrower to honor its financial contractual obligations. Our credit risk arises mainly from Banco Galicia's, the Regional Credit Card Companies' and CFA's lending activities, and from the fact that, in the normal course of business, these subsidiaries are parties to certain transactions with off-balance sheet treatment and associated risk, mainly commitments to extend credit and guarantees granted. See also Item 5. Operating and Finance Review and Prospects -Item 5.A. Operating Results-Off-Balance Sheet Arrangements.

Our credit approval and credit risk analysis is a centralized process based on the concept of opposition of interests. This is achieved through the existing division among the risk management, the credit and the origination functions both in retail and wholesale businesses, thus enabling us to achieve an ongoing and efficient control of asset quality, a proactive management of loans with problems, aggressive charge-offs of uncollectible loans, and adequate loan loss provisioning. Apart from that, it includes the follow-up of the models for measuring the portfolio risk at the operation and customer levels, facilitating the detection of loans with problems and the losses associated thereto, what in turn allows the early detection of situations that could entail some degree of portfolio deterioration and provides appropriate protection of our assets.

*Banco Galicia*

The Credit Risk Management and Insurance Division approves credit risk policies, verifies the compliance thereof and assesses credit risk on a continuous basis.

The credit granting policy for retail banking focuses on the use of an automatic credit granting processes. These are based on behavior analysis models. Banco Galicia is strongly focused on obtaining portfolios with direct payroll deposit, which statistically have better compliance behavior when compared to other types of portfolios.

As for the wholesale banking, credit granting is based on analyses conducted on credit, cash-flow, balance sheet, capacity of the applicant. These are supported by statistical rating models.

During fiscal year 2010, the review-by-sector policy was implemented, which determines the levels of review for the economic activities belonging to the private-sector portfolio according to the concentration they show with regard to total credit and/or computable regulatory capital (RPC).

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The Credit Risk Management and Insurance Division also constantly monitors its portfolio through different indicators (asset quality of the loan portfolio, provisioning of the non-accrual portfolio, non-performance, roll rates, etc), as well as the classification and concentration thereof (through maximum ratios between the exposure to each client, its own RPC, and that of each customer). The loan portfolio classification, as well as its concentration control, is carried out following the regulations provided for by the Argentine Central Bank.

### Credit

The Credit Division's mission is to assure quality of loan portfolio through the origination of businesses and the optimization of loan recovery strategies in accordance with standards of best practices.

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This division performs the following functions: credit granting, preventive management, tracking down and classification of customers, together with recovery of past-due loans.

The analysis and granting in relation to the retail portfolio is made on a centralized basis by the Individuals Credit Approval Division.

Applications for these products, such as credit cards, current account overdrafts and secured or unsecured personal loans, are automatically assessed through computerized credit scoring systems that take into account different criteria to determine the customer's credit background and repayment capacity, as well as through granting guidelines based on the customer's credit history within the financial system (which is verified against the information provided by a company that provides credit information) or with Banco Galicia (credit screening).

Credit approval of corporate loan portfolio is carried out through two specialized teams: The Corporate Credit Approval Division, responsible for credit granting and the Credit Analysis Division, in charge of the analysis of large amount transactions.

Before approving a loan, Banco Galicia performs an assessment of the potential borrower and his/her financial condition. Loans exceeding certain amounts are analyzed by credit line and customer. For loans below certain amounts, Banco Galicia uses automated risk assessment systems that provide financial and non-financial information on the borrower, and that perform projections on the financial statements and generate automatic warnings about situations that may indicate an increase in the risk.

Banco Galicia performs its risk assessment based on the following factors:

Qualitative Analysis	Assessment of the corporate borrower's creditworthiness performed by the officer in charge of the account based on personal knowledge.
Economic and Financial Risk	Quantitative analysis of the borrower's balance sheet amounts.
Economic Risk of the Sector	Measurement of the general risk of the financial sector where the borrower operates (based on statistical information, internal and external).
Environmental Risk	Environmental impact analysis (required for all investment projects of significant amounts).

Loans are approved pursuant to previously granted authorization levels, except loans exceeding certain amount and loans granted to (domestic or foreign) financial institutions and to related customers; these loans are approved by the Credit Committee.

Through strategic models of behavior, as well as sector, environmental, economic and financial analyses, this division performs a primary analysis of the loan portfolio in order to anticipate non-performing credit customers.

In addition, this division is responsible for reducing the deterioration of the portfolio under management and pursuing customers' reinsertion in the commercial line; as well as handling court and out-of-court proceedings of customers within the individuals and companies portfolio.

*Regional Credit Card Companies*

Each of the Regional Credit Card Companies maintains its own credit products and limits; however, their credit approval and credit risk analysis procedures are basically the same. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the companies, as well as on information on customers' credit records obtained from credit bureaus and other entities. Once the information is verified, the credit card is issued. There are certain requirements such as age, minimum levels of income (depending on the type of customer, i.e. employee, self-employed, etc.) and domicile area that must be fulfilled in order to qualify for a credit card. Credit limits are defined based on customers' income. Credit limits may be raised for a particular customer, either at the customer's request or based on the customer's past payment profile, at the companies' discretion or for all customers, due to, among other factors, macroeconomic conditions such as inflation, salary trends or interest rates.



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Credit risk assessment, credit approval (the extension of a credit card and the assignment of a limit) and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by each company on a centralized basis by a unit that is separate from the sales units. The credit process is described in manuals and Tarjeta Naranja S.A., the largest regional credit card company, has certified all of its processes under the ISO 9001/2000 standard. Credit limits and policies are defined by the board of directors of each regional credit card company.

With regards to recovery of past due loans, the Regional Credit Card Companies and Cobranzas Regionales S.A., a subsidiary of Tarjetas Regionales, manage the early stages of delinquency through their branch personnel and use different types of contact with customers (letters, phone calls, etc.). After 100 days, recovery is turned over to collection agencies that manage out of court proceedings, and if the loan is not recovered, court proceedings could be initiated by other specialized agencies. Cobranzas Regionales S.A. supervises the whole process of recovery, including recovery procedures of such collection agencies.

### *CFA*

CFA maintains its own credit products and limits. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the company, as well as on information on customers' credit records obtained from credit bureaus and other entities.

Credit risk assessment, credit approval and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by the company on a centralized basis by a unit that is separate from the sales units.

### ***Main Argentine Central Bank's Rules on Loan Classification and Loan Loss Provisions***

#### *General*

Regardless of the internal policies and procedures designed to minimize risks undertaken, Banco Galicia complies with the Argentine Central Bank regulations.

In 1994, the Argentine Central Bank introduced the current loan classification system and the corresponding minimum loan-loss provision requirements applicable to loans and other types of credit (together referred to as loans in this section) to private sector borrowers.

The current loan classification system applies certain criteria to classify loans in a bank's consumer portfolio, and another set of criteria to classify loans in its commercial portfolio. The classification system is independent of the currency in which the loan is denominated.

The loan classification criteria applied to loans in the consumer portfolio is based on objective guidelines related to the borrower's degree of fulfillment of its obligations or its legal status, the information provided by the Financial System's Debtors System-whenver debtors reflect lower quality levels than the rating assigned by the Bank-, by the Non-Performing Debtors' database from former financial institutions and the status resulting from the enforcement of the refinance guidelines. In the event of any disagreement, the guidelines indicating the greater risk level of loan losses should be considered.

For the purposes of the Argentine Central Bank's regulations, consumer loans are defined as mortgage loans, pledge loans, credit card loans and other types of loans in installments granted to individuals. All other loans are considered commercial loans. In addition, in accordance with an option set forth in these regulations, Banco Galicia applies the consumer portfolio classification criteria to commercial loans of up to Ps.750,000 (until August 2009, said amount was up to Ps.500,000). This classification is based on the level of fulfillment and the situation thereof.

The main classification criterion for loans in the commercial portfolio is each borrower's ability to pay, mainly in terms of such borrower's future cash flows. If a customer has both commercial and consumer loans, all these loans will be considered as a whole to determine eligibility for classification in the corresponding portfolio. Loans backed with preferred guarantees will be considered at 50% of their face value.

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By applying the Argentine Central Bank's classification to commercial loans, banks must assess the following factors: the current and projected financial situation of the borrower, the customer's exposure to currency risk, the customer's managerial and operating background, the borrower's ability to provide accurate and timely financial information, as well as the overall risk of the sector in which the borrower operates and the borrower's relative position within that sector.

The Argentine Central Bank's regulations also establish that a team independent from the departments in charge of credit origination must carry out a periodic review of the commercial portfolio. Banco Galicia's Credit Division, which is independent from the business units that generate transactions, is in charge of these reviews.

The review must be carried out on each borrower with debt pending payment equal to the lesser of the following amounts: Ps.2.0 million (until August 2009 said figure was Ps.1.0 million) or 1% of the bank's RPC (computable capital) but, in any case, the review shall cover at least 20% of the total loan portfolio. The frequency of the review of each borrower depends on the bank's exposure to that borrower. The Argentine Central Bank requires that the larger the exposure is, the more frequent the review should be. This review must be conducted every calendar quarter when credit exposure to that borrower is equal to or in excess of 5% of the bank's RPC, or every six months when exposure equals or exceeds the lesser of the following amounts: Ps.2 million or 1% of the bank's RPC. In all cases, at least 50% of Banco Galicia's commercial portfolio must be reviewed once every six months; and all other borrowers in Banco Galicia's commercial portfolio must be reviewed during the fiscal year, so that the entire commercial portfolio is reviewed every fiscal year.

In addition, only one level of discrepancy is permitted between the classification assigned by a bank and the lowest classification assigned by at least two other banks whose combined credit to the borrower represents 40% or more of the total credit of the borrower, considering all banks. If Banco Galicia's classification was different by more than one level from the lowest classification granted, Banco Galicia must immediately downgrade its classification of the debtor to the same classification level, or else within one classification level.

Communiqué A 4738 issued by the Argentine Central Bank on November 26, 2007, introduced certain amendments to the classification rules applicable to debtors pertaining to the consumer portfolio, with the purpose of reflecting the customer's total risk more accurately. Consequently, the rule establishes a new identification of the consumer portfolio categories. Said Communiqué also establishes that, in order to determine the degree of timely fulfillment of obligations, it will be necessary to analyze the customer's arrears, legal situation and the classification assigned by the rest of the financial institutions whether currently operating or under liquidation, and whether the fulfillment of obligations depends on any kind of refinancing.

Pursuant to this Communiqué, those customers having received any kind of refinancing may achieve a better credit status than the one they had at the time of such refinancing, by previously repaying a certain number of installments for monthly or bimonthly amortization loans or a percentage of the debt for any other type of loans, without incurring any arrears exceeding 31 days.

In August 2009, the Argentine Central Bank amended these requirements as per Communiqué A 4975 (effective since January 2010):

	Refinancing			Judicial Agreements	
	Monthly or Bimonthly	Others	Com. A 4975	Com. A 4975	Com. A 4975
Category change from 5 to 4	3 installments	20%	15%		
Category change from 4 to 3	3 installments	15%	10%		
Category change from 3 to 2	2 installments	10%	5%	20%	15%
Category change from 2 to 1	1 installment	10%	5%	20%	15%

In addition: (i) to achieve this better quality status, the customer must comply with the rest of the requirements for the new category; (ii) in case the customer has refinanced and non-refinanced transactions, the resulting classification shall be the lowest from the individual analysis of each transaction; (iii) if a customer with a refinanced loan received or had received additional financial assistance, it will remain within the category for 180 days after the refinancing or the granting of additional credit, whichever is more recent; and (iv) debtors with arrears of over 31 days must be classified within the category resulting from adding the number of days in arrears corresponding to the refinanced debt's first unpaid installment and those of the minimum arrears set forth for the category in which the debtor is classified at the time of default.

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For customers in a normal situation, the additional financial assistance granted shall not be deemed refinancing as long as it leads to an increase in principal owed and the customer's ability to pay the obligation resulting from said expansion is assessed. The rest of the cases where no debt increase is recorded will be deemed refinancing and only those customers who have not exceeded two refinancing instances within 12 months since the last refinancing will be kept within category 1.

To comply with the commercial obligations included in this portfolio, the following cases shall not be deemed refinancing: (i) any additional credit facilities granted with respect to already agreed limits to the extent said facilities imply additional funds and they do not exceed 10% of the original limits set; and (ii) a higher financial assistance to fund working capital increases or additional investments arisen from business expansion to the extent they are in agreement with the borrower's ordinary course of business and provided that there exists the ability to honor payments of the remaining financial obligations.

*Loan Classification*

The following tables contain the six loan classification categories corresponding to the different risk levels set forth by the Argentine Central Bank. Banco Galicia's total exposure to a private sector customer must be classified according to the riskier classification corresponding to any part of said exposure.

Commercial Portfolio.

Loan Classification	Description
1. Normal Situation	The debtor is widely able to meet its financial obligations, demonstrating significant cash flows, a liquid financial situation, an adequate financial structure, a timely payment record, competent management, available information in a timely, accurate manner and satisfactory internal controls. The debtor is in the upper 50% of a sector of activity that is operating properly and has good prospects.
2. With Special Follow-up	Cash flow analysis reflects that the debt may be repaid even though it is possible that the customer's future payment ability may deteriorate without a proper follow-up.  This category is divided into two subcategories:  (2.a). Under Observation;  (2.b). Under Negotiation or Refinancing Agreements.
3. With Problems	Cash flow analysis evidences problems to repay the debt, and therefore, if these problems are not solved, there may be some losses.
4. High Risk of Insolvency	Cash flow analysis evidences that repayment of the full debt is highly unlikely.
5. Uncollectible	The amounts in this category are deemed total losses. Even though these assets may be recovered under certain future circumstances, inability to make payments is evident at the date of the analysis. It includes loans to insolvent or bankrupt borrowers.
6. Uncollectible due to Technical Reasons	Loans to borrowers indicated by the Argentine Central Bank to be in non-accrual status with financial institutions that have been liquidated or are being liquidated, or whose authorization to operate has been revoked. It also includes loans to foreign banks and other institutions that are not:  (i) classified as normal ;

(ii) subject to the supervision of the Argentine Central Bank or other similar authority of the country of origin;

(iii) classified as investment grade by any of the rating agencies admitted pursuant to Communiqué A 2729 of the Argentine Central Bank.

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**Table of Contents**Consumer Portfolio.

Loan Classification	Description
1. Normal Situation	Loans with timely repayment or arrears not exceeding 31 days, both of principal and interest.
2. Low Risk	Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days. A customer classified as Normal having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 5% of principal.
3. Medium Risk	Some inability to make payments, with arrears of more than 91 days and up to 180 days. A customer classified as Low Risk having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 5% of principal.
4. High Risk	Judicial proceedings demanding payment have been initiated or arrears of more than 180 days and up to one year. A customer classified as Medium Risk having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 10% of principal.
5. Uncollectible	Loans to insolvent or bankrupt borrowers, or subject to judicial proceedings, with little or no possibility of collection, or with arrears in excess of one year.
6. Uncollectible due to Technical Reasons	Loans to borrowers who fall within the conditions described above under Commercial Portfolio-Uncollectible due to Technical Reasons .

*Loan Loss Provision Requirements*

Allocated Provisions. Minimum allowances for loan losses are required for the different categories in which loans are classified. The rates vary by classification and by whether the loans are secured. The percentages apply to total customer obligations, both principal and interest. The allowance for loan losses on the performing portfolio is unallocated, while the allowances for the other classifications are individually allocated. Regulations provide for the suspension of interests accrual or the requirement of allowances equivalent to 100% of the interests for customers classified as With Problems and Medium Risk , or lower. The allowances are set forth as follows:

<b>Minimum Allowances for Loan Losses</b>		
<b>Category</b>	<b>Secured</b>	<b>Unsecured</b>
1. Normal Situation	1.0%	1.0%
2. (a) Under Observation and Low Risk	3.0%	5.0%
2. (b) Under Negotiation or Refinancing Agreements	6.0%	12.0%
3. With Problems and Medium Risk	12.0%	25.0%
4. High Risk of Insolvency and High Risk	25.0%	50.0%
5. Uncollectible	50.0%	100.0%
6. Uncollectible Due to Technical Reasons	100.0%	100.0%

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Loans backed with preferred guarantees A (loans assigned or pledged in such a way that a financial institution may be assured of its full repayment due to the existence of a solvent third party or secondary markets available for the sale of the assets) require a 1% provision independently of the customer category.

**General Provisions.** In addition to the specific loan loss allowances described above, the Argentine Central Bank requires the establishment of a general allowance of 1% for all loans in its Normal Situation category. This general allowance is not required for interbank financial transactions of less than thirty days, or loans to the non-financial public sector or to financial institutions majority-owned by the Argentine national, provincial or city governments with governmental guarantees. Besides these general provisions, Banco Galicia may establish additional provisions, determined based on Banco Galicia's judgment of the entire loan portfolio risk at each reporting period.

As of December 31, 2011, 2010 and 2009, we maintained a general loan loss allowance of Ps.836.4 million, Ps.614.2 million and Ps.439.8 million, respectively, which exceeded by Ps.517.2 million, Ps.393 million and Ps.303.4 million, respectively, the 1% minimum general allowance required by the Argentine Central Bank. The increase in these amounts was related to the growth and seasoning of the individuals loan portfolio and the impact of the worsening of certain macroeconomic variables.

**Classification of the Loan Portfolio based on Argentine Central Bank Regulations**

The following tables set forth the amounts of our loans past due and the amounts not yet due of the loan portfolio, including the loan portfolios of Banco Galicia, the Regional Credit Card Companies and CFA, applying the Argentine Central Bank's loan classification criteria in effect at the dates indicated.

Loan Portfolio Classification	As of December 31, 2011					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
1. Normal and Normal Performance	30,715.8	97.28			30,715.8	95.49
2. With Special Follow-up Under observation and Low Risk	604.5	1.91			604.5	1.88
3. With Problems and Medium Risk	162.5	0.51	163.4	27.89	325.9	1.01
4. High Risk of Insolvency and High Risk	96.3	0.30	275.6	47.04	371.9	1.16
5. Uncollectible			144.1	24.59	144.1	0.45
6. Uncollectible Due to Technical Reasons			2.8	0.48	2.8	0.01
<b>Total</b>	<b>31,579.1</b>	<b>100.00</b>	<b>585.9</b>	<b>100.00</b>	<b>32,165.0</b>	<b>100.00</b>

Loan Portfolio Classification	As of December 31, 2010					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
1. Normal and Normal Performance	21,230.1	97.40			21,230.1	94.90
2. With Special Follow-up Under observation and Low Risk	387.2	1.78			387.2	1.73
3. With Problems and Medium Risk	114.2	0.52	144.6	25.11	258.8	1.15
4. High Risk of Insolvency and High Risk	64.8	0.30	251.7	43.71	316.5	1.41
5. Uncollectible			178.4	30.98	178.4	0.80
6. Uncollectible Due to Technical Reasons			1.2	0.20	1.2	0.01
<b>Total</b>	<b>21,796.3</b>	<b>100.00</b>	<b>575.9</b>	<b>100.00</b>	<b>22,372.2</b>	<b>100.00</b>



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	As of December 31, 2009					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
<b>Loan Portfolio Classification</b>						
1. Normal and Normal Performance	13,273.6	96.89			13,273.6	93.06
2. With Special Follow-up Under observation and Low Risk	310.6	2.27			310.6	2.18
3. With Problems and Medium Risk	85.1	0.62	146.2	25.92	231.3	1.62
4. High Risk of Insolvency and High Risk	30.5	0.22	308.1	54.62	338.6	2.37
5. Uncollectible			109.0	19.32	109.0	0.76
6. Uncollectible Due to Technical Reasons			0.8	0.14	0.8	0.01
<b>Total</b>	<b>13,699.8</b>	<b>100.00</b>	<b>564.1</b>	<b>100.00</b>	<b>14,263.9</b>	<b>100.00</b>

	As of December 31, 2008					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
<b>Loan Portfolio Classification</b>						
1. Normal and Normal Performance	11,430.6	96.09			11,430.6	93.33
2. With Special Follow-up Under observation and Low Risk	388.8	3.27			388.8	3.18
3. With Problems and Medium Risk	54.1	0.46	103.1	29.29	157.2	1.28
4. High Risk of Insolvency and High Risk	21.8	0.18	185.4	52.67	207.2	1.69
5. Uncollectible			62.0	17.61	62.0	0.51
6. Uncollectible Due to Technical Reasons			1.5	0.43	1.5	0.01
<b>Total</b>	<b>11,895.3</b>	<b>100.00</b>	<b>352.0</b>	<b>100.00</b>	<b>12,247.3</b>	<b>100.00</b>

	As of December 31, 2007					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
<b>Loan Portfolio Classification</b>						
1. Normal and Normal Performance	11,242.7	96.57			11,242.7	93.89
2. With Special Follow-up Under observation and Low Risk	356.2	3.06			356.2	2.97
3. With Problems and Medium Risk	31.7	0.27	56.0	16.87	87.7	0.73
4. High Risk of Insolvency and High Risk	12.1	0.10	221.0	66.57	233.1	1.95
5. Uncollectible			48.1	14.49	48.1	0.40
6. Uncollectible Due to Technical Reasons			6.9	2.07	6.9	0.06
<b>Total</b>	<b>11,642.7</b>	<b>100.00</b>	<b>332.0</b>	<b>100.00</b>	<b>11,974.7</b>	<b>100.00</b>



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The following table analyzes amounts past due by 90 days or more in our loan portfolio, by type of loan and by type of guarantee as of the dates indicated, as well as our non-accrual loan portfolio, by type of guarantee, our allowance for loan losses and the main asset quality ratios as of the dates indicated.

	As of December 31,				
	2011	2010	2009	2008	2007
	<i>(in millions of Pesos, except ratios)</i>				
<b>Total Loans <sup>(1)</sup></b>	<b>32,165.0</b>	<b>22,372.2</b>	<b>14,263.9</b>	<b>12,247.3</b>	<b>11,974.7</b>
<b>Non-Accrual Loans <sup>(2)</sup></b>					
With Preferred Guarantees	17.2	27.9	33.7	42.0	43.5
With Other Guarantees	12.8	37.4	97.9	10.3	5.0
Without Guarantees	814.7	689.6	548.1	375.6	327.3
<b>Total Non-Accrual Loans <sup>(2)</sup></b>	<b>844.7</b>	<b>754.9</b>	<b>679.7</b>	<b>427.9</b>	<b>375.8</b>
<b>Past Due Loan Portfolio</b>					
Non-Financial Public Sector					
Local Financial Sector					
Non-Financial Private Sector and Residents Abroad					
Advances	65.1	94.3	64.4	25.9	23.0
Promissory Notes	35.4	53.1	90.5	24.5	134.5
Mortgage Loans	10.6	16.0	16.8	24.9	30.0
Pledge Loans	3.4	6.8	2.7	1.1	0.8
Personal Loans	115.6	131.2	69.8	45.7	17.6
Credit-Card Loans	340.0	237.8	285.9	215.0	115.4
Placements with Correspondent Banks					
Other Loans	15.8	36.7	34.0	14.9	10.7
<b>Total Past Due Loans</b>	<b>585.9</b>	<b>575.9</b>	<b>564.1</b>	<b>352.0</b>	<b>332.0</b>
Past Due Loans					
With Preferred Guarantees	11.2	19.1	19.8	26.0	30.8
With Other Guarantees	10.8	35.1	66.9	9.0	4.2
Without Guarantees	563.9	521.7	477.4	317.0	297.0
<b>Total Past Due Loans</b>	<b>585.9</b>	<b>575.9</b>	<b>564.1</b>	<b>352.0</b>	<b>332.0</b>
<b>Allowance for Loan Losses</b>	<b>1,284.0</b>	<b>1,038.5</b>	<b>806.4</b>	<b>526.8</b>	<b>428.6</b>
<b>Ratios (%)</b>					
As a % of Total Loans:					
- Total Past Due Loans	1.82	2.57	3.95	2.87	2.77
- Past Due Loans with Preferred Guarantees	0.03	0.09	0.14	0.21	0.26
- Past Due Loans with Other Guarantees	0.04	0.16	0.47	0.07	0.03
- Past Due Unsecured Amounts	1.75	2.32	3.34	2.59	2.48
- Non-Accrual Loans <sup>(2)</sup>	2.63	3.37	4.77	3.49	3.14
- Non-Accrual Loans <sup>(2)</sup> (Excluding Interbank Loans)	2.64	3.42	4.93	3.60	3.18
Non-Accrual Loans <sup>(2)</sup> as a Percentage of Loans to the Private Sector	2.63	3.37	4.77	3.95	3.53
Allowance for Loan Losses as a % of:					
- Total Loans	3.99	4.64	5.65	4.30	3.58

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- Total Loans Excluding Interbank Loans	4.02	4.70	5.84	4.44	3.63
- Total Non-Accrual Loans <sup>(2)</sup>	152.01	137.57	118.64	123.11	114.05
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans <sup>(2)</sup>	3.55	8.65	19.36	12.22	12.91
Non-Accrual Loans as a Percentage of Total Past Due Loans	144.17	131.08	120.49	121.56	113.20

(1) Before the allowance for loan losses.

(2) Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .

At the end of the fiscal year ended December 31, 2011, our non-accrual loans to the private sector ratio was 2.63%, representing a decrease from the 3.37% recorded at the end of the fiscal year ended December 31, 2010, mainly due to effective credit recovery management and the growth in the total portfolio of Banco Galicia and its subsidiaries.

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As of December 31, 2010, due to the improvement in the commercial loan portfolio, together with the growth experienced in the total loan portfolio, the non-accrual loans to the private sector ratio decreased from 4.77% as of December 31, 2009 to 3.37% as of December 31, 2010.

Banco Galicia has entered into certain troubled debt restructuring agreements with customers. Banco Galicia has eliminated any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge against the allowance for loan losses. Loans under such agreements are included within past due and accruing loans, which amounted to Ps.137.3 million, Ps.123.5 million and Ps.197.5 million as of December 31, 2011, 2010 and 2009, respectively.

For the past three fiscal years, Banco Galicia's coverage of non-accrual loans with allowances for loan losses has exceeded 100%.

Under Argentine Central Bank rules, we are required to cease the accrual of interest or to establish provisions equal to 100% of the interest accrued on all loans pertaining to the non-accrual loan portfolio, that is, all loans to borrowers in the categories of:

in the consumer portfolio: Medium Risk , High Risk , Uncollectible and Uncollectible Due to Technical Reasons .

in the commercial portfolio: With Problems , High Risk of Insolvency , Uncollectible and Uncollectible Due to Technical Reasons .

The table below shows the interest income that would have been recorded on non-accrual loans on which the accrual of interest was discontinued and the recoveries of interest on loans classified as non-accrual on which the accrual of interest had been discontinued:

	2011	As of December 31, (in millions of Pesos)			2007
		2010	2009	2008	
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	53.2	56.0	52.0	35.4	35.9
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued <sup>(1)</sup>	2.7	2.8	2.6	1.8	1.8

(1) Recorded under Miscellaneous Income .  
**Loan Loss Experience**

The following table presents an analysis of our allowance for loan losses and of our credit losses as of and for the periods indicated. Certain loans are charged off directly to the income statement and, therefore, are not reflected in the allowance.

	2011	Fiscal Year Ended December 31, (in millions of Pesos, except ratios)			
	2011	2010	2009	2008	2007
<b>Total Loans, Average <sup>(1)</sup></b>	<b>26,218.7</b>	<b>16,800.8</b>	<b>11,481.9</b>	<b>12,077.3</b>	<b>10,528.9</b>
<b>Allowance for Loan Losses at Beginning of Period <sup>(2)</sup></b>	<b>1,038.5</b>	<b>806.4</b>	<b>526.8</b>	<b>428.6</b>	<b>327.0</b>
Changes in the Allowance for Loan Losses During the Period <sup>(2)</sup>					
Provisions Charged to Income	820.1	523.6	625.9	384.6	248.4
Prior Allowances Reversed	(22.1)		(5.4)	(6.5)	(21.5)
Charge-Offs (A)	(552.5)	(487.3)	(354.5)	(289.2)	(125.4)
Inflation and Foreign Exchange Effect and Other Adjustments		195.8	13.6	9.3	0.1

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<b>Allowance for Loan Losses at End of Period</b>	<b>1,284.0</b>	<b>1,038.5</b>	<b>806.4</b>	<b>526.8</b>	<b>428.6</b>
<b>Charge to the Income Statement during the Period</b>					
Provisions Charged to Income <sup>(2)</sup>	820.1	523.6	625.9	384.6	248.4
Direct Charge-Offs, Net of Recoveries (B)	(162.4)	(88.6)	(27.9)	(68.4)	(57.2)
Recoveries of Provisions	(22.1)		(5.4)	(6.5)	(21.5)
<b>Net Charge (Benefit) to the Income Statement</b>	<b>635.6</b>	<b>435.0</b>	<b>592.6</b>	<b>309.7</b>	<b>169.7</b>
<b>Ratios (%)</b>					
Charge-Offs Net of Recoveries (A+B) to Average Loans <sup>(4)</sup>	1.49	2.37	2.84	1.83	0.65
Net Charge to the Income Statement to Average Loans <sup>(4)</sup>	2.42	2.59	5.16	2.56	1.61

(1) Before the allowance for loan losses.

(2) Includes quotation differences for Galicia Uruguay and Cayman Branch.

(3) Charge-offs plus direct charge-offs minus bad debts recovered.

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The increase in allowance for loan losses in fiscal year 2011 is mainly attributable to the growth and maturing of the individuals loan portfolio and to the worsening of certain macroeconomic variables.

**Allocation of the Allowance for Loan Losses**

The following table presents the allocation of our allowance for loan losses among the various loan categories and shows such allowances as a percentage of our total loan portfolio before deducting the allowance for loan losses, in each case for the periods indicated. The table also shows each loan category as a percentage of our total loan portfolio before deducting the allowance for loan losses at the dates indicated.

	2011		As of December 31,				2009		Loan Category %
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %	Amount	% of Loans	
<i>(in millions of Pesos, except percentages)</i>									
Non-Financial Public Sector									
Local Financial Sector			1.01			0.36			0.18
Non-Financial Private Sector and Residents									
Abroad									
Advances	48.9	0.15	7.16	55.1	0.25	4.38	31.7	0.22	4.42
Promissory Notes	35.5	0.11	19.94	43.3	0.19	20.27	80.3	0.56	22.47
Mortgage Loans	6.2	0.02	2.98	10.6	0.05	4.25	11.8	0.08	6.76
Pledge Loans	1.4	0.01	0.63	2.6		0.53	1.5		0.45
Personal Loans	128.1	0.40	17.99	139.2	0.62	18.30	63.9	0.45	12.09
Credit-Card Loans	231.6	0.72	41.64	166.8	0.75	40.77	168.3	1.18	39.90
Placements in Correspondent Banks			0.21			0.96			3.09
Other	9.1	0.03	8.44	16.9	0.08	10.17	16.0	0.11	10.60
Unallocated <sup>(1)</sup>	823.2	2.55		604.0	2.69		432.9	3.04	
<b>Total</b>	<b>1,284.0</b>	<b>3.99</b>	<b>100.00</b>	<b>1,038.5</b>	<b>4.64</b>	<b>100.00</b>	<b>806.4</b>	<b>5.65</b>	<b>100.00</b>

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	2008		As of December 31,		2007	
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>						
Non-Financial Public Sector			10.77			10.11
Local Financial Sector			1.21			0.92
<b>Non-Financial Private Sector and Residents Abroad</b>						
Advances	14.5	0.12	4.85	16.2	0.13	6.61
Promissory Notes	34.9	0.28	17.28	119.8	1.00	24.31
Mortgage Loans	21.9	0.18	8.38	26.5	0.22	7.89
Pledge Loans	0.5		0.66	0.3		0.79
Personal Loans	37.8	0.31	9.94	14.0	0.12	8.17
Credit-Card Loans	111.4	0.91	35.75	56.0	0.47	30.31
Placements in Correspondent Banks			2.73			1.32
Other	7.4	0.06	8.43	7.9	0.07	9.57
Unallocated <sup>(1)</sup>	298.4	2.44		187.9	1.57	
<b>Total</b>	<b>526.8</b>	<b>4.30</b>	<b>100.00</b>	<b>428.6</b>	<b>3.58</b>	<b>100.00</b>

(1) The unallocated reserve consists of the allowances established on the portfolio classified in the normal situation category and includes additional reserves in excess of Argentine Central Bank minimum requirements.

**Charge-Offs**

The following table sets forth the allocation of the main charge-offs made by Banco Galicia, the Regional Credit Card Companies and CFA during the years ended December 31, 2011, 2010 and 2009.

Charge-offs by Type	Fiscal Year Ended		
	2011	December 31, 2010	2009
<i>(in millions of Pesos)</i>			
Advances	35.4	18.5	21.3
Promissory Notes	50.2	82.5	20.3
Mortgage Loans	3.4	1.5	9.9
Pledge Loans	2.5	0.9	0.3
Personal Loans	182.1	106.8	60.8
Credit-Card Loans			
Banco Galicia	92.3	52.4	54.9
Regional Credit Card Companies	147.2	217.9	178.6
Other Loans	39.4	6.8	8.4
<b>Total</b>	<b>552.5</b>	<b>487.3</b>	<b>354.5</b>

During fiscal year 2011, Ps.552.5 million were charged off against allowance for loan losses, including the Regional Credit Card Companies and CFA's portfolios. The increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio, which represented more than 50% of charge-offs.

During fiscal year 2010, Ps.487.3 million were charged off against allowance for loan losses in connection with loans to individuals, including the Regional Credit Card Companies and CFA's portfolios, and the increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio.

**Foreign Outstandings**

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Cross-border or foreign outstandings for a particular country are defined as the sum of all claims against third parties domiciled in that country and comprise loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets that are denominated in Dollars or other non-local currency. The following were our foreign outstandings as of the dates indicated representing 1.00% or more of our total assets:

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Country	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
<b>United Kingdom</b>			
Demand Deposits	2.0	1.4	5.5
Forward Purchases of Bonar 2015 Bonds	633.9	544.8	
Other		0.1	
<b>Total</b>	<b>635.9</b>	<b>546.3</b>	<b>5.5</b>
<b>United States</b>			
Demand Deposits	90.7	191.5	178.6
Overnight Placements	66.0	215.3	440.5
Other	72.3	44.4	21.6
<b>Total</b>	<b>229.0</b>	<b>451.2</b>	<b>640.7</b>
<b>Germany</b>			
Demand Deposits	1.8	0.3	2.1
Forward Purchases of Boden 2012 Bonds			803.4
Other		1.3	
<b>Total</b>	<b>1.8</b>	<b>1.6</b>	<b>805.5</b>

As of December 31, 2011, we had the following foreign outstandings:

Ps.635.9 million (1.2% of our total assets) with United Kingdom financial institutions, of which Ps.633.9 million represented two forward purchases of Bonar 2015 Bonds in connection with repurchase agreement transactions with the applicable financial institution, and Ps.2.0 million corresponded to demand deposits with such institution.

Ps.229.0 million (0.4% of our total assets) representing liquid placements with United States financial institutions, of which Ps.90.7 million corresponded to demand deposits and Ps.66.0 million represented overnight placements.

Ps.1.8 million with German financial institutions, corresponding to demand deposits.

**Deposits**

The following table sets out the composition of our deposits as of December 31, 2011, 2010 and 2009. Our deposits represent deposits with Banco Galicia and CFA.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Current Accounts and Other Demand Deposits	7,203.5	5,565.7	3,719.2
Savings Accounts	8,010.8	6,362.0	4,994.7
Time Deposits	14,150.8	9,724.9	7,954.7
Other Deposits <sup>(1)</sup>	534.3	463.2	248.8
Plus: Accrued Interest, Quotation Differences and CER Adjustment	235.7	107.0	122.0



<b>Total Deposits</b>	<b>30,135.1</b>	<b>22,222.8</b>	<b>17,039.4</b>
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(1) *Includes among other, deposits originated by Decree No. 616/05, Reprogrammed Deposits under judicial proceedings and other demand deposits.*

In 2011, our consolidated deposits increased 35.6% mainly as a result of a Ps.3,286.6 million increase in deposits in current and savings accounts and a Ps.4,425.9 million increase in time deposits. As in prior years, these increases were mainly due to deposits received by Banco Galicia.

In 2010, our consolidated deposits increased 30.4% mainly as a result of a Ps.3,213.9 million increase in deposits in current and savings accounts and a Ps.1,770.2 million increase in time deposits. It is worth mentioning that on June 30, 2010, the assets and liabilities of CFA were consolidated on a line-by-line basis due to the acquisition of said companies.

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In 2009, our consolidated deposits increased 21.2% mainly as a result of a Ps.1,573.4 million increase in deposits in current and savings accounts and a Ps.1,406.7 million increase in time deposits. As of December 31, 2009, time deposits included Ps.14.9 million of CER-adjusted time deposits.

For more information, see Item 5.A. Operating Results-Funding .

The following table provides a breakdown of our consolidated deposits as of December 31, 2011, by contractual term and currency of denomination.

	Peso-Denominated		Dollar-Denominated		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Current Accounts and Demand Deposits	Ps. 7,203.5	28.3%			Ps. 7,203.5	24.1%
Savings Accounts	5,482.5	21.6	Ps.2,528.3	55.8	8,010.8	26.8
Time Deposits	12,289.7	48.5	1,861.1	41.1	14,150.8	47.3
Maturing Within 30 Days	1,359.1	5.4	407.7	9.0	1,766.8	5.9
Maturing After 31 Days but Within 59 Days	5,484.5	21.6	517.4	11.4	6,001.9	20.1
Maturing After 60 Days but Within 89 Days	1,785.6	7.0	247.8	5.5	2,033.4	6.8
Maturing After 90 Days but Within 179 Days	1,902.4	7.5	436.7	9.6	2,339.1	7.8
Maturing After 180 Days but Within 365 Days	1,210.1	4.8	198.7	4.4	1,408.8	4.7
Maturing After 365 Days	548.0	2.2	52.8	1.2	600.8	2.0
Other Deposits	390.3	1.6	144.1	3.2	534.4	1.8
Maturing Within 30 Days	178.0	0.7	131.5	2.9	309.5	1.0
Maturing After 31 Days but Within 59 Days						
Maturing After 60 Days but Within 89 Days						
Maturing After 90 Days but Within 179 Days						
Maturing After 180 Days but Within 365 Days	171.9	0.7			171.9	0.6
Maturing After 365 Days	40.4	0.2	12.6	0.3	53.0	0.2
<b>Total Deposits <sup>(1)</sup></b>	<b>25,366.0</b>	<b>100.0%</b>	<b>4,533.5</b>	<b>100.0%</b>	<b>29,899.5</b>	<b>100.0%</b>

(1) Only principal. Excludes the CER adjustment

The categories with the highest concentration of maturities per original term are those within the segments after 31 days but within 59 days and after 90 days but within 179 days (Pesos and Dollars), which accounted for 29.1% of the total and mainly corresponded to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2011, the average original term of non-adjusted Peso and Dollar-denominated time deposits was approximately 86 days. Dollar-denominated deposits, for Ps.4,533.5 million (only principal), represented 15.2% of total deposits.

The following table provides information about the maturity of our outstanding time deposits exceeding Ps.100,000, as of December 31, 2011.

	<b>Deposits over Ps.100,000</b>
	<i>(in millions of Pesos)</i>
Time Deposits	
Within 30 Days	1,738.1
After 31 Days but Within 59 Days	4,145.1
After 60 Days but Within 89 Days	1,508.2
After 90 Days but Within 179 Days	1,765.3
After 180 Days but Within 365 Days	1,422.6
After 365 Days	541.2

<b>Total Time Deposits</b>	<b>11,120.5</b>
Other Deposits	
<b>Total Deposits <sup>(1)</sup></b>	<b>11,120.5</b>

(1) Only principal.

**Table of Contents****Return on Equity and Assets**

The following table presents certain selected financial information and ratios for the periods indicated.

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
Net Income / (Loss)	1,106.9	408.9	229.3
Average Total Assets	41,635.7	29,118.4	24,685.3
Average Shareholders' Equity	2,960.8	2,195.0	1,961.2
Shareholders' Equity at End of the Period	3,551.6	2,469.5	2,052.5
Net Income as a Percentage of:			
Average Total Assets	3.07	1.76	1.12
Average Shareholders' Equity	37.39	18.63	11.69
Declared Cash Dividends	17.80	24.80	
Dividend Payout Ratio	1.61	6.07	
Average Shareholders' Equity as a Percentage of Average Total Assets	7.11	7.54	7.94
Shareholders' Equity at the End of the Period as a Percentage of Average Total Assets	8.53	8.48	8.31

**Short-term Borrowings**

Our short-term borrowings include all of our borrowings (including repurchase agreement transactions, debt securities and notes) with a contractual maturity of less than one year, owed to foreign or domestic financial institutions or holders of notes.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
<b>Short-Term Borrowings</b>			
Other Banks and International Entities			
Credit Lines from Domestic Banks	216.0	155.4	86.9
Credit Lines from Foreign Banks	1,142.3	409.0	180.0
Repurchases with Domestic Banks		359.1	278.1
Notes	227.4	155.4	125.8
<b>Total</b>	<b>1,585.7</b>	<b>1,078.9</b>	<b>670.8</b>

As of the end of fiscal year 2011, our short-term borrowings consisted mainly of credit lines from foreign banks.

Banco Galicia also borrows funds under different credit arrangements from local and foreign banks and international lending agencies as follows:

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
<b>Banks and International Entities</b>			
Contractual Short-term Liabilities			
Other Lines from Foreign Banks	1,142.3	409.0	180.0
Total Short-term Liabilities	1,142.3	409.0	180.0

<b>Total Banks and International Entities</b>	<b>1,142.3</b>	<b>409.0</b>	<b>180.0</b>
Domestic and Financial Institutions			
Contractual Short-term Liabilities:			
Other Lines from Credit from Domestic Banks	216.0	155.4	86.9
Total Short-term Liabilities	216.0	155.4	86.9
<b>Total Domestic and Financial Institutions</b>	<b>216.0</b>	<b>155.4</b>	<b>86.9</b>
<b>Total</b>	<b>564.4</b>	<b>564.4</b>	<b>266.9</b>

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The outstanding amounts and the terms corresponding to the outstanding notes as of the dates indicated below are as follows:

<i>(in millions of Pesos)</i> Notes <sup>(*)</sup>	Maturity	Annual Interest Rate	As of December 31,		
			2011	2010	2009
Tarjeta Naranja Class XIV Series I					
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class XV	2012	13.50%	20.0		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class IV	2012	Badlar + 375 b.p.	61.6		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class V Series I	2012	Badlar + 285 b.p.	48.3		
<i>(Quarterly interest, principal payable at maturity)</i> CFA Class V Series I	2012	14.00%	12.8		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class X	2012	Badlar + 325 b.p.	84.6		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class XI	2011	Badlar + 275 b.p.		48.2	
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Series I	2011	Badlar + 295 b.p.		40.9	
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class II	2011	Badlar + 300 b.p.		28.8	
<i>(Quarterly interest, principal payable at maturity)</i> Grupo Financiero Galicia Series I	2011	13.50%		37.5	
<i>(Discounted base, principal payable at maturity)</i>	2010				125.8
<b>Total</b>			<b>227.4</b>	<b>155.4</b>	<b>125.8</b>

(\*) Only principal.

The following table shows for our significant short-term borrowings for the fiscal years ended December 31, 2011, 2010 and 2009:

the weighted-average interest rate at year-end,

the maximum balance recorded at the monthly closing dates of the periods,

the average balances for each period, and

the weighted-average interest rate for each period.

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	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
<b>Credit Lines from Domestic Banks</b>			
Weighted-average Interest Rate at End of Period	19.8%	16.1%	10.9%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 271.9	Ps. 343.0	Ps. 86.9
Average Balances for Each Period	Ps. 218.0	Ps. 150.7	Ps. 45.6
Weighted-average Interest Rate for the Period	16.8%	11.0%	12.2%
<b>Credit Lines from Foreign Banks</b>			
Weighted-average Interest Rate at End of Period	1.5%	1.4%	2.5%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 1,142.3	Ps. 409.0	Ps. 257.2
Average Balances for Each Period	Ps. 595.5	Ps. 266.8	Ps. 153.1
Weighted-average Interest Rate for the Period	1.3%	1.9%	5.1%
<b>Repurchases with Domestic Banks</b>			
Weighted-average Interest Rate at End of Period	%	10.4%	9.8%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 139.4	Ps. 359.1	Ps. 278.1
Average Balances for Each Period	Ps. 54.8	Ps. 39.3	Ps. 25.9
Weighted-average Interest Rate for the Period	10.4%	9.8%	9.6%
<b>Notes</b>			
Weighted-average Interest Rate at End of Period	22.0%	13.6%	%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 227.4	Ps. 176.8	Ps. 247.7
Average Balances for Each Period	Ps. 161.9	Ps. 69.3	Ps. 139.8
Weighted-average Interest Rate for the Period	16.8%	9.0%	5.5%

**Regulatory Capital***Grupo Financiero Galicia*

The capital adequacy of Grupo Financiero Galicia is not under the supervision of the Argentine Central Bank. Grupo Financiero Galicia has to comply with the minimum capital requirement established by Law No. 19,550, as amended (Ley de Sociedades Comerciales, the Corporations Law), which is required to be Ps.0.012 million.

*Banco Galicia*

Banco Galicia is subject to the capital adequacy rules of the Argentine Central Bank. Banks have to comply with capital requirements both on an individual basis and on a consolidated basis with their significant subsidiaries. For the purposes of Argentine Central Bank capital adequacy rules, Banco Galicia's significant subsidiaries that it is consolidated with are Tarjetas Regionales (consolidated) and CFA. Through its Communiqués A 3959 and A 3986, respectively, the Argentine Central Bank established a new capital adequacy rule effective as of January 1, 2004. The new capital adequacy rule is based on the Basel Committee methodology, similar to the previous rule, and establishes the minimum capital a financial institution is required to maintain in order to cover the different risks inherent in its business activity and thus incorporated into its assets. Such risks include mainly: credit risk, generated both by exposure to the private sector and to the public sector; market risk, generated by foreign-currency, securities and CER positions; and interest-rate risk, generated by the mismatches between assets and liabilities in terms of interest rate repricing. The minimum capital requirement stated by the new rule is 8% of an entity's risk-weighted assets, with a 100% risk weighting for public-sector assets (within the previous rule, this risk-weighting was 0%) and private-sector assets; with said requirement being lower depending on the existence of certain guarantees in the case of private-sector assets and for certain liquid assets.

After the end of fiscal year 2011, the Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

The Argentine Central Bank also established new requirements regarding dividend distribution. The excess of computable capital over the minimum requirement was increased from 30% to 75%, including 100% of the above mentioned requirement for operational risk.





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The table below shows information on Banco Galicia's consolidated computable regulatory capital, or RPC or adjusted shareholders' equity, and minimum capital requirements as of the dates indicated.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
<b>Shareholders' Equity</b>	<b>3,602.8</b>	<b>2,595.7</b>	<b>2,126.5</b>
<b>Argentine Central Bank Minimum Capital Requirements <sup>(1)</sup></b>			
Allocated to Financial Assets	2,504.2	1,618.4	1,064.1
Allocated to Fixed Assets, Intangible and Unquoted Equity Investments	208.7	165.2	168.7
Allocated to Market Risk	41.0	5.8	14.3
Allocated to Interest-Rate Risk	10.1	70.1	20.7
Lending to the Non-Financial Public Sector	96.5	147.6	343.7
<b>Total (A)</b>	<b>2,860.5</b>	<b>2,007.1</b>	<b>1,611.5</b>
<b>Computable Regulatory Capital Calculated Under Argentine Banking GAAP</b>			
Core Capital	2,827.3	2,192.4	1,991.2
Supplemental Capital	1,976.0	1,333.3	1,070.2
Deductions			
Investments in Financial Entities	(53.1)	(2.0)	(1.9)
Organization Expenses	(643.7)	(394.6)	(274.9)
Goodwill Recorded from June 30, 1997		(11.5)	(17.5)
Negative Goodwill CFA	343.8	467.2	
Real Estate Properties for Banco Galicia's Own Use and Miscellaneous, for which No Title Deed has been Made	(3.5)	(2.6)	(8.4)
Other	(23.7)	(8.2)	(9.9)
<b>Total</b>	<b>(380.2)</b>	<b>48.3</b>	<b>(312.6)</b>
Additional Capital - Market Variation	(7.0)	19.9	40.4
<b>Total (B)</b>	<b>4,416.1</b>	<b>3,593.9</b>	<b>2,789.2</b>
<b>Excess Capital</b>			
Excess Over Required Capital (B)-(A)	1,555.6	1,586.8	1,177.7
Excess Over Required Capital as a % of Required Capital	54.38	79.06	73.08
<b>Total Capital Ratio</b>	<b>12.63</b>	<b>15.19</b>	<b>14.35</b>

(1) In accordance with Argentine Central Bank rules applicable at each date.

As of December 31, 2011, Banco Galicia's computable capital amounted to Ps.4,416.1 million, exceeding the minimum capital requirement by Ps.1,555.6 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date. This excess amount was similar to the excess amount as of December 31, 2010, but with increases of Ps.853.4 million in the minimum capital requirement and Ps.822.2 million in computable capital.

The Ps.853.4 million increase in the minimum capital requirement, compared with December 31, 2010, was mainly attributable to an increased requirement of Ps.838.4 million related to private sector financing due to the growth of this portfolio's balances.

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The Ps.822.2 million increase in computable capital, as compared to December 31, 2010, was mainly a consequence of: i) an increase of Ps.634.9 million in core capital, primarily due to the result recorded in the previous fiscal year; ii) an increase of Ps.642.7 million in supplemental capital primarily due to fiscal year results; and iii) higher deductions equal to Ps.428.5 million stemming from an increase of Ps.249.1 million in organization and development expenses and from a lower negative goodwill balance of Ps.123.5 million resulting from the CFA purchase.

### *Regional Credit Card Companies*

Since the Regional Credit Card Companies are not financial institutions, their capital adequacy is not regulated by the Argentine Central Bank. The Regional Credit Card Companies have to comply with the minimum capital requirement established by the Corporations Law, which was required to be Ps.0.012 million. However, as noted above, Banco Galicia has to comply with the Argentine Central Bank's capital adequacy rules on a consolidated basis, which includes the Regional Credit Card Companies.

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### *Compañía Financiera Argentina*

Since CFA is a financial institution, its capital adequacy is subject to rules of the Argentine Central Bank, the same as Banco Galicia. In addition, as noted above, Banco Galicia has to comply with the Argentine Central Bank's capital adequacy rules on a consolidated basis, which includes CFA.

### *Minimum Capital Requirements of Insurance Companies*

The insurance companies controlled by Sudamericana must meet the minimum capital requirements set by General Resolution No. 31,134 of the National Insurance Superintendency. This resolution requires insurance companies to maintain a minimum capital level equivalent to the highest of the amounts calculated as follows:

- (a) By line of insurance: this method establishes a fixed amount by line of insurance. For life insurance companies, it is Ps.4 million, increasing to Ps.5 million for companies that offer pension-linked life insurance. For providers of retirement insurance that do not offer pension-linked annuities, the requirement is Ps.3 million (increasing to Ps.5 million for companies that offer pension-linked annuities). For companies that offer property insurance that includes damage coverage (excluding those related to vehicles) the requirement is Ps.1.5 million (increasing to Ps.8 million for companies that offer all property and casualty products).
- (b) By premiums and additional fees: to use this method, the company must calculate the sum of the premiums written and additional fees earned in the last 12 months. Based on the total, the company must calculate 16%. Finally, it must adjust the total by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.
- (c) By claims: to use this method, the company must calculate the sum of gross claims paid during the 36 months prior to the end of the period under analysis. To that amount, it must add the difference between the balance of unpaid claims as of the end of the period under analysis and the balance of unpaid claims as of the 36<sup>th</sup> month prior to the end of the period under analysis. The resulting figure must be divided by three. Then the company must calculate 23%. The resulting figure must be adjusted by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.
- (d) For life insurance companies that offer policies with an investment component, the figures obtained in b) and c) must be increased by an amount equal to 4% of the technical reserves adjusted by the ratio of net technical reserves to gross technical reserves (at least 85%), plus 0.3% of at-risk capital adjusted by the ratio of retained at-risk capital to total at-risk capital (at least 50%).

The minimum required capital must then be compared to computable capital, defined as shareholders' equity less non-computable assets. Non-computable assets consist mainly of deferred charges, pending capital contributions, the proposal for profits distribution and excess investments in authorized instruments.

As of December 31, 2011, the computable capital of the companies controlled by Sudamericana exceeded the minimum requirement of Ps.92.6 million by Ps.8.9 million.

Sudamericana also holds Galicia Broker Asesores de Seguros S.A., a company dedicated to brokerage in different lines of insurance that is regulated by the guidelines of the Corporations Law, which provided for a minimum capital requirement of Ps.0.012 million.

## **Government Regulation**

### ***General***

All companies operating in Argentina must be registered with the Argentine Superintendency of Companies whose regulations are applicable to all companies in Argentina but may be superseded by other regulatory entities' rules, depending on the matter, such as the CNV or the Argentine Central Bank. All companies operating in Argentina are regulated by the Corporations Law.



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In their capacity as companies listed in Argentina, Grupo Financiero Galicia and Banco Galicia must comply with the disclosure, reporting, governance and other rules applicable to such companies issued by the markets in which they are listed and their regulators, including Law No. 17,811, as amended, Law No. 20,643 and Decrees No. 659/74 and No. 2,220/80, as well as Decree No. 677/01 otherwise known as the Decree for Transparency in the Public Offering ( *Régimen de la Transparencia de la Oferta Pública* ). In their capacity as public issuers of securities these companies are subject to the above-mentioned rules. As Grupo Financiero Galicia has publicly listed ADSs in the United States, it is also subject to the reporting requirements of the Securities and Exchange Act of 1934 of the United States (the Exchange Act ) for foreign private issuers and to the provisions applicable to foreign private issuers under the Sarbanes Oxley Act. See Item 9. The Offer and Listing-Market Regulations .

Our operating subsidiaries are also subject to the following laws: Law No. 25,156 (the Competition Defense Law, *Ley de Defensa de la Competencia* ), Law No. 22,820 (Fair Business Practice Law, *Ley de Lealtad Comercial* ) and the Consumer Protection Law.

As a financial services holding company, we do not have a specific institution that regulates our activities. Our banking and insurance subsidiaries are regulated by different regulatory entities. In the case of Banco Galicia, the Argentine Central Bank is the main regulatory and supervising entity.

The banking industry is highly regulated in Argentina. Banking activities in Argentina are regulated by the Financial Institutions Law, which places the supervision and control of the Argentine banking system in the hands of the Argentine Central Bank. The Argentine Central Bank regulates all aspects of financial activity. See -Argentine Banking Regulation below.

Banco Galicia and our insurance subsidiaries are subject to Law No. 25,246, which was passed on April 13, 2000, as amended, which provides for an anti-money laundering framework in Argentina, including Law No. 26,268, which amends the latter to include within the scope of criminal activities those associated with terrorism and its financing.

Sudamericana s insurance subsidiaries are regulated by the National Insurance Superintendency and Laws No. 17,418 and No. 20,091. Galicia Broker Asesores de Seguros S.A. is regulated by the National Insurance Superintendency, through Law No. 22,400.

The activity of the Regional Credit Card Companies and the credit card activities of Banco Galicia are regulated by Law No. 25,065, as amended, or the Credit Cards Law ( *Ley de Tarjetas de Crédito* ). Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations to, among other things, enforce public disclosure of companies pricing (fees and interest rates) in order to assure consumer awareness of such pricing. See -Credit Cards Regulation .

Net Investment and GV Mandataria are regulated by the Corporations Law, as previously noted, and are not regulated by any specific regulatory agency. Galicia Warrants is regulated by Law No. 9,643.

On January 6, 2002, the Argentine Congress enacted Law No. 25,561, or the Public Emergency Law, which together with various decrees and Argentine Central Bank rules, provided for the principal measures in order to deal with the 2001 and 2002 crisis, including Asymmetric Pesification, among others. The period of effectiveness of the Public Emergency Law was extended again until December 31, 2013.

Galval is located in Uruguay and is regulated by the local legal framework according to the following detail: Corporation s Law No. 16,060, legal framework related to exchange markets issued by the Banco Central del Uruguay (B.C.U.), Law No. 15,921 -Zona Franca and Law No. 17,835 -Anti-money laundering.

### ***Foreign Exchange Market***

In late 2001 and early 2002, restrictions were imposed on access to the Argentine foreign exchange market and on capital movements, which were tightened by the middle of 2002. The Public Emergency Law granted the executive branch of the Argentine government the power to regulate the local foreign exchange market.

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Since its creation this regime was subject to various modifications. Only the principal features currently in force are detailed below.

On June 9, 2005, the executive branch of the Argentine government issued Decree No. 616/05, which established certain major amendments to the rules for capital movements into and from Argentina:

- (a) Foreign exchange flows into and from the local foreign exchange market and all resident new debt transactions that may imply future foreign exchange payments to nonresidents must be registered with the Argentine Central Bank.
- (b) All new debt of the private sector with non-residents must be for a minimum term of 365 days, except for international trade financing and primary issuances of debt securities, if such securities public offering and listing on self-regulated markets in Argentina has been duly authorized.
- (c) All inflows of foreign exchange resulting from such indebtedness, with the exceptions mentioned in the previous item and those regulated by the Argentine Central Bank which are detailed below, and all inflows of foreign exchange by non-residents, excluding direct foreign investments and certain portfolio investments (subscriptions of primary issuances of debt and equity securities, which public offering and listing in self-regulated markets in Argentina has been duly authorized, and government securities acquired in the secondary market), must be kept in Argentina for a term of at least 365 days and will be subject to a 30% deposit requirement.
- (d) Such deposit requirement will be held in a local financial institution as an unremunerated, no-transferable Dollar-denominated time deposit maturing in at least 365 days; such funds will not be available as a guarantee for any kind of debt and, upon the deposit maturity date, such funds will become available within the country and, therefore, will be subject to the applicable restrictions on foreign exchange transfers abroad.
- (e) The 30% deposit is not required for, among other things, inflows of foreign currency resulting from:
  - (i) loans in foreign currency granted to residents by local financial institutions;
  - (ii) direct investment contributions in Argentina as capital contributions to local institutions, when the contributor owns, previously or as a result of such contributions 10% or more of the company s capital or votes, subject to the compliance with certain requirements;
  - (iii) sales of ownership interests in local entities to direct investors, subject to the filing of certain documentation;
  - (iv) to be applied to real estate acquisitions;
  - (v) an indebtedness with multilateral and bilateral credit agencies either directly or through their related agencies, in so far as such funds pertain to transactions conducted in full compliance with their purposes; however, when such inflows are related to the integration (or acquisition) of securities issued by financial trusts, it is necessary to comply with other requirements to avoid the 30 % deposit;
  - (vi)

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other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years (including principal and interest), the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);

- (vii) other foreign indebtedness with no resident creditor of the financial sector and of the private, non-financial sector, to extent the proceeds from the foreign exchange settlement are simultaneously applied, net of taxes and expenses to (i) the acquisition of foreign currency to repay external debts service and/or (ii) the formation of long-term off-shore assets;
- (viii) that will be utilized within 10 business days from their liquidation in the local foreign exchange market for purposes listed as current transactions within the international accounts (as defined by the Argentine Central Bank), among others, within such purposes are the payment by non-Argentine residents of certain local taxes; or



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(ix) resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the Argentine government; and

(f) The proceeds of sales of foreign assets brought into the country by residents ( capital repatriation ) will be subject to the 30% deposit requirement noted in (c) above, which will apply to any amounts exceeding US\$2.0 million per month if certain other operative requirements are met.

The Argentine Ministry of Economy is entitled to modify the percentages and terms detailed above, when a change in the macroeconomic situation so requires. It is also entitled to modify the rest of the requirements established by Decree No. 616/05, and/or establish new ones, and/or increase the types of foreign currency inflows included. The Argentine Central Bank is entitled to regulate and control compliance with the regime established by Decree No. 616/05, and to enforce the applicable penalties.

In addition to Decree No. 616/05, the Argentine Ministry of Economy issued Resolution No. 637/05, dated November 16, 2005, which established that, the restrictions established in said Decree are also applicable to all inflows of funds to the local foreign exchange market for the subscription of primary issuances of debt securities or certificates of participation by financial trusts, if such restrictions were applicable to capital inflows to be used to acquire any of the trusts' assets. The corresponding criminal regime will be applicable in the case that any of these rules are violated.

In addition, currently, access to the local foreign exchange market by non-residents (both individuals and entities) to transfer funds abroad is permitted:

(a) With no limit in the case of: (i) proceeds from the principal amortization of government debt securities and guarantee loans in local currency; (ii) recoveries from local bankruptcies; (iii) proceeds from the sale of direct investments (as it is defined by the Argentine Central Bank) in the non-financial private sector in Argentina if they were made with foreign currency that entered the local foreign exchange market no less than 365 days before (additionally, and in connection with the investments made as from October 28, 2011, the inflow of the investment to the local foreign exchange market must be supported); and (iv) certain other specific cases.

(b) With a US\$500,000 monthly limit in the case of the aggregate proceeds of the sale of portfolio investments made with foreign currency that entered the local foreign exchange market no less than 365 days before.

Access to the local foreign exchange market by residents (both individuals and entities) to make real estate investment abroad, contributions pertaining to direct investment or portfolio investments abroad or buy foreign currency bills or traveler checks is allowed subject to compliance with certain formal requirements and the observation of the following limits:

*First Limit:* The Federal Tax Administration's approval through a *Consultation System of Foreign Exchange Transactions* (the System) provided to the entities authorized to operate in foreign exchange. The objective of the System is to verify that the amounts of foreign currency to be sold correspond to the information held by Federal Tax Administration in its databases. Nevertheless, the Federal Tax Administration did not define which the backup information of the System is.

*Second Limit:* The annual maximum amount that must be calculated (according to the rules established by the Argentine Central Bank) when the amount acquired during the calendar year is over the equivalent of US\$250,000.

*Third Limit:* Additionally, and despite the annual maximum amount calculated in accordance to the rules established by the Argentine Central Bank (according to the second limit), the amount purchased must not exceed US\$2,000,000 per month in all the entities authorized to operate in foreign exchange.

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Access to the foreign exchange local market for the transfer of profits and dividends abroad is permitted when corresponding to audited and final balance sheets.

Pursuant to Decree No. 260/02, all foreign exchange transactions in Argentina must be executed only through the *mercado libre y único de cambios* (free and single foreign exchange market) on which the Argentine Central Bank buys and sells currency.

### ***Compensation to Financial Institutions***

#### ***For the Asymmetric Pesification and its Consequences***

Decree No. 214/02 provided for compensation to financial institutions, for:

the losses caused by the mandatory conversion into Pesos of certain liabilities at the Ps.1.4 per US\$1.0 exchange rate, which exchange rate was greater than the Ps.1.0 per US\$1.0 exchange rate established for the conversion into Pesos of certain Dollar-denominated assets. This was to be achieved through the delivery of a Peso-denominated Compensatory Bond issued by the Argentine government.

the currency mismatch left on financial institutions' balance sheets after the compulsory pesification of certain of their assets and liabilities after the conversion of the Peso-denominated Compensatory Bond into a Dollar-denominated Compensatory Bond. This would be achieved by the purchase by financial institutions of a Dollar-denominated Hedge Bond. For such purpose, the Argentine government established the issuance of a Dollar-denominated bond bearing Libor and maturing in 2012 (Boden 2012 Bonds).

Among others, Decree No. 905/02 established the methodology for calculating the compensation to be received by financial institutions. We recorded the compensation for the amounts we had determined according to the regulations. The Argentine Central Bank had to confirm the amounts after a review.

In March 2005, we agreed to receive US\$2,178.0 million of face value of Boden 2012 Bonds, comprised of US\$906.3 million of face value of Boden 2012 Bonds corresponding to the Compensatory Bond (fully delivered to us in November 2005) and US\$1,271.7 million of face value of Boden 2012 Bonds corresponding to the Hedge Bond (fully delivered to us in April 2007).

#### ***For Differences Related to Amparo Claims***

As a result of the provisions of Decree No. 1,570/01, the Public Emergency Law, Decree No. 214/02 and concurrent regulations, and as a result of the restrictions on cash withdrawals and of the issuance of measures that established the pesification and restructuring of foreign-currency deposits, since December 2001, a significant number of claims have been filed against the Argentine government and/or financial institutions, formally challenging the emergency regulations and requesting prompt payment of deposits in their original currency. Most lower and upper courts have declared the emergency regulations unconstitutional.

Through *Comunicado* A 3916, dated April 3, 2003, the Argentine Central Bank allowed for the recording of an intangible asset on account of the difference between the amount paid by financial institutions pursuant to legal actions, and the amount resulting from the conversion into Pesos of the balance of the Dollar deposits reimbursed, at the exchange rate of 1.4 Pesos per Dollar (adjusted by the CER plus accrued interest as of the payment date). In addition, it established that the corresponding amount must be amortized in 60 monthly equal and consecutive installments beginning in April 2003.

On November 17, 2005, through *Comunicado* A 4439, the Argentine Central Bank established that, beginning in December 2005, financial institutions having provided, as from that date, new commercial loans with an average life of more than two years could defer the losses related to the amortization of *amparo claims*. The maximum deferrable amount was 10% of a financial institution's RPC or 50% of the new commercial loans. Likewise, financial institutions were not able to reduce the remainder of their commercial loan portfolio. This methodology was applied until December 2008, when the balances recorded as of that date began to be amortized in up to 36 monthly equal and consecutive installments.



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With respect to judicial deposits that have been subject to pesification, the Argentine Central Bank established that, beginning in July 2007, financial institutions must establish a provision in an amount equal to the difference that results from comparing such deposits' balances at each month's end, considered in their original currency, and the corresponding Peso balances actually recorded on the books. Such provision, established as of December 31, 2011 and charged to income, amounted to Ps.2.0 million.

During fiscal year 2010, Banco Galicia amortized the total remaining balance of the deferred losses from *amparo claims* for Ps.281.0 million. During fiscal year 2009, Banco Galicia recorded losses of Ps.109.3 million in connection with *amparo claims*.

Banco Galicia has complied with Argentine Central Bank regulations concerning the amortization of *amparo claims*. However, Banco Galicia reserves the right to make claims in view of the negative effect on its financial condition caused by compliance with court orders, in excess of the provisions of the above-mentioned regulations. On December 30, 2003, Banco Galicia formally requested of the executive branch of the Government, with a copy of such request sent to the Argentine Ministry of Economy and to the Argentine Central Bank, the payment of due compensation for the losses incurred in connection with Asymmetric Pesification.

### **Argentine Banking Regulation**

*The following is a summary of certain matters relating to the Argentine banking system, including provisions of Argentine law and regulations applicable to financial institutions in Argentina. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Argentina.*

#### **General**

Since 1977, banking activities in Argentina have been regulated by the Financial Institutions Law, which places the supervision and control of the Argentine banking system in the hands of the autonomous Argentine Central Bank. The Argentine Central Bank enforces the Financial Institution's Law and grants authorization to banks to operate in Argentina. The Financial Institutions Law confers numerous powers to the Argentine Central Bank, including the ability to grant and revoke bank licenses, authorize the establishment of branches of Argentine banks outside of Argentina, approve bank mergers, capital increases and certain transfers of stock, set minimum capital, liquidity and solvency requirements and lending limits, grant certain credit facilities to financial institutions in cases of temporary liquidity problems and promulgate other regulations that further the intent of the Financial Institutions Law. The Argentine Central Bank has vested the Superintendency with most of the Argentine Central Bank's supervisory powers. In this section, unless otherwise stated, references to the Argentine Central Bank should be understood to be references to the Argentine Central Bank acting through the Superintendency. The Financial Institutions Law grants to the Argentine Central Bank broad access to the accounting systems, books, correspondence, and other documents belonging to banking institutions. The Argentine Central Bank regulates the supply of credit and monitors the liquidity of, and generally supervises the operation of, the Argentine banking system.

Current regulations equally regulate Argentine and foreign owned banks.

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### *Principal Regulatory Changes since 2002*

On January 6, 2002, the Argentine government enacted the Emergency Law (*Ley de Emergencia*) to address the 2001-2002 economic crisis. The principal measures taken by the Argentine government during 2002, both through the enactment of the Emergency Law and a series of decrees and other regulations, include the following: (i) the ratification of the suspension of payments on most of the public debt, with the exception of debts owed to multilateral lending agencies; (ii) the repeal of sections of the Convertibility Law (*Ley de Convertibilidad*) that established, since 1991, a 1 to 1 parity between the Peso and the Dollar, the devaluation of the Peso, and the establishment of an exchange rate fluctuation regime, which resulted in an increase in the value of the Peso against the Dollar of around 240% during 2002; (iii) the amplification of exchange controls and restrictions on transfers abroad; (iv) the ratification and extension of the restrictions on cash withdrawals from bank deposits that were established in December 2001 (the *corralito*), and later lifted in December 2002; (v) Asymmetric Pesification, the specific details of which are as follows: (a) the Dollar-denominated debts of individuals and companies with financial institutions were converted into debt denominated in Pesos at an exchange rate of Ps.1.00 per US\$1.00 (1:1), (b) Dollar-denominated public sector debt to the financial sector were converted into Peso-denominated debt instruments at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), and (c) the Dollar-denominated bank deposits were converted into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), while foreign regulated public sector debt held by banks and companies remained Dollar-denominated; (vi) the modification of the return on assets and cost of liabilities pesified at the rate of Ps.1.40 per US\$1.00 through the establishment of maximum and minimum interest rates and capital adjustments in accordance with retail price or wage change indices; (vii) the extension of the maturities of Peso-denominated time deposits and deposits originally denominated in Dollars, above a certain amount, which established a payment schedule with maturities in 2003 or 2005, depending on whether the deposits were originally made in Pesos or Dollars (the *corralón*); (viii) the voluntary exchange of *corralito* or *corralón* deposits for Argentine government bonds (through Decree No. 739/03, dated April 1, 2003, the *corralón* was eliminated); (ix) the amendment of the charter of the Argentine Central Bank (see -General above); and (x) the compensation to financial institutions, through bonds issued by the Argentine government for the losses caused by Asymmetric Pesification. The executive branch of the Argentine government and the Argentine Central Bank have provided a set of rules for determining the amount of compensation for losses related to Asymmetric Pesification, although certain financial entities claim that the compensation established by such rules is not adequate to cover the losses that they have experienced.

The Argentine Congress recently extended the validity of the Emergency Law until December 31, 2013.

### ***Supervision***

As the regulator of the Argentine financial system, the Argentine Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semiannual and annual basis. These reports, which include balance sheets and income statements, information relating to reserve funds, use of deposits, portfolio quality (including details on debtors and any established loan loss provisions) and other pertinent information, allow the Argentine Central Bank to monitor financial institutions' financial condition and business practices.

The Argentine Central Bank periodically carries out formal inspections of all banking institutions for the purpose of monitoring compliance by banks with legal and regulatory requirements. If the Argentine Central Bank rules are breached, it may impose various sanctions depending on the gravity of the violation. These sanctions range from calling attention to the infraction, to the imposition of fines or even the revocation of the financial institution's operating license. Moreover, non-compliance with certain rules may result in the obligatory presentation to the Argentine Central Bank of specific adequacy or regularization plans. The Argentine Central Bank must approve these plans in order for the financial institution to remain operational.

Financial institutions operating in Argentina have been subject to the supervision of the Argentine Central Bank on a consolidated basis since 1994. Information set out in -Limitations on Types of Business, -Capital Adequacy Requirements, -Lending Limits, and -Loan Classification System and Loan Loss Provisions below, relating to a bank's loan portfolio, is calculated on a consolidated basis. However, regulations relating to a bank's deposits are not based on consolidated information, but on such bank's deposits in Argentina (for example, liquidity requirements and contributions to the deposit insurance system).

### ***Examination by the Argentine Central Bank***

The Argentine Central Bank began to rate financial institutions based on the CAMEL quality rating system in 1994. Each letter of the CAMEL system corresponds to an area of the operations of each bank being rated, with: C standing for capital, A for assets, M for management, E for earnings, and L for liquidity. Each factor is evaluated and rated on a scale from 1 to 5, with 1 being the highest rating an entity can receive. The Argentine Central Bank modified the supervision system in September of 2000. The objective and basic methodology of the new system, referred to as CAMELBIG, do not differ substantially from the CAMEL system. The components were redefined in order to evaluate business risks separately from management risks. The components used to rate the business risks are: capital, assets, market, earnings, liquidity and business. The components to rate management risks are: internal control and the quality of management. By combining the individual factors that are under evaluation, a combined index can be populated that represents the final rating for the financial institution.



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After temporarily halting such examinations as a result of the 2001-2002 economic crisis, the Argentine Central Bank resumed the examination process, which continues to be in effect today. In Banco Galicia's case, the first examination after the 2001-2002 economic crisis was based on the information as of June 30, 2005. New examinations have been conducted, the last one of which was based on information as of September 30, 2010.

### *Minimum Capital Requirements*

Banco Galicia, as a commercial bank, must maintain capital equal to or greater than the value calculated by comparing the minimum capital requirements applicable to a bank with similar characteristics and the capital requirement amounts related to credit risk, market risk and interest rate risk.

The minimum capital requirements applicable to a commercial bank with headquarters in the Autonomous City of Buenos Aires, such as Banco Galicia, amount to Ps.25,000,000. The minimum capital requirements related to credit or counterparty risk, which are calculated using a formula created by the Argentine Central Bank, aim to estimate the minimum capital required to counteract the risk associated with counterparties to the assets under review. The minimum capital requirements related to interest rate risk aim to counteract the risk associated with mismatches between lending and deposit rates earned on assets and liabilities held by Banco Galicia. Finally, the minimum capital requirements related to market risk not only aim to counteract the risk associated with the counterparty to each asset, but the change in its market price.

After the end of fiscal year 2011, the Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

### *Legal Reserve*

The Argentine Central Bank requires that every year banks allocate to a legal reserve 20% of their net profits. Such reserve may only be used during periods of bank losses and after using up every allowance and other reserves. Distribution of dividends will not be allowed if the legal reserve has been impaired. See Item 8. Financial Information-Dividend Policy and Dividends .

### *Limitations on Types of Business*

In accordance with the provisions of the Financial Institutions Law, commercial banks are authorized to carry out all those activities and operations which are not strictly prohibited by law or by the Argentine Central Bank regulations. Permitted activities include the capacity to: grant and receive loans; receive deposits from the general public in local and foreign currency; secure its customers' debts; acquire, place and trade with shares and debt securities in the Argentine over-the-counter market, subject to the prior approval of the CNV; carry out operations in foreign currencies; act as trustee; and issue credit cards.

Financial institutions are not allowed to own commercial, industrial, agricultural or any other type of company, unless they are authorized by the Argentine Central Bank. Pursuant to the rules of the Argentine Central Bank, a commercial bank's total equity investments (including interest in local mutual funds) may not exceed 50% of the bank's adjusted shareholders' equity or its RPC. Also, the following investments may not exceed 15%, in the aggregate, of the bank's adjusted shareholders' equity: (i) shares not listed on stock exchanges except for (a) shares in companies providing services supplementary to the ones offered by the bank, and (b) certain equity interests requiring the provision of utility services, if applicable; (ii) listed shares and participation certificates in mutual funds not included for the purposes of determining capital requirements associated with market risk; and (iii) listed shares that don't have a largely publicly available market price (when there are daily quotations of relevant operations, which should not be substantially affected by the provision of ownership by the bank of such shares).

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In order to carry out the calculation of limits described above, it is not necessary to deduct the capital stock allocated to foreign branches from a bank shareholders equity.

Pursuant to the Argentine Central Bank's regulations, financial institutions are not allowed to engage directly in insurance activities or hold more than a 12.5% interest (or more than a specific percentage of the financial institution's adjusted shareholders equity) in the outstanding capital of a company which does not provide services supplementary to those offered by financial institutions. The Argentine Central Bank determines which services are complementary to those provided by financial institutions; it has been determined that such services include those offered in connection with stock brokerage, the issuance of credit, debit or similar cards, financial intermediation in leasing and factoring transactions.

As regards non-banking financial institutions (such as CFA), they are not allowed to provide certain services and activities, such as current accounts, foreign trade transactions, etc.

***Computable Regulatory Capital***

Pursuant to the Argentine Central Bank's regulations, a bank's RPC is calculated as: (a) the minimum core capital, including capital contributions, capital adjustments, reserves, irrevocable capital contributions pending capitalization, unassigned unaudited results (of past fiscal years) and, as of October 1, 2006, long-term debt securities complying with certain prerequisites (including a maturity not exceeding 30 years and that the amounts payable thereunder do not exceed the bank's net accounting revenue and should provide for non-cumulative defaults so as to allow payments to be deferred and paid at the stated maturity in a lump sum), so long as they do not exceed the predetermined percentage of net worth (generally 30% with periodic reductions until reaching the international standard of 15% on January 1, 2013); plus (b) the supplementary capital, which may not exceed the minimum core capital and includes (i) with respect to results of past fiscal years: 100% of the results (plus or minus depending on whether they are positive or negative) registered on the latest audited quarterly financials, in the event the yearly financials are not audited; (ii) for the current fiscal year, the entire results (plus or minus depending on whether they are positive or negative) registered at the close of the fiscal year once the results are audited; (iii) 50% of the net income and 100% of the losses from the latest available audited quarterly or yearly statements; (iv) 50% of the reserves required by the Argentine Central Bank for normal situation loans; (v) subordinated-debt not exceeding 50% of the minimum core capital with a 5 year maturity minimum, and as of October 1, 2006, including debt instruments that comply with the prerequisites to be considered minimum core capital and that exceed the limits set forth in the above clause, debt instruments with a residual term equal to or shorter than 10 years and those that set forth non-cumulative defaults (the limit for such calculations is set at 50% of the minimum core capital), and (vi) breakdowns not included in financial statements or the corresponding auditors report and the accounts payable or collectable of the net worth accounts with unrealized valuation differences; minus (c) the sum of (i) participation in other financial entities, (ii) securities deposited with custodians that are not registered, (iii) securities issued by foreign countries with ratings under the Argentine government's rating, (iv) demand securities placed with foreign financial institutions with ratings below investment grade, (v) unregistered ownership over real property, (vi) goodwill, (vii) incorporation and development expenses and (viii) provisioning deficiencies as determined by the Superintendency.

Financial institutions must comply with capital adequacy requirements both on an individual and consolidated basis.

***Capital Adequacy Requirements***

See -Selected Statistical Information-Regulatory Capital .

***Capitalization of Debt Instruments***

Through Communiqué A 5282, dated February 15, 2012, the Argentine Central Bank modified Item 8.3 Capital Contributions of Chapter VI. Minimum Capital of Financial Institutions- Section 8. Computable Equity of its LISOL rule. According to such Communiqué, capital contributions made for the purposes of all regulations related to capital, capital calculations and capital increases must be completed in cash. Subject to the prior authorization by the Superintendency, the following instruments are allowed as capital contributions: (i) securities issued by the Argentine government, (ii) debt instruments issued by the Argentine Central Bank, and (iii) a financial institution's deposits and other liabilities resulting from financial brokerage, including subordinated obligations. In cases (i) and (ii), the contributions must be recorded at market value. It is understood that an instrument has a market value when it has regular quotations in stock markets and regulated local and foreign markets. In case (iii), contributions must be recorded at market value, as defined in the previous sentence or, in the case of financial institutions that publicly offer their stock, at the price determined by the regulatory authority.



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***Profit Distribution***

See Item 8. Financial Information-Dividend Policy and Dividends .

***Legal Reserve Requirements for Liquidity Purposes***

The minimum cash requirements that banks are required to carry are established as a percentage of the balances of the different types of bank deposits and, for time deposits, the percentage varies with the remaining maturity. The deposit amount minus the minimum cash requirement is such deposits' lending capacity .

The Argentine Central Bank modifies from time to time the percentages of the minimum cash requirements depending on monetary policy considerations. Compliance with the minimum cash requirements must be accomplished with certain assets (see below), in the same currency as the deposit that triggers such requirement. Compliance with the minimum cash requirements is determined in averages, for monthly periods. Through Communiqué A 3486, dated March 22, 2002, and Communiqué A 3528, dated March 25, 2002, the Argentine Central Bank established that foreign currency denominated deposits lending capacity must only be applied to Dollar-denominated international trade financing, interbank loans and Lebac, and that any such lending capacity not applied to the aforementioned purposes will constitute a greater cash minimum requirement in Pesos, for the same amount. Subsequently, other purposes were added, allowing for the financing of activities that do not directly generate cash flows in foreign currency, such as the granting of loans to finance the importing of capital goods to be used to increase the production for the local market.

Pursuant to Communiqué A 4449, dated December 2, 2005, the Argentine Central Bank established that, effective December 2005, the minimum cash requirement in Pesos is to be applied over the monthly average of the daily balances of the obligations comprised, except for the period from December to February of the following year, for which the quarterly average was used.

At the end of fiscal year 2011, the percentages of minimum cash requirements applicable in accordance with Argentine Central Bank rules, were as follows:

Demand deposits:

Peso-denominated current accounts and savings accounts: 19%.

Dollar-denominated savings accounts: 20%.

Time deposits (by remaining maturity):

Peso-denominated: up to 29 days: 14%; from 30 to 59 days: 11%; from 60 to 89 days: 7%; from 90 to 179 days: 2%; from 180 to 365 days: 0%.

Dollar-denominated: up to 29 days: 20%; from 30 to 59 days: 15%; from 60 to 89 days: 10%; from 90 to 179 days: 5%; from 180 to 365 days: 2%; and more than 365 days: 0%.

The assets computable for compliance with this requirement are the technical cash, which includes cash (bills and coins in vaults, in ATMs and branches, and in transportation and in armored truck companies, the balances of the Peso- and Dollar-denominated accounts at the Argentine Central Bank and that of the escrow accounts held at the Argentine Central Bank in favor of clearing houses.

As of December 31, 2011, Banco Galicia was in compliance with its legal reserve requirements, and has continued to be up to the date of this annual report.



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### ***Lending Limits***

The total equity stake and credit, including collateral, a bank is allowed to grant to a customer at any time is based on the bank's adjusted shareholders' equity as of the last day of the immediately preceding month and on the customer's shareholders' equity.

In accordance with the Argentine Central Bank's regulations, a commercial bank shall not lend or provide credit ( financial assistance ) in favor of, nor hold shares in the capital stock of only one unrelated customer (together with its affiliates) for amounts higher than 15% of the bank's adjusted shareholders' equity or 100% of the customer's shareholders' equity. Nevertheless, a bank may provide additional financial assistance to such customer up to a sum equivalent to 10% of the bank's adjusted shareholders' equity, if the additional financial assistance is secured by certain liquid assets, including government or private debt securities.

The total amount of financial assistance a bank is authorized to provide to a borrower and its affiliates is also limited based on the borrower's shareholders' equity. The total amount of financial assistance granted to a borrower and its affiliates shall not be higher than, in the aggregate, 100% of such borrower's shareholders' equity, although such limit may be increased an additional 200% of the borrower's shareholders' equity if the sum does not exceed 2.5% of the bank's adjusted shareholders' equity.

Since October 1, 1995, the Argentine Central Bank has required that the granting of any kind of loans exceeding 2.5% of a bank's adjusted shareholders' equity be approved by the branch's manager, the regional manager, the senior administrative officer of the credit division, the general manager and the credit committee, if any, and it must also have the approval by the board of directors, management board or another similar board.

With regards to the assistance to non-financial public sector, Communiqué A 3911, dated March 28, 2003, established certain limits, effective as from April 1, 2003. These limits do not include the bank's current exposure as of March 31, 2003 or bonds received as compensation pursuant to Decree No 905/02 or to be received pursuant to other rules, nor the extension of amortization payments. The same treatment is given to bonds issued pursuant to the conditions established by Decree 1,735/04 (through which the debt exchange offer was made official), received as part of the Argentine debt restructuring, in exchange for preexisting eligible securities as of March 31, 2003. Global exposure to the public sector (national, provincial and municipal public sector) shall not be higher than 75% of an institution's adjusted shareholders' equity. Additionally, section 12 of the aforementioned Communiqué establishes that, since January 2006, the average financial assistance to non-financial public sector, in the aggregate, shall not be higher than 40% of the bank's total assets as of the end of the previous month. Later, through Communiqué A 4546, this limit was reduced to 35%, to be effective as from July 1, 2007 to present.

The Argentine Central Bank also regulates the level of total financial exposure (defined as financial assistance or credit plus equity participations) of bank to a related party (defined as a bank's affiliates and related individuals). For purposes of these limits, affiliate means any entity over which a bank, directly or indirectly, has control, is controlled by, or is under common control with, or any entity over which a bank has, directly or indirectly, significant influence with respect to such entity's corporate decisions. Related individuals mean a bank's directors, senior management, syndics and such persons' direct relatives.

The Argentine Central Bank limits the level of total financial exposure that a bank can have outstanding to related parties, depending on the rating granted to each bank by the Superintendency. Banks rated 4 or 5 are forbidden to extend financial assistance to related parties. For banks ranked between 1 and 3, the financial assistance without guarantees to related parties cannot exceed, together with any equity participation held by the bank in its affiliates, 5% of such bank's RPC. The bank may increase its financing to such related parties up to an amount equal to 10% of such bank's RPC if the financial assistance is secured.

However, a bank may grant additional financial assistance to such related parties up to the following limits:

Financial institutions rated 1, 2 or 3, subject to consolidation with the lender or the borrower:

If the affiliate is a financial institution rated 1, the amount of total financial exposure can reach 100% of a bank's RPC, and 50% for additional financial assistance.

## Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

If the receiving affiliate financial institution is rated 2, the amount of total financial exposure can reach 20% and an additional 105% can be included.

If the affiliate is a financial institution rated 3, the amount of total financial exposure can reach 10%, and additional financial assistance can reach 40%.

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Financial institutions not subject to consolidation with the lender or the borrower: 10%

Domestic companies with complementary services associated with brokerage of shares, financial brokerage in leasing and factoring operations, and temporary acquisition of shares in companies to facilitate their development in order to sell such shares afterwards.

Controlling company rated 1: General assistance: 100%

Controlling company rated 2: General assistance 10% / Additional assistance 90%

Domestic companies with complementary services related to the issuance of credit cards, debit cards or other cards:

Controlling company rated 1: General assistance: 100% / Additional assistance 50%

Controlling company rated 2: General assistance 20% / Additional assistance 105%

Controlling company rated 3: General assistance 10% / Additional assistance 40%

Domestic companies with complementary services, not subject to consolidation with the lender or the borrower : 10%

Foreign financial entities:

Investment grade: 10%

No Investment grade: Unsecured 5%; Secured 10%

In addition, the aggregate amount of a bank's total financial exposure to its related parties, plus non-exempt financial assistance may not exceed 20% of such bank's RPC.

Notwithstanding the limitations described above, financial assistance is also limited in order to prevent risk concentration. To that end, a bank's aggregate amount of non-exempt total financial exposure (including equity interests) independently of whether customers qualify as such bank's related parties or not, in the case in which such exposure exceeds 10% of such bank's RPC, may not exceed three times the bank's RPC excluding total financial exposure to domestic financial institutions, or five times the bank's RPC, including such exposure.

For a second floor financial institution (i.e. a financial institution which only provides financial products to other banks and not to the public) the latter limit is 10 times the bank's RPC.

Banco Galicia has historically complied with such rules.

***Loan Classification System and Loan Loss Provisions***

For a description of the Argentine Central Bank's loan classification system and the Argentine Central Bank's minimum loan loss provisions requirements, see -Selected Statistical Information-Main Argentine Central Bank's Rules on Loan Classification and Loan Loss Provisions .

*Valuation of Public Sector Assets*

Since March 1, 2011, the Argentine Central Bank amended the valuation criterion applicable to holdings of public sector debt according to the probable allocation of the assets:

- (a) Fair market value: the difference between the corresponding market price of the debt instruments (market value or present value), and the net book value of the offset account; it is applicable to debt instruments included in the list of volatilities or present values published by the Argentine Central Bank.

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- (b) Cost plus yield: the debt instruments not included in the list mentioned in a) above, are registered at incorporation value increased on an exponential basis according to their internal rate of return ( IRR ).

**Foreign Currency Position**

Through Comunicado A 4350, dated May 12, 2005, the Argentine Central Bank suspended, effective May 1, 2005, the limit on the positive Global Foreign Currency Net Position (defined as assets and liabilities from financial brokerage and securities denominated in foreign currencies) established at the lowest of 30% of a bank's RPC or a bank's liquid shareholders' equity as of the end of the previous month. Although, at that moment the Argentine Central Bank kept the limit on the negative foreign currency net position at 30% of a bank's RPC, through Comunicado A 4577, issued on September 28, 2006, and effective January 1, 2007, it established that this position should not exceed 15% of the RPC of the preceding month. Subsequently, through Comunicado A 4598, dated November 17, 2006, the Argentine Central Bank allowed, in certain cases, the limit to increase by 15%. Comunicado A 4577 also clarified that participation certificates or debt securities issued by financial trusts and credit rights on ordinary trusts, in the corresponding proportion, should be calculated when the trust's underlying assets are denominated in foreign currency.

**Deposit Insurance System**

In 1995, Law No. 24,485 and Decree No. 540/95, as amended, created a deposit insurance system for bank deposits and delegated to the Argentine Central Bank the organization and start-up of the deposit insurance system. The deposit insurance system was implemented through the creation of a fund named *Fondo de Garantía de los Depósitos* ( FGD ), which is administered by Seguros de Depósitos S.A. ( Sedesa ). The shareholders of Sedesa are the Argentine government, through the Argentine Central Bank, which holds at least one share, and a trust constituted by the financial institutions which participate in the fund. The Argentine Central Bank establishes the extent of participation by each institution in proportion to the resources contributed by each such institution to the FGD. Banks must contribute to the FGD on a monthly basis in an amount that is currently equal to 0.015% of the monthly average of daily balances of a financial institution's deposits (both Pesos and foreign currency denominated). The deposit insurance system covers all Peso and foreign currency deposits held in demand deposit accounts, savings accounts and time deposits for an amount up to Ps.30,000. Deposits made after July 1, 1995, with an interest rate 200 b.p. above the interest rate quoted by Banco Nación for deposits with equivalent maturities are not covered by this system. The guarantee provided by the deposit insurance system must be made effective within 30 days from the revocation of the license of a financial institution, subject to the outcome of the exercise by depositors of their priority rights described under -Priority Rights of Depositors- below. The Argentine Central Bank may modify, at any time, and with general scope, the amount of the mandatory deposit guarantee insurance. As from January 2011, the Argentine Central Bank decided to increase the limit of the deposit insurance to Ps.120,000.

Decree No. 1,292/96, enhanced Sedesa's functions to allow it to provide equity capital or make loans to Argentine financial institutions experiencing difficulties and to institutions that buy such financial institutions or their deposits. As a result of such decree, Sedesa has the flexibility to intervene in the restructuring of a financial institution experiencing difficulties prior to bankruptcy.

**Priority Rights of Depositors**

According to section 49 e) of the Financial Institutions Law, in the event of a judicial liquidation or the bankruptcy of a financial entity, the holders of deposits in Pesos and foreign currency benefit from a general priority right to obtain repayment of their deposits up to the amount set forth below, with priority over all other creditors, with the exception of the following: (i) credits secured by a mortgage or pledge, (ii) rediscounts and overdrafts granted to financial entities by the Argentine Central Bank, according to section 17 subsections b), c) and f) of the Argentine Central Bank Charter, (iii) credits granted by the Banking Liquidity Fund created by Decree No. 32 of December 26, 2001, secured by a mortgage and pledge and (iv) certain labor credits, including accrued interest until their total cancellation.

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The holders of the following deposits are entitled to the general preferential right established by the Financial Institutions Law (following this order of preference),

deposits of individuals or entities up to Ps.50,000 or the equivalent thereof in foreign currency, with only one person per deposit being able to use this preference. For the determination of this preference, all deposits of the same person registered by the entity shall be computed;

deposits in excess of Ps.50,000 or the equivalent thereof in foreign currency, referred to above;

liabilities originated on commercial credit lines granted to the financial entity, which are directly related with international trade.

According to the Financial Institutions Law, the preferences set forth in previous paragraphs (i) and (ii) above, are not applicable to deposits held by persons who are affiliates of the financial entity, either directly or indirectly as determined by the Argentine Central Bank.

In addition, under section 53 of the Financial Institutions Law, the Argentine Central Bank has an absolute priority over all other creditors of the entity except as provided by the Financial Institutions Law.

***Financial Institutions with Economic Difficulties***

The Financial Institutions Law establishes that financial institutions, including commercial banks such as Banco Galicia, which evidence a deficiency in their cash reserves, have not complied with certain required technical standards, including minimum capital requirements, or whose solvency or liquidity is deemed to be impaired by the Argentine Central Bank must submit a restructuring plan to the Argentine Central Bank. Such restructuring plan must be presented to the Argentine Central Bank on the date specified by the Argentine Central Bank, which should not be later than 30 calendar days from the date on which the request is made by the Argentine Central Bank. In order to facilitate the implementation of a restructuring plan, the Argentine Central Bank is authorized to provide a temporary exemption from compliance with technical regulations and/or the payment of charges and fines that arise from such non-compliance.

The Argentine Central Bank may also, in relation to a restructuring plan presented by a financial institution, require such financial institution to provide guarantees or limit the distribution of profits, and appoint a supervisor, to oversee such financial institutions' management, with the power to veto decisions taken by the financial institution's corporate authorities.

In addition, the Argentine Central Bank's charter authorizes the Superintendency, subject only to the prior approval of the president of the Argentine Central Bank, to suspend for up to 30 days, in whole or in part, the operations of a financial institution if its liquidity or solvency have been adversely affected. Notice of this decision must be given to the board of directors of the Argentine Central Bank. If at the end of such suspension period the Superintendency considers it is necessary to renew it, it can only be authorized by the board of directors of the Argentine Central Bank, for an additional period not to exceed 90 days. During the suspension period: (i) there is an automatic stay of claims, enforcement actions and precautionary measures; (ii) any commitment increasing the financial institution's liabilities is void, and (iii) acceleration of indebtedness and interest accrual is suspended.

If, in the judgment of the Argentine Central Bank, a financial institution is in a situation which, under the Financial Institutions Law, would authorize the Argentine Central Bank to revoke the financial institution's license to operate as such, the Argentine Central Bank may, prior to considering such revocation, order a variety of measures, including (1) taking steps to reduce, increase or sell the financial institution's capital; (2) revoking the approval granted to the shareholders of the financial institution to own an interest therein, giving a term for the transfer of such shares; (3) excluding and transferring assets and liabilities; (4) constituting trusts with part or all the financial institution's assets; (5) granting of temporary exemptions to comply with technical regulations and/or pay charges and fines arising from such defective compliance; or (6) appointing a bankruptcy trustee and removing statutory authorities.

Furthermore, any actions authorized, commissioned or decided by the Argentine Central Bank under section 35 bis of the Financial Institutions Law, involving the transfer of assets and liabilities, or complementing it, or necessary to execute the restructuring of a financial institution, as well as those related to the reduction, increase and sale of equity, are not subject to any court authorization and cannot be deemed inefficient in respect of the creditors of the financial institution which was the owner of the excluded assets, even though its insolvency preceded any of such



actions.

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### ***Dissolution and Liquidation of Financial Institutions***

The Argentine Central Bank must be notified of any decision to dissolve a financial institution pursuant to the Financial Institutions Law. The Argentine Central Bank, in turn, must then notify a court of competent jurisdiction which will determine who will liquidate the entity (the corporate authorities or an appointed, independent liquidator). This determination is based on whether or not sufficient assurances exist regarding the ability of such corporate authorities to carry out the liquidation properly.

Pursuant to the Financial Institutions Law, the Argentine Central Bank no longer acts as liquidator of financial institutions. However, when a restructuring plan has failed or is not considered viable, local and regulatory violations exist, or substantial changes have occurred in the financial institution's condition since the original authorization was granted, the Argentine Central Bank may decide to revoke the license of the financial institution to operate as such. In this case, the law allows judicial or extrajudicial liquidation as in the case of voluntary liquidation described in the preceding paragraph.

The bankruptcy of a financial institution cannot be adjudicated until the license is revoked by the Argentine Central Bank. No creditor, with the exception of the Argentine Central Bank, may request the bankruptcy of the former financial institution before 60 days have elapsed since the revocation of its license.

### **Credit Cards Regulation**

The Credit Cards Law establishes the general framework for credit card activities. Among other regulations, this law:

sets a 3% cap on the rate a credit card company can charge merchants for processing customer card holders' transactions with such merchants, calculated as a percentage of the customers' purchases. With respect to debit cards, the cap is set at 1.5% and the amounts relating to the customers' purchases should be processed in a maximum of 3 business days;

establishes that credit card companies must provide the Argentine Central Bank with the information on their loan portfolio that such entity requires; and

sets a cap on the interest rate a credit card company can charge a card holder, which cannot exceed by more than 25% the average interest rate charged by the issuer on personal loans and, for non-bank issuers, it cannot exceed by more than 25% the financial system's average interest rate on personal loans (published by the Argentine Central Bank).

Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations, among others, to enforce public disclosure of companies' pricing (fees and interest rates) to ensure consumer awareness of such pricing.

### **Concealment and Laundering of Assets of a Criminal Origin**

Law No. 25,246 (as amended last by Law No. 26,683 in July 2011) incorporates money laundering as a crime under the Argentine Criminal Code. Additionally, with the goal of preventing money laundering, the UIF was created under the jurisdiction of the Argentine Ministry of Justice, Security and Human Rights. The main consequence of such modification is that money laundering is now classified as a separate offense.

The new legislation removes which did not participate from the previous crime figure, thus now penalizing self-laundering. Also, it eliminates the need for the goods to originate from a crime, as it is now sufficient that goods emanate from a criminal offense.

The new standard falls under Article 303 of the Argentine Penal Code in the chapter titled Crimes against economic and financial order.

The minimum and maximum of the criminal scale will be doubled when (a) the foregoing acts were crimes that are particularly serious, meaning those crimes with a punishment that is greater than three years of imprisonment; (b) the perpetrator committed the crime for profit; and (c) the perpetrator regularly performs concealment activities. The criminal scale will only be increased once, even when more than one of the above-mentioned acts occurs. In such a case the court may take into consideration the multiple acts when individualizing the punishment.



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In addition, regulations establish that: (a) within the framework of a review of reported suspicious activity, the person that is required by the UIF to provide information may not withhold it claiming such information is a banking, stock market or professional secret nor because it is legally or contractually confidential; (b) if after having completed its analysis of the reported activity, the UIF has found sufficient elements to suspect that the activity is a money laundering operation pursuant to the law, then the UIF shall notify the Public Ministry in order to determine if a criminal prosecution should begin; and (c) those persons who have acted for their spouse, any relative that is related by blood up to the fourth degree or by marriage up to the second degree or a close friend or a person to whom they owe special gratitude, shall be exempted from criminal responsibility.

Notwithstanding the foregoing, pursuant to the Argentine Criminal Code, the exemption shall not be effective in the following cases: (i) with respect to a person who secures or helps the perpetrator of or a participant in a crime to secure the product or profit of the crime; (ii) with respect to a perpetrator that committed the crime for profit; (iii) with respect to a perpetrator that regularly performs concealment activities; or (iv) with respect to a person that converts, transfers, administers, sells, encumbers or uses money or any other asset derived from any crime in which he was not involved, with the possible result of giving those original or secondary assets the appearance of having a legal origin and as long as their value is greater than Ps.50,000, whether through a single act or through a series of related events.

The law lists the parties that are obligated to report to the UIF; which include, among others: financial institutions, agents and stock companies, insurance companies, notary publics and those registered professionals whose activities are governed by the *Consejo de Profesionales de Ciencias Económica* (Economic Sciences Professional Council), companies that receive donations or capital contribution for over Ps.50.000 and companies that organize and regulate professional sport events.

Banco Galicia formed the Committee for the Control and Prevention of Money Laundering, the name of which was changed in 2005 to the Committee for the Control and Prevention of Money Laundering and Funding of Terrorist Activities, which is in charge of establishing the general guidelines for Banco Galicia's strategy to control and prevent money laundering and the financing of terrorism. For more information, see Item 6. Directors, Senior Management and Employees-Functions of the Board of Directors of Banco Galicia. In addition, a unit specializing in this area was created, the Anti-Money Laundering Unit, which is responsible for the execution of the policies passed by the committee and for the monitoring of control systems and procedures in order to ensure that they are adequate. CFA also has a Committee for the Control and Prevention of Money Laundering.

The guide for unusual or suspicious transactions within the scope of the financial and foreign exchange system (passed by Resolution No. 121/2011 of the UIF) establishes the obligation to report, among others, the following investment related transactions: (a) investments related to purchases of government or corporate securities given in custody to the financial institution if such securities' value appears to be inappropriate due to the type of business of the client; (b) deposits or back to back loan transactions with branches, subsidiaries or affiliates of the bank in places known to be tax havens or countries or territories considered by the Financial Action Task Force as non-cooperative, (c) client requests for investment management services (whether in foreign currency, shares or trusts) where the source of the funds is not clear or is not consistent with its business; (d) significant and unusual movements in custodial accounts; (e) frequent use by infrequent clients of special investment accounts whose owner is the financial entity; and (f) regular securities transactions, through purchases and sales on the same day and for identical volumes and nominal values, taking advantage of quotation differences, when such transactions are not consistent with the client's profile and regular activity. Such reporting obligation generally consists of performing due diligence in order to get to know the client and to understand the corresponding transaction and also, if applicable, to report any irregular or suspicious activity to the UIF, pursuant to the terms and conditions established by the regulation applicable to such obligated party.

**Item 4A. Unresolved Staff Comments**

None.

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### **Item 5. Operating and Financial Review and Prospects**

#### **Item 5.A. Operating Results**

The following discussion and analysis is intended to help you understand and assess the significant changes and trends in our historical results of operations and the factors affecting our resources. You should read this section in conjunction with our audited consolidated financial statements and their related notes included elsewhere in this annual report.

#### **Overview**

In the last three years, in order to increase our recurrent earnings generation capacity, we have undertaken to expand the volume of our business with the private sector. In previous years we had strengthened our balance sheet by consistently reducing Banco Galicia's exposure to the public sector, as well as expensive liabilities.

We have increased our customer base and our fee based and financial intermediation activities with the private sector, strengthening our position as a leading domestic private-sector financial institution. In addition, our total deposits and loan origination increased, both at the level of Banco Galicia and at the level of the Regional Credit Card Companies, and since June 2010 also at the level of CFA.

We have increased our regulatory capital through the purchase of CFA and through internal origination. The increase in our overall level of activity, which led to the above-mentioned increase in the volume of our fee based business and financial intermediation with the private sector, has had a positive impact on our net financial income and on our net income from services. Loan loss provisions increased due to the seasoning of individuals' loan portfolios, due to the incorporation of CFA's loan portfolio since June 2010 and also due to the worsening of the economic condition.

During this period, we expanded our distribution network, with a related increase in personnel and a greater use of resources in general, as well as expenses for advertising and publicity. In addition, the administrative expenses reflect an inflationary environment and the adjustment of salaries that has taken place.

During the first half of 2009, the international financial crisis and certain domestic problems dampened domestic confidence and raised uncertainty regarding future economic policies. The uncertainty triggered a strong dollarization of portfolios, with a reduction of private sector Peso deposits, and, in turn, a deceleration in growth rates of the loans to the private sector and a deterioration of asset quality. The second half of 2009 showed a recovery of the world economy and of the local economy, which favorably impacted deposits and loan growth with an improvement in asset quality that extended throughout 2010 and 2011. In spite of the adverse international and local financial condition, Banco Galicia managed to expand its business with the private sector and to improve its income generation, while strengthening its financial condition, the coverage of its credit risks in a scenario of deterioration of asset quality, and the provisioning for other contingencies.

In summary, in recent years, our operating profitability was positively impacted by the growth of our business with the private sector, both the financial intermediation and fee-based businesses, in a still low credit risk environment, but within a context of growing inflation. Banco Galicia has finished with the amortization of *amparo claims* during 2010 and profitability increased during 2011. The current fiscal year will be more challenging as the world economy is still weak and there exist certain domestic problems such as a growing fiscal deficit and high levels of inflation, which could negatively impact the Argentine economy.

#### **The Argentine Economy**

Surging commodity prices in 2010 and the first half of 2011 propelled growth rates upward in Latin America. In 2010, a significant recovery in the agricultural sector took place, after the droughts during 2008 and 2009, which contributed extensively to the overall Argentine economic recovery during such year and the first half of 2011. The financial sector, in turn, benefited from this overall economic recovery, the favorable international economic climate and the relatively low level of domestic social unrest. A GDP of over 9% was achieved by the Argentine economy from 2009 to 2010. Within this favorable environment, the Argentine economy continued to grow at high rates in the first half of 2011, but began to experience a deceleration in growth as the global economy contracted in the latter half of the year.

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According to the General Activity Index prepared by Orlando J. Ferreres y asociados Consulting Firm (IGA-OJF), the Argentine economy grew 5.8% in 2011, after growing 8.2% in the first quarter of 2011, reflecting a weakening in economic expansion. During 2011, the highest performing production sector of the Argentine economy was financial intermediation, with an accumulated expansion of 21.4%, followed by trade (with an 7.1% accumulated expansion) and manufacturing (with a 6.4% accumulated expansion).

The industrial sector, as measured by the Industrial Production Index prepared by the Fundación de Investigaciones Económicas Latinoamericanas ( IPI-FIEL ), experienced a 4.2% increase in 2011, showing signs of deceleration after an 8.6% increase in 2010. Among the highest performing sectors of the economy in 2011 were the automotive sector, with a 15.7% increase for the year, and the metallurgy sector, with a 10.4% increase for the year, in each case as compared to 2010. However, the Brazilian economy has been showing signs of deceleration during the second part of 2011, which could impact the performance of the automotive sector in 2012.

According to the INDEC, the unemployment rate for the fourth quarter of 2011 was 6.7% of the economically active population in Argentina, or the segment of the Argentine population that is employed, or unemployed and actively seeking employment. The unemployment rate remained low, remaining below the level it was at during 2010 (7.3%), reflecting the strong performance of the labor market.

In the monetary sphere, the main monetary aggregates increased strongly during 2011, above the economy nominal growth. By fiscal year-end, the monetary base recorded a 34.6% annual expansion, after having reached near 40% annual growth in June. The Ps.62,500 million growth is mainly due to an increased financing to the National Treasury that reached Ps.32,600 million, amounting to more than 50% of the monetary base total growth. Unlike other years, Lebac and Nobac (Argentine Central Bank bills and notes) transactions provided near Ps.15,000 million liquidity through the net settlement of such instruments. In contrast, the foreign exchange market intervention, which is the main source of growth over the last years, posted a Ps.13,300 million base increase, 80% of which was generated in December. This trend was also reflected in the performance of the private M2 (i.e. a money supply indicator that is an aggregate of all money in circulation and deposits in savings and current accounts, in pesos, that belong to the private sector), which grew by 30.7% in 2011 as compared to 2010. The total M2 (i.e., a money supply indicator that is an aggregate of all publicly held money in circulation plus public and private sector savings and current account deposits denominated in pesos) experienced an expansion of 28.9% in 2011 as compared to 2010.

Although interest rates in Argentina remained relatively stable throughout the first half of 2011, they began to increase slightly in July and continued to increase through the second half of the year. This trend can be explained by the strong growth in credit demand paired with a small growth in deposits (in line with an acceleration in capital outflows) and the consequent reduction of liquidity in the financial system.

The reference exchange rate established by the Argentine Central Bank increased from Ps.3.976 to Ps.4.303 per Dollar between December 31, 2010 and December 31, 2011 (equivalent to 8.2% depreciation), while the average exchange rate increased from Ps.3.913 per Dollar in 2010 to Ps.4.133 per Dollar in 2011.

The inflation rate recorded for 2011 was 9.5%, as measured by the consumer price index of the INDEC, reflecting a decrease in the inflation rate of 10.9% recorded for 2010. The wholesale price index increased 12.7% in 2011 when compared to 2010.

However, according to private sector estimates, consumer prices increased 21.2% in 2011. As was the case in 2010, food and beverage prices were the principal driver for inflation (with a 26.3% year-on-year increase), followed by recreation prices (with a 24% year-on-year increase).

In the fiscal area, there was an increase in tax revenues (including social security) of approximately 32.1% in 2011, representing a decrease as compared to the 34.4% increase observed in 2010. Growth in primary expenditures increased 31.3% in 2011. The Argentine public sector achieved a surplus of Ps.4,921 million in 2011, equivalent to 0.3% of GDP, lower than that observed in 2010.

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The balance of payments on current account was slightly positive in 2011. Especially, in terms of GDP, it showed a sharp decline from 0.8% in 2010 to nearly 0.0% in 2011. The balance of trade posted a US\$10,347 million surplus over the year, slightly below US\$11,632 million posted the previous year.

Exports through December 2011 demonstrated a significant recovery, expanding 23.7% as compared to the previous year, which was mainly attributable to an increase of 16% in export prices. However, the recovery observed in exports was offset by an increase in imports by 30.8%.

During a year that included presidential elections and an increase in uncertainty in the global markets, the financial account of the balance of payments experienced an outflow of US\$10,259 million during 2011 as compared to a net inflow of US\$1,608 during 2010. As of December 31, 2011, the Argentine Central Bank's international reserves amounted to US\$46,376 million, US\$5,814 million below the amount held as of December 31, 2010.

Furthermore, during 2011, the global recovery of the global economy showed signs of deceleration. While such slowdown reflects events that took place mainly in developed economies around the world, a continued slowdown of such economic recovery may adversely affect emerging markets such as Argentina.

### ***The Argentine Financial System***

The overall recovery of the Argentine economy in general had a positive impact on the Argentine financial system, resulting in an increase in the levels of private sector intermediation; however, these levels are still far from the levels reached by Argentina prior to the 2001-2002 Argentine economic crisis and those reached by neighboring countries such as Chile and Brazil.

The financial system's total deposits grew 22.4% during 2011, reaching Ps.457,116 million as of December 31, 2011; deposits from the non-financial private sector increased 26.9% during 2011, amounting to Ps.324,308 million and public sector deposits were Ps.129,887 million as of that date, an increase of 12.1%, in each case as compared to December 31, 2010. Total deposits from the private sector, as of December 31, 2011, were comprised of transactional deposits in the amount of Ps.173,503 million, which represented an increase of 25.8%, as compared to December 31, 2010, and time deposits in the amount of Ps.137,953, which represented an increase of 28.6%, as compared to December 31, 2010. As of December 31, 2011, total deposits reached 24.4% of GDP.

Total loans to the private sector grew 46.8% from Ps.195,468 million as of December 31, 2010 to Ps.286,957 million as of December 31, 2011, with promissory notes amounting to Ps.63,996 million (up 44.6% year-to-date), personal loans amounting to Ps.58,513 million (up 46.3% year-to-date), cash advances in current accounts amounting to Ps.25,922 million (up 49.3% year-to-date), mortgage loans amounting to Ps.28,216 million (up 33.9% year-to-date) and secured loans amounting to Ps.16,752 million (up 70.6% year-to-date), while credit card loans amounted to Ps.43,924 million, increasing 50.9%. Loans to the public sector accounted for 10.4% of the total assets of the Argentine financial system as of December 31, 2011, decreasing 1.8% as compared to December 31, 2010. As of December 31, 2011, total loans amounted to 15.5% of GDP.

The average interest rate paid by private financial institutions in December 2011 for deposits for up to 59 days was 17.3%, an increase of 702 b.p. from December 2010. The average interest rate applicable to time deposits over Ps.1 million was 18.8% in December 2011, an increase of 766 b.p. from the end of 2010. As of December 31, 2011, the average interest rate applicable to cash advances reached 26.8%, which represented an increase of 759 b.p. from the fiscal year ended December 31, 2010.

Since 2009, financial institutions increased their levels of liquidity relative to total deposits, further contributing to financial stability. Although the average liquidity ratio decreased from an average of 28.0% in December 2010 to 24.7% in December 2011, it remains at historically high levels.

The Argentine Central Bank placed debt securities, Lebac and Nobac, in the amount of Ps.4,231 million as of December 31, 2011 which grew at a combined 6.0% as compared to the same period of 2010, reaching an outstanding amount of Ps.66,347 million as of December 31, 2011.

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The monthly average balance of M2 accumulated an expansion of 29.0% as compared to December 2010, which implied 1.1% above the base case established by the Argentine Central Bank's monetary program for December 2011, and 4.0% below the upper limit. Besides the quarterly goals for M2, the Argentine Central Bank's monetary program established an annual aim for the private M2, which represents (base case) an expansion of 29.2% in 2011. In 2011, the accumulated growth of private M2 remained in line with that scenario.

Loans granted by entities in the Argentine financial system to the private sector and purchases of foreign currency by the Argentine Central Bank in the foreign exchange market were major contributing factors in the growth of the overall monetary supply in Argentina during the fourth quarter of 2011 (as they were granted during the first half of the year), which is measured by the Argentine Central Bank using the following indicators: M1, or publicly held money in circulation and public and private sector current accounts in pesos, M2 (described above) and M3, or publicly held money in circulation and total public and private sector deposits in pesos.

The Argentine financial system's net worth increased by Ps.12.2 billion during 2011, which represents a 21.2% increase from the fiscal year ended December 31, 2010. The system's profitability during the same period was equivalent to 2.7% of total assets, while return on average shareholders' equity was 25.3%, similar to the 24.4% recorded in 2010 but higher than the 19.2% recorded in 2009. As of December 31, 2011, income from interest represented 4.6% of total assets, income from services represented 3.9% of total assets, and income from holdings of government securities represented 2.5% of total assets.

Administrative expenses decreased slightly, from 6.9% of total assets in the fiscal year ended December 31, 2010 to 6.7% of total assets as of December 31, 2011. The provision for loan losses decreased from 0.8% of total assets in 2010 to 0.7% of total assets as of December 31, 2011, also reflecting a slight improvement in asset quality. In line with such performance, the non-accrual loan portfolio (i.e. the loan portfolio that has been in default for more than 90 days and that no longer accrues interest) extended to the non-financial private sector decreased from 2.1% in December 2010 to 1.4% in December 2011. Within the context of a conservative monetary policy, coverage of the private sector non-accrual loan portfolio (with allowances) continued to grow, reaching levels of 179% in December 2011, same as of December 2010.

As of December 31, 2011, 80 financial institutions were in operation, taking into account both banking and non-banking institutions. Of these 80, 64 were banks, 52 of which were private-sector banks (accounting for 54.9% of total deposits in the financial system). In turn, 31 of these private-sector banks were domestic banks (one of which was a cooperative bank), which accounted for 26.8% of total deposits in the financial system, and 21 were foreign-owned banks, which accounted for 28.1% of total deposits in the financial system. There were 12 government-owned banks (which represented 44.8% of total deposits in the financial system), and there were 16 non-banking financial institutions, with only a 0.3% share of total deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 77.3% as of December 31, 2011, similar to this metric as of December 31, 2010.

As of December 31, 2011, the financial system employed a total of 102,802 people, 63.1% of which were employed by the private sector, representing a 3.1% increase since the beginning of 2011.

***The Argentine Insurance Industry***

The insurance industry continued to grow in 2011. Production amounted to Ps.52,600 million, 26.6% higher than the level recorded for 2010. Out of the total insurance production, 80% related to property insurance, 18% related to life and personal insurance and 2% related to retirement insurance. Within the 80% corresponding to property insurance, the automotive insurance segment comprised the most significant portion with 44% of property insurance, followed by the workers' compensation segment with 31%.

Within the life insurance business, the group life insurance represented 65% of the segment, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.



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Historically, inflation in Argentina has played a significant role in influencing, often negatively, the economic conditions in Argentina and, in turn, the operations and financial results of companies operating in Argentina, such as Grupo Financiero Galicia.

The chart below presents a comparison of inflation rates published by INDEC, measured by the wholesale price index and the consumer price index, for the fiscal years 2011, 2010 and 2009. In addition, the chart below presents the evolution of the CER index, published by the Argentine Central Bank, used to adjust the principal of certain of our assets and liabilities, for the periods indicated.

<i>(in percentages)</i>	For the 12-month period ended December 31,		
	2011	2010	2009
Price Indices <sup>(1) (2)</sup>			
Wholesale Price Index ( WPI )	12.67	14.56	10.27
Consumer Price Index ( CPI )	9.51	10.92	7.69
Adjustment Indices			
CER	9.54	11.04	6.95

(1) Data for December of each year as compared to December of the immediately preceding year. Source: INDEC/the Argentine Central Bank.

(2) The accuracy of the measurements of INDEC is in doubt, and the actual CPI and wholesale price index could be substantially higher than those indicated by INDEC. For example, according to private sector estimates, the CPI approximately increased by 16% (rather than 7.7%) in 2009, 23% (rather than 10.9%) in 2010 and 21% (rather than 9.5%) in 2011.

In the first three months of 2012, the WPI increased 3.02% and the CPI increased 2.61%. Over the same period, the CER increased 2.48%.

**Currency Composition of Our Balance Sheet**

The following table sets forth our assets and liabilities denominated in foreign currency, in Pesos and adjustable by the CER, at the dates indicated.

	2011	As of December 31, 2010	2009
		<i>(In millions of Pesos)</i>	
<b>Assets</b>			
In Pesos, Unadjusted	42,860.0	28,319.4	19,791.0
In Pesos, Adjusted by the CER	579.3	610.8	926.3
In Foreign Currency <sup>(1)</sup>	7,753.7	6,777.9	6,885.1
<b>Total Assets</b>	<b>51,193.0</b>	<b>35,708.1</b>	<b>27,602.4</b>
<b>Liabilities and Shareholders Equity</b>			
In Pesos, Unadjusted, Including Shareholders Equity	39,973.7	28,059.5	20,513.1
In Pesos, Adjusted by the CER	8.8	13.6	14.9
In Foreign Currency <sup>(1)</sup>	11,210.5	7,635.0	7,074.3
<b>Total Liabilities and Shareholders Equity</b>	<b>51,193.0</b>	<b>35,708.1</b>	<b>27,602.3</b>

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(1) *If adjusted to reflect forward sales and purchases of foreign exchange made by Grupo Financiero Galicia and recorded off-balance sheet, assets amounted to Ps.13,913.7 million and liabilities to Ps.13,852.9 million.*

Funding of our long position in CER-adjusted assets through Peso-denominated liabilities bearing a market interest rate (and no principal adjustment linked to inflation) exposes us to differential fluctuations in the inflation rate and in market interest rates, with a significant increase in market interest rates vis-à-vis the inflation rate (which is reflected in the CER variation) having a negative impact on our net financial income.

**Table of Contents****Results of Operations for the Fiscal Years Ended December 31, 2011, December 31, 2010 and December 31, 2009**

We discuss below our results of operations for the fiscal year ended December 31, 2011 as compared with our results of operations for the fiscal year ended December 31, 2010, and our results of operations for the fiscal year ended December 31, 2010 as compared with our results of operations for the fiscal year ended December 31, 2009.

**Net Income/Loss**

	Fiscal Year Ended			Change	
	2011	December 31, 2010	2009	2011/2010	2010/2009
<i>(in millions of Pesos, except percentages)</i>					
<b>Consolidated Income Statement</b>					
Financial Income	6,017.7	3,614.9	3,005.6	2,402.8	609.3
Financial Expenses	2,274.2	1,412.7	1,460.5	861.5	(47.8)
Net financial Income	3,743.5	2,202.2	1,545.1	1,541.3	657.1
Provision for Losses on Loans and Other Receivables	843.4	551.5	639.5	291.9	(88.0)
Net income from Services	2,451.7	1,781.9	1,310.9	669.8	471.0
Administrative Expenses	4,205.2	2,845.3	2,029.1	1,359.9	816.2
Minority Interest	(171.0)	(104.3)	(46.5)	(66.7)	(57.8)
Income / (Loss) from Equity Investments	132.7	62.1	11.3	70.6	50.8
Miscellaneous Income / (Loss), Net	752.5	122.0	233.1	630.5	(111.1)
Income Tax	(753.9)	(258.2)	(156.0)	(495.7)	(102.2)
<b>Net income / (Loss)</b>	<b>1,106.9</b>	<b>408.9</b>	<b>229.3</b>	<b>698.0</b>	<b>179.6</b>
Return on Average Assets <sup>(1)</sup>	3.1	1.8	1.1	1.3	0.7
Return on Average Shareholders' Equity	37.4	18.6	11.7	18.8	6.9

(1) For the calculation of the return on average assets, profits or losses corresponding to minority interests are excluded from net income. Net income for the fiscal year ended December 31, 2011 was Ps.1,106.9 million, as compared to Ps.408.9 million for the fiscal year ended December 31, 2010 and Ps.229.3 million for the fiscal year ended December 31, 2009.

Net earnings per share for the fiscal year ended December 31, 2011 were Ps.0.892, as compared to Ps.0.329 for the fiscal year ended December 31, 2010. The return on average assets and the return on average shareholders' equity for the fiscal year ended December 31, 2011 were 3.1% and 37.4%, respectively, as compared to 1.8% and 18.6%, respectively, for the fiscal year ended December 31, 2010. For the fiscal year ended December 31, 2009, net income per share was Ps.0.185, the return on average assets was 1.1% and the return on average shareholders' equity was 11.7%.

**Fiscal Year 2011 Compared to Fiscal Year 2010**

Net income for the fiscal year ended December 31, 2011 was Ps.1,106.9 million, as compared to Ps.408.9 million for the fiscal year ended December 31, 2010, a Ps.698.0 million increase, or 170.7%. Such increase was primarily attributable to:

a Ps.2,402.8 million increase in financial income, from Ps.3,614.9 million to Ps.6,017.7 million,

a Ps.669.8 million increase in net income from services, from Ps.1,781.9 million to Ps.2,451.7 million,

a Ps.70.6 million increase in income from equity investments, from Ps.62.1 million to Ps.132.7 million,

a Ps.630.5 million increase in miscellaneous income net, from Ps.122.0 million to Ps.752.5 million.

Such changes were partially offset by:

a Ps.861.5 million increase in financial expenses, from Ps.1,412.7 million to Ps.2,274.2 million,

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a Ps.291.9 million increase in provision for loan losses and other receivables, from Ps.551.5 million to Ps.843.4 million,

a Ps.1,359.9 million increase in administrative expenses from Ps.2,845.3 million to Ps.4,205.2 million,

an increase in income tax of Ps.495.7 million, from Ps.258.2 million to Ps.753.9 million.

The increase in income as compared to fiscal year 2010 was the result of a significant increase in the volume of financial intermediation with the private sector, coupled with an improved efficiency ratio, as a consequence of higher growth in net operating income (defined as adjusted net financial income plus net income from services; adjusted net financial income is defined as financial income plus financial income in relation to margin requirements of repurchase agreement transactions, which is recorded under Miscellaneous Net Income) than in administrative expenses. In addition, net income for fiscal year 2011 included Ps.247.5 million (net of consolidation and elimination adjustments) corresponding to CFA's income, as well as Ps.118.7 million for the amortization of the negative goodwill from the acquisition of such company. For the same reason, fiscal year 2010, recorded profits for Ps.89.4 million and Ps.51.7 million, respectively, since CFA's income was included into Banco Galicia's balance sheet as from the third quarter of 2010.

*Fiscal Year 2010 Compared to Fiscal Year 2009*

Net income for the fiscal year ended December 31, 2010 was Ps.408.9 million, as compared to Ps.229.3 million for the fiscal year ended December 31, 2009, a Ps.179.6 million increase, or 78.3%. Such increase was primarily attributable to:

a Ps.609.3 million increase in financial income, from Ps.3,005.6 million to Ps.3,614.9 million,

a Ps.471.0 million increase in net income from services, from Ps.1,310.9 million to Ps.1,781.9 million,

a Ps.88.0 million decrease in provisions for loan losses, from Ps.639.5 million to Ps.551.5 million,

a Ps.47.8 million decrease in financial expenses, from Ps.1,460.5 million to Ps.1,412.7 million,

an increase of Ps.50.8 million in income from equity investments, from Ps.11.3 million to Ps.62.1 million.

These factors were partially offset by:

a Ps.816.2 million increase in administrative expenses, from Ps.2,029.1 million to Ps.2,845.3 million,

a Ps.111.1 million decrease in miscellaneous net income, from Ps.233.1 million to Ps.122.0 million,

an increase in income tax of Ps.102.2 million, from Ps.156.0 million to Ps.258.2 million.

The operating income for the fiscal year ended December 31, 2010 was Ps.3,985.3 million, as compared to Ps.2,856.0 million for the fiscal year ended December 31, 2009. Such increase was primarily attributable both to a Ps.658.3 million higher net financial income (Ps.282.2 million of which corresponded to CFA) and a Ps.471.0 million higher net income from services (Ps.14.7 million of which corresponded to CFA).

***Financial Income***

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Our financial income was composed of the following:

	<b>Fiscal Year Ended</b>		
	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(in millions of Pesos)</i>		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	5,160.2	3,061.3	2,207.7
Income from Government and Corporate Securities, Net	753.0	407.9	559.1
CER Adjustment	2.0	5.3	24.4
Other <sup>(1)</sup>	102.5	140.4	214.4
<b>Total</b>	<b>6,017.7</b>	<b>3,614.9</b>	<b>3,005.6</b>

(1) Reflects income from financial leases, net. Until fiscal year 2010 it also reflects, mainly, differences in the quotation of gold and foreign currency.

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The following table shows our yields on interest-earning assets and cost of funds:

	2011		As of December 31, 2010		2009	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
<i>(in millions of Pesos, except rates)</i>						
<b>Interest-Earning Assets</b>	<b>31,941.3</b>	<b>19.05</b>	<b>21,983.3</b>	<b>16.35</b>	<b>18,378.0</b>	<b>15.71</b>
Government Securities	3,785.9	17.25	3,344.1	11.56	4,686.5	11.84
Loans	26,218.7	19.91	16,800.8	18.56	11,463.6	19.34
Other	1,936.7	10.97	1,838.4	4.85	2,227.9	5.17
<b>Interest-Bearing Liabilities</b>	<b>23,328.9</b>	<b>7.92</b>	<b>16,662.5</b>	<b>6.56</b>	<b>15,923.4</b>	<b>7.63</b>
Current Accounts	3.3		508.1	1.08	1,287.3	1.00
Savings Accounts	5,825.7	0.18	4,016.2	0.19	3,014.5	0.19
Time Deposits <sup>(1)</sup>	11,970.2	10.84	8,554.3	8.81	7,391.9	11.67
Debt Securities	3,390.8	10.42	2,276.1	10.04	2,729.9	8.22
Other Interest-bearing Liabilities	2,138.9	8.75	1,307.8	7.50	1,499.8	7.34
<b>Spread and Net Yield</b>						
Interest Spread, Nominal Basis <sup>(2)</sup>		11.13		9.79		8.08
Net Yield on Interest-earning Assets <sup>(3)</sup>		13.27		11.38		9.10
Financial Margin <sup>(4)</sup>		11.72		10.02		8.41

(1) Includes restructured deposits certificates and restructured deposits with amparo claims.

(2) Reflects the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities. Interest rates include the CER adjustment.

(3) Net interest earned divided by average interest-earning assets. Interest rates include the CER adjustment.

(4) Represents net financial income, divided by average interest-earning assets.

Fiscal Year 2011 Compared to Fiscal Year 2010

Financial income for the fiscal year ended December 31, 2011 was Ps.6,017.7 million, as compared to Ps.3,614.9 million for the fiscal year ended December 31, 2010, representing a 66.5% increase. Such increase was the result of a higher average volume of interest-earning assets, together with a higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2011 was 19.05%, as compared to 16.35% for the fiscal year ended December 31, 2010, a 270 b.p. increase as a result of a high average rate of all its components.

The average of interest-earning assets for the fiscal year ended December 31, 2011 was Ps.31,941.3 million as compared to Ps.21,983.3 million for the fiscal year ended December 31, 2010, a 45.3% increase, which was primarily attributable to the 56.1% increase in the average loan portfolio.

As of December 31, 2011, Banco Galicia's estimated market share of loans to the private sector, excluding loans granted by the Regional Credit Card Companies, was 8.64% as of December 31, 2011, as compared to 8.99% as of December 31, 2010, a 35 b.p. decrease.





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The average interest rate on total loans, including the CER adjustment, was 19.91% for the fiscal year ended December 31, 2011, as compared to 18.56% for the fiscal year ended December 31, 2010, an increase of 135 b.p. Such increase was primarily attributable to a 167 b.p. increase in the average interest rate on Peso-denominated loans to the private sector, which was 22.83% for fiscal year ended December 31, 2011, as compared to 21.16% for the fiscal year ended December 31, 2010, a 167 b.p. increase, while the average interest rate on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2011 was 3.73%, as compared to 4.45% for the fiscal year ended December 31, 2010, a 72 b.p. decrease. The average position in government securities for the fiscal year ended December 31, 2011 was Ps.3,785.9 million, as compared to Ps.3,344.1 million for the fiscal year ended December 31, 2010, an increase of 13.2%. This was primarily attributable to a Ps.1,010.9 million increase in the average position on Peso-denominated government bonds, which increase was partially offset by the significant decrease in the average position in Dollar-denominated government bonds to Ps.4.4 million for the fiscal year ended December 31, 2011, as compared to Ps.573.5 million for the fiscal year ended December 31, 2010.

The average yield on government securities for the fiscal year ended December 31, 2011 was 17.25%, as compared to 11.56% for the fiscal year ended December 31, 2010, a 569 b.p. increase. This increase was primarily a consequence that in fiscal year 2010 the average rate was highly influenced by the negative average rate of on government securities denominated in Dollars (-31.56%), mainly due to an allowance for impairment of value for Boden 2012 Bonds portfolio, equivalent to the difference between its book value and its estimated reasonable realizable value, which were finally sold by Banco Galicia during fiscal year 2010. The average interest rate on government securities denominated in Pesos for the fiscal year ended December 31, 2011 was 17.26%, as compared to 20.49% for the fiscal year ended December 31, 2010, a 323 b.p. decrease.

The average Other Interest-Earning Assets for the fiscal year ended December 31, 2011 were Ps.1,936.7 million, as compared to Ps.1,838.4 million for the fiscal year ended December 31, 2010, an increase of Ps.98.3 million, or 5.3%. The average rate on Other Interest-Earning Assets for the fiscal year ended December 31, 2011 was 10.97%, as compared to 4.85% for the fiscal year ended December 31, 2010, a 612 b.p. increase. Such increase was attributable to the variation in the average rate of other Peso-denominated assets as such rate increased to 12.37% for the fiscal year ended December 31, 2011 from 5.43% for the fiscal year ended December 31, 2010 whereas the foreign currency average rate only increased to 1.93% from 1.46% for the same periods.

The following table shows our market shares:

<i>(in percentages)</i>	Fiscal Year Ended December 31,		
	2011	2010	2009
Total Deposits	6.61	5.94	6.29
Private-Sector Deposits			
Total	8.78	8.35	7.81
Deposits in Current and Savings Accounts and Non-Restructured Time Deposits	9.06	8.60	8.07
Total Loans	7.77	7.98	6.94
Private-Sector Loans	8.64	8.99	7.71

*Exclusively Banco Galicia within the Argentine market, based on daily information on deposits and loans prepared by the Argentine Central Bank. Beginning in June 30, 2010, these figures include deposits and loans corresponding to CFA. End-of-month balances are used. Deposits and loans include only principal. The Regional Credit Card Companies data is not included.*

*Fiscal Year 2010 Compared to Fiscal Year 2009*

Financial income for the fiscal year ended December 31, 2010 was Ps.3,616.1 million, as compared to Ps.3,005.6 million for the fiscal year ended December 31, 2009, a 20.3% increase. Such increase was the result of a higher average volume of interest-earning assets together with higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2010 was 16.35%, as compared to 15.71% for the fiscal year ended December 31, 2009, a 64 b.p. increase. Such increase was primarily attributable to a change in the mix of interest earning assets, for example, loan participations grew from 62.4% to 76.4% of total interest-earning assets, while the remaining individual components of Interest-Earning Assets ( Government Securities and Other Interest-Earning Assets ) experienced decreases. See the table Yield on

Interest-Earning Assets and Cost of Funds above.

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The average interest-earning assets for the fiscal year ended December 31, 2010 was Ps.21,983.3 million, as compared to Ps.18,378.0 million for the fiscal year ended December 31, 2009, a 19.6% increase, which was primarily attributable to the 46.6% growth in the average loan portfolio. Such increase was partially offset by the 28.6% decrease in the average balance of the net position in government securities.

The average loan portfolio balance for the fiscal year ended December 31, 2010 was Ps.16,800.8 million, as compared to Ps.11,463.6 million for the fiscal year ended December 31, 2009, a 46.6% increase, which was primarily attributable to the growth of both loans to individuals and to companies. Excluding CFA's average loans of Ps.640.4 million, such increase was 41.0%. Taking into account fiscal year end balances of loans to the private sector, such increase was 56.9% or Ps.8,110.1 million. Excluding the CFA portion of loans, such increase was 47.2%. These increases are net of charge-offs against allowances for loan losses during the fiscal year ended December 31, 2010.

The estimated market share of loans to the private sector, without considering those granted by the Regional Credit Card Companies and by CFA, was 8.31% as of December 31, 2010, as compared to 7.71% as of December 31, 2009, a 60 b.p. increase. Including loans granted by CFA, such market share reached 8.99% as of December 31, 2010.

The average balance of loans to the public sector for the fiscal year ended December 31, 2010 was Ps.0.4 million, as compared to Ps.120.0 million for the fiscal year ended December 31, 2009, a Ps.119.6 million decrease, which was mainly attributable to the exchange transaction of *préstamos garantizados nacionales*, or secured loans ( PGN ), for Argentine government securities carried out in January 2009. Loans to the private sector for the fiscal year ended December 31, 2010 were Ps.16,800.4 million, as compared to Ps.11,343.6 million for the fiscal year ended December 31, 2009, a Ps.5,456.8 million or 48.1% increase, in line with the increase experienced by the Argentine market in general. Taking into account fiscal year end balances of loans to the private sector, such increase amounted to Ps.8,110.1 million, a 56.9% increase. These increases are net of charge-offs against allowances for loan losses for the fiscal year ended December 31, 2010.

The average interest rate on total loans, including the CER adjustment, was 18.56% for the fiscal year ended December 31, 2010, as compared to 19.34% for the fiscal year ended December 31, 2009, a decrease of 78 b.p. Such decrease was mainly attributable to the factors discussed below. The portfolio of loans to the private sector accrued at an 18.56% average interest rate and the public-sector loan portfolio accrued at a 0.20% average interest rate, including the CER adjustment, for the fiscal year ended December 31, 2010, as compared to 19.31% and 22.50%, respectively, for the fiscal year ended December 31, 2009. Such decreases were mainly attributable to the factors discussed below.

The average interest rate for the fiscal year ended December 31, 2010 on Peso-denominated loans to the private sector was 21.16%, as compared to 21.73% for the fiscal year ended December 31, 2009, a 57 b.p. decrease. The average interest rate on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2010 was 4.45%, as compared to 7.34% for the fiscal year ended December 31, 2009, a 289 b.p. decrease. Such decreases were mainly attributable to changes in the mix of loans and the fluctuation of interest rates in Argentina.

The average position in government securities for the fiscal year ended December 31, 2010 was Ps.3,344.1 million, as compared to Ps.4,686.5 million for the fiscal year ended December 31, 2009, a 28.6% decrease, which was mainly attributable to the sale of Boden 2012 Bonds and Discount Bonds.

The average yield on government securities for the fiscal year ended December 31, 2010 was 11.56%, as compared to 11.84% for the fiscal year ended December 31, 2009, a 28 b.p. decrease, which was mainly attributable to changes in the bond portfolio.

The average interest rate on government securities denominated in Dollars for the fiscal year ended December 31, 2010 was -31.56%, as compared to 2.29% in the fiscal year ended December 31, 2009, a decrease of 3,385 b.p. In 2010, the negative rate was the consequence of valuation allowances made during the year that allowed Banco Galicia to sell all of its Boden 2012 Bonds.

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The average Other Interest-Earning Assets for the fiscal year ended December 31, 2010 were Ps.1,838.4 million, as compared to Ps.2,227.9 million for the fiscal year ended December 31, 2009, a decrease of Ps.389.5 million or 17.5%. Such decrease was primarily attributable to a reduction in the holding of certain residual interests in financial trusts in connection with securitizations.

The average rate of Other Interest-Earning Assets for the fiscal year ended December 31, 2010 was 4.85%, as compared to 5.17% for the fiscal year ended December 31, 2009, a 32 b.p. decrease. Such decrease was attributable to the concentration of transactions in Pesos rather than other currencies, since the average rate of other interest-earning assets in Pesos decreased by 104 b.p., from 6.47% to 5.43%, while the average rate in foreign currency increased 68 b.p., from 0.78% to 1.46%.

The financial income for the fiscal year ended December 31, 2010 included a Ps.76.3 million profit from fluctuations in foreign currency exchange rates. Such result was composed of a Ps.138.4 million gain from foreign exchange brokerage activities and a Ps.62.1 million loss from the valuation of the net position in foreign currency. The financial income for the fiscal year ended December 31, 2009 included a Ps.127.5 million profit from fluctuations in foreign currency exchange rates, representing mainly a Ps.127.1 million gain from foreign exchange brokerage.

**Financial Expenses**

Our financial expenses were composed of the following:

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Interest on Deposits	1,305.7	765.5	877.9
Notes	353.2	230.8	284.5
Contributions and Taxes	412.3	268.6	161.7
CER Adjustment	0.1	0.1	0.3
Other <sup>(1)</sup>	202.9	147.6	136.1
<b>Total</b>	<b>2,274.2</b>	<b>1,412.6</b>	<b>1,460.5</b>

(1) Includes accrued interest on liabilities resulting from financial brokerage with banks and international entities, premiums payable on repurchases and, only in fiscal year 2011, differences in the quotation of gold and foreign currency.

Fiscal Year 2011 Compared to Fiscal Year 2010

The financial expenses for the fiscal year ended December 31, 2011 were Ps.2,274.2 million, as compared to Ps.1,412.6 million for the fiscal year ended December 31, 2010, a 61.0% increase. Such increase was mainly attributable to a 40.0% increase in the average balance of interest-bearing liabilities combined with a 136 b.p. increase in the average cost thereof.

The average interest-bearing liabilities for the fiscal year ended December 31, 2011 were Ps.23,328.9 million, as compared to Ps.16,662.5 million for the fiscal year ended December 31, 2010, a 40.0% increase. Such increase was mainly attributable to the Ps.4,720.6 million increase in total interest-bearing deposits, which increased from Ps.13,078.6 million to Ps.17,799.2 million, a Ps.1,114.7 million increase in the average balance of debt securities, from Ps.2,276.1 million to Ps.3,390.8 million, and an increase of Ps.831.0 million in the average balance of Other Interest-Bearing Liabilities, from Ps.1,307.1 million to Ps.2,138.1 million.

The increase in the average balance of interest-bearing deposits was mainly attributable to an increase in Banco Galicia's deposits in savings accounts and time deposits. The decrease in the average balance of interest-bearing current accounts was due to the elimination of such accounts as from May 2010, pursuant to the Argentine Central Bank's regulations. Average transactional interest-bearing deposits increased 28.8%, while time deposits grew 39.9%.



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Regarding the total average interest-bearing deposits for the fiscal year ended December 31, 2011, Ps.3,716.8 million were Dollar-denominated deposits and Ps.14,082.4 million were Peso-denominated deposits, as compared to Ps.2,949.2 million and Ps.10,129.4 million, respectively, for the fiscal year ended December 31, 2010.

Considering only deposits from the private sector in current and savings accounts and time deposits, Banco Galicia's estimated deposit market share in the Argentine financial system was 9.06% for the fiscal year ended December 31, 2011, as compared to 8.60% for the fiscal year ended December 31, 2010, a 46 b.p. increase.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2011 was 7.35%, as compared to 5.86% for the fiscal year ended December 31, 2010, a 149 b.p. increase. Peso-denominated deposits for the fiscal year ended December 31, 2011 accrued at a 9.21% average interest rate, as compared to 7.45% for the fiscal year ended December 31, 2010, a 176 basis point increase. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2011 was 0.30%, as compared to 0.40% for the fiscal year ended December 31, 2010, a 10 b.p. decrease.

The average balance of debt securities for the fiscal year ended December 31, 2011 was Ps.3,390.8 million, as compared to Ps.2,276.1 million for the fiscal year ended December 31, 2010, a 49.0% increase. This increase was mainly attributable to the issuance of an aggregate principal amount of US\$300 million of notes by Banco Galicia on May 4, 2011, and by Tarjeta Naranja on January 28, 2011 for US\$200 million.

The average interest rate for debt securities for the fiscal year ended December 31, 2011 was 10.42%, as compared to 10.04% for the fiscal year ended December 31, 2010, a 38 b.p. increase.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2011 was Ps.2,138.1 million, with an average rate of 8.75%, as compared to Ps.1,307.1 million for the fiscal year ended December 31, 2010, with an average rate of 7.50%, a 63.6% increase in average balance and a 125 basis point increase in average rate, respectively. This item includes mainly Peso and Dollar-denominated debt with international banks and credit entities, and Peso and Dollar-denominated obligations in connection with repurchase agreement transactions of government securities. The Ps.831.0 million increase in the average balance was mainly attributable to the higher average balance of transactions with banks and international entities.

The average rate increase was related to transactions in Pesos, since the average rate increased 284 b.p., from 14.92% for the fiscal year ended December 31, 2010 to 17.76% for the fiscal year ended December 31, 2011, while the average rate in Dollars remained at similar levels in both fiscal years.

The financial expenses for the fiscal year ended December 31, 2011 included a Ps.4.1 million loss from fluctuations in foreign currency exchange rates. These financial expenses were composed of a Ps.138.4 million gain from foreign exchange brokerage activities and a Ps.142.5 million loss from the valuation of the net position in foreign currency. For the fiscal year ended December 31, 2010 the result from fluctuations in foreign currency exchange was positive. See *Financial Income Fiscal Year 2010 Compared to Fiscal Year 2009* above. In addition, financial expenses for fiscal year 2010 included a Ps.48.6 million loss from the result of forward transactions in foreign currency.

*Fiscal Year 2010 Compared to Fiscal Year 2009*

The financial expenses for the fiscal year ended December 31, 2010 were Ps.1,412.6 million, as compared to Ps.1,460.5 million for the fiscal year ended December 31, 2009, a 3.3% decrease. Such decrease was mainly attributable to a 107 b.p. decrease in the average cost of funds, partially offset by a 4.6% increase in the average balance of interest-bearing liabilities.

The average interest-bearing liabilities for the fiscal year ended December 31, 2010 were Ps.16,662.5 million, as compared to Ps.15,923.4 million for the fiscal year ended December 31, 2009, a 4.6% increase. Such increase was attributable to the Ps.1,384.9 million increase in total interest-bearing deposits, which rose from Ps.11,693.7 million to Ps.13,078.6 million, partially offset by a Ps.453.8 million decrease in the average balance of debt securities from Ps.2,729.9 million to Ps.2,276.1 million and a decrease in Other Interest-Bearing Liabilities from Ps.1,499.2 million to Ps.1,307.1 million.

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The increase in the average balance of interest-bearing deposits was mainly attributable to the increase of the deposits in Argentina in savings accounts and time deposits. The decrease in the average balance of interest-bearing current accounts was due to the elimination of such accounts by the Argentine Central Bank. Taking into consideration the final balances of total deposits in Argentina, such increases totaled Ps.5,214.3 million or 30.5% for the fiscal year ended December 31, 2010 as compared to an increase of Ps.3,074.5 million for the fiscal year ended December 31, 2009.

Average savings and current account deposits increased 31.1% for the fiscal year ended December 31, 2010, as compared to 14.7% for the fiscal year ended December 31, 2009, while time deposits increased 15.7% and 9.2% during such time periods, respectively, which allowed for an improvement in the structure of interest-bearing deposits. Excluding those from CFA, said deposits amounted to Ps.21,975.9 million, as compared to Ps.17,083.3 million for the fiscal year ended December 31, 2009, a 28.6% increase.

Regarding the total average interest-bearing deposits for the fiscal year ended December 31, 2010, Ps.2,949.2 million were Dollar-denominated deposits and Ps.10,129.4 million were Peso-denominated deposits, as compared to Ps.2,841.4 million and Ps.8,852.3 million, respectively, for the fiscal year ended December 31, 2009.

Considering only deposits from the private sector in current and savings accounts and time deposits, Banco Galicia's estimated deposit market share in the Argentine financial system was 8.45% for the fiscal year ended December 31, 2010, as compared to 8.07% for the fiscal year ended December 31, 2009, a 38 b.p. increase. Including CFA's deposits, the market share reached 8.60% as of December 31, 2010.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2010 was 5.86%, as compared to 7.53% for the fiscal year ended December 31, 2009, a 168 b.p. decrease. Peso-denominated deposits (including those adjusted by CER) for the fiscal year ended December 31, 2010 accrued at a 7.45% average interest rate, as compared to 9.74% for the fiscal year ended December 31, 2009, a 229 b.p. decrease. This decrease was experienced by the Argentine market as a whole in 2010. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2010 was 0.40%, as compared to 0.67% for the fiscal year ended December 31, 2009, a 27 b.p. decrease. This decrease was mainly attributable to the fluctuations in international interest rates.

The average balance of debt securities for the fiscal year ended December 31, 2010 was Ps.2,276.1 million, as compared to Ps.2,729.9 million for the fiscal year ended December 31, 2009, a 16.6% decrease. This decrease was mainly attributable to a net reduction in the year end balance of Banco Galicia's outstanding notes. Such reduction resulted from amortizations and the redemption of notes due 2014 for an outstanding principal amount of US\$102.3 million and the capitalization of the subordinated notes due 2019 owned by Grupo. Such reduction was partially offset by the increase in the Dollar exchange rate from December 31, 2009 to December 31, 2010.

The average rate for debt securities for the fiscal year ended December 31, 2010 was 10.04%, as compared to 8.22% for the fiscal year ended December 31, 2009, a 182 b.p. increase. Such increase was mainly attributable to changes in the bond portfolio, which are set forth in detail below.

The average interest rate for the fiscal year ended December 31, 2009 was favorably affected by a Ps.68.6 million profit derived from the repurchase of Banco Galicia's notes due 2014 for a face value of US\$82.4 million. Had we not repurchased such notes, the average interest rate for debt securities would have increased to 10.73%.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2010 was Ps.1,307.1 million, with an average rate of 7.50%, as compared to Ps.1,499.2 million for the fiscal year ended December 31, 2009, with an average rate of 7.34%, a 12.8% decrease in average balance and a 16 b.p. increase in average rate, respectively. This item includes mainly Dollar-denominated debt with international banks and credit entities, and Dollar-denominated obligations in connection with repurchase agreement transactions of government securities. The Ps.192.1 million decrease in the average balance was mainly attributable to the lower average balance of repurchase agreement transactions.

The average rate increase was related to transactions in Pesos, since the average rate increased 65 b.p., from 14.27% for the fiscal year ended December 31, 2009 to 14.92% for the fiscal year ended December 31, 2010, while the average rate in Dollars decreased 168 b.p., from 4.83% for the fiscal year ended December 31, 2009 to 3.15% for the fiscal year ended December 31, 2010.

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For the fiscal year ended December 31, 2010, financial expenses included a Ps.48.6 million loss from the result of forward transactions in foreign currency. In fiscal year 2009, such loss amounted to Ps.24.0 million.

### ***Net Financial Income***

#### ***Fiscal Year 2011 compared to Fiscal Year 2010***

Net financial income for the fiscal year ended December 31, 2011 was Ps.3,743.5 million (including Ps.658.1 million from CFA), with a corresponding financial margin of 11.72%, as compared to Ps.2,202.2 million for the fiscal year ended December 31, 2010 (including Ps.282.2 million from CFA), with a corresponding financial margin of 10.02%, a Ps.1,541.3 million increase and a 170 basis point increase, respectively. Including financial income from security margins of repurchase agreement transactions, net financial income amounted to Ps.3,795.7 million and Ps.2,219.4, respectively.

The increase in net financial income for the fiscal year ended December 31, 2011 was mainly attributable to a significant increase in the volume of activity with the private sector, a higher average spread and the increase recorded in non interest-bearing liabilities.

#### ***Fiscal Year 2010 compared to Fiscal Year 2009***

Net financial income for the fiscal year ended December 31, 2010 was Ps.2,202.4 million (including Ps.282.2 million from CFA), with a corresponding financial margin of 10.02%, as compared to Ps.1,545.1 million for the fiscal year ended December 31, 2009, with a corresponding financial margin of 8.41%, a Ps.658.3 million increase and a 161 b.p. increase, respectively. Including financial income from security margins of repurchase agreement transactions, net financial income amounted to Ps.2,219.3 million and Ps.1,564.0 million, respectively, before the adjustment to the valuation of public sector assets (a Ps.4.1 million gain in the fiscal year ended December 31, 2009).

The increase in net financial income for the fiscal year ended December 31, 2010 was mainly attributable to a significant increase in the volume of activity with the private sector, a higher average spread and the increase recorded in non interest-bearing liabilities, together with the incorporation of net financial income from CFA.

### ***Provision for Losses on Loans and Other Receivables***

#### ***Fiscal Year 2011 compared to Fiscal Year 2010***

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2011 were Ps.843.4 million, as compared to Ps.551.5 million for the fiscal year ended December 31, 2010, a Ps.291.9 million increase. The non-accrual loan portfolio as a percentage of total loans decreased from 3.37% at the end of fiscal year 2010 to 2.63% at the end of fiscal year 2011, due to the credit recovery management and the increase in the total portfolio. During 2011, Banco Galicia established allowances for loan losses for Ps.820.1 million, 64.9% of which was related to the seasoning of the consumer portfolio, 10.9% to the commercial portfolio, 12.0% to the worsening of the macroeconomic variables and the remaining 12.2% to the increase in the portfolio in normal situation.

Likewise, the coverage of the non-accrual portfolio with allowances increased from 137.57% at fiscal year-end 2010 to 152.01% at fiscal year-end 2011.

Direct charges, net of recoveries, represented a gain of Ps.162.4 million. Charge-offs against allowances for loan losses were Ps.552.5 million.

#### ***Fiscal Year 2010 compared to Fiscal Year 2009***

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2010 were Ps.551.5 million, as compared to Ps.639.5 million for the fiscal year ended December 31, 2009, a Ps.88.0 million decrease. Such decrease was mainly attributable to the improvement in the credit quality of the loan portfolio due to favorable economic conditions. This figure included Ps.44.8 million corresponding to CFA.



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For more information on asset quality, see Item 4. Information on the Company-Selected Statistical Information-Amounts Past Due and Non-Accrual Loans and -Selected Statistical Information-Loan Loss Experience .

**Net Income from Services**

Our net income from services consisted of:

	Fiscal Year Ended December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
<b>Income From</b>					
Credit Cards	2,235.9	1,576.6	1,148.2	41.8	37.3
CFA	70.4	32.9		114.0	
Deposits Accounts	475.4	349.0	267.2	36.2	30.6
Cash Management	30.7	24.7	18.6	24.3	32.8
Safe Deposit Box	72.3	51.2	30.2	41.2	69.5
Services for Shipments	22.5	18.1	14.9	24.3	21.5
Financial Fees	54.9	56.7	50.1	(3.2)	13.2
Credit-related Fees	224.9	150.7	96.5	49.2	56.2
Check Collection	65.5	44.9	33.0	45.9	36.1
Collection Services (Taxes and Utility Bills)	52.2	36.9	25.7	41.5	43.6
International Trade	87.9	67.2	51.8	30.8	29.7
Other (1)	127.7	106.0	90.6	20.5	17.0
<b>Total Income</b>	<b>3,520.3</b>	<b>2,514.9</b>	<b>1,826.8</b>	<b>40.0</b>	<b>37.7</b>
<b>Total Expenses</b>	<b>1,068.6</b>	<b>733.0</b>	<b>515.9</b>	<b>45.8</b>	<b>42.1</b>
<b>Net Income from Services</b>	<b>2,451.7</b>	<b>1,781.9</b>	<b>1,310.9</b>	<b>37.6</b>	<b>35.9</b>

(1) Includes, among others, fees from investment banking activities, asset management, assets under custody and guarantees granted. Fiscal Year 2011 Compared to Fiscal Year 2010

Net income from services for the fiscal year ended December 31, 2011 was Ps.2,451.7 million, as compared to Ps.1,781.9 million for the fiscal year ended December 31, 2010, a 37.6% increase. Almost all items under net income from services recorded an increase, which was mainly attributable to the increase in the volume of transactions together with an increase in the price of certain services, in line with general financial market trends.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2011 was Ps.897.3 million, as compared to Ps.664.7 million for the fiscal year ended December 31, 2010, a 35.0% increase. Such increase was mainly attributable not only to the greater number of credit cards issued, but also to the greater average number of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those issued by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2011 was 1.9 million, as compared to 1.6 million for the fiscal year ended December 31, 2010, a 23.6% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2011 was Ps.1,454.1 million, as compared to Ps.979.6 million for the fiscal year ended December 31, 2010, a 48.4% increase. Such increase was mainly attributable to an increase in the purchases made during the fiscal year together with a greater number of issued credit cards. These Regional Credit Card Companies had issued 6.5 million credit cards as of December 31, 2011, as compared to 5.3 million credit cards as of December 31, 2010, a 19.7% increase.

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Total deposit accounts for the fiscal year ended December 31, 2011 were 2.2 million, as compared to 2.0 million for the fiscal year ended December 31, 2010, a 12.3% increase.

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Significant growth levels were achieved by Banco Galicia for the fiscal year ended December 31, 2011, particularly credit-related fees (49.2%), check collection (45.9%), collection services (41.5%), deposit accounts (36.2%) and international trade (30.8%) as compared to the fiscal year ended December 31, 2010.

Expenses from services for the fiscal year ended December 31, 2011 were Ps.1,068.6 million, as compared to Ps.733.0 million for the fiscal year ended December 31, 2010, a 45.8% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

*Fiscal Year 2010 Compared to Fiscal Year 2009*

Net income from services for the fiscal year ended December 31, 2010 was Ps.1,781.9 million, including Ps.14.7 million from CFA, as compared to Ps.1,310.9 million for the fiscal year ended December 31, 2009, a 35.9% increase. Excluding net income from services from CFA, the increase would have been 34.8%. All items under net income from services recorded a significant increase, which was mainly attributable to the increase in the volume of transactions, within a framework of business expansion, together with an increase in the price of certain services, in line with general financial market trends.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2010 was Ps.664.7 million, as compared to Ps.465.3 million for the fiscal year ended December 31, 2009, a 42.9% increase. Such increase was mainly attributable not only to the greater number of credit cards managed, but also to the greater average number of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those managed by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2010 was 1.6 million, as compared to 1.4 million for the fiscal year ended December 31, 2009, a 16.2% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2010 was Ps.911.9 million, as compared to Ps.682.9 million for the fiscal year ended December 31, 2009, a 33.5% increase. Such increase was mainly attributable to the increase in the purchases made during the fiscal year together with a greater number of credit cards managed. These Regional Credit Card Companies managed 5.3 million credit cards as of December 31, 2010, as compared to 4.6 million credit cards as of December 31, 2009, a 16.2% increase.

Total deposit accounts for the fiscal year ended December 31, 2010 were 2.0 million, as compared to 1.7 million for the fiscal year ended December 31, 2009, a 13.5% increase.

Significant growth levels were achieved by Banco Galicia for the fiscal year ended December 31, 2010, particularly safe deposit box (69.5%), credit-related fees (56.2%), collection services (43.6%), check collection (36.1%), international trade (29.7%), deposits accounts (28.7%) and financial fees (13.2%) as compared to the growth levels achieved mainly in safe deposit box (67.8%), collection services (31.8%), deposit accounts (25.4%), financial fees (19.3%) and international trade (12.4%), as compared to the fiscal year ended December 31, 2009.

Expenses from services for the fiscal year ended December 31, 2010 were Ps.733.0 million, as compared to Ps.515.9 million for the fiscal year ended December 31, 2009, a 42.1% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

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The following table sets forth the number of credit cards outstanding as of the dates indicated:

Credit Cards	December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(number of credit cards, except otherwise noted)</i>			<i>(percentages)</i>	
<b>Visa</b>	1,317,402	1,102,730	982,866	19.47	12.20
Gold	300,536	292,400	262,388	2.78	11.44
International	642,828	504,687	471,766	27.37	6.98
Domestic	162,515	164,120	189,626	(0.98)	(13.45)
Business	46,211	36,878	28,430	25.31	29.72
Corporate	2,421	1,718	1,130	40.92	52.04
Platinum	162,891	102,927	29,526	58.26	248.60
<b>Galicia Rural</b>	10,619	8,716	7,157	21.83	21.78
<b>American Express</b>	524,560	392,247	308,942	33.73	26.96
Gold	183,472	168,899	143,899	8.63	17.37
International	228,966	153,526	145,111	49.14	5.80
Platinum	112,122	69,822	19,932	60.58	250.30
<b>MasterCard</b>	96,644	72,738	57,276	32.87	27.00
Gold	26,918	24,613	19,452	9.36	26.53
MasterCard	68,951	47,186	36,670	46.13	28.68
Argencard	775	939	1,154	(17.47)	(18.63)
<b>Regional Credit Card Companies</b>	6,504,825	5,432,841	4,618,199	19.73	16.18
Local Brands	3,879,919	3,364,988	2,944,544	15.30	12.91
Visa	2,172,228	1,726,281	1,424,453	25.83	19.29
MasterCard	422,266	317,759	221,575	32.89	43.41
American Express	30,412	23,813	27,627	27.71	(13.81)
<b>CFA</b>	64,989	53,369		21.77	
Visa	53,761	38,834		38.44	
MasterCard	11,228	14,535		(22.75)	
<b>Total</b>	<b>8,519,039</b>	<b>7,062,641</b>	<b>5,974,440</b>	<b>20.62</b>	<b>17.09</b>

<b>Total Amount of Purchases (in millions of Pesos)</b>	<b>Ps. 38,207</b>	<b>Ps. 26,950</b>	<b>Ps. 18,142</b>	<b>41.77</b>	<b>48.55</b>
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**Administrative Expenses**

The following table sets forth the components of our administrative expenses:

	Fiscal Year Ended December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Salaries and Social Security Contributions	2,029.9	1,408.0	975.8	44.2	44.3
Property-related Expenses	217.1	162.5	136.1	33.6	19.4
Personnel Services	124.2	89.3	76.8	39.1	16.3
Advertising and Publicity	280.5	189.6	127.8	47.9	48.4
Amount Accrued in Relation to Directors and Syndics Compensation	16.5	11.4	8.6	44.7	32.6
Electricity and Communications	135.6	106.4	85.9	27.4	23.9
Taxes	298.6	190.7	139.3	56.6	36.9
Other	1,102.8	687.4	478.8	60.4	43.6

<b>Total</b>	<b>4,205.2</b>	<b>2,845.3</b>	<b>2,029.1</b>	<b>47.8</b>	<b>40.2</b>
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*Fiscal Year 2011 Compared to Fiscal Year 2010*

Administrative expenses for the fiscal year ended December 31, 2011 were Ps.4,205.2 million, as compared to Ps.2,845.3 million for the fiscal year ended December 31, 2010, a 47.8% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2011 were Ps.2,154.1 million, as compared to Ps.1,497.3 million for the fiscal year ended December 31, 2010, a 43.9% increase. Such increase was mainly attributable to the salary increase agreement with the unions in force since January 2011 and the 6.6% increase in the number of employees.

The remaining administrative expenses for the fiscal year ended December 31, 2011 were Ps.2,051.1 million, as compared to Ps.1,348.0 million for the fiscal year ended December 31, 2010, a 52.2% increase. Such increase was mainly attributable to a higher level of activity, to the geographic expansion of Banco Galicia and the Regional Credit Card Companies and to increased inflation during such period.

**Table of Contents***Fiscal Year 2010 Compared to Fiscal Year 2009*

Administrative expenses for the fiscal year ended December 31, 2010 were Ps.2,845.3 million, including Ps.148.5 million from CFA, as compared to Ps.2,029.1 million for the fiscal year ended December 31, 2009, a 40.2% increase. Such increase was mainly attributable to the increase in personnel expenses related to salary increases, a 10.2% staff increase and the incorporation of CFA. The remaining administrative expenses increased following the trend of the financial system within an inflationary context.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2010 were Ps.1,497.3 million, as compared to Ps.1,052.6 million for the fiscal year ended December 31, 2009, a 42.2% increase. Such increase was mainly attributable to the incorporation of CFA and Ps.66.9 million in expenses associated with such acquisition, the salary increase agreement with the national bank employee union in force since January 2010 and the 10.2% increase in number of employees. The remaining administrative expenses for the fiscal year ended December 31, 2010 were Ps.1,348.0 million, as compared to Ps.976.5 million for the fiscal year ended December 31, 2009, a 38.0% increase. Ps.81.6 million of this increase corresponded to CFA. Such increase was mainly attributable to a higher level of activity, to the geographic expansion of Banco Galicia and the Regional Credit Card Companies and to increased inflation during the period.

***Income/(Loss) from Equity Investments****Fiscal Year 2011 compared to Fiscal Year 2010*

Income from equity investments for the fiscal year ended December 31, 2011 was Ps.132.7 million, as compared to Ps.62.1 million for the fiscal year ended December 31, 2010, a Ps.70.6 million increase. Such increase was mainly attributable to the Ps.118.7 million amortization of the negative goodwill stemming from the acquisition of CFA and Cobranzas y Servicios for the fiscal year ended December 31, 2011, as compared to 51.7 million for the fiscal year ended December 31, 2010, a Ps.67.0 million increase. The variation is the result of the fact that CFA was only included on Banco Galicia's balance sheet for the second half of 2010.

*Fiscal Year 2010 compared to Fiscal Year 2009*

Income from equity investments for the fiscal year ended December 31, 2010 was Ps.62.1 million, as compared to Ps.11.3 million for the fiscal year ended December 31, 2009, a Ps.50.8 million increase. Such increase was mainly attributable to the Ps.51.7 million amortization of the negative goodwill stemming from the acquisition of CFA, which is required to be amortized in 60 months using the straight-line method, in accordance with regulations of the Argentine Central Bank.

***Miscellaneous Income/(Loss), Net****Fiscal Year 2011 compared to Fiscal Year 2010*

Miscellaneous net income for the fiscal year ended December 31, 2011 was Ps.752.5 million, as compared to Ps.122.0 million for the fiscal year ended December 31, 2009, a Ps.630.5 million increase.

Excluding profits from security margins of repurchase agreement transactions of Ps.52.2 million, which are of a financial nature, net miscellaneous income for the fiscal year ended December 31, 2011 was Ps.700.3 million, as compared to Ps.104.8 million, also excluding the above-mentioned financial income of Ps.17.2 million, for the fiscal year ended December 31, 2010, a Ps.595.5 million increase. The variation in results between the two periods was mainly due to: i) higher operating results from the insurance companies for Ps.140.9 million, ii) the higher recovered loans and punitive interest of Ps.107.4 million and iii) the absence of the Ps.281.0 million loss from the accelerated amortization of the total amount of deferred losses from *amparo claims*, recorded in the fiscal year ended December 31, 2010.

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### *Fiscal Year 2010 compared to Fiscal Year 2009*

Miscellaneous net income for the fiscal year ended December 31, 2010 was Ps.122.0 million, including a gain of Ps.37.0 million from CFA, as compared to Ps.233.1 million for the fiscal year ended December 31, 2009, a Ps.111.1 million decrease.

Excluding profits from security margins of repurchase agreement transactions of Ps.17.2 million, which are of a financial nature, net miscellaneous income for the fiscal year ended December 31, 2010 was Ps.104.8 million, as compared to Ps.210.1 million, also excluding the above-mentioned financial income of Ps.23.0 million, for the fiscal year ended December 31, 2009, a Ps.105.2 million decrease. The variation in results between the two periods was mainly due to: i) the decision to accelerate amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million in comparison to the year 2009 (Ps.109.3 million), and ii) the revenue, in fiscal year 2010, of Ps.85.5 million resulting from the early cancellation of the foreign denominated financial loan and the absence of the Ps.12.7 million profit from the sale by Galicia Warrants of its Silos plant in San Salvador, in the province of Entre Rios recorded in 2009. These results were offset by : i) the lower net provisions for Ps.45.1 million in comparison to the year 2009, ii) the higher recovered loans of Ps.67.3 million and iii) the higher punitive interest of Ps.19.0 million.

### ***Income Tax***

#### *Fiscal Year 2011 compared to Fiscal Year 2010*

The income tax charge for the fiscal year ended December 31, 2011 was Ps.753.9 million, as compared to Ps.258.2 million for the fiscal year ended December 31, 2010, a Ps.495.7 million increase. Such increase was mainly attributable to the fact that during 2011 Banco Galicia consumed all the tax loss carryforward with taxable income and as a consequence began to accrue the income tax charge, which for the fiscal year ended December 31, 2011 amounted to Ps.325.7 million.

Such tax charges for the fiscal year ended December 31, 2010 mainly corresponded to Tarjetas Regionales consolidated with its operating subsidiaries in the amount of Ps.188.9 million and to CFA in the amount of Ps.51.2 million.

#### *Fiscal Year 2010 compared to Fiscal Year 2009*

The income tax charge for the fiscal year ended December 31, 2010 was Ps.258.2 million, as compared to Ps.156.0 million for the fiscal year ended December 31, 2009, a Ps.102.2 million increase. Such increase was mainly attributable to the increase in the profit before tax of Tarjetas Regionales and to the incorporation of CFA. Such tax charges for the fiscal year ended December 31, 2010 mainly corresponded to Tarjetas Regionales consolidated with its operating subsidiaries in the amount of Ps.188.9 million, to CFA in the amount of Ps.51.2 million, to Sudamericana in the amount of Ps.16.3 million and Ps.1.2 million, Ps.0.8 million and Ps.0.6 million to Galicia Warrants, Galicia Administradora de Fondos and Galicia Valores, respectively.

## **U.S. GAAP and Argentine Banking GAAP Reconciliation**

### ***General***

We prepare our financial statements in accordance with Argentine Banking GAAP. The more significant differences between Argentine Banking GAAP and U.S. GAAP relate to the determination of the allowance for loan losses, the carrying value of certain government securities and receivables for government securities, the accounting of Banco Galicia's foreign debt restructuring and recognition of deferred income taxes. For more detail on differences in accounting treatment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011, see Note 35 to our consolidated financial statements.

### **Allowances for Loan Losses**

With respect to the determination of the allowance for loan losses, we follow the rules of the Argentine Central Bank. Under these rules, reserves are based on minimum reserve requirements established by the Argentine Central Bank. U.S. GAAP requires that an impaired loan be generally valued at the present value of expected future cash flows discounted at the loan's effective rate or at the fair value of the collateral if the loan is collateral dependent. For the purposes of analyzing our loan loss reserve under U.S. GAAP, we divide our loan portfolio into performing and non-performing commercial and consumer loans.





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The following table shows the allowance for loan losses for the periods indicated under Argentine Banking GAAP and U.S. GAAP and the corresponding shareholders' equity adjustment under U.S. GAAP:

	December 31, 2011	December 31, 2010 <i>(in millions of Pesos)</i>	December 31, 2009
Argentine Banking GAAP	1,300.6	870.2 <sup>(1)</sup>	815.9
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	40.5	61.6	64.8
ASC 450	1,239.0	743.1	687.5
<b>U.S. GAAP Shareholders' Equity Adjustment<sup>(2)</sup></b>	<b>21.1</b>	65.5	63.6

(1) The balance does not include Ps.185,381 of CFA allowances for loan losses as of the acquisition date.

(2) Including qualitative and quantitative adjustments.

ASC 310 Analysis

The non-performing commercial loan portfolio is comprised of loans falling into the following classifications of the Argentine Central Bank:

With Problems

High Risk of Insolvency

Uncollectible

The following table shows our loan loss reserve under ASC 310 for our non-performing commercial loan portfolio as of the dates indicated.

	December 31, 2011	December 31, 2010 <i>(in millions of Pesos)</i>	December 31, 2009
Loan Loss Reserve Under U.S. GAAP			
ASC 310 Analysis	40.5	61.6	64.8

For such non-performing commercial loans, we applied the procedures required by ASC 310. For loans that were not collateral dependent, the expected future cash flows to be received from the loans were discounted using the interest rate at each balance sheet date for variable loans. Loans that were collateral dependent, and for which there was an expectation that the loan balance would be recovered via the exercise of collateral, were valued using the fair value of the collateral. In addition, in order to assess the fair value of collateral, we discounted collateral valuations due to the extended period of time that it can take to foreclose on assets in Argentina.

ASC 450 Analysis

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified.

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Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Many factors can affect Banco Galicia's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

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The increase in the allowances recorded under ASC 450 is mostly due to a higher volume of credit card and personal loans granted during 2011 and 2010 and the rise of the loan loss reserves migration ratios. The table below shows our loan loss reserve under ASC 450 for consumer and performing commercial loans as of the dates indicated.

	December 31, 2011	December 31, 2010	December 31, 2009
	<i>(in millions of Pesos)</i>		
Loan Loss Reserve Under U.S. GAAP ASC 450 Analysis	1,239.0	743.1	687.5

In addition to assessing the reasonableness of the loan loss reserve as described above, Banco Galicia makes an overall determination of the adequacy of each period's reserve based on such ratios as:

Loan loss reserves as a percentage of non-accrual loans,

Loan loss reserves as a percentage of total amounts past due, and

Loan loss reserves as a percentage of past-due unsecured amounts.

The table below shows the above-mentioned ratios as of the dates indicated.

	December 31, 2011	December 31, 2010	December 31, 2009
Loan Loss Reserves as a Percentage of Non-accrual Loans	202.23%	163.37%	108.37%
Loan Loss Reserves as a Percentage of Total Amounts Past Due	121.00%	116.04%	130.58%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	226.90%	189.79%	154.29%

The allowance for loan losses has increased approximately 59% during 2011 under US GAAP. This variation is due to an increase in the portfolio of loans to the private sector and to the qualitative approach reflecting current economic conditions, industry performance trends, geographic or obligor concentrations, within each portfolio segment required for smaller-balance impaired and unimpaired.

***Carrying Value of Certain Government Securities and Receivables for Government Securities***

As of December 31, 2011, our holding of Bonar 2015 Bonds have been recorded at their acquisition cost increased according to the accrual of their IRR under Argentine Banking GAAP.

Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

Under U.S. GAAP, all of these assets are carried at fair value as fully explained in Note 35 to our financial statements and -U.S. GAAP Critical Accounting Policies .

As of December 31, 2010 under Argentine Banking GAAP, our holdings of Boden 2012 Bonds, Bonar 2015 Bonds, securities issued by the Argentine Central Bank and Discount Bonds in Pesos were recorded in accordance with Argentine Central Bank valuation rules for public-sector assets. During 2010, Boden 2012 Bonds corresponding to the Compensatory Bond or Hedge Bond received and Discount Bonds in Pesos were sold. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the 2009 shareholders' equity adjustment previously recorded through other comprehensive income that are being realized and reversed through the income statement. Under U.S. GAAP, our holdings of Bonar 2015 Bonds and securities issued by the Argentine Central Bank were considered available for sale and carried at fair value.



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The table below shows the book value, market value and amortized cost of Bonar 2015 Bonds as of December 31, 2011 and 2010, respectively.

	December 31, 2011					December 31, 2010				
	Amortized	Book	Market	Unrealized	Shareholders	Amortized	Book	Market	Unrealized	Shareholders
	Cost	Value				Cost	Value			
<i>(In millions of Pesos)</i>	US	Argentine			Equity	US	Argentine			Equity
	GAAP	Banking	Value	(Loss)/Gain	Adjustment	GAAP	GAAP	Value	(Loss)/Gain	Adjustment
Bonar 2015 Bonds	555.1	779.7	849.2	294.1	69.5	527.9	642.1	726.6	198.7	84.5

**Foreign Debt Restructuring**

On May 18, 2004, we completed the restructuring of its foreign debt. As a result of this restructuring, we recorded a Ps.142.5 million gain under Argentine Banking GAAP.

For U.S. GAAP purposes, the restructuring is accounted for in each of two steps. The first step of the restructuring required the holders of our debt to exchange its old debt for new debt in two tranches. Pursuant to *Determining Whether a Debtor's Modification or Exchange of Debt Instruments* is within the scope of ASC 470 (ASC 820), we did not receive any concession from the holders of the debt and therefore, the first step of the restructuring was not considered a troubled debt restructuring. Pursuant to *Debtors Accounting for a Modification or Exchange of Debt Instruments* ASC 470-50, the first step of the restructuring was accounted for as a modification of the old debt and therefore we did not recognize any gain or loss. The second step of the restructuring offers the holders of our debt issued in the first step explained above the option to exchange it for new securities including cash, Boden 2012 Bonds and our equity shares. Pursuant to U.S. GAAP, this second step of the restructuring was accounted for in accordance with *Accounting by Debtors and Creditors for Trouble Debt Restructurings* ASC 310-40, as a partial settlement of the debt through the transfer of certain assets and equity at its fair value. After deducting the considerations used to repay the debt, ASC 310-40 requires the comparison of the future cash outflows of the restructured debt and the carrying of the debt at the restructuring date.

Gain on troubled debt restructuring is only recognized when the remaining carrying value of the debt at the date of the restructuring exceeds the total future cash payments of the restructured debt reduced by the fair value of the assets and equity given as payment of the debt. Since the total future cash outflows of the restructured debt exceeds the carrying value of the old debt, no gain on restructuring was recorded under U.S. GAAP.

As a result, under U.S. GAAP, the carrying amount of the restructured debt is greater than the amount recorded under Argentine Banking GAAP. Therefore, under U.S. GAAP, a new effective interest rate was determined to reflect the present value of the future cash payments of the restructured debt.

Furthermore, under U.S. GAAP, expenses incurred in a trouble debt restructuring are expensed as incurred. Expenses related to the issuance of equity were deducted directly from the shareholders' equity.

We repurchased part of the debt maturing in 2010 and 2014. In addition, notes were repaid in advance. For U.S. GAAP purposes, these transactions were considered as an extinguishment of debt. Therefore, the U.S. GAAP adjustment recorded in previous years related to the debt extinguished was reversed in 2010 and 2009 respectively, generating a gain of approximately Ps.34.5 million and Ps.20.5 million included in 2010 and 2009 U.S. GAAP net income reconciliation. During 2011, we have not repurchased any of our debt instruments.

**Securizations**

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2011 and 2010:

		2011		<i>(In millions of Pesos)</i>		As of December 31, 2010	
Book Value	Fair Value	U.S. GAAP	Book Value	Fair Value	U.S. GAAP	Book Value	Shareholders
Argentine	Book value	Shareholders	Argentine	Book value	Equity	Argentine	Equity

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	Banking GAAP	under U.S. GAAP	Equity Adjustment	GAAP	under U.S. GAAP	Adjustment
Galtrust I <sup>(1)</sup>	538.8	538.8		521.9	521.9	
Financial Trust Galicia <sup>(2)</sup>	121.5	22.0	(99.5)	96.3	36.2	(60.1)
<b>Total</b>	<b>660.3</b>	<b>560.8</b>	<b>(99.5)</b>	<b>618.2</b>	<b>558.1</b>	<b>(60.1)</b>

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**(1) Financial Trust Galtrust I**

The financial trust Galtrust I was created in October 2000 in connection with the securitization of provincial loans for a total amount of Ps.1,102 million. The securitized loans were from the portfolio of loans granted to provincial governments, guaranteed by the federal tax revenues shared with the provincial governments.

During 2002, the portfolio of loans included and the related retained interest in Galtrust I were subject to the pesification. As a result, the retained interest in the trust was converted into Pesos at an exchange rate of Ps.1.40 to US\$1.00 and the interest rate for their debt securities changed to CER plus 10%. During 2003, Galtrust I had swapped its provincial loans for Bogar Bonds.

Under Argentine Banking GAAP, this transaction was accounted for as sales and the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage, and its balance as of December 31, 2011 and 2010, was Ps.538.8 million and Ps.521.9 million, respectively.

As of December 31, 2011 and 2010, under Argentine Banking GAAP, we recorded certain reserves to adjust the equity method used to account for the residual interest in the trust, at its fair value.

As of December 31, 2011 and 2010, we applied new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for transfers of financial assets and consolidation of variable interest entities ( VIEs ).

The new guidance eliminates the concept of qualified special purpose entities ( QSPEs ) that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, we must evaluate all existing securitization trusts that formerly qualified as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

Insufficient equity investment at risk

Equity lacks decision-making rights

Equity with non-substantive voting rights

Lacking the obligation to absorb an entity's expected losses

Lacking the right to receive an entity's expected residual returns

Under the new guidance, the primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, we consider all facts and circumstances, including the role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.





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Under ASC 810-10-65, we should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. We must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in our financial statements as of January 1, 2010, as if ASU 2009-17 had been effective as of the date of our initial involvement with the financial trusts. Any difference between the net amount added (net assets of each financial trusts where we are primary beneficiary) from our balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings as of December 31, 2010.

For U.S. GAAP purposes, as of December 31, 2011 and 2010 the trust, a formerly qualified QSPE, was considered a variable interest entity. In accordance with ASC 810, we were deemed to be the primary beneficiary of this trust and, therefore, Banco Galicia reconsolidated the assets and liabilities of the mentioned trust. Upon consolidation, the Bogar Bonds were classified as available-for-sale securities and measured at fair value with changes recorded in other comprehensive income. Since the fair value of the residual interest in the trust recorded under Argentine Central Bank rules was determined based on the fair value of the Bogar Bonds, recorded as an asset in the trust, there is no difference in the measurement basis of the net assets held and recorded under Argentine Central Bank rules and U.S. GAAP. The only difference between both standards is that under U.S. GAAP, changes in the fair value of the Bogar Bonds are recorded in other comprehensive income, while under Argentine Banking GAAP, changes are recorded in the consolidated income statement.

**(2) Financial Trust Galicia**

Under this trust, Argentine government promissory notes in Pesos at 2% due 2014 for Ps.108.0 million were transferred and a certificate of participation and debt securities were received in exchange. Those Argentine government promissory notes were previously received in exchange of national secured loans held by us.

For Argentine Banking GAAP purposes, the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust. The cost of these securities was determined based on the book value of the promissory notes transferred.

This transfer was not considered a true sale for U.S. GAAP purposes, and therefore, it was recorded as a secured borrowing according to ASC 860. Therefore, we recognized in our consolidated balance sheet the promissory notes transferred to the financial trust.

Under U.S. GAAP, the promissory notes were classified as loans recorded at amortized cost with the corresponding loan loss reserve, as applicable. The U.S. GAAP adjustment is related to the difference between the cost basis used under both standards. For Argentine Banking GAAP, the cost was determined based on the carrying value of national secured loans previously hold and exchange for the promissory notes, while under U.S. GAAP, the cost was determined based on the fair value of each national secured loans transferred in exchange of the promissory notes received.

**Additional information required by U.S. GAAP**

The table below presents the aggregated assets and liabilities of the financial trusts which have been consolidated for U.S. GAAP purposes:

<i>(In millions of Pesos)</i>	As of December 31,	
	2011	2010
Cash and Due from Banks	Ps. 11.2	Ps. 11.6
Government Securities	961.0	1,009.2
Other Assets	0.1	1.1
<b>Total Assets</b>	<b>Ps. 972.3</b>	<b>Ps. 1,021.9</b>
Debt Securities	Ps.324.3	Ps.414.5
Certificates of Participation	647.8	604.7
Other Liabilities	0.2	2.7
<b>Total Liabilities</b>	<b>Ps. 972.3</b>	<b>Ps. 1,021.9</b>



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Our maximum loss exposure, which amounted to Ps.972.3 million and Ps.1,021.9 million as of December 31, 2011 and 2010, respectively, is based on the unlikely events that all of the assets in the VIE s become worthless and incorporates potential losses associated with assets recorded on our balance sheet.

**Other transfers of financial assets accounted for as sales under U.S. GAAP**

As of December 31, 2009, Banco Galicia has entered into different securitizations as described in Note 30 to the attached financial statements that were accounted for as sales under Argentine Banking GAAP. The transfers of financial assets related to the creation of certain trusts were considered sales for U.S. GAAP purposes under ASC 860 and for that reason debt securities and certificates retained by Banco Galicia are considered to be available for sale securities under U.S. GAAP.

As of December 31, 2010 these financial trusts had been liquidated. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reverse of the previous year s adjustments.

As of December 31, 2011 there are no financial trusts accounted for as sales under U.S. GAAP.

***Negative Goodwill Compañía Financiera Argentina and subsidiaries***

The Argentine Central Bank s board of directors, through Resolution No.124 dated June 7, 2010, authorized Banco Galicia to purchase 95% of the shares belonging to the following companies: CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.). Furthermore, through the above-mentioned resolution the Argentine Central Bank authorized the subsidiary Tarjetas Regionales to purchase the remaining 5% of the shares belonging to said companies.

The total purchase price paid amounted to Ps.328.3 million for CFA, Ps.0.8 million for Cobranzas y Servicios S.A. and Ps.4.8 million for Procesadora Regional S.A. (former Universal Processing Center S.A.).

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of June 30, 2010, a negative goodwill amounting to Ps.500.6 million was recorded by CFA and a negative goodwill of Ps.16.8 million was recorded by Cobranzas y Servicios S.A., both of which were recorded under the line item Liabilities-Provisions. With regard to Procesadora Regional S.A. (former Universal Processing Center S.A.), a goodwill amounting to Ps.4.0 million was recorded under Intangible Assets Goodwill. The negative goodwill is subsequently charged to Income on a straight-line basis during 60 months.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.) to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value.

Considering that the net assets acquired were originally recorded at their estimated fair value under Argentine Banking GAAP, no adjustments for U.S. GAAP purposes were recorded in this regard. However, the negative goodwill recorded as a liability and being amortized over a 60 months period under Argentine Banking GAAP, has been fully recognized as a gain in the consolidated statement of income for U.S. GAAP purposes under the caption Miscellaneous Income.

In addition, the amortization of negative goodwill recorded under Argentine Banking GAAP has been reversed for U.S. GAAP purposes.

As of December 31, 2011 and 2010 we had a balance of Ps.346,9 million and 465.6 million related to the negative goodwill.

**Table of Contents****Income Tax**

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and, therefore, income taxes for Banco Galicia are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, we and our non-bank subsidiaries apply the deferred income tax method.

For the purposes of U.S. GAAP reporting, we applied ASC 740-10 Accounting for Income Taxes. Under this method, income tax is recognized based on the assets and liabilities method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax basis of our assets and liabilities. Deferred tax assets are recognized if it is more likely than not those assets will be realized.

As of December 31, 2010 and 2009, we had tax loss carryforwards, which may reduce future years taxable income for income tax purposes. Such tax loss carryforwards have been consumed as of December 31, 2011.

In addition, according to the taxable income projections, we believe that it is more likely than not that it will recover the temporary differences and the presumed minimum income tax, with future taxable income and the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

Accounting for Uncertainty in Income Taxes, ASC 740-10 was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards ASC 740-10. ASC 740-10 became effective for us on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We classify income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on our overall financial position or results of operations.

**Summary**

As a result of the above and other differences, our net income and shareholders' equity under Argentine Banking GAAP and U.S. GAAP for the periods indicated were as follows:

	Net Income (Loss)		Shareholders' Equity (Deficit)	
	Argentine Banking GAAP	U.S. GAAP	Argentine Banking GAAP	U.S. GAAP
	<i>(in millions of Pesos)</i>			
Fiscal Year 2011	1,106.9	866.7	3,551.6	3,876.1
Fiscal Year 2010	408.9	2,293.6	2,469.5	2,997.1
Fiscal Year 2009	229.3	770.2	2,052.5	1,236.3

The significant differences that result between shareholders' equity under U.S. GAAP and shareholders' equity under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

Bonar 2015 Bonds are reflected at market values, with changes from market values at the time of exchange being recognized as other comprehensive income. With the improvement in the Argentine economy, market values have increased, with a favorable influence on our financial position.

The difference between the consideration transferred for the acquisition of Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, such difference was recorded in the line item Liabilities-Provisions. Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will be the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax. The significant differences that result between net income under U.S. GAAP and net income under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

The difference between the consideration transferred for the acquisition of CFA and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, the negative goodwill is charged to Income on a straight-line basis during 60 months.

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The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

**Results by Segments**

Our segment disclosures for the years ended December 31, 2011, 2010 and 2009 are presented on a basis that corresponds with our internal reporting structure, considering the banking business as one single segment that is evaluated regularly by our management in deciding how to allocate resources and in assessing performance of our business.

We measure the performance of each of our business segments primarily in terms of Net income, in accordance with the regulatory reporting requirements of the Argentine Central Bank. Net income and other information by segment are based on Argentine Banking GAAP and are consistent with the presentation of our consolidated financial statements.

Our segments are the following:

**Banking:** our banking business segment represents Banco Galicia consolidated line by line with Galicia Uruguay, Galicia Cayman and its subsidiaries and the results of other small banking-related subsidiaries.

**Regional Credit Cards:** our regional credit cards business segment represents the accounts of Tarjetas Regionales consolidated with its subsidiaries.

**CFA:** the CFA business segment primarily extends unsecured personal loans to low and middle-income segments of the Argentine population.

**Insurance:** our insurance business segment represents the accounts of Sudamericana and its subsidiaries.

**Other Grupo Businesses:** this segment includes the results of Net Investment, Galicia Warrants, GV Mandataria and Galval. Our results by segments are shown in Note 31 to our audited consolidated financial statements. Below is a discussion of our results of operations by segments for the years ended December 31, 2011, December 31, 2010 and December 31, 2009.

**Banking**

The table below shows the results of our banking business segment.

<i>In millions of Pesos, except percentages</i>	<b>As of December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net Financial Income	2,362.5	1,428.0	1,144.2
Net Income from Services	1,095.5	880.6	727.9
<b>Net Operating Revenue</b>	<b>3,458.0</b>	<b>2,308.6</b>	<b>1,872.1</b>
Provisions for Loan Losses	494.1	307.2	388.7
Administrative Expenses	2,302.4	1,693.1	1,321.8

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<b>Net Operating Income</b>	<b>661.5</b>	<b>308.3</b>	<b>161.6</b>
<b>Income from Equity Investments</b>			
Tarjetas Regionales SA	347.0	270.5	133.0
Compañía Financiera Argentina S.A. <sup>(*)</sup>	315.0	133.3	
Sudamericana	11.3	4.0	3.4
Others	17.7	13.7	13.1
<b>Income from Equity Investments</b>	<b>691.0</b>	<b>421.5</b>	<b>149.5</b>
<b>Other Income (Loss)</b>	<b>80.5</b>	<b>(260.6)</b>	<b>(139.3)</b>
<b>Pre-tax Income</b>	<b>1,433.0</b>	<b>469.1</b>	<b>171.8</b>
<b>Income Tax Provision</b>	<b>325.7</b>		
<b>Net Income</b>	<b>1,107.3</b>	<b>469.1</b>	<b>171.8</b>
<b>Net Income as a % of Grupo Financiero Galicia s Net Income</b>	<b>100%</b>	<b>115%</b>	<b>75%</b>
Average Loans	19,608.3	12,818.6	8,959.4
Average Deposits	25,146.8	18,112.0	14,765.9

(\*) Includes amortization of negative goodwill.

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This segment recorded Ps1,107.3 million net income for the fiscal year ended December 31, 2011, a Ps.638.2 million increase as compared to Ps.469.1 million for the fiscal year ended December 31, 2010, which in turn was Ps.297.3 million more than the Ps.171.8 million for the fiscal year ended December 31, 2009.

The increase in net income for the fiscal year ended December 31, 2011 was partially attributable to i) a significant increase in the volume of financial intermediation with the private sector and ii) an improved efficiency ratio, because the increase in net operating income was higher than the increase in administrative expenses, in each case as compared to the fiscal year ended December 31, 2010. In addition, net income for the fiscal year 2011 also included Ps.215.9 million which corresponded to CFA's income, as compared to Ps.83.6 million of CFA's income for the fiscal year ended December 31, 2010, as well as Ps.99.1 million corresponding to the amortization of the negative goodwill from the acquisition of such company, as compared to Ps.49.6 million for the fiscal year ended December 31, 2010, in each case due to the fact that CFA's income was included into Banco Galicia's balance sheet on July 1, 2010.

In addition, the increase in net income for the fiscal year ended December 31, 2011 was also the result of a Ps.1,149.4 million increase in net operating revenue, an increase in other income for Ps.331.9 million and a Ps.278.8 million increase in income from equity investments, in each case as compared to the fiscal year ended December 31, 2010. This increase was partially offset by an increase from the fiscal year ended December 31, 2010 to the fiscal year ended December 31, 2011 in administrative expenses in the amount of Ps.609.3 million, income taxes in the amount of Ps.325.7 million and provisions for loan losses in the amount of Ps.186.9 million. The increase in net income for the fiscal year ended December 31, 2010 was mainly attributable to the increase of Ps.436.5 million in net operating revenue, the Ps.272.0 million increase in income from equity investments and the decrease in provisions for loan losses of Ps.81.5 million, as compared to the fiscal year ended December 31, 2009. These variations were partially offset by an increase from the fiscal year ended December 31, 2009 to the fiscal year ended December 31, 2010 in both administrative expenses in the amount of Ps.371.3 million and in miscellaneous net losses in the amount of Ps.121.3 million.

Net income from services was Ps.1,095.5 million for the fiscal year ended December 31, 2011, as compared to Ps.880.6 million for the fiscal year ended December 31, 2010, a 24.4% increase, which was in turn 21.0% higher than the Ps.727.9 million for the fiscal year ended December 31, 2009. These increases, which were in line with the growth exhibited by the general Argentine financial market, can be mainly attributed to the significant growth in the volume of transactions together with the increase in the price of certain services.

Provisions for loan losses and other receivables were Ps.494.1 million for the fiscal year ended December 31, 2011 as compared to Ps.307.2 million for the fiscal year ended December 31, 2010, an increase of Ps.186.9 million. Such provisions for the fiscal year ended December 31, 2010, were Ps.81.5 million lower than those for the fiscal year ended December 31, 2009. The increase during the fiscal year ended December 31, 2011 was due to the increase in the size of the loan portfolio and the amount of provisioning for the non-accrual loan portfolio with allowances for loan losses. In the fiscal year ended December 31, 2011, default ratios were lower as compared to the fiscal year ended December 31, 2010. In turn, the decrease during the fiscal year ended December 31, 2010 was due to the improvement experienced by the loan portfolio within a favorable economic environment.



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Administrative expenses were Ps.2,302.4 million for the fiscal year ended December 31, 2011, as compared to Ps.1,693.1 million for the fiscal year ended December 31, 2010, representing a 36.0% increase. Such expenses for the fiscal year ended December 31, 2010 were 28.1% higher than the Ps.1,321.8 million for the fiscal year ended December 31, 2009. These increases were mainly attributable to higher personnel expenses and other administrative expenses.

For the fiscal years ended December 31, 2011 and 2010, the increases in personnel expenses (salaries, Argentine social security contributions and expenses related to personnel services), as compared to the previous fiscal year, were mainly attributable to the salary increase agreed upon with the union and an increase in Banco Galicia's staff, which increased 6.5% in the fiscal year ended December 31, 2011 and 3.1% in the fiscal year ended December 31, 2010. In addition, the increase in other administrative expenses was mainly attributable to the higher level of activity, the geographic expansion of Banco Galicia and the higher inflation rate during that period.

Income from equity investments was Ps.691.0 million for the fiscal year ended December 31, 2011 as compared to Ps.421.5 million and Ps.149.5 million for the fiscal years ended December 31, 2010 and 2009, respectively. The increase in income from equity investments for the fiscal year ended December 31, 2011 was mainly attributable to: i) the higher net income from CFA which was Ps.215.9 million for the fiscal year ended December 31, 2011 as compared to Ps.83.6 million for the fiscal year ended December 31, 2010 and ii) the amortization of the negative goodwill stemming from the acquisition of CFA and Cobranzas y Servicios since these profits amounted to Ps. 49.6 million in the fiscal year ended December 31, 2010, while they amounted to Ps.99.1 million in the fiscal year ended December 31, 2011. The variation was due to the fact that CFA was only included on Banco Galicia's balance sheet for the second half of 2010 and because of the increase that resulted from Banco Galicia's Ps.76.6 million equity investment in Tarjetas Regionales.

The increase in income from equity investments for the fiscal year ended December 31, 2010 was mainly attributable to: i) the incorporation in the third quarter of 2010 of the results of operations of CFA (net of results from transactions not involving third parties) into those of Banco Galicia, which during the second half of the fiscal year ended December 31, 2010 amounted to Ps.83.6 million, and the accrual of negative goodwill generated by the purchase of CFA in the amount of Ps.49.6 million and ii) the income that resulted from Banco Galicia's equity investment in Tarjetas Regionales of Ps.270.5 million.

Miscellaneous net income was Ps.80.5 million for the fiscal year ended December 31, 2011, as compared to miscellaneous net losses of Ps.260.6 million and Ps.139.3 million for the fiscal years ended December 31, 2010 and 2009, respectively. The gain for the fiscal year ended December 31, 2011 was mainly attributable to the financial income from margin requirements in connection with repurchase agreement transactions totaling Ps.52.2 million. The loss for the fiscal year ended December 31, 2010 was mainly attributable to the amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million and the loss for the fiscal year ended December 31, 2009 was mainly attributable to the amortization of deferred losses from *amparo claims* of Ps.109.3 million.

The income tax charge during the fiscal year ended December 31, 2011 was Ps.325.7 million, since Banco Galicia started to accrue this charge in this fiscal year.

**Regional Credit Cards**

The table below shows the results of our regional credit cards business segment.

<i>In millions of Pesos, except percentages</i>	<b>As of December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net Financial Income	701.6	503.4	375.5
Net Income from Services	1,571.1	1,040.1	737.0