

GRUPO FINANCIERO GALICIA SA

Form 20-F

June 29, 2010

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 28, 2010

**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, 2009
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 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:

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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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 S.A.;

Banco de Galicia y Buenos Aires S.A., our largest subsidiary, its wholly-owned subsidiaries Banco Galicia Uruguay S.A., (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 or the Bank except where otherwise noted);

Tarjetas Regionales S.A., a wholly owned subsidiary of the Bank, and its operating subsidiaries;

Sudamericana Holding S.A., and its subsidiaries;

Galicia Warrants S.A.;

Net Investment S.A.,

Galval Agente de Valores S.A.; 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 consolidated audited financial statements included in this annual report for a description of the differences between Argentine GAAP and Argentine Banking GAAP, and Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation and Note 35 to our consolidated audited 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, 2009.

In this annual report, references to US\$, US Dollars, and Dollars are to United States Dollars and references to Ps. Pesos are to Argentine Pesos. The exchange rate used in translating Pesos into US 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.3.7967, Ps.3.4537 and Ps.3.1510 per US\$1.00 as of December 31, 2009, December 31, 2008 and December 31, 2007, 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 US Dollars at the rates indicated or at any other rate.

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.

References to the Government are to the Argentine Federal Government unless otherwise indicated.

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.

In this annual report, we refer to the 2001-2002 crisis as the series of events that unfolded in Argentina between late 2001 and 2002, a period of great political, economic and social instability, with severe consequences for the Argentine economy by any variable used as a measure, including a banking crisis, and a material negative impact on financial institutions operating in Argentina, including us. The 2001-2002 crisis triggered a series of far reaching measures that produced structural changes in the Argentine economy and legal framework.

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Also, in this annual report, asymmetric pesification refers to the compulsory conversion in January 2002 of most Dollar-denominated assets and certain Dollar-denominated liabilities held by financial institutions operating in Argentina, into Peso-denominated assets and liabilities at different exchange rates. In addition, Compensatory Bond and Hedge Bond refer to the bonds that the Government issued to the Bank (as well as to other financial institutions), as compensation for the negative effects of the asymmetric pesification on the Bank's and other financial institutions financial condition. This is more fully described in Item 4. Information on the Company-Government Regulation-Compensation to Financial Institutions .

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 expectations 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 general political, legal, social or other conditions in Argentina;
- 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 regional, national and international business and economic conditions, including inflation;
- changes in government regulation, including tax regulations and changes in or failures to comply with banking or other regulations;
- 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 our main businesses;
- a change in the credit cycle and increased borrowers defaults;
- our inability to sustain or improve our performance;
- our inability to obtain additional debt or equity financing on attractive conditions or at all, which may limit our ability to fund existing operations and to finance new activities;
- technological changes, changes in consumer spending and saving habits, our inability to implement new technologies, 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.

The selected consolidated financial information as of December 31, 2009 and December 31, 2008 and for the fiscal years ended December 31, 2009, 2008 and 2007 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2007,

December 31, 2006 and December 31, 2005 and for the fiscal years ended December 31, 2006 and December 31, 2005 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,					
	2009	2009	2008	2007	2006	2005
<i>(in millions of US Dollars, except as noted)⁽¹⁾</i>	<i>(in millions of Pesos, except as noted)⁽¹⁾</i>					
<i>Unaudited</i>						
Consolidated Income Statement in Accordance with Argentine Banking GAAP						
Financial Income	791.6	3,005.6	2,559.3	1,997.9	2,229.8	2,398.6
Financial Expenses	384.7	1,460.5	1,421.0	1,246.7	1,851.6	1,845.9
Net Financial Income ⁽²⁾	407.0	1,545.1	1,138.3	751.2	378.2	552.7
Provision for Losses on Loans and Other Receivables	168.4	639.5	395.4	255.5	110.9	76.7
Income before Taxes	101.5	385.3	250.8	117.5	75.3	126.5
Income Tax	(41.1)	(156.0)	(74.0)	(71.5)	(94.2)	(19.3)
Net Income / (Loss)	60.4	229.3	176.8	46.0	(18.9)	107.2
Earnings / (Loss) per Share (in Pesos)	0.049	0.185	0.142	0.037	(0.015)	0.086
Cash Dividends per Share (in Pesos)						
Stock Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.435	1.653	1.487	1.333	1.296	1.310
Amounts in Accordance with U.S. GAAP						
Net Income / (Loss)	202.9	770.2	(1,171.0)	592.9	3,524.9	731.0
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	0.2	0.6	(0.9)	0.5	2.8	0.6
Book Value / (Deficit) per Share (in Pesos)	0.3	1.0	(0.6)	0.2	0.1	(1.7)
Financial Income	888.9	3,374.8	1,201.7	2,433.2	5,456.4	2,958.7
Financial Expenses	377.8	1,434.4	1,391.3	1,160.1	1,863.6	1,845.9
Net Financial Income / (Loss)	511.1	1,940.4	(189.6)	1,273.1	3,592.8	1,112.8
Provision for Losses on Loans and Other Receivables	138.9	527.3	450.1	203.4	160.3	113.5
Income Tax	(14.4)	(54.5)	50.9	(92.5)	(277.1)	19.3
Consolidated Balance Sheet in Accordance with Argentine Banking GAAP						
Cash and Due from Banks	973.6	3,696.3	3,405.1	2,960.0	2,294.8	1,041.2

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Government Securities, Net	1,029.1	3,907.2	1,531.8	1,693.0	3,188.3	5,967.4
Loans, Net	3,549.9	13,477.9	11,774.6	11,601.0	10,525.0	10,557.6
Total Assets	7,270.1	27,602.4	24,735.8	22,828.7	23,615.4	25,638.1
Deposits	4,488.0	17,039.4	14,056.1	13,165.6	10,779.4	8,421.7
Other Funds ⁽³⁾	2,241.6	8,510.5	8,834.0	8,008.6	11,227.5	15,589.6
Total Shareholders' Equity	540.6	2,052.5	1,845.7	1,654.5	1,608.5	1,626.8
Average Total Assets ⁽⁴⁾	6,501.8	24,685.3	23,412.5	21,332.4	24,614.5	24,238.1

**Percentage of Period-end Balance
Sheet Items Denominated in
Dollars:**

Loans, Net of Allowances	17.78	17.78	16.97	15.13	16.66	9.84
Total Assets	24.95	24.95	28.85	27.60	28.94	26.55
Deposits	18.16	18.16	16.98	15.53	14.13	15.55
Total Liabilities	27.73	27.73	32.47	32.84	30.41	25.81

**Amounts in Accordance with U.S.
GAAP**

Trading Securities	529.9	2,011.9	989.6	476.2	208.2	790.0
Available-for-Sale Securities	1,031.7	3,916.9	2,050.0	3,717.3	5,214.6	5,350.3
Total Assets	8,001.1	30,377.6	25,159.7	24,429.1	24,107.0	19,949.3
Total Liabilities	7,675.5	29,141.4	25,914.1	24,191.0	23,961.2	22,077.6
Shareholders' Equity (Deficit)	325.6	1,236.3	(754.4)	238.1	145.8	(2,128.3)

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	Fiscal Year Ended December 31,				
	2009	2008	2007	2006	2005
	<i>(in millions of Pesos, except as noted)⁽¹⁾</i>				
Selected Ratios in Accordance with Argentine Banking GAAP					
<i>Profitability and Efficiency</i>					
Net Yield on Interest Earning Assets ⁽⁵⁾	9.10%	5.72%	4.13%	1.21%	2.38%
Financial Margin ⁽⁶⁾	8.41	5.72	4.12	1.74	2.53
Return on Average Assets ⁽⁷⁾	1.12	0.91	0.37		0.59
Return on Average Shareholders' Equity ⁽⁸⁾	11.69	10.13	2.86	(1.15)	6.83
Net Income from Services as a Percentage of Operating Income ⁽⁹⁾	45.90	51.07	54.86	63.99	48.65
Efficiency ratio ⁽¹⁰⁾	71.05	76.57	77.29	92.80	72.56
<i>Capital</i>					
Shareholders' Equity as a Percentage of Total Assets	7.44%	7.46%	7.25%	6.81%	6.35%
Total Liabilities as a Multiple of Shareholders' Equity	12.45x	12.40x	12.80x	13.68x	14.76x
Total Capital Ratio	14.35%	13.92%	15.54%	15.03%	20.78%
<i>Liquidity</i>					
Cash and Due from Banks as a Percentage of Total Deposits	21.69%	24.23%	22.48%	21.29%	12.36%
Loans, Net as a Percentage of Total Assets	48.83	47.60	50.82	44.57	41.18
<i>Credit Quality</i>					
Past Due Loans ⁽¹¹⁾ as a Percentage of Total Loans	3.95%	2.87%	2.77%	2.38%	2.34%
Non-Accrual Loans ⁽¹²⁾ as a Percentage of Total Loans	4.77	3.49	3.14	2.58	3.50
Allowance for Loan Losses as a Percentage of Non-accrual Loans ⁽¹²⁾	118.64	123.11	114.05	117.16	111.90
Net Charge-Offs ⁽¹³⁾ as a Percentage of Average Loans	2.84	1.83	0.65	1.42	1.49
Ratios in Accordance with U.S. GAAP					
<i>Capital</i>					
Shareholders' Equity (deficit) as a Percentage of Total Assets	4.07%	(3.00)%	0.97%	0.60%	(10.67)%
Total Liabilities as a Multiple of Total Shareholders' Equity	23.57x	(34.35)x	101.61x	164.33x	(10.37)x
<i>Liquidity</i>					
Loans, Net as a Percentage of Total Assets	45.55%	49.59%	49.36%	40.10%	50.15%
<i>Credit Quality</i>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	108.37	141.34	132.13	168.58	139.49
<i>Inflation and Exchange Rate</i>					
Wholesale Inflation ⁽¹⁴⁾	10.04%	8.82%	14.56%	7.14%	10.69%
Consumer Inflation ⁽¹⁵⁾	7.69	7.24	8.47	9.84	12.33
Exchange Rate Variation ⁽¹⁶⁾ (%)	9.93	9.61	2.66	1.25	1.94
CER ⁽¹⁷⁾	6.95	7.97	8.50	10.08	11.75

The ratios disclosed above are considered significant for the Management 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, 2009 amounts into US Dollars was Ps.3.7967 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 and monetary loss from financial brokerage. It also includes the CER adjustment.*
- (3) *Includes primarily liabilities with other banks and international entities. Until December 31, 2006, debt with the Argentine Central Bank was also included.*
- (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 S.A 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 US Dollar.*

(17) *The CER is the Coeficiente de Estabilización de Referencia , an adjustment coefficient based on changes in the Consumer Price Index.*

Exchange Rate Information

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

	High	Exchange Rate⁽¹⁾		Period-End
		Low	Average^{(2) (3)}	
		<i>(in Pesos per US Dollar)</i>		
2005	3.0523	2.8592	2.9312 ⁽³⁾	3.0315
2006	3.1072	3.0305	3.0784 ⁽³⁾	3.0695
2007	3.1797	3.0553	3.1196 ⁽³⁾	3.1510
2008	3.4537	3.0128	3.1801 ⁽³⁾	3.4537
2009	3.8545	3.4497	3.7478 ⁽³⁾	3.7967
December 2009	3.8205	3.7920	3.8070	3.7967
January 2010	3.8230	3.7942	3.8042	3.8230
February 2010	3.8677	3.8310	3.8512	3.8598
March 2010	3.8763	3.8543	3.8627	3.8763
April 2010	3.8862	3.8682	3.8761	3.8862
May 2010	3.9268	3.8860	3.9020	3.9268

(1) *Using closing reference*

*exchange rates
as published by
the Argentine
Central Bank.*

(2) *Monthly
average of daily
closing
quotations,
unless otherwise
noted.*

(3) *Based on the
annual average
of the last day of
each month's
closing
quotation.*

As of June 24, 2010, the exchange rate was Ps.3.9300 for US\$1.00.

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Item 3.B. Capitalization and Indebtedness

Not applicable.

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 and Government intervention in the economy as well as market conditions may adversely affect Grupo Financiero Galicia's business and prospects.

Grupo Financiero Galicia's results of operations may be affected by inflation, fluctuations in the exchange rate, modifications in interest rates, changes in the Government's policies (among other, foreign investments or tax policies), social instability and other political, economic or international developments in Argentina or somehow affecting the country. It should be taken into account that in recent years the Government has exercised and currently exercises a marked influence on the Argentine economy.

In turn, Argentina's economy has been characterized in recent decades by a high level of instability and volatility, periods of low or negative growth and high and variable inflation and devaluation levels. During 2001 and 2002, Argentina went through a period of serious political, economic and social instability, leading to the default on Argentina's sovereign debt payments and the devaluation of the Argentine peso, after more than 10 years of fixed exchange rate parity with the dollar.

Therefore, the Government has enacted various broad scope laws and regulations which affect the economy in general and it cannot be assured that any change in the future, including the enacting of regulations by the Government or Argentine authorities, will not substantially and adversely affect the financial condition or the results of operations of private sector companies, including Grupo Financiero Galicia and its subsidiaries, or the rights of the holders of securities issued by such institutions or their value.

Despite the economic growth achieved during the last years, Argentina may, in the future, experience another economic recession with high inflation and unemployment rates. Consequently, a substantial adverse effect on the results of operations of Grupo Financiero Galicia and its subsidiaries could take place.

Inflation could increase and affect the economy and Grupo Financiero Galicia's financial condition.

Following the decision in January 2002 to abandon the fixed exchange rate regime set forth in the Convertibility Law, the devaluation of the peso had an effect on the domestic price system and generated inflation in 2002 after several years of price stability.

In recent months, some private analysts have warned of a rise in inflation, which, according to them, will not be demonstrated by the official information. During 2009, inflation according to the Consumer Price Index provided by the National Institute for Statistics and Censuses (INDEC) was 7.7% -in comparison with 7.2% for the previous year-, while according to private estimates, consumer prices registered a 16.3% growth and according to the Internal Wholesale Price Index (IWPI) there was an increase of 10.0%.

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General increases in salaries, public expenditure and the tariff settlement for public services may have a direct impact on inflation. Given the current uncertainties, it is not possible to assure that inflation will not increase or that the value of the peso will remain stable. In the past, inflation significantly undermined the Argentine economy and the Government's ability to create conditions that would permit growth. In addition, high inflation or high volatility in inflation rates would negatively and materially affect the level of economic activity and employment, and the financial system's volume of operations.

High inflation would also undermine Argentina's foreign competitiveness, with the same negative effect on the level of economic activity, employment, real salaries, consumption and interest rates. High volatility of economic variables and uncertainty would shorten contractual terms and would erode economic agents' planning and decision making capacity, affecting economic activity, especially financial system activity. An increase in inflation could affect the operations of Grupo Financiero Galicia's subsidiaries and, especially, the development of financial intermediation activities of Banco Galicia, its business, financial condition, results of operations and prospects.

Argentina's ability to obtain financing and attract direct foreign investment is limited, which could adversely affect the economy.

In the first half of 2005, Argentina restructured part of its sovereign foreign debt, which had been in default since late 2001. According to the Government, the exchange for the restructuring of said debt was accepted by 76% of creditors. However, holders of approximately US\$20 billion of the sovereign debt subject to the restructuring offer, mainly from the United States of America, Italy and Germany did not accept the exchange and some of them initiated litigation against Argentina (holdouts) and have requested the attachment of accounts of the Government abroad with different results.

In November 2009, the Argentine National Congress (*Congreso de la Nación Argentina*) approved a suspension until December 31, 2010 of the *lock law* (which ended the Argentina external debt exchange), which allowed Argentina to reopen the debt exchange with holdouts, thus those holders of securities that were not included in the exchange carried out in 2005 were entitled to exchange their securities for new debt securities. The exchange period started on May 3, 2010. The wholesale tranche closed on May 14, while the retail tranche closed on June 22, and according to the Government there was a 66% acceptance rate.

Additionally, the Government has issued a necessary and urgent decree ordering the transfer of a percentage of freely available reserves of the Argentine Central Bank for the payment of sovereign debt. As a result, certain judges of the City and State of New York have issued certain preliminary injunctions over the funds of the Argentine Central Bank deposited in financial institutions of the United States, impeding the transfer thereof. Notwithstanding the foregoing, new legal proceedings and new precautionary measures against Argentina could be brought in the future with respect to the holdouts, which could have a significant adverse effect on the Argentine economy.

On September 2, 2008, Argentina announced its intention to cancel its sovereign debt with the creditor nations of the Paris Club. The Paris Club announced its acceptance of such decision. As of the date of this report, the amount of the debt to be cancelled, terms, and extent of the representations of the parties are still unknown. Almost 70% of Argentina's debt with such forum is with Germany, Japan and Spain, but the Paris Club includes creditors such as the United States of America and other members of the Group of Eight. Failure to agree with the Paris Club could curb financing from multilateral financial institutions, which could adversely affect Argentina's economic growth and public finances, and, consequently, adversely affect Grupo Financiero Galicia's business, financial condition and results of operations.

In addition, foreign investors in various Argentine companies, including public utilities companies and a group of holders which did not participate in the debt restructuring, filed claims that amount up to over US\$20 billion with the International Center for Settlement of Investment Disputes (ICSID), alleging that the emergency measures adopted by the Government are inconsistent with the rules of fair and equal treatment set forth in the different bilateral investment treaties signed by Argentina. As of the date hereof, the ICSID has ordered the Government to pay an amount of US\$1 billion, plus interest and costs, on these claims. Also, regarding the same issue, and as of the date hereof, the United Nations Commission on International Trade Law (UNCITRAL) issued two awards against the Government to pay US\$240 million plus interest and costs. Recently, a group of bondholders who did not participate in the external public debt restructuring, submitted before the ICSID an arbitration request for the amount of US\$4.4 billion.

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Argentina's default on payments, the delay in completing the debt restructuring with holdout creditors, on the one hand, and the above-mentioned claims brought against the country, on the other hand, could hinder the fluid access to capital markets and flows of direct foreign investment by the Government and the country's private sector.

Consequently, the Government could lack sufficient financial resources to foster growth. Additionally, private sector investment, which is necessary for the same purposes, may not materialize due to the lack of financing.

If Argentina's ability to access financing from international capital markets and attract direct foreign investment is restricted, there is a risk that it may lack sufficient funds in order to restart the investment cycle and sustain an elevated level of economic growth. As a consequence, the country's fiscal condition could be affected, which could lead to higher inflation and could negatively affect the Government's ability to implement economic policies that would foster economic growth. Therefore, if a sustained growth cycle is not achieved, political, social and economic instability could occur. All of these events would have an adverse effect on the Argentine economic outlook, and, consequently, an adverse impact on Grupo Financiero Galicia's activities.

An excessive real appreciation of the peso could create a recession and renewed pressures on the foreign exchange market.

Currently, the Argentine Central Bank maintains a policy of intervention in the foreign exchange market, aiming at preventing sudden fluctuations in the national currency.

Nevertheless, a real significant increase of the peso would affect Argentina's competitiveness, substantially affecting exports, and this, in turn could prompt new recessionary pressures on the country's economy and a new imbalance in the foreign exchange market, which could prompt great volatility in the exchange rate.

Most importantly, in the short term, a significant appreciation of the real exchange rate could substantially reduce Argentine public sector's tax income in real terms, given the strong reliance on taxes on exports (withholdings). This could worsen the public sector's financial condition, likely prompting an increase in taxes or the printing of money to solve the issue. The latter would likely lead to higher inflation (see *Inflation could increase and affect the economy and Grupo Financiero Galicia's financial condition*), and both measures would prompt recessionary effects on the economy, and therefore in the results of Grupo Financiero Galicia.

An eventual future devaluation of the peso could adversely affect the Argentine economy and Grupo Financiero Galicia.

Following the significant devaluation in the first half of 2002, the peso has remained stable at approximately 3 pesos per dollar since early 2003, and as a consequence of the world financial and economic crisis and other aspects of the local political and economic context the peso underwent a gradual devaluation. As of mid-June 2010, the peso was valued at around 3.95 per dollar. It cannot be assured that in the future, and due to the different local and international circumstances, there will not be abrupt movements in the value of the peso.

Despite the positive effects of the real devaluation of the peso in 2002 on the competitiveness of certain sectors of the Argentine economy, the depreciation has had a far-reaching negative impact on the Argentine economy in general, as well as on businesses' and individuals' financial condition. The devaluation of the peso had a negative impact on the ability of Argentine businesses to honor their debt denominated in foreign currency, led to high inflation, strongly reduced real wages, had a negative impact on businesses whose activity was dependent on domestic market demand, such as public utilities and the financial industry. The government's ability to honor its foreign debt obligations was also negatively affected.

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If the peso were to devalue significantly, the related negative effects on the Argentine economy could repeat, with adverse consequences on Banco Galicia and Grupo Financiero Galicia's businesses, which could impair their ability to honor their obligations in foreign currency.

Argentina's economy and its goods and financial services markets and securities markets remain vulnerable to external shocks which could have an adverse effect on the country's economic growth and Grupo Financiero Galicia's prospects.

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other countries. Although said conditions vary from country to country, investor reactions to events occurring in one country may substantially affect capital flows to issuers and securities of markets in other countries, with similar characteristics, including Argentina. Argentina is viewed by the financial markets as being a high beta country, meaning that its domestic markets are highly sensitive to what happens in the international financial markets. In particular, during periods of high uncertainty in the international markets, entities generally choose to invest in high quality assets (flight to quality) to the detriment of emerging market assets. Lower capital inflows and declining prices in stock markets negatively affect the real economy of a country through higher interest rates or exchange rate volatility. In addition, foreign trade is another way through which the effects of the crisis are spread, as these transactions decrease in those countries which are going through a recession period, and, in turn, have an impact in the real economy of other countries, such as Argentina.

In the past, Argentina's economy was adversely affected by developments in other markets, such as, among others, the events that occurred in Mexico at the end of 1994 and the collapse of various Asian economies between 1997 and 1998. There is a risk that similar events may affect the Argentine economy in the future.

In addition, at the end of 2007 and in early 2008, the United States of America's economy started to show signs of weakness, stemming from the uncertainty provoked by the course of the world economy. The crisis in the subprime mortgage market in the United States of America spread quickly into other geographical regions, such as Europe, Asia and Latin America.

The volume of default on payments of mortgage loans in the subprime mortgage market in the United States increased dramatically due to the decrease in real property prices and higher interest rates. The considerable decrease in the value of financial products related to these subprime mortgage market loans initially led to the closing and bankruptcy of certain banks, which later turned into a general confidence and liquidity crisis in the international financial sector.

Given these events, long-term interest rates started to decrease from the second half of 2008. With the outbreak of the crisis in the international financial markets, central banks mainly focused on the potential negative effects on their economies. However, the dollar started to weaken reaching historically low values during 2007, when compared especially to a strengthened Euro, which reached levels of around US\$1.60 per Euro, which situation is currently reversed as a result of the dissemination to European markets of the lack of confidence in the system that began in the United States of America. During the crisis, the principal financial institutions in the world have suffered substantial losses, further increasing the lack of confidence in the international financial system. At the same time, various financial institutions have become insolvent, bankrupt or had to be rescued by their country's regulators or have merged with other institutions. Apart from the huge decreases in the world's principal stock exchanges to historic levels during 2008 and 2009, there have been, in the context of a decelerating world economy, strong fluctuations in the price of oil and an abrupt fall in the price of other commodities.

As a consequence of the financial and economic crisis, during 2008 and 2009 the world's major economies have entered into recessions or have shown a marked fall in their economic activities, which could trigger a less favorable or an unfavorable international environment for Argentina, forcing domestic economic policy adjustments by the Argentine Government, which adjustments could trigger a lower growth in the economy.

Certain market segments in which Grupo Financiero Galicia's subsidiaries participate are vulnerable to economic recessions like the one described in this section. This and other new recessions have slowed and may in the future slow the growth of such segments and, consequently, adversely affect the business of Grupo Financiero Galicia in these areas.

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The United States of America and the world's major economies have shown signs of recovery and confidence in the financial system during recent quarters. However, there are risks that may disrupt this process, since there persist high levels of indebtedness in the public and private sector, an unrecuperated credit market and high levels of unemployment in the developed economies.

In particular, in Europe the recovery appears to be weaker, and there are differences between each country. Doubts regarding the fiscal situation and solvency of certain members of the European Union (mainly Greece, Spain, Portugal and Ireland) have generated an increase in uncertainty and greater volatility in international financial markets. The 2008-2009 crisis led to a higher fiscal deterioration of these economies, which had already been showing significant structural deficits and indebtedness, and caused uncertainty regarding their ability to honor their debts.

The interruption of the recovery process of the developed economies, or the effects of the current crisis or a new economic and/or global financial crisis, could affect Argentina's economy, and, consequently, adversely affect the business of Grupo Financiero Galicia and its subsidiaries, including Banco Galicia, which could adversely affect their results and Grupo Financiero Galicia.

A decline in the international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth and on Grupo Financiero Galicia's prospects.

Argentina's financial recovery from the 2001-2002 crisis occurred in a context of price increases for Argentina's commodity exports, such as soy. High commodity prices have contributed to the increase in the Argentine exports since the third quarter of 2002 and to high Government tax revenues from export withholdings.

The prices of the commodities that Argentina exports, though still at high historical levels, have decreased as a consequence of the world crisis which might affect future export levels. Such occurrence would have a negative impact on the levels of Government revenues and the Government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the Government's reaction. Either of these results would adversely impact the prospects of the financial system and, therefore, of Grupo Financiero Galicia.

The foreign exchange market is subject to controls, which could adversely affect the ability and method in which Grupo Financiero Galicia and its subsidiaries repays its obligations denominated in a foreign currency.

Decree No. 1570/01, effective as of December 3, 2001, established certain restrictions on the manner in which foreign currencies are transferred abroad, prohibiting most ordinary foreign currency transfers abroad. Decree No. 1606/01 maintained the same provisions, but incorporated additional exceptions regarding the transfers of funds entering the country after December 3, 2001 to foreign countries.

Additionally, the Government issued Decree No. 616/05 (and supplementary regulations), which established new rules for capital movements into and from Argentina. Basically, this decree establishes that funds transferred into Argentina by residents and non-residents are subject to the deposit of a 30% reserve thereof, which must be deposited in dollars for one year in a local financial institution without bearing interest. Please note that regulations in force established certain exceptions to such deposit requirement. Moreover, the legislation provides that, subject to certain exceptions, the transfer of currency from Argentina to foreign accounts must be approved by the Argentine Central Bank, and establishes certain maximum amounts that individuals are allowed to acquire in the exchange market. For further information on these and other similar measures on foreign exchange controls, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market in this report.

It is not possible to assure you that the above-mentioned regulations will not be modified or to rule out that new regulations may be passed in the future maximizing or increasing even further restrictions for the inflow and outflow of foreign currencies in the local foreign exchange market. Those measures, as well as additional controls and/or restrictions, could adversely affect Grupo Financiero Galicia's ability to access the international capital markets and could impair Grupo Financiero Galicia's ability to pay principal and/or interest on its debt obligations in foreign currency, all of which could adversely affect Grupo Financiero Galicia's financial condition and results of operations. Investors resident or not resident of Argentina holding assets abroad should take special notice of these regulations on access to the foreign exchange market.

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High volatility in the regulatory framework could adversely affect the country's economy in general as well as financial institutions and Grupo Financiero Galicia and/or its subsidiaries

Argentine governments have historically exercised a significant influence over the economy, and financial institutions in particular have operated in a highly regulated environment in different periods. Since December 2001, the Argentine government has enacted numerous, far-reaching laws and regulations affecting the economy in general as well as financial institutions in particular. The laws and regulations currently governing the economy and the financial sector could change in the future.

Various parliamentary projects to reform the Financial Institutions Act are under study, but the scope of such possible amendments is uncertain, and the impact on Grupo Financiero Galicia and its subsidiaries' business is also uncertain. It is not possible to guarantee that future changes in the regulatory framework and government policies will not adversely affect the activities carried out by Grupo Financiero Galicia's subsidiaries, including Banco Galicia, and consequently, Grupo Financiero Galicia. The lack of a stable regulatory framework would impose significant restrictions on the financial system's activities and on Grupo Financiero Galicia's businesses, including Banco Galicia, and would cause uncertainty as regards Grupo Financiero Galicia's future financial condition and results of operations.

Foreign judgments may not be able to be normally enforced in Argentina

Grupo Financiero Galicia and most of its subsidiaries are companies incorporated under the laws of Argentina. Most of their shareholders, directors, members of the Supervisory Syndics' Committee, officers, and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina.

Under Argentine law, the enforcement of foreign judgments shall be allowed provided that the requirements in articles 517 to 519 of the National Code of Civil and Commercial Procedures are met or, if it is one of the powers reserved to the Provinces, the requirements in the local codes of procedure, and provided that the foreign judgment does not infringe the principles of public policy in Argentine law, as determined by the competent courts of Argentina.

As such, your ability to enforce a judgment of, among others, a US court against Grupo Financiero Galicia or its subsidiaries in Argentina may be limited.

Risk Factors Relating to the Argentine Financial System

The recovery of the financial system is dependent upon the ability of financial institutions, including Banco Galicia, to maintain and increase the confidence of depositors.

The measures implemented by the Argentine Government in late 2001 and early 2002, in particular the restrictions imposed on depositors to withdraw money freely from banks and the pesification and restructuring of their deposits, were strongly opposed by depositors due to the losses on their savings and undermined their confidence in the Argentine financial system and in all financial institutions operating in Argentina.

Although the financial system has seen a recovery in deposits (principally transactional deposits) since 2002, it cannot be assured that this trend will continue or that the deposit base of the Argentine financial system, including with Banco Galicia, will not be negatively affected in the future by adverse economic, social and political events. In turn, the rules and the decisions taken by the Government on the financial system may undermine the confidence of depositors. If such confidence in the financial system is affected once again, it will have a direct impact on the manner in which financial institutions, including Banco Galicia, conduct their business, basically, by affecting institutions' ability to operate as financial intermediaries.

Table of Contents***The negative consequences of the 2001-2002 crisis on the profile and activities of the financial system could not be completely overcome.***

During and after the 2001 and 2002 crisis, the Argentine financial system practically ceased acting as an intermediary between savings and credit. In the second half of 2002, deposits began to increase, and in 2004, credit began to increase. Even though after the 2001-2002 crisis, the financial depth in Argentina increased (measured by the ratio of the total financial system's private sector deposits and loans to gross domestic product), it is 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 12% of the Argentine gross domestic product (GDP) as of December 31, 2009, as compared to a maximum of approximately 23% at the end of 1999.

The depth of the crisis and its effect on the depositors' confidence in the financial system raise significant uncertainties as to the likelihood that the financial system will fully recover its ability to act as an intermediary between savings and credit, even more so in the current international environment.

In addition, although deposits in the financial system and in Banco Galicia have begun increasing again, most new deposits are either demand or short-term time deposits and the sources of medium- and long-term funding for financial institutions are currently limited, and have consisted, to a large extent, primarily since 2004, in the securitization of loan portfolios, which was negatively affected by the replacement of the retirement and pension system of the Retirement and Pension Fund Administrators (the AFJPs), which invested in loan securitization, by the Integrated Social Security System (*Sistema Integrado Previsional Argentino*) (SIPA), the new system administered by the National Social Security Administration (*Administración Nacional de la Seguridad Social*) (ANSES). Due to these reasons, as well as due to the characteristics of demand for credit, the expansion of credit through loans recorded since 2004 was based on short-term loans to individuals and companies.

For the financial system to be able to reach an adequate intermediation level and, at the same time, develop medium- and long-term credit without having to assume excessive risks in terms of maturity mismatches, the following would be required: (i) growth in deposits and loans to continue over time, (ii) the terms of assets and liabilities in the Argentine financial system to be extended, (iii) the public's confidence in the Argentine financial system to return to levels enabling the savings in Argentina or a substantial part thereof to be redirected to the financial system, and (iv) a process of sustained growth with macroeconomic and legal stability to be consolidated.

It cannot be assured that these trends will materialize and, even if they do, financial intermediation activities could not develop to the extent needed nor attain the necessary volume so as to allow an adequate income generation capacity by Argentine financial institutions, including Banco Galicia. Under these circumstances, 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.

The asset quality of financial institutions could deteriorate if the growth process is interrupted.

The portfolio quality started to deteriorate during 2008, which, although partly recuperated since the second half of 2009, it cannot be assured that the private sector portfolio will not continue to deteriorate.

Also, despite the Argentine Central Bank's measures to limit the financial system's exposure to the public sector, the assets of certain financial institutions currently are highly exposed to debt instruments of Argentina's public sector. Therefore, currently, the value of a large portion of the assets held by various Argentine financial institutions, as well as those institutions' income generation capacity, including Banco Galicia, is dependent, to a large extent, on the Argentine public sector's repayment capacity, which is dependent on, among others, the presence of a verifiable continuity in economic growth.

Table of Contents***Judgments against financial institutions relating to the pesification and rescheduling of deposits could deteriorate financial institutions profitability.***

As a consequence of the measures adopted by the Government in connection with the pesification of banking deposits originally denominated in dollars and the rescheduling thereof, since the beginning of 2002, a significant number of legal actions were initiated by individuals and legal institutions, mainly through protection claims (*acción de amparo* or *amparo* claims), against financial institutions, including Banco Galicia, on the basis that these measures violated constitutional and other rights. These claims resulted in appellate and lower courts ordering precautionary injunctions, requiring banks to reimburse the relevant dollar-denominated deposits, or their equivalent in pesos, at the then prevailing exchange rate for the free market first and later the single market. These rulings resulted in a significant withdrawal of deposits from the financial system and in significant losses for financial institutions, including Banco Galicia, as these institutions had to reimburse the deposits in Argentina, which had been pesified and rescheduled by the Argentine government (mostly dollar-denominated deposits before pesification), at market exchange rates, higher than the Ps.1.40 rate at which the deposits were pesified and recorded. Banco Galicia deferred these losses, as established by the Argentine Central Bank, and they must be amortized as from April 2003. The Government has not provided compensation to financial institutions for these losses and has expressed that it has no intention to do so. While the repayment schedule of Rescheduled Deposit Certificates (*Cedros*) expired in August 2005, and while there is a small amount of Rescheduled Deposits under *amparo* claims in the financial system, many of these claims are still pending and shall be determined during the following fiscal years, making it impossible to anticipate the final resolution of these cases. However, if judgments against financial institutions increased, including against Banco Galicia, additional losses would adversely impact the financial condition of financial institutions, including Banco Galicia.

The reform of the Integrated Pension and Retirement Benefits System could adversely affect the capital market evolution in Argentina.

Through the enactment of Law No. 26,425 in November 20, 2008, the Argentine National Congress approved the elimination of the capitalization system run by the AFJPs, which was absorbed and replaced by a single government run pension called SIPA. Among other measures, the law establishes that: (i) funds accumulated in the private retirement and pension system during the last fourteen years shall be administered by the ANSES and (ii) the retirement and pension system shall be public and citizens shall contribute to this new system.

The elimination of this system entails a significant change in the evolution of the local capital market and the Argentine financial system, since the AFJPs were an important factor within the group of institutional investors. Consequently, the ability to obtain financing through the capital market by Grupo Financiero Galicia and its subsidiaries could be affected.

Consumer protection laws may limit some of the rights afforded to Grupo Financiero Galicia and its subsidiaries.

Law No. 24,240, the Consumer Protection Law (the *Consumer Protection Law*) sets forth a series of rules and principles to protect consumers, including Banco Galicia's customers. The Consumer Protection Law was amended on March 12, 2008 in various aspects, namely: (i) the universe of people considered as consumers under the Consumer Protection Law was widened, (ii) the maximum fines applicable to suppliers violating this law was increased and the enforcement administrative authority was empowered to order any supplier to pay direct damages up to a maximum amount, (iii) the courts were entitled to sentence suppliers to pay *punitive damages* to consumers (such *punitive damages* not to exceed Ps.5 million, depending on the gravity of the event and other circumstances), and (iv) the ability of consumers' associations to bring class action law suits on behalf of an indeterminate universe of consumers' rights was regulated. Also, the Secretary of Domestic Commerce, under the Ministry of Economy and Production, was appointed as the national enforcement authority whereas the city of Buenos Aires and the provinces were to act as local enforcement authorities.

Grupo Financiero Galicia cannot assure you that court and administrative rulings arising from the new regulation previously mentioned or from measures adopted by other enforcement authorities will not increase in the future the degree of protection given to its debtors and other clients, or that such rulings will not favor the claims brought by consumers' groups or associations. This could hinder or prevent Grupo Financiero Galicia and its subsidiaries from collecting payments for services and financing provided, which could have an adverse effect on their results and

operations.

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Future limitations on creditors' rights in Argentina and on the ability to foreclose on certain guarantees and collateral may adversely impact financial institutions.

For the purpose of protecting debtors affected by the economic crisis, as of 2002, the Government passed various laws and regulations limiting temporarily the ability of creditors to foreclose on collateral and to exercise their rights pursuant to similar instruments upon the occurrence of a default by a debtor under a financing agreement. Such limitations have restricted Argentine creditors, such as Banco Galicia, from initiating actions and/or lawsuits to collect and recover on defaulted loans. In the event of an adverse economic environment or in other circumstances, the Government could pass new rules and regulations restricting the ability of creditors to enforce their rights pursuant to loan agreements, guarantees and similar instruments, with a negative effect on the financial system and the business of Grupo Financiero Galicia and its subsidiaries.

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine financial institutions. This massive withdrawal of deposits was largely due to the loss of confidence of depositors in the Argentine government's ability to repay its debts, including its debts within the financial system, and to maintain peso-dollar parity in the context of its solvency crisis.

To prevent a run on the U.S. dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows.

While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

In the event of a future shock, such as the failure of one or more banks or a crisis in depositor confidence, the Argentine government could impose further exchange controls or transfer restrictions and take other measures that could lead to renewed political and social tensions and undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth.

For additional information on our liquidity risk, see Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources .

Risk Factors Relating to Us

Part of Banco Galicia's assets is invested in debt instruments of the Argentine public sector.

As of March 31, 2010, the net global position of Banco Galicia in the Argentine public sector reached Ps.4,917 million, representing approximately 17.3% of its total assets and 2.2 times its shareholders' equity. Of this total, Ps.3,433 million corresponded to National Government securities while the remaining Ps.1,484 million were Argentine Central Bank debt instruments.

Banco Galicia's ability to honor its financial obligations could be adversely affected by the Argentine Government's payment capacity.

In addition, 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 an economy growth process sustainable in the long term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

Banco Galicia's public sector assets have been accounted for pursuant the Argentine Central Bank's valuation rules, which implies that their book value does not reflect market values.

It should be noted that Banco Galicia records its public sector assets according to the Argentine Central Bank's valuation rules. The book values of some of Banco Galicia's public sector assets are higher than their respective market value.

Therefore, Banco Galicia's financial condition does not reflect the adjustments to the market values of the above-mentioned assets. Future sales, exchanges of assets provided by National Government or the Argentine Central Bank where the received assets may have lower market values or arrangements of transactions carried out with these assets will reflect market conditions as of that moment, which could result in losses due to differences between the market and book value of said assets at such time.

Banco Galicia's net position in assets adjustable by the Resource Stabilization Coefficient (Coeficiente de Estabilización de Referencia) (CER) exposes it to real interest rate variation.

The amendments and modifications of Banco Galicia's assets and liabilities resulting from the Government measures to address the 2001-2002 economic crisis have created mismatches between its assets and liabilities in terms of currency, interest rate and terms. Currently, Banco Galicia has a net position in CER-adjustable assets (which index varies based on changes in consumer retail prices) that accrue a fixed interest rate on the adjusted principal. This position is funded by non-adjustable pesos-denominated liabilities, which bear market rates that are repriced mainly in the short term. This mismatch exposes the Bank to fluctuations in real interest rates, with an adverse impact on income if there is a significant increase in real interest rates paid on our peso-denominated liabilities, which occurs when the nominal interest rate increases more than the inflation rate.

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Increased competition and consolidation in the banking and financial industry could adversely affect Banco Galicia's operations.

If competition in the banking and financial sector increases as a result of the consolidation process in the industry, with the consequence of the creation of stronger and larger banks that may have more resources than Banco Galicia, this could reduce prices and margins and/or the volume of operations and market share, and therefore, the results of operations of Banco Galicia and other subsidiaries of Grupo Financiero Galicia could be adversely affected and consequently, Grupo Financiero Galicia's capacity to honor its debt.

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 and agreements, Banco Galicia has certain restrictions related to dividend distribution. Notwithstanding the fact that the repayment of Grupo Financiero Galicia's obligations could be afforded through other means, 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.

It could be difficult for Grupo Financiero Galicia and its subsidiaries to completely overcome all the negative residual effects of the 2001-2002 crisis.

The ability of Grupo Financiero Galicia and its subsidiaries to generate income was adversely affected by the 2001-2002 crisis, especially its ability to generate financial income. It is difficult to predict whether Grupo Financiero Galicia's subsidiaries will be able to maintain or increase their services and loans to the private sector, generating an increase in their financial income and income from services so that their net operating results exceed the losses originated during 2001-2002 crisis, in particular, and with respect to Banco Galicia, the amortization of *amparo* claims, the negative margin on their matched position in foreign currency resulting from the low yield of the Government bonds in dollars at a Libor interest rate, due in 2012 (the *Boden 2012*) and their exposure to government securities with market values lower than the book values.

Demand for fee-related products and services as well as for credit in Argentina depends mainly on the growth of the economy, for which reason the demand for financial products and credit could fail to increase to a sufficient extent or at the necessary pace.

Likewise, Grupo Financiero Galicia may not be able to sufficiently increase its business volume for operating income to exceed the losses. Also, lower economic growth could have a negative impact on asset quality and the losses associated with the loan portfolio. Therefore, Grupo Financiero Galicia may not be able to increase its operating results in the required amount or at the required pace in order to offset the losses, for which reason its final profitability and internal capital generation capacity could be negatively affected.

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Certain administrative proceedings started by tax authorities against financial institutions could generate losses to such institutions, including Banco Galicia.

Some 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 crisis, in particular, the asymmetric pesification. Although the final decision of these proceedings is uncertain, financial institutions, including Banco Galicia, could suffer material losses.

Grupo Financiero Galicia estimates and established reserves for credit risk and potential credit losses may prove to be inaccurate and/or insufficient, which may materially and adversely affect its financial condition and results of operations.

A number of our products expose us to credit risk, including consumer loans, commercial loans and other receivables. Changes in the income levels of Grupo Financiero Galicia's borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of Grupo Financiero Galicia's loan portfolio, causing Grupo Financiero Galicia to increase provisions for loan losses and resulting in reduced profits or in losses.

Grupo Financiero Galicia estimates and establishes reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans.

Grupo Financiero Galicia may not be able to timely detect these risks before they occur, or due to limited resources or available tools, Grupo Financiero Galicia's employees may not be able to effectively implement its credit risk management system, which may increase its exposure to credit risk.

Overall, if Grupo Financiero Galicia is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if its loan loss reserves are insufficient to cover future loan losses, Grupo Financiero Galicia's financial condition and results of operations may be materially and adversely affected.

In addition, the amount of Grupo Financiero Galicia's non-performing loans may increase in the future, including loan portfolios that Grupo Financiero Galicia may acquire through auctions or otherwise, maybe subject to the same credit risk as described above.

Changes in market conditions, and any risks associated therewith, could materially and adversely affect Grupo Financiero Galicia's financial condition and results of operations.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt and short-term borrowings. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

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 S.A., a holding company wholly owned by the Bank, we provide proprietary brand credit cards and consumer finance services throughout Argentina. Through Sudamericana Holding S.A. and its subsidiaries or

Sudamericana 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.27,602.4 million as of December 31, 2009.

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 Eighth Avenue, New York, New York 10011.

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2009. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

Galicia Uruguay, incorporated in Uruguay and currently not an operating financial institution;

Galval Agente de Valores S.A. or Galval, incorporated in Uruguay;

Galicia (Cayman) Ltd. or Galicia Cayman, incorporated in the Cayman Islands;

Tarjeta Naranja Dominicana S.A., incorporated in the Dominican Republic.

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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.

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.

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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 the Bank 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 the Bank'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 a 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 the Bank's debt restructuring, please see below.

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 the Bank's share issuance and subscribed for 93.6 million shares of the Bank. The consideration consisted of: (i) US\$102.2 million face value of negotiable obligations due 2014 issued by the Bank in May 2004, and (ii) cash. After the capital increase, Grupo Financiero Galicia held 94.66% of the Bank's shares, up from 93.60%. For more information on the Bank's capital increase, please see -Banco Galicia-Banco Galicia's 2007 Capital Increase .

As of December 31, 2009, the controlling percentage grew to 94.71% due to minor purchases in the Buenos Aires Stock Exchange (BASE).

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).

The Bank 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, the Bank's stock was listed on the BASE. The Bank's business and branch network increased significantly by the late 1950s and continued expanding in the following decades, after regulatory changes allowed the Bank to exercise its potential and gain a reputation for innovation, thereby achieving a leading role within the domestic banking industry.

In the late 1950s, the Bank 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 the Bank 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. 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, the Bank 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.

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As part of its growth strategy, in 1995, the Bank 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, the Bank 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, the Bank 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, the Bank tapped the international capital markets for both equity and debt. In June 1993, the Bank 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 the Bank'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, the Bank 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, the Bank initiated its Internet presence, which evolved into a full e-banking service for both companies and individuals.

At the end of 2000, the Bank 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, including on Banco Galicia, and on financial businesses as a whole 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 the Bank. The provision of services continued to develop, even further than prior to the crisis, and financial intermediation resumed progressively.

Beginning in May 2002, the Bank 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. The Bank 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, the Bank closed all of its operating units abroad or began to wind them down. In addition, the Bank: (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.

Together with the launching of the above-mentioned initiatives, the Bank began to normalize its activities, progressively restoring its customer relations and growing its business with the private sector. The Bank's deposit base began to increase in the second half of 2002 and loan origination picked up in late 2003. In parallel to the implementation of the above-mentioned initiatives, and while consistently expanding its business, the Bank undertook to progressively strengthen its balance sheet by (i) obtaining compensation from the Government for the negative effects of the asymmetric pesification, (ii) consistently reducing its high exposure to the public sector that was a legacy of the 2001-2002 crisis as well as (iii) reducing those liabilities incurred as a consequence of such crisis.

Between 2005 and 2007, the Bank significantly reduced its exposure to the public sector by, among others, using public-sector assets to repay in advance Argentine Central Bank debt and restructured foreign debt. In 2007, the Bank finalized the full repayment in advance of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis. In addition, in August 2007, the Bank repaid in full the negotiable obligations 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.

Table of Contents*Restructuring of the Foreign Debt of the Bank's Head Office in Argentina and its Cayman Branch*

On May 18, 2004, the Bank successfully completed the restructuring of US\$1,320.9 million of the debt of the Bank'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, 2009, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1.7 million. Based on the final amounts validly tendered, on May 18, 2004, the Bank 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 negotiable obligations 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 negotiable obligations 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 negotiable obligations due 2019 (referred to as the Subordinated Notes Due 2019 or the 2019 Notes) issued under an indenture.

As of December 31, 2009, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$556.3 million, US\$132.2 million lower than as of December 31, 2008 and US\$218.1 million lower than as of December 31, 2007, 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, the Bank's shareholders resolved to increase the Bank'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 the Bank'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 current and projected growth of the Bank's business volume with the private sector and the Argentine Central Bank's regulations establishing increasing capital requirements in respect of public-sector assets. See Item 4. Information on the Company-Selected Statistical Information-Regulatory Capital-Banco Galicia .

On July 27, 2007, we purchased 93,604,637 new shares through the exercise of our preemptive rights. During August 2007, the Bank 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 the Bank's shareholder's equity of Ps.493 million, of which Ps.466 million was an aggregate increase in the Bank'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 the Bank at a value lower than their book value.

Table of Contents***Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.***

In 1983, Banco Galicia Uruguay S.A. was established as a *Casa Bancaria*, a license that granted an offshore status, as an alternative service location for the Bank'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. At the date of this annual report, Galicia Uruguay is not engaged in any active business and its restructured debt (time deposits and negotiable obligations), has been repaid in full.

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 2009 the shareholders' equity of Galicia Uruguay amounted to Ps.56.2 million. Galicia (Cayman) Ltd. was established in 1988 in the Cayman Islands as another alternative service location for the Bank'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 90s, Banco Galicia made the strategic decision to target the non-bankarized 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, the Bank 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. The remaining stake remained in the hands of the founders of the company, who currently retain a minority interest. 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, the Bank 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, who currently retain a minority interest in the company. This company launched the Nevada Card in May 1996 in the city of Mendoza. Also in 1996, the Bank 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, the Bank 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, the Bank reorganized its participation in this business through Tarjetas Regionales S.A., a holding company wholly owned by Banco de Galicia y Buenos Aires S.A. 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 S.A. 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.

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As of December 31, 2009, Banco Galicia held 68.22% of Tarjetas Regionales S.A. while Galicia Cayman held the remaining 31.78%. Directly or indirectly, as of that date, the Bank held 80.0% of Tarjeta Naranja S.A., 60.0% of Tarjetas Cuyanas S.A., and 99.995% of Tarjetas del Mar S.A.

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, 2009, the regional credit card companies had more than 4.7 million cards outstanding in the aggregate and were the largest proprietary brand credit card operation in Argentina.

Sudamericana

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, the Bank 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. (property and casualty and life insurance), Galicia Retiro Compañía de Seguros S.A. (retirement insurance) and Sudamericana Asesores de Seguros S.A. (insurance broker).

Net Investment S.A.

Net Investment S.A. (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, the Internet, connectivity, and contents. The objective was to develop Banco Galicia's internet businesses, in the areas related to e-commerce among companies, individuals and government agencies, mobile-phone payment solutions, content and connectivity services, and electronic services for companies, aiming to generate and exchange synergies with Banco Galicia's operations.

On February 1, 2007, Tradecom Argentina -the only operating subsidiary of Net Investment was merged into Net Investment.

By the beginning of 2008, Net Investment began to make changes to both its institutional and product images in order to improve its market presence, look for new customers and retain its current clients. Net Investment focused on, among other objectives, improving its organizational structure in order to strengthen its strategic areas, so as to be able to take advantage of new business opportunities. The efforts made were not sufficient to reach the business volumes necessary to generate the resources needed to cover Net Investment's operating expenses for 2008. During 2009, Net Investment's Board of Directors decided to refocus its operations and reorganize its structure, based on the future activities and objectives. As of December 31, 2009, the company did not hold ongoing transactions and as of the date of this annual report, the Board of Directors of the company is analyzing different business alternatives.

Galicia Warrants S.A.

Galicia Warrants S.A. (Galicia Warrants) was founded in April 1993, when it obtained the authorization from the relevant authorities to store goods and issue certificates of deposit of goods and warrants under the provisions of Law No. 9,643. On August 30, 2001, we acquired 87.5% of the capital stock and voting rights of Galicia Warrants, Banco Galicia holds the remaining 12.5%.

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Galval

In January 2005, Galval Agente de Valores S.A. (Galval) was incorporated under the laws of Uruguay. This company operates in Montevideo s free trade zone and acts as stock broker in Uruguay. Grupo Financiero Galicia owns 100% of the voting shares of this company. Galval gradually started to operate in September 2005.

GV Mandataria

In March 2008, GV Mandataria de Valores S.A. (GV Mandataria) was incorporated with the purpose of carrying out securities related 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, small and medium sized companies (SMEs), and individuals.

Banco Galicia is one of the main banks within the Argentine financial system, and is a leading provider of financial services in Argentina. As per the information published by the Argentine Central Bank, as of December 31, 2009, the Bank ranked third in terms of assets and deposits and second in terms of its loan portfolio within private-sector banks. As of the same date, the Bank was also ranked first among private-sector domestic bank in terms of assets, loans and deposits. Its market share of private sector deposits and of loans to the private sector was of 7.81% and 7.67% respectively, as of the end of 2009. On a consolidated basis, as of the end of fiscal year 2009, Banco Galicia had total assets of Ps.28,355 million, total loans of Ps.14,041 million, total deposits of Ps.17,977 million, and its shareholders equity amounted to Ps.2,187 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 is comprised of 237 full service banking branches, located throughout the country, 1,431 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. The Bank s customer base reaches more than 1.6 million customers, who were comprised of mostly individuals but who also included more than 46,000 companies. The Bank 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.

For a breakdown of the Bank 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 includes the SMEs, Agriculture and Livestock Sector, Corporate, Capital Markets and Investment Banking, Public Sector and Foreign Trade Departments. The Wholesale Banking Division manages Banco Galicia s business transactions with companies, aimed at developing value-added financial solutions and services, focused on the optimization of the business process of companies from the different economic sectors, thus contributing both to their business development and their competitive growth.

Banco Galicia is firmly committed to meeting the needs of Argentina s economic activity, what is reflected in over 46,000 corporate customers and in the composition of Banco Galicia s total loan portfolio (without consolidation with Tarjetas Regionales S.A.), 62% of which corresponds to credit to the productive sector (43.4% to SMEs and the agriculture and livestock sector, and 18.6% to large companies and corporations).

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During the fiscal year 2009, Banco Galicia maintained its leading position in the SMEs and agriculture and livestock sectors, as well as a strong presence in the corporate segment.

Throughout its history of over 100 years, Banco Galicia has shown its commitment to the agriculture and livestock sector, building up a direct and close relationship with producers and the entities that group them, developing a tailor-made product and service offer and providing the professional and customized advisory services customers need.

Banco Galicia has a strong presence in the corporate segment, which is strengthened year after year thanks to the development of value-added solutions to meet the needs of this kind of companies, and the advisory services rendered by a team of professionals with considerable experience.

During the fiscal year, Banco Galicia unified the Middle-market Banking and the Large-corporations Banking areas. The different collection and payment services offered by Banco Galicia, designed to ease and optimize daily operations reducing times and costs, are highly appreciated by customers within this sector. During this fiscal year, *Cobranza Integrada Galicia* (Galicia Integrated Collections), *Pago a Proveedores* (Payment to Suppliers) and *Pago de Haberes* (Payroll Payments) are worth noting due to the increase in the volume of transactions thereof.

With eight Corporate Banking Centers distributed in the main business areas of Argentina, Banco Galicia offers solutions adapted to the problems of each region, meeting the demands of customers on site, within the socio-economic environment in which they operate, and decentralizing decisions from the Head Office.

Cobranza Integrada Galicia, a product highly valued by companies since it allows them to optimize their collection system, obtained the ISO 9001 Certification, what evidences the kind of work carried out to improve the quality of products and services.

As regards the commercial credit-card market, Banco Galicia strengthened its leading position by offering more benefits through its Galicia Business and Galicia Corporate credit cards, which are aimed at the SMEs and the large corporations segments, respectively.

Galicia Rural, the leading credit card within the agriculture and livestock sector, with an estimated 60% market share taking into account the specific cards of this sector, continued offering benefits aimed at financing all the supplies, goods and services needed by the rural sector, exclusive financing conditions: 0% interest rate and terms from 90 to 180 days for the purchase of seeds, agrochemicals, fertilizers, bulk liquefied gas, machines and services, among others.

Galicia Office is the corporate e-banking service. By means of Galicia Office, companies may, without any cost, 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 its checks portfolio and returned checks, request and ratify checkbooks, make transfers between their accounts and third party accounts at the Bank or any other Bank, make investments, consult their foreign trade operations, make payments to their employees with maximum security, renew its digital signature on line 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 companies subscribed thereto, which nowadays are more than 35,000. During the fiscal year 2009, over 52 million queries and 2.1 million transactions were recorded.

As regards direct payroll deposits, the volume of transactions exceeded by 42% the figure recorded in 2008. As regards foreign trade, the amount of transfers abroad and payment orders processing exceeded by 35% the figure recorded the previous fiscal year.

Capital Markets and Investment Banking

The capital market activity is focused on corporate debt transactions and, to a lesser extent, on financial trusts. Also, Banco Galicia contributes to the optimization of the affiliated companies financing strategy.

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Non-Financial Public Sector

During the fiscal year 2009, 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 deposit.

The interest in such offered services shown by the municipal sector places Banco Galicia in a good position to continue doing business in fiscal year 2010.

Foreign Trade

During 2009, trade transactions totaled US\$7,673 million, thus increasing the market share from 6.6% to 8.0%.

It is worth noting that Galicia Comex, the first Internet portal specialized in foreign trade in the Argentine financial system, is increasingly being used by customers as a source of information and consultation. From Galicia Comex, customers may access valuable information for their activity, such as tools, key news, sector-specific reports, analyses on external markets, interpretation of regulations and articles written by specialists, among others, in order to provide a comprehensive vision of the international business, combining operational and commercial aspects. In 2009, there were more than 3,000 monthly visits to the portal.

Retail Banking

The Retail Banking Division manages the Bank's business with individuals and with businesses, small retailers and professionals with annual revenues below Ps.1 million. Retail Banking provides a wide range of financial products and services, encompassing transactions, loans, and investments. On the transactions side, among others, the Bank offers its customers checking and savings accounts, credit and debit cards, and payroll direct deposit. On the investment side, Banco Galicia's products and services include certificates of deposit, mutual funds and insurance products. In addition, Banco Galicia provides credit for the acquisition of consumer goods and housing, mainly through personal loans, credit-card loans, overdraft loans and residential mortgages. The Bank's product offerings also include securities and foreign exchange brokerage, securities custody, and safe deposit boxes, among others. In addition the Bank provides private banking services. The Bank's customers have access to its services through its branch network as well as through its electronic distribution channels. See below and -Sales and Marketing . Banco Galicia is one of the members of the small group that is the leader in this market, and in 2009 led the way by maintaining an attractive benefit offer for its customers under the *Cada día Más* (More every day) campaign, what allowed Banco Galicia to anticipate and increase its market share in most of the business lines.

Banco Galicia divides its customer base with regard to customer activity and income level, with the purpose of meeting the needs of each customer profile.

Galicia Prefer is a comprehensive financial offer devised for higher-income customers, through which Banco Galicia renders a distinctive service and financial products according to the needs of this type of customers.

During 2009, Banco Galicia launched Galicia Prefer Platinum, a new service that includes exclusive features such as personal concierge, a broad insurance coverage, preferential rates both for assets and investments and higher financing limits, among others.

As regards direct payroll deposit services, Banco Galicia renders this service to 15,000 companies, what accounts for more than 500,000 customers.

Banco Galicia has more than 31,000 customers in the Small-sized Companies segment. This customer segment, with a turnover of up to Ps.20 million, is serviced by more than 250 specialized corporate officers in branches.

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Private Banking offers distinctive and professional services to individuals with medium to high-sized net worth, through the management of their investment portfolios and the 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, Fima mutual funds, among others) and to trusts and negotiable obligations where Banco Galicia acts as arranger.

One of the competitive advantages offered by Private Banking within this segment is the broad geographic coverage, with thirteen service centers throughout Argentina.

Furthermore, the new ISO 9001 certification of the customer service model is worth noting. This certification has been improved during the fiscal year under the 9001:2008 version, thus reaffirming Private Banking's commitment to the ongoing improvement of customer service quality.

Banco Galicia issues Visa, Visa Débito, American Express and MasterCard credit cards, exceeding 1.15 million accounts with statements and debit cards with purchases.

Banco Galicia maintains its position as one of the major financial institutions that puts at the disposal of its customers, in an efficient and easy manner, a broad range of property and personal insurance products marketed through its wide distribution network, conducting operations with renowned insurance companies that are market leaders.

During 2009, property insurance policies that provide coverage for homes were more than 138,000. Individual's insurance, such as personal accident insurance, exceeded 53,000 policies; life and health insurance exceeded 19,000 policies, and more than 85,000 insured customers carry unemployment insurance.

Homeowners and office package insurance policies guarantee the continuity of customers' undertakings and reached almost 5,000 insurance policies by the end of 2009.

As regards personal loans, Banco Galicia continued working hard on improving its offer, with special emphasis on its customer base and aimed at keeping growing while maintaining the excellent risk levels obtained. With this goal in mind, Banco Galicia continued developing and improving credit limits (through an automatic rating process) to those customers whose salaries are directly deposited in Banco Galicia or those who already have an outstanding risk product.

As regards the offer of lines of credit, Banco Galicia is focused on offering products with characteristics that are in line with the different customers' needs and income segment, what made it possible to improve granting efforts and get higher product profitability.

The branch network contributes to make Banco Galicia's distribution network one of its most important competitive advantages, due to its extension and wide geographical coverage. Such issues are reinforced through the use of Banco Galicia's intranet, high technology systems and communications, a consistent system of incentives and the constant follow up of service quality.

As of December 31, 2009, the Bank's branch network's geographical distribution was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires	77
Greater Buenos Aires	61
Rest of the Province of Buenos Aires	28
Santa Fe	15
Córdoba	14
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

Total

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Apart from the branches, Banco Galicia has Alternative Channels which include the Red Galicia 24, the e-galicia.com portal, Galicia Servicios Móviles and the Retail Sales Unit. These are, in addition to the branches, a service, transactions and sales channel focused on individual and corporate customers. During 2009, the volume of transactions carried out through these channels accounted for 86% of total transactions.

Banco Galicia's ATMs and self-service terminals make up a channel to solve customers' and users' 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.

During the first semester of the fiscal year 2009, Banco Galicia ended the replacement of all the ATMs in branches and other locations. Apart from that, towards the end of 2009 Banco Galicia was the first bank in Argentina that launched to the market an ATM which allows making deposits in cash without using envelopes. This technology immediately authorizes deposits in Galicia accounts, and money is credited online. In this way, the transaction speeds up and deposits are automatized in a more advanced manner, thus eliminating the use of envelopes, the only way to deposit money in local ATMs until today.

The e-galicia website stands out for the services it renders, its contents and quality. There, customers can request products pursuant to their needs with the assistance of an interactive advisor, make queries on promotions in the innovative benefits catalogue, and get information about all the products and services offered by Banco Galicia. It also well facilitates access to Banco Galicia's specific channels for both individuals (Galicia Home Banking) and companies (Galicia Office), allowing customers to operate with their products from any location 365 days a year.

Galicia Servicios Móviles comprises the suite of services for cell phones (SMS, WAP, and Java and iPhone applications) which allow customers to make queries on accounts, to pay services, to subscribe to alerts and to make queries on information regarding their credit cards.

Regional Credit- card Companies (Consumption)

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 S.A. (Tarjeta Naranja S.A., Tarjetas Cuyanas S.A. and Tarjetas del Mar S.A.).

The regional credit card companies' operation is estimated to be the largest of its kind in Argentina. These companies issue proprietary brand credit cards (the Naranja, Nevada and Mira cards) to their customers in the Interior, which allow their holders to charge purchases of goods or services in a network of more than 100,000 retailers that have agreed to accept the cards, located throughout the Interior and in certain locations of the Greater Buenos Aires area.

The companies accept and process from each participating retailers the charges arising from cardholder purchases. The cards can be used as charge cards or purchases can be financed through different payment schedules among which cardholders can choose and that differ by company. The regional credit card companies also extend personal loans to the cardholders to be repaid in up to 24 fixed installments. Through these cards, customers also have access to the ATM networks operating in Argentina (Banelco and Link) to make cash withdrawals and to automatic debit services, among others. The regional credit card companies also market Sudamericana's insurance products and issue Visa, Amex and MasterCard cards (accepted all over the world) to holders of their proprietary brand cards. All of the products of a customer are managed through one statement.

At the end of 2009, the branch network was composed of 209 service centers and the staff totaled 3,936 employees in all the companies.

As of December, 2009, the number of statements issued and the number of cards managed by the regional credit card companies exceeded 1.9 million and 4.7 million, respectively, figures similar to the ones registered at the end of fiscal year 2008. With respect to business volume, aggregate annual purchases made by cardholders exceeded Ps.9.06 billion in fiscal year 2009, representing an increase of 20% from fiscal year 2008, while the regional credit card companies loan portfolio before allowances for loan losses and including securitized loans, amounted to Ps.3.37 billion, representing a 3.8% increase from the end of 2008. In 2009, the total number of transactions (purchase coupons plus loan and advance operations) amounted to 77 million.

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During 2008, aggregate annual purchases made by cardholders were more than Ps.7.55 billion in fiscal year 2008, representing almost an increase of 35% from fiscal year 2007 and the regional credit card companies loan portfolio before allowances for loan losses and including securitized loans amounted to more than Ps.3.25 billion, representing a 20% increase from the end of 2007. In 2008, the total number of transactions (purchase coupons plus loan and advance operations) amounted to about 70 million.

During 2009, Tarjeta Naranja obtained the second position in the Great Place to Work award, thus reaffirming the goals related to improving the quality of resources and the rendering of services. Human resources were one of the mainstays for the business and operational success of the regional credit card companies.

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 .

Financial Division

The Financial Division includes the Treasury, Banking Relations and Management of Assets and Liabilities. Apart from that, this Division takes part in the mutual funds business -being the main distribution channel for this type of products-, as well as in the trading business through Galicia Valores S.A.

The Treasury Department is responsible for, among other things, managing liquidity and the different financial risks of Banco Galicia, based on the parameters determined by the Board of Directors. It manages positions in foreign currency and government securities, and it as well acts as intermediary and distributes financial instruments for its own customers (Institutional Investors) and corporate customers and individuals. It takes part in different markets in its capacity as agent of the Mercado Abierto Electrónico (MAE) and member of the Rosario Futures Exchange (ROFEX), Financial Products Division. Through Galicia Valores S.A. Sociedad de Bolsa (Galicia Valores), this Department offers customers the possibility to conduct transactions at the BASE.

In 2009, Banco Galicia was ranked 8th in the MAE's annual ranking for transactions of fixed-income instruments. In the wholesale foreign exchange market, the total amount corresponding to transactions made by Banco Galicia through the MAE was US\$5,591 million, what represented a 47% decrease in the year. As regards the currency futures market (OTC-Rofex), volumes traded by Banco Galicia amounted to US\$7,230 million during 2009, representing a 20% increase in volume compared to the previous year, ended the fiscal year in the 5th place within the MAE's ranking.

During the last quarter of 2009, Banco Galicia started to conduct operations in the interest rate derivatives market within the MAE, getting to the 5th place in swaps contracts and the 3rd place in futures contracts, in terms of volume. The Banking Relations Department is responsible, at the international level, for managing Banco Galicia's business relationships with correspondent banks, international credit agencies, official credit agencies and international mutual funds and, since the fourth quarter of fiscal year 2009, within the domestic sector, with financial institutions and exchange houses.

The Management of Assets and Liabilities Department is in charge of preparing and analyzing information aimed at managing the mismatches Banco Galicia's activities are subject to, maintaining the exposure within the policies determined by the Board of Directors.

Among its activities, the following are included: provision of support to the Assets and Liabilities Committee (ALCO) through the analysis, quantification and control of the risks associated to different business hypotheses 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 else Banco Galicia's operations.

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Banco Galicia distributes the Fima mutual funds through its broad distribution network (branches, electronic banking, 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.

Fima mutual funds reached to Ps.1,098 million as of 31 December, 2009 with a market share of 6.5%.

The Comprehensive Corporate Services Division integrates all of Banco Galicia's operations so as to improve the efficiency of operational processes.

Insurance

Galicia Seguros S.A. (Galicia Seguros) is a provider of a variety of property and casualty (P&C) 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 P&C insurance products, it primarily underwrites home and ATM theft insurance. Galicia Retiro Compañía de Seguros S.A. (Galicia Retiro) provides annuity products, and Sudamericana 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.325.5 million during 2009, 10.8% higher than the volume of premiums of the previous year (Ps.293.7 million). This increase in insurance production was mainly recorded for Galicia Seguros, with Ps.50.3 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 2009 amounted to Ps.95 million of annualized premiums. This represented a 28% growth when compared to the previous year, thus increasing the insurance policy laps ratio and extending the types of coverage offered.

In turn, Galicia Retiro recorded a Ps.18.6 million decrease in premiums written, as a result of the coming into force of Law 26425 that creates the Argentine Integrated Social Security System (SIPA), which brought about the end of pension-linked life annuities, the main product marketed by this company. Notwithstanding that, Galicia Seguros continues with the management of funds and the payment of annuities to its insured. For a breakdown of the insurance company's revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating results-Results by Segments-Insurance .

Other Businesses

Galicia Warrants: this company is a leading company in the deposit certificates and warrants issuance market. This company 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.

The higher credit offer and the better performance of productive markets allowed the company to recover the business volumes that had been hit by the crisis that took place at the beginning of the year, and generated a more optimistic outlook for the next fiscal year. Consequently, during 2009 the company recorded income from services for Ps.10.9 million, with a net income amounting to Ps.7.7 million at fiscal year-end. This can be further explained by the sale of an important warehouse.

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 extension of terms to carry out new sales, the increases in the structure of costs and the inability to pass such increases on to the prices of the services rendered, were factors that did not allow the company to achieve the results it expected. Due to the aforementioned, in addition to the international financial crisis, estimates for fiscal year 2009 showed a less favorable scenario. For such reason, Net Investment's Board of Directors decided to refocus its operations and rightsize its structure.

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Due to the above-described circumstances, the company requested cash contributions to shareholders, ad-referendum of the resolution adopted at the Shareholders Meeting, to be used for the absorption of the losses recorded for the fiscal year ended December 31, 2009. In order to end the business relationships developed with its customers successfully, Net Investment offered to act as a link to ease the migration of transactions to other providers in the market.

The outlook for the current fiscal year is related to the possibility of carrying out the business alternatives that are being analyzed by the Board of Directors.

Galval: this company mainly generates fee income from brokerage and custodial services. As of December 31, 2009, it had customers securities held in custody for US\$116.8 million, of which US\$17.6 million correspond to the holding of securities of Grupo Financiero Galicia.

GV Mandataria: The Company acts as a provider of administrative services of Galval. During 2009, income from services amounted to Ps.3.8 million, with a pretax net income of Ps.0.3 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 and insurance), please 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. The Bank faces competition 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, the principal segment for the Bank, the main competitors are large foreign banks and certain domestically-owned private-sector banks, which, prior to the crisis, operated in commercial or private banking and that, after the 2001-2002 crisis, acquired the retail operations of banks that left the business as a result of such crisis. Competition from public-sector banks has decreased since the immediate post-crisis period, as the public initially attracted to such institutions as a safe harbor began to search for better service with private-sector financial institutions. However, the three largest government-owned banks are of a significant size and also compete with the Bank.

Banco Galicia s estimated deposit market share of private-sector deposits in the Argentine financial system was 7.81% as of December 31, 2009, compared to 7.61% as of December 31, 2008 and 8.23% as of December 31, 2007.

According to information published by the Argentine Central Bank, as of December 31, 2009, the Bank was the third private-sector bank as measured by its assets and by its deposits, the second bank measured by its loan portfolio, and ranked fifth in terms of net worth.

The Bank 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.

Table of Contents***Argentine Banking System***

As of December 31, 2009, the Argentine financial system consisted of 83 financial institutions, of which 66 were banks and 17 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 66 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 54 private-sector banks, 32 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.

As of the same date, the largest private-sector banks, in terms of total deposits, were: Banco Santander Río, BBVA Banco Francés, Banco Galicia, 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, 2009, private-sector banks accounted for 56.8% of total deposits and 59.8% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise any 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, 2009, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 2.9% of net loans in the Argentine financial system.

As of December 31, 2009, 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 of Law No. 21,526 as amended (*Ley de Entidades Financieras*, 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 Government may impose. According to information published by the Argentine Central Bank, as of December 31, 2009, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 42.8% of deposits and 37.3% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990s, with the total number of financial institutions declining from 214 in 1991 to 82 at December 31, 2009, with the ten largest banks holding 76.1% of the system's deposits and 71.4% of the system's loans as of December 31, 2009.

Foreign banks continue to have significant presence, despite the fact that the number of foreign banks decreased by 18 through December 2009, 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

No official data is available about the credit card market and the consumer of financial services market in the Interior, where the regional credit card companies operate. However, the regional credit card companies' operation is estimated to be the largest of its kind in Argentina and Tarjeta Naranja S.A. is estimated to be the largest proprietary-brand credit card issuer in Argentina among approximately 170 existing companies.

Insurance

Sudamericana's subsidiaries face significant competition since, as of December 2009, the Argentine insurance industry was comprised of approximately 178 insurance companies, 39 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 23,800 individuals and 442 companies.

During 2009, the insurance industry continued growing, although at a lower rate when compared to previous years. Production amounted to nearly Ps.31 billion, equivalent to an 18% increase at constant values. Out of total production, 79% relates to property insurance, 19% relates to life and personal insurance, and the remaining 2% relates to retirement insurance. Within the 79% corresponding to property insurance, the automotive insurance segment continues to be the most significant one (47%), followed by the workers' compensation segment (26%). Within the life and personal insurance business, life insurance segment is the most significant, representing 67%, followed by

personal accident insurance segment, representing 12%.

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During 2009, there was a 65% drop in the retirement insurance sector due to the end of the integrated pension and survivor's benefits system according to Law No. 26,425 passed on November 20, 2008.

As of December 2009, Galicia Seguros ranked seventh in terms of number of life insurance policies underwritten and third in terms of number of home insurance policies underwritten.

Sales and Marketing

Banco Galicia's and the regional credit card companies' 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 all across the Interior of the country and 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.

March 2010**Branches (number)**

Bank Branches	236
Regional Credit Card Cos. Branches	156
Business Centers and In-House Facilities	15
Private-Banking Centers	13

Electronic Banking Terminals (number)

ATMs	667
Self-Service Terminals	767

Electronic Banking Transactions (thousands per month)

ATMs + Self-Service Terminals	11,386
Phone-Banking	429
e-banking	17,564

The Bank markets all of its financial products and services to high-, medium- and medium-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. The Bank'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 the Bank's relationship with middle-market and small businesses and most of the agriculture and livestock sector customers. The Bank 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 the Bank's individual and corporate customers have access to the Bank's electronic distribution channels, including the ATM and self-service terminals network and self-service terminals (Red Galicia 24), a multifunction call center (the CCC), an e-banking website (e-galicia.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.

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The Bank has a segmented marketing approach and designs marketing campaigns focused on specific segments of the Bank's customer base. The Bank'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, the Bank implemented a customer relationship management technology. The Bank'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 the Bank as a close and friendly bank and have strengthened the brand image, allowing the Bank to regain the top of mind (immediate brand recollection) leadership in its category.

During 2007, the Bank completed a brand image change project, launching its new brand and starting to use it in all products and communication pieces on March 31, 2008. This decision not only implies a change in style, but is also strategic and goes hand in hand with the continuous development of the Bank's products and services. This change is focused on visually communicating the Bank's identity in a more modern way and on achieving a better connection between its identity and visual representation.

The Bank considers quality of service as the main element capable of distinguishing it from competitors. In order to measure this indicator, the Bank periodically performs surveys, with positive results in the last 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.

To market its products, Sudamericana's subsidiaries mainly use the Bank's and the regional credit card companies distribution networks. They also use the sales officers of Sudamericana Asesores de Seguros S.A. In addition Sudamericana has a telemarketing center of its own.

Property

The following are our main assets, as of December 31, 2009:

Property	Address	Square Meters (approx.)	Main Uses
Grupo Financiero Galicia			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
	-Maipú 241, Buenos Aires, Argentina ⁽¹⁾	1,616	Administrative activities
Banco de Galicia y Buenos Aires S.A.			
- 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

Banco Galicia Uruguay S.A.

- Rented	-Montevideo, Uruguay	580	Storage
	-Dr. Americo Ricaldoni 2468, Montevideo, Uruguay	400	Administrative activities

Tarjeta Naranja S.A.

- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,900	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,200	Storage
	-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, printing centre and storage
	Río Grande, Tierra del Fuego, Argentina	300	Administrative activities

Tarjetas Cuyanas S.A.

- Rented	-Belgrano 1415, Mendoza, Argentina	1,740	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Belgrano 1478, Mendoza, Argentina	175	Printing centre
	-Olascoaga 348, San José, Mendoza, Argentina	580	Storage

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Property	Address	Square Meters (approx.)	Main Uses
Tarjetas del Mar S.A.			
- Rented	-Luro 3001, Mar del Plata, Buenos Aires, Argentina	240	Administrative Activities
- Rented	-Luro 2943, Mar del Plata, Buenos Aires, Argentina	765	Administrative Activities
Galicia Seguros S.A.			
- Owned	-Maipú 241, Buenos Aires, Argentina	1,643	Administrative activities
Galicia Warrants S.A.			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
- Rented	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Lavalle 3272, San Miguel de Tucumán, Tucumán, Argentina	3,200	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
- Rented	-Pasaje 1° de Mayo Esquina 25 de Mayo, Barrio el Corte Alderete, Tucumán, Argentina	2,000	Storage
- Rented	-San Martín 891 PB, San Miguel de Tucumán, Tucumán, Argentina	64	Administrative activities
Galval Agente de Valores S.A.			
- Rented	-Zona Franca, Montevideo, Uruguay	120	Administrative activities
GV Mandataria de Valores S.A.			
- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina ⁽²⁾	336	Administrative activities

(1) We lease four units to the Bank equivalent to 755.91 square meters, for Ps.22,677 per month and four units to Galicia Seguros S.A. equivalent to 817.17 square meters, for Ps.24,515 per month. We hold a 45.4 square meters unit vacant for

storage.

- (2) *Banco Galicia leases, from September 1, 2008 to August 31, 2011, a property to GV Mandataria, for US\$4,500 per month during the first year, US\$4,635 during the second year and US\$4,775 during the third year.*

As of December 31, 2009, our distribution network consisted of:

Banco Galicia: 237 branches located in Argentina, 137 of which were owned and 100 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja S.A.: 115 sales points located in 21 of the 23 Argentine provinces, 114 of which were rented by the company.

Tarjetas Cuyanas S.A.: 27 sales points and 15 client assistance centers in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Río Negro, Salta, Jujuy and Tucumán. All of them were rented.

Tarjetas del Mar S.A.: 8 sales points located in the Province of Buenos Aires, all of which were rented. In addition, it owns 7 sale stands located in premises that belong to La Anónima supermarket chain, in the provinces of Neuquén and Río Negro.

Capital Investments and Divestitures

During 2009, our capital expenditures amounted to Ps.179.5 million, distributed as follows:

Ps.56.6 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);

Ps.4.7 million in construction in progress; and

Ps.118.2 million in organizational and IT system development expenses.

During 2008, our capital expenditures amounted to Ps.279.9 million, distributed as follows:

Ps.103.4 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);

Ps.44 million in construction in progress; and

Ps.132.5 million in organizational and IT system development expenses.

During 2007, our capital expenditures amounted to Ps.208.7 million, distributed as follows:

Ps.80.5 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);

Ps.44.7 million in construction in progress; and

Ps.83.5 million in organizational and IT system development expenses.
These capital expenditures were made mainly in Argentina.

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During June 2009, Banco Galicia entered into an agreement with American International Group Inc. (AIG) and AIG Consumer Finance Group Inc., for the purchase of Compañía Financiera Argentina S.A. (CFA), Cobranzas & Servicios S.A. and AIG Universal Processing Center S.A. s stocks: Argentine companies that are devoted to financial and supplementary activities. As a result of the acquisition, Grupo Financiero Galicia is expected to expand their market share in the consumer finance Sector.

The original transfer price for all of the shares as agreed upon with the current owners, subject to usual adjustments for this kind of transaction, was Ps.187.6 million.

On June 7, 2010, the Argentine Central Bank approved the aforementioned transaction. The price adjustment was agreed upon by the parties and the fair value of the consideration to acquire the shares of these companies is Ps.331.1 million. This purchase will be financed with the Bank s available cash, within its ordinary course of business. As of the date of this report, due to the fact that the initial accounting for the above described business combination was incomplete, the Bank did not have all the information available that is required in order to prepare the disclosures required by ASC 805, specifically: a) the acquisition date; b) contingent consideration and indemnification assets; c) acquired receivables; d) condensed balance sheet; e) assets and liabilities arising from contingencies; and f) goodwill. During July, 2009, Galicia Warrants sold its Silos plant in San Salvador, province of Entre Ríos, generating a profit before tax of Ps.10.6 million.

During September 2008, the interests and credits that Banco Galicia had in Aguas Argentinas S.A. and Aguas Provinciales de Santa Fe S.A. (in liquidation) were sold, and the contingent obligations timely assumed in relation to such investments were also settled. As of December 31, 2007, the interests were fully provisioned, while the credits had their related regulatory provisions according to the debtor s standing. As of September 30, 2008, and as a result of this transaction, a profit amounting to Ps.23.4 million was generated.

In 2007, after having obtained the necessary authorizations, Grupo Financiero Galicia subscribed and paid for 93,604,637 of Banco Galicia s class B shares with a face value of Ps.1.0 each. Payment for the shares was made in cash in an amount equal to Ps.175.3 millions and in 2014 Notes issued by Banco Galicia with a face value of US\$102.2 million.

We have budgeted capital expenditures for the fiscal year ending December 31, 2010, for the following purposes and amounts:

	<i>(In millions of Pesos)</i>	
Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones, etc.)	Ps.	100.0
Fixed Assets		51.7
Organizational and IT System Development		100.6
Total	Ps.	252.3

These capital expenditures will be made mainly in Argentina.

Management considers that internal funds will be sufficient to finance fiscal year 2010 capital expenditures.

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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 US 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.3.7967, Ps.3.4537 and Ps.3.1510 per US\$1.00 as of December 31, 2009, December 31, 2008 and December 31, 2007 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 US 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 and Tarjetas Regionales S.A. on a consolidated basis. 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 nominal interest 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, 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>									
Assets									
Government Securities	2,500.7	505.0	20.19	2,185.8	50.1	2.29	4,686.5	555.1	11.84
Loans									
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	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
Total Interest-Earning Assets	13,770.2	2,693.0	19.56	4,607.8	194.4	4.22	18,378.0	2,887.4	15.71
Cash and Gold	1,515.2			1,913.5			3,428.7		
	843.2			157.2			1,000.4		

Equity in Other Companies									
Other Assets	2,482.3			162.9			2,645.2		
Allowances	(724.8)			(42.2)			(767.0)		
Total Assets	17,886.1			6,799.2			24,685.3		
Liabilities and Equity									
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
Total Interest-Bearing Deposits	8,852.3	861.8	9.74	2,841.4	19.1	0.67	11,693.7	880.9	7.53
Argentine Central Bank				0.6			0.6		
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	931.9	44.1	4.73	1,094.8	56.3	5.14
Total Interest-Bearing Liabilities	9,577.5	978.5	10.22	6,345.9	236.8	3.73	15,923.4	1,215.3	7.63
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		
Total Liabilities and Equity	17,663.7			7,021.6			24,685.3		
Spread and Net Yield									
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.

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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, 2008.

	Fiscal Year Ended December 31, 2008 (*)								
	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>								
Assets									
Government Securities	1,161.4	72.2	6.22	2,480.8	76.3	3.08	3,642.2	148.5	4.08
Loans									
Private Sector	8,848.1	1,756.6	19.85	1,964.4	132.6	6.75	10,812.5	1,889.2	17.47
Public Sector	1,264.8	165.7	13.10				1,264.8	165.7	13.10
Total Loans	10,112.9	1,922.3	19.01	1,964.4	132.6	6.75	12,077.3	2,054.9	17.01
Other ⁽¹⁾	2,908.1	197.0	6.77	1,264.9	15.2	1.20	4,173.0	212.2	5.09
Total Interest-Earning Assets	14,182.4	2,191.5	15.45	5,710.1	224.1	3.92	19,892.5	2,415.6	12.14
Cash and Gold	599.2			287.9			887.1		
Equity in Other Companies	708.4			63.8			772.2		
Other Assets	2,211.6			218.2			2,429.8		
Allowances	(479.1)			(90.0)			(569.1)		
Total Assets	17,222.5			6,190.0			23,412.5		
Liabilities and Equity									
Deposits									
Current Accounts	697.7	21.6	3.10	250.4			948.1	21.6	2.28
Savings Accounts	1,849.3	4.7	0.25	738.4			2,587.7	4.7	0.18
Time Deposits	5,797.6	749.9	12.93	971.8	17.8	1.83	6,769.4	767.7	11.34
Total Interest-Bearing Deposits	8,344.6	776.2	9.30	1,960.6	17.8	0.91	10,305.2	794.0	7.70
Argentine Central Bank				0.4			0.4		
Other Financial Entities	297.7	53.8	18.07	797.5	39.3	4.93	1,095.2	93.1	8.50
Debt Securities	487.3	70.5	14.47	2,312.5	209.6	9.06	2,799.8	280.1	10.00
Other	224.9	21.6	9.60	1,269.0	88.9	7.01	1,493.9	110.5	7.40

Total Interest-Bearing Liabilities	9,354.5	922.1	9.86	6,340.0	355.6	5.61	15,694.5	1,277.7	8.14
Demand Deposits	2,873.6			12.4			2,886.0		
Other Liabilities	2,313.1			559.5			2,872.6		
Minority Interests	214.4						214.4		
Shareholders Equity	1,745.0						1,745.0		
Total Liabilities and Equity	16,500.6			6,911.9			23,412.5		
Spread and Net Yield									
Interest Rate Spread			5.59			(1.69)			4.00
Cost of Funds Supporting Interest-Earning Assets			6.50			6.23			6.42
Net Yield on Interest-Earning Assets			8.95			(2.30)			5.72

(*) Rates include the CER adjustment.

(1) Includes, among other amounts, the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

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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, 2007.

	Fiscal Year Ended December 31, 2007 (*)								
	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>								
Assets									
Government Securities	1,209.1	16.9	1.40	3,069.7	129.4	4.22	4,278.8	146.3	3.42
Loans									
Private Sector	7,178.8	1,163.5	16.21	1,665.0	107.1	6.43	8,843.8	1,270.6	14.37
Public Sector	1,685.1	221.2	13.13				1,685.1	221.2	13.13
Total Loans	8,863.9	1,384.7	15.62	1,665.0	107.1	6.43	10,528.9	1,491.8	14.17
Other ⁽¹⁾	2,378.1	155.2	6.53	1,040.1	29.8	2.87	3,418.2	185.0	5.41
Total Interest-Earning Assets	12,451.1	1,556.8	12.50	5,774.8	266.3	4.61	18,225.9	1,823.1	10.00
Cash and Gold	484.6			201.6			686.2		
Equity in Other Companies	661.0			65.2			726.2		
Other Assets	2,010.4			126.8			2,137.2		
Allowances	(335.9)			(107.2)			(443.1)		
Total Assets	15,271.2			6,061.2			21,332.4		
Liabilities and Equity									
Deposits									
Current Accounts	531.0	16.4	3.09	147.4			678.4	16.4	2.42
Savings Accounts	1,647.2	5.1	0.31	605.7			2,252.9	5.1	0.23
Time Deposits	5,705.6	547.0	9.59	900.6	15.4	1.71	6,606.2	562.4	8.51
Total Interest-Bearing Deposits	7,883.8	568.5	7.21	1,653.7	15.4	0.93	9,537.5	583.9	6.12
Argentine Central Bank	261.3	68.8	26.33	0.2			261.5	68.8	26.31
Other Financial Entities	186.4	27.2	14.59	352.8	16.9	4.79	539.2	44.1	8.18
Debt Securities	530.0	77.7	14.66	2,830.1	213.3	7.54	3,360.1	291.0	8.66
Other	149.7	16.5	11.02	1,010.8	66.9	6.62	1,160.5	83.4	7.19

Total Interest-Bearing Liabilities	9,011.2	758.7	8.42	5,847.6	312.5	5.34	14,858.8	1,071.2	7.21
Demand Deposits	2,287.6			19.9			2,307.5		
Other Liabilities	1,872.7			513.8			2,386.5		
Minority Interests	172.9						172.9		
Shareholders Equity	1,606.7						1,606.7		
Total Liabilities and Equity	14,951.1			6,381.3			21,332.4		
Spread and Net Yield									
Interest Rate Spread			4.08			(0.73)			2.79
Cost of Funds Supporting Interest-Earning Assets			6.09			5.41			5.88
Net Yield on Interest-Earning Assets			6.41			(0.80)			4.13

(*) Rates include the CER adjustment.

(1) Includes, among other amounts, the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

Table of Contents**Changes in Net Interest Income-Volume and Rate Analysis**

The following table allocates, by currency, 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 nominal interest rates for (i) the fiscal year ended December 31, 2009 compared with the fiscal year ended December 31, 2008; and (ii) the fiscal year ended December 31, 2008, compared with the fiscal year ended December 31, 2007. Differences related to rate or volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2009/ Fiscal Year 2008, Increase (Decrease) due to changes in			Fiscal Year 2008/ Fiscal Year 2007, Increase (Decrease) due to changes in		
	Volume	Rate	Net Change <i>(in millions of Pesos)</i>	Volume	Rate	Net Change
Interest Earning Assets						
Government Securities						
Pesos	146.6	286.2	432.8	(0.6)	55.9	55.3
Dollars	(8.4)	(17.8)	(26.2)	(22.0)	(31.1)	(53.1)
Total	138.2	268.4	406.6	(22.6)	24.8	2.2
Loans						
Private Sector						
Pesos	120.4	172.8	293.2	301.5	291.6	593.1
Dollars	(3.4)	11.1	7.7	20.0	5.5	25.5
Total	117.0	183.9	300.9	321.5	297.1	618.6
Public Sector						
Pesos	(668.4)	529.7	(138.7)	(55.1)	(0.4)	(55.5)
Dollars						
Total	(668.4)	529.7	(138.7)	(55.1)	(0.4)	(55.5)
Other						
Pesos	(77.4)	(8.4)	(85.8)	35.7	6.1	41.8
Dollars	(7.0)	(4.2)	(11.2)	8.7	(23.3)	(14.6)
Total	(84.4)	(12.6)	(97.0)	44.4	(17.2)	27.2
Total Interest-Earning Assets						
Pesos	(478.8)	980.3	501.5	281.5	353.2	634.7
Dollars	(18.8)	(10.9)	(29.7)	6.7	(48.9)	(42.2)
Total	(497.6)	969.4	471.8	288.2	304.3	592.5
Interest Bearing Liabilities						
Demand Account						
Pesos	3.4	(12.1)	(8.7)	5.2		5.2
Dollars						
Total	3.4	(12.1)	(8.7)	5.2		5.2

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Savings Account						
Pesos	0.4	0.6	1.0	0.9	(1.3)	(0.4)
Dollars						
Total	0.4	0.6	1.0	0.9	(1.3)	(0.4)
Time Deposits						
Pesos	36.8	56.5	93.3	9.0	193.9	202.9
Dollars	3.2	(1.9)	1.3	1.3	1.1	2.4
Total	40.0	54.6	94.6	10.3	195.0	205.3
With the Argentine Central Bank						
Pesos				(34.4)	(34.4)	(68.8)
Dollars						
Total				(34.4)	(34.4)	(68.8)
With Other Financial Entities						
Pesos	(11.8)	2.8	(9.0)	19.0	7.6	26.6
Dollars	(33.9)	3.6	(30.3)	21.9	0.5	22.4
Total	(45.7)	6.4	(39.3)	40.9	8.1	49.0
Negotiable Obligations						
Pesos	(55.5)	44.7	(10.8)	(6.2)	(1.0)	(7.2)
Dollars	8.7	(53.7)	(45.0)	(42.8)	39.1	(3.7)
Total	(46.8)	(9.0)	(55.8)	(49.0)	38.1	(10.9)
Other liabilities						
Pesos	(5.2)	(4.2)	(9.4)	6.9	(1.8)	5.1
Dollars	(20.2)	(24.6)	(44.8)	17.9	4.1	22.0
Total	(25.4)	(28.8)	(54.2)	24.8	2.3	27.1
Total Interest Bearing Liabilities						
Pesos	(31.9)	88.3	56.4	0.4	163.0	163.4
Dollars	(42.2)	(76.6)	(118.8)	(1.7)	44.8	43.1
Total	(74.1)	11.7	(62.4)	(1.3)	207.8	206.5

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The increase of Ps.471.8 million in interest income for fiscal year 2009 as compared to the previous year is explained by an increase in the rates on government securities, loans to the private sector and public sector exposure, in pesos, offset by the reduction in the volume mainly due to the exposure to the private sector in pesos.

In terms of interest expenses, the Ps.62.4 million decrease was mainly due to the reduction in the volume as a consequence of the decrease in financing with other entities and with negotiable securities. Such effect offset the increase recorded in the rate as a consequence of higher rates in pesos combined with lower rates in dollars.

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.

	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos, except percentages)</i>		
Total Average Interest-Earning Assets			
Pesos	13,770.2	14,182.4	12,451.1
Dollars	4,607.8	5,710.1	5,774.8
Total	18,378.0	19,892.5	18,225.9
Net Interest Earned ⁽¹⁾			
Pesos	1,714.5	1,269.4	798.1
Dollars	(42.4)	(131.5)	(46.2)
Total	1,672.1	1,137.9	751.9
Net Yield on Interest-Earning Assets ⁽²⁾ (%)			
Pesos	12.45	8.95	6.41
Dollars	(0.92)	(2.30)	(0.80)
Weighted-Average Yield	9.10	5.72	4.13
Interest Spread, Nominal Basis ⁽³⁾ (%)			
Pesos	9.34	5.59	4.08
Dollars	0.49	(1.69)	(0.73)
Weighted-Average Yield	8.08	4.00	2.79
Credit Related Fees Included in Net Interest Earned			
Pesos	84.2	69.9	43.5
Dollars			
Total	84.2	69.9	43.5

(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 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 deposits.*

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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 the Bank.

	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos)</i>		
Government Securities			
Pesos			
Investment	43.3	22.8	17.1
Issued by Argentine Central Bank Lebac and Nobac	43.3	22.8	17.1
Trading	100.7	233.7	38.9
Bonar Bonds	42.7		36.7
Bogar Bonds		1.6	2.1
Others	58.0	232.1	0.1
Issued by Argentine Central Bank	1,615.1	550.2	331.6
Lebac Unquoted	934.6		11.0
Lebac Quoted	633.9		103.3
Nobac Unquoted	29.5	520.2	8.3
Nobac Quoted	17.1	30.0	209.0
Without Quotation	945.7	69.8	1.9
Bonar Bonds	323.7		
Discount Bonds in Pesos	622.0	69.8	1.9
Total Government Securities in Pesos	2,704.8	876.5	389.5
Dollars			
Investment		527.4	1,303.4
Boden 2012 Bonds		525.9	1,303.4
Boden 2013 Bonds		1.5	
Trading	13.5	0.4	0.1
Boden 2012 Bonds			0.1
Others	13.5	0.4	
Government Securities for Repurchase Agreement Transactions with the Argentine Central Bank	152.7	127.5	
Boden 2013 2015 Bonds		127.5	
Bonar Bonds	152.7		
Without Quotation	1,036.2		
Boden 2012 Bonds	1,032.4		
Others	3.8		
Total Government Securities in Dollars	1,202.4	655.3	1,303.5
Total Government Securities	3,907.2	1,531.8	1,693.0
Corporate Securities	13.2	0.1	1.0
Corporate Equity Securities (Quoted) in Pesos	0.1	0.1	1.0

Corporate Equity Securities (Quoted) in Dollars

13.1

Total Government and Corporate Securities

3,920.4

1,531.9

1,694.0

The Ps.1,032.4 million holdings of Boden 2012 Bonds (US\$723.2 million of face value) represent Boden 2012 Bonds resulting from the Bank's purchase of the Hedge Bond.

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The investment portfolio in pesos reflects the Bank's holdings of Notes from the Argentine Central Bank (Nobac) due in 2010, received in January 2009 as part of the exchange transaction of Secured Loans, resulting from the restructuring process carried out by the National Government.

The increase in our holdings of government securities in 2009 mainly reflects an increase in our without quotation holdings of Boden 2012 Bonds, Bonar Bonds and Discount Bonds (Ps.1,912.1 million) and in our Issued by Argentine Central Bank holdings (Ps.1,064.9 million). It also includes a decrease in Investment Securities (Ps.527.4 million). The increase of Bonar Bonds was due to the swap made by the Bank in which it exchanged National Government Bonds denominated in Pesos at 2% due 2014 (Boden 2014 Bonds) with a face value of Ps.683.6 million (recorded in the Bank's books 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.912.7 million.

The decrease in our holdings of government securities in 2008 mainly reflects a decrease in our investment holdings of Boden 2012 Bonds mainly because of the reinstatement of repurchase guarantees originated in the collection of the coupon of amortization and in the fall of prices described in our consolidated financial statements. It also includes an increase in forward sales (Ps.232.1 million and Ps.127.5 million) and in Government securities issued by the Argentine Central Bank (Ps.218.6 million).

The decrease in our holdings of government securities in 2007 mainly reflects sales under repurchase agreement transactions for Boden 2012 Bonds by the Bank, sales of these bonds, the proceeds of which were used for the repurchase of restructured foreign debt, and collection of the annual amortization, in August. It also reflects sales of the remaining Bank's holdings of Bogar Bonds (Ps.229.5 million of face value) during the first quarter of 2007. It is worth mentioning that due to the international financial crisis, during the last months of fiscal year 2008, equity and debt securities quotation in domestic and international capital markets evidenced a high level of volatility. As explained under Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities-Valuation , and Item 5. Operating and Finance Review and Prospects-Item 5.A. Operating Results-Critical Accounting Policies- U.S. GAAP Critical Accounting Policies-Fair Value Estimates , our public-sector assets are recorded in accordance with Argentine Banking GAAP, as established by the Argentine Central Bank valuation rules. Had these securities been marked-to-market, shareholders' equity would have been reduced by approximately Ps.1,827.0 million as of December 31, 2008.

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	As of December 31, 2009			Net Position
		Forward Purchases	Forward Sales	Spot purchases to be settled	
Government Securities Investment Portfolio					
Pesos	43.3	226.6			269.9
Trading or Financial Brokerage Portfolio					
Pesos	100.7			1.7	96.0
Dollars	13.5				13.5

Government Securities for Repurchase Agreement Transactions with the Argentine Central Bank						
Dollars	152.7		152.7			
Government Securities without quotation						
Pesos	945.7					945.7
Dollars	1,036.2	887.6			13.1	1,910.7
Securities issued by the Argentine Central Bank						
Pesos	1,615.1	91.7				1,706.8
Total Government Securities	3,907.2	1,205.9	152.7	1.7	19.5	4,942.6
Corporate Equity Securities (Quoted)	13.2					13.2
Total Government and Corporate Securities	3,920.2	1,205.9	152.7	1.7	19.5	4,955.8

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The net position of government securities as of December 31, 2009 amounted to Ps.4,942.6 million. The investment portfolio in pesos reflects the holding of Notes issued by the Argentine Central Bank (Nobac) due in 2010, received as part of the Secured Loans exchange transaction carried out at the beginning of 2009. The net position of trading securities in pesos mainly corresponds to bonds issued by Argentina (Bonar Bonds) due in 2014, of Ps.30.9 millions, and to Bonar Bonds due in 2015, of Ps.39.0 million. The net position in government securities without quotation in pesos, of Ps.945.7 million, corresponds to Peso-denominated Discount Bonds due in 2033 and GDP-linked negotiable securities of Ps.622.0 million and Bonar Bonds due in 2015 of Ps.323.7 million, while, in foreign currency it mainly corresponds to Boden 2012 Bonds of Ps.1,906.9 million. The securities included under Without quotation are classified according to Argentine Banking GAAP. Otherwise, most of these securities have daily market quotations. The securities issued by the Argentine Central Bank in pesos comprised our own portfolio of Central Bank Bills (Lebac) and Nobac totaling Ps.1,706.8 million. With respect to the Peso-denominated Discount Bonds and GDP-linked negotiable securities resulting from the exchange for the restructuring of sovereign debt carried out in 2005, the Argentine Central Bank authorized, through Communiqué A 4270, that they were to be recorded at the lower value between the carrying amount of the securities tendered and the sum of the nominal cash payments of the new securities up to maturity, specified by the terms and conditions of the securities. The Bank's holding of Peso-denominated Discount Bonds and GDP-linked negotiable securities was recorded pursuant to the first alternative. Such valuation is reduced by the amount of received payments, and accrued interest is not recognized. Regarding the Bonar Bonds due in 2015, resulting from the exchange performed in 2009, the Argentine Central Bank, through its Communiqué A 4976, provides that the account balance of the securities submitted for exchange be registered at the book value of the exchanged securities. This value will be increased exponentially in relation to its internal rate of return (IRR), without exceeding the market value nor the present value published by the Argentine Central Bank. In the event that the market value or the present value were lower than the amount resulting from the IRR's accrual, the Argentine Central Bank regulations provides a minimum accrual equivalent to 50% of the IRR. Boden 2012 Bonds have been recorded as established by the option set forth in the regulations in force and have been valued at their technical value.

Valuation

In accordance with Argentine Central Bank rules, quoted government securities held-for-trading purposes are carried at their Argentine closing market quotation less estimated selling costs.

Investment portfolio

Communiqué A 3857 of the Argentine Central Bank, dated January 7, 2003, provided that certain financial institutions could hold in investment accounts only those securities recorded as such on the balance sheet until December 31, 2002. Securities held in investment accounts are recorded at their cost plus IRR. After such date, all securities included on the balance sheet (except for the Boden 2012 Bonds received as compensation for the asymmetric pesification), should be valued at their market value.

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Boden 2012 Bonds for Banco Galicia, are valued at their technical value (the balance of each security is adjusted according to its contractual terms).

As of December 31, 2009, had Banco Galicia's position in such securities been valued at market value, a Ps.175.9 million decrease in shareholders' equity would have been recorded.

Comunicado A 3785 of the Argentine Central Bank, dated October 29, 2002, placed restrictions on the ability to distribute dividends, providing that profits to be distributed in cash should be adjusted by the difference between the book value and the market value of such securities.

Comunicado A 4698 of the Argentine Central Bank, dated August 24, 2007, modified the valuation criteria for debt instruments issued by such institution, allowing that they be carried at cost plus the internal rate of return instead of taking into consideration their market value, as long as the financial institution undertakes the commitment to keep such securities until maturity. Additionally, the difference with the market value of the securities shall be registered in a note to the quarterly and/or annual financial statements.

Comunicado A 4861 of the Argentine Central Bank set forth, from October 31, 2008, the possibility that financial institutions recorded their holdings in investment accounts and special investment accounts (Comunicado A 4676) as long as securities are included in the volatility list published monthly by the Argentine Central Bank for the purpose of computing the minimum capital requirement to cover market risk.

Apart from that, the Argentine Central Bank provided that portfolios recorded in investment accounts and special investment accounts could not exceed 7.5% of Banco Galicia's total assets. The 100% excess leads to an equivalent increase in the Minimum Capital Requirement to cover Credit Risk. The possible amounts in excess recorded by financial institutions taking into consideration their position as of September 30, 2008 shall be considered admitted.

Comunicado A 5024 issued by the Argentine Central Bank, dated December 22, 2009, set forth that as of December 31, 2009 the holdings registered under the special investment regime (Comunicado A 4676) shall be reversed by at least 25% at the end of each calendar quarter of 2010 and shall be recorded at market value, prohibiting the addition of new items to this regime.

When dealing with the refinancing of assets adjustable of the CER, a measure promoted by the Argentine Government during the first six-month period of 2009, the Argentine Central Bank, through Comunicado A 4976, implemented special valuation criteria for the securities arising from the exchange. To such end, the Argentine Central Bank set forth two valuation options: traditional investment or investment where at least 50% of the IRR shall be accrued, regardless of the market value, and the remaining 50% shall be charged to an asset regularization account, which shall be reversed and charged to income based on the evolution of market prices. As of December 31, 2009, if the Bonar 2015 Bonds (as defined below) position had been stated at market value, a Ps.317.6 million rise in the Bank's shareholders' equity would have been recognized.

In January 2010, the Bank recorded in Investment Accounts a portion of the holding of Argentine Bonds due in 2015 (Bonar 2015) in the amount of Ps.668.2 million of nominal value, including them in such item at market value. At the end of fiscal year 2009, these securities were recorded in Special Investment Accounts and were stated at equity value increased by its internal rate of return. This change in the accounting criteria and, consequently, in the valuation criteria gave rise to income of Ps.240.1 million.

Additionally, an allowance for the risk of devaluation of Boden 2012 Bonds was set up in the amount of Ps.219.8 million, equivalent to the estimated difference between the book value (technical value) and the realizable value considered to be reasonable by the Bank.

Convergence to market value pursuant to Comunicado A 3911 and supplementary regulations

By means of Comunicado A 3911 dated March 28, 2003, the Argentine Central Bank established a new method for the valuation of public-sector assets pursuant to which Argentine Secured Loans, the Bogar, other loans to the non-financial public sector and government securities without quotation were subject. This method did not include government securities in investment accounts, securities from the Argentine Central Bank (Lebac and others) and government securities received or receivable as compensation for measures taken by the Government.

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Pursuant to Communiqué A 3911 of the Argentine Central Bank, beginning with the financial statements for March 2003, assets within its scope had to be valued at the lower of their technical value or their present value. In order to determine the present value, the Argentine Central Bank established a discount rate that would increase gradually over time. The difference between the present and the technical value (the lower of both) and the book value must be reflected in an asset regularizing account in case of a positive difference, or else be charged to income in case the difference is negative.

By means of Communiqué A 4704, dated September 7, 2007, within the environment of a high volatility in capital markets originated in the United States subprime mortgage market, the Argentine Central Bank determined to set the discount rate to be used for the valuation of public-sector assets within the scope of Communiqué A 3911 and supplementary regulations.

In the case of Secured Loans, valued also at their present value pursuant to the applicable discount rate, their estimated realizable value as of December 31, 2008 was lower than their book value by approximately Ps.259.3 million. As of December 31, 2009, the estimated realizable value recorded no difference in reference to the book value.

Argentine government securities from the restructuring process that took place in 2005

On January 14, 2005, the Argentine Government began the debt exchange for the restructuring of its foreign debt that was in default, which included Argentine Republic Medium-Term External Notes denominated in US dollars (the External Notes) Series 74 (survey rate) and Series 75 (Badlar rate) held by Banco Galicia, among other financial institutions. The exchange period expired on February 25. During January 2005, the Bank opted to receive, in exchange for its External Notes, Peso-Denominated Discount Bonds and GDP-Linked Negotiable Securities . In accordance with what is set forth in such regulation, the option chosen entailed the receipt of new instruments for an original principal amount equal to 33.7% of the eligible debt, equivalent to the non-amortized principal as of December 31, 2001, plus interest past-due and unpaid to that date.

With respect to the recording of the new securities, for the purpose of minimizing the effect the acceptance of the exchange offer could have on the financial condition of financial institutions, by means of Communiqué A 4270 the Argentine Central Bank determined that the aforementioned Peso-denominated Discount Bonds and GDP-Linked Negotiable Securities should be recorded at the lower of the carrying amount pursuant to the regulations in force (Communiqué A 4084 sections 1 v) and 5) and supplementary regulations), or the value resulting from the sum of the nominal cash payments until the maturity date pursuant to the issuance conditions of those bonds. New securities were valued as per the first option. Such valuation shall be reduced by the amount of received payments, and accrued interest will not be recognized.

As of December 31, 2009, if Discount Bonds and GDP-Linked Negotiable Securities had been valued at market value, Banco Galicia s net shareholders equity would have decreased by Ps.284.1 million.

Government and corporate debt securities without quotation

By means of Communiqué A 4414 dated September 8, 2005, among others, the Argentine Central Bank modified the criteria for the valuation of government and corporate debt securities without quotation, effective for information as of August 2005. The unlisted securities within the scope of such Communiqué (Argentine Central Bank bills and notes, subordinated and non-subordinated notes and financial trust securities) must be valued, at period-end, at their acquisition cost increased on an exponential basis according to their internal rate of return.

Table of Contents**Securities available for sale**

By means of Communiqué A 4702 dated August 30, 2007, among others, the Argentine Central Bank established that holdings of national government securities and debt securities issued by such entity may be classified as available for sale. Furthermore, it established that these securities must be recorded at their market value, with the use of such methodology as well as the potential effect on the income statement disclosed in the notes to the quarterly and/or annual financial statements. The (negative or positive) difference between the carrying amount of these holdings and their market value has to be recognized in the shareholders' equity accounts specially created for this purpose. Interest accrued by applying the internal rate of return will be charged to income (loss) in such shareholders' equity accounts for each period. The rule also allows for withdrawal from this category in the case of sale, collection of amortization and/or of return on principal amount or when the volatility published by the Argentine Central Bank is no longer available, in which case they must be recorded under Holdings of Unlisted Securities.

Remaining Maturity and Weighted-Average Yield

The following table analyzes the remaining maturity and weighted-average yield of our holdings of investment and trading government and corporate securities as of December 31, 2009. Our government securities portfolio yields do not contain any tax equivalency adjustments.

Maturity Yield

	Total Book Value	Maturing within 1 year Book Value	Yield⁽¹⁾	Maturing after 1 year but within 5 years Book Value	Yield⁽¹⁾	Maturing after 5 years but within 10 years Book Value	Yield⁽¹⁾	Maturing after 10 years Book Value	Yield⁽¹⁾
<i>(in millions of Pesos, except percentages)</i>									
Government Securities Held for Trading and Brokerage Purposes (carried at market value)									
Pesos	100.7	8.6	7.0%	80.2	14.5%	2.3	11.2%	9.5	11.0%
Dollars	13.5	0.9	10.9%	11.7	3.8%	0.9	3.0%		
Held for Investment (carried at amortized cost)									
Pesos	43.3	43.3	13.5%						
Government Securities for Repurchase Agreement Transactions with the Argentine Central Bank									
Dollars	152.7	38.2	10.1%	114.5	10.1%				
Instruments Issued by the Argentine Central Bank									
Pesos	1,615.1	1,615.1	8.9%						
Securities Without Quotation									
Pesos	945.7			323.7	20.6%			622.5	11.4%
Dollars	1,036.2	344.6	9.1%	690.7	9.1%	1.0	12.0%		

Total Government Securities	3,907.2	2,050.7	9.1%	1,220.8	12.5%	4.2	9.6%	631.5	11.4%
Corporate Debt Securities	13.2	0.1	8.0%					13.1	10.4%
Total Portfolio	3,920.4	2,050.8	9.1%	1,220.8	12.5%	4.2	9.6%	644.6	11.4%

(1) *Effective yield based on December 31, 2009 quoted market values.*

Table of Contents**Loan Portfolio**

Our total loans reflect the Bank's and the regional credit card companies' loan portfolios including past due principal amounts. Personal loans and credit-card loans are typically loans to individuals granted by the Bank or the regional credit card companies. The regional credit card companies' loans are included under 'Credit card 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' loan portfolio, by type of loan and total loans with guarantees.

	2009	2008	As of December 31, 2007	2006	2005
	<i>(in millions of Pesos)</i>				
Principal and Interest					
Non-Financial Public Sector	5.0	1,319.6	1,210.5	2,690.6	5,187.5
Local Financial Sector	25.4	148.1	110.0	311.6	128.2
Non-Financial Private Sector and Residents Abroad ⁽¹⁾					
Advances	630.1	594.4	792.1	346.3	223.6
Promissory Notes	3,205.4	2,116.3	2,911.2	2,143.7	1,836.9
Mortgage Loans	964.3	1,026.8	945.1	688.0	503.4
Pledge Loans	64.8	81.0	94.5	67.1	121.1
Personal Loans	1,724.4	1,217.6	977.9	563.2	258.0
Credit Card Loans	5,691.3	4,378.4	3,630.1	2,458.6	1,732.1
Placements in Banks Abroad	440.7	334.5	158.0	608.0	212.9
Other Loans	1,387.9	883.3	1,010.8	794.8	599.8
Accrued Interest, Adjustment and Quotation Differences Receivable	178.8	185.8	177.0	155.0	146.8
Documented Interest	(54.2)	(38.5)	(42.5)	(23.3)	(12.3)
Total Non-Financial Private-Sector and Residents Abroad	14,233.5	10,779.6	10,654.2	7,801.4	5,622.3
Total Gross Loans	14,263.9	12,247.3	11,974.7	10,803.6	10,938.0
Allowance for Loan Losses	(806.4)	(526.8)	(428.6)	(327.0)	(427.9)
Total Loans	13,457.5	11,720.5	11,546.1	10,476.6	10,510.1
Loans with Guarantees					
With Preferred Guarantees ⁽²⁾	1,142.2	1,332.8	1,289.8	1,076.2	838.5
Other Guarantees	2,453.9	2,971.1	3,180.2	4,103.6	6,317.3
Total Loans with Guarantees	3,596.1	4,303.9	4,470.0	5,179.8	7,155.8

(1) Categories of loans include:

-

*Advances:
short-term
obligations
drawn on by
customers
through
overdrafts.*

- *Promissory
Notes: endorsed
promissory
notes,
negotiable
obligations 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 the Bank
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, 2009, Banco Galicia's loan portfolio before allowances amounted to Ps.14,263.9 million, a 16.47% increase when compared to the previous fiscal year end, due to a significant increase in the portfolio of loans of the private sector and a decrease in the public non-financial sector. Loans to the financial and non-financial public sector as of the end of fiscal year 2009 amounted to Ps.5.0 million, 99.65% lower than the Ps.1,426.7 million

outstanding as of the close of the previous fiscal year (Ps.1,319.6 million in Secured Loans and Ps.107.1 million in loans granted to the financial public sector).

Total loans to the financial and non-financial public sector as of the end of the fiscal year 2009 correspond mainly to Secured Loans. The participation in such exposure in the total of the portfolio is not significant as of the end of 2009 while as of the end of 2008 it was 11.65%.

As of December 31, 2009, the loans to the private sector before the allowance for loan losses totaled Ps.14,258.9 million, a 31.78% increase as compared to the Ps.10,820.6 million at end of the previous fiscal year, and a share in the total loan portfolio of 99.96%, compared to 88.35% the previous fiscal year. Loans to corporations and individuals in the total loan portfolio increased from 85.27% at the end of fiscal year 2008 to 96.67% at the end of fiscal year 2009.

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In fiscal year 2008, our loan portfolio before the allowance for loan losses increased 2.3% compared to the previous fiscal year end, due to an increase in the public-sector and financial sector portfolios, while the private-sector loan portfolio did not register any significant changes. Loans to the financial and non-financial public sector as of fiscal year end 2008 amounted to Ps.1,426.7 million, with an 8.3% increase in comparison with the Ps.1,317.9 million outstanding as of the close of the previous fiscal year.

Loans by Type of Borrower

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2009, 2008 and 2007. Except for loans to individuals, all of the other categories of loans in the table below correspond to loans granted by the Bank only. The middle-market companies category includes the Bank's loans to SMEs and the agricultural and livestock sectors while the individuals category includes loans granted by the Bank and the regional credit card companies. Loans to individuals comprise both consumer loans and commercial loans extended to individuals with a commercial activity.

	2009		As of December 31, 2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Corporate	1,801.1	12.63	1,148.6	9.38	1,870.0	15.62
Middle-Market Companies	4,844.5	33.96	3,716.8	30.35	3,993.8	33.35
- Agribusiness	1,962.9	13.76	1,461.4	11.93	1,341.9	11.21
- SMEs	2,881.6	20.20	2,255.4	18.42	2,651.9	22.14
Commercial Loans	6,645.6	46.59	4,865.4	39.73	5,863.8	48.97
Individuals	7,142.8	50.07	5,578.3	45.55	4,631.4	38.68
- Bank	4,296.4	30.12	3,232.0	26.39	2,603.1	21.74
- Regional Credit Card						
Companies	2,846.4	19.95	2,346.3	19.16	2,028.3	16.94
Financial Sector ⁽¹⁾	470.5	3.30	484.0	3.95	269.0	2.25
Non-Financial Public Sector	5.0	0.04	1,319.6	10.77	1,210.5	10.10
Total ⁽²⁾	14,263.9	100.00	12,247.3	100.00	11,974.7	100.00

(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.*

Consumer loans continue to be the most significant category in the loan portfolio, representing 47.54% of the total portfolio, at the end of the fiscal year 2009, similar to the end of the previous fiscal year, where the share was 43.23%.

Table of Contents*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.

	2009		As of December 31, 2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Financial Sector ⁽¹⁾	470.5	3.30	484.0	3.95	269.0	2.25
Services						
Non-Financial Public Sector	5.0	0.04	1,319.6	10.77	1,210.5	10.10
Communications, Transportation Health and Others	1,020.2	7.15	838.3	6.84	936.7	7.82
Electricity, Gas, Water Supply and Sewage Services	43.7	0.31	30.7	0.25	198.2	1.66
Other Financial Services	12.8	0.09	44.5	0.37	11.7	0.10
Total	1,081.7	7.59	2,233.1	18.23	2,357.1	19.68
Primary Products						
Agriculture and Livestock	1,803.8	12.65	1,274.5	10.41	1,217.8	10.17
Fishing, Forestry and Mining	177.8	1.25	60.9	0.49	49.8	0.42
Total	1,981.6	13.90	1,335.4	10.90	1,267.6	10.59
Consumer	6,781.5	47.54	5,294.9	43.23	4,402.4	36.76
Retail Trade	719.5	5.04	537.2	4.39	721.0	6.02
Wholesale Trade	931.4	6.53	647.0	5.28	854.3	7.13
Construction	177.0	1.24	82.2	0.67	268.1	2.24
Manufacturing						
Foodstuffs	773.2	5.42	533.6	4.36	561.4	4.69
Transportation Materials	41.9	0.29	81.5	0.67	69.3	0.58
Chemicals and Oil	378.3	2.65	293.2	2.39	339.6	2.84
Manufacturing Industries	891.5	6.25	682.6	5.57	836.1	6.98
Total	2,084.9	14.61	1,590.9	12.99	1,806.4	15.09
Other Loans	35.8	0.25	42.6	0.36	28.8	0.24
Total ⁽²⁾	14,263.9	100.00	12,247.3	100.00	11,974.7	100.00

(1) *Includes local and international financial sectors.*

(2) *Before the allowance for loan losses.*

By economic sector, the most significant categories were loans to the manufacturing industry, the primary production sector and trade (wholesale and retail) with participation in the portfolio of 14.61%, 13.90% and 11.57%, respectively. The most significant growth is reflected in the construction sector, an increase of 115.33% as compared to the end of 2008. The services sector registered a decline in respect of the total portfolio of loans, from 18.23% at the end of 2008 to 7.59%.

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, 2009.

	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, 2009
	<i>(in millions of Pesos)</i>						
Non-Financial Public Sector ⁽¹⁾	1.3	0.5	0.4	1.8	1.0		5.0
Financial Sector ⁽¹⁾	25.4						25.4
Private Sector and Residents							
Abroad	7,720.5	3,325.8	1,122.1	1,363.6	479.3	222.3	14,233.6
- Advances	387.1	235.0	6.1	1.9			630.1
- Promissory Notes	1,148.7	1,353.3	364.5	307.0	22.2	9.7	3,205.4
- Mortgage Loans	20.9	97.6	92.2	324.4	218.9	210.4	964.4
- Pledge Loans	4.9	16.7	14.9	21.4	4.7	2.2	64.8
- Personal Loans	94.7	400.4	330.3	665.9	233.1		1,724.4
- Credit-Card Loans	4,250.9	1,107.5	292.3	40.6			5,691.3
- Other Loans	1,688.7	115.3	21.8	2.4	0.4		1,828.6
- Accrued Interest and Quotation Differences Receivable ⁽¹⁾	178.8						178.8
- (Documented Interest)	(54.2)						(54.2)
- (Unallocated Collections)							
Allowance for Loan Losses ⁽²⁾	(806.4)						(806.4)
Total Loans, Net	6,940.8	3,326.3	1,122.5	1,365.4	480.3	222.3	13,457.6

(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 as of December 31, 2009.

	In millions of Pesos	As a % of Total Loans
Variable Rate ⁽¹⁾⁽²⁾		
Pesos	7,089.6	50.12
Dollars	778.8	5.51
Total	7,868.4	55.63
Fixed Rate ⁽²⁾⁽³⁾		
Pesos	4,640.4	32.80
Dollars	1,636.3	11.57
Total	6,276.7	44.37
Past Due Loans		
Pesos	528.2	3.74
Dollars	21.4	0.15
Total	549.6	3.89

(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 and the regional credit card companies' 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 separation between the credit and the origination functions, thus enabling us to achieve an ongoing and efficient control of asset quality, a proactive management of problem loans, aggressive write-offs of uncollectible loans, and adequate loan loss provisioning. The process also includes credit-quality monitoring by borrower, as well as the monitoring of problem loans and related losses. The process facilitates early detection of situations that could entail some degree of portfolio impairment and provides appropriate protection of our assets.

Banco Galicia

The Credit Risk Department approves credit risk policies and procedures, verifies the compliance thereof, assesses credit risk on a continuous basis and develops credit assessment models to be applied to risk products.

There is a maximum limit for financial assistance to a customer or economic group (excluding interbank financial transactions) at 5% of the computable capital (or RPC). Banco Galicia s Board of Directors determines, by simple majority of votes, in which cases it is necessary to make exceptions to address special funding situations.

Significant credits, defined as loans to customers or economic groups exceeding Ps.30 million (excluding interbank financial transactions), must be approved by the Board of Directors simple majority of votes, and, for related customers, it must be approved by two thirds of the Board of Directors votes.

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For Wholesale Banking (except for Corporate Banking) customers rated CCC , CC or C by Banco Galicia s internal rating system shall be admitted under exceptional circumstances, duly justified by their corresponding level, and they shall comply, among others, with the following criteria: (i) to belong to an economic group with a better rating that is a customer of Banco Galicia; (ii) to have, among its shareholders (legal person) one institution with a good financial condition and good economic and financial records; (iii) to be a company starting an investment project as long as the group or customer justifies it; or (iv) to have undergone significant changes after the date of their balance sheet that favorably affect their situation.

In addition, the Internal Audit Division is in charge of overseeing the classification of the loan portfolio in accordance with the regulations established by the Argentine Central Bank.

Banco Galicia constantly monitors its loan portfolio through different indicators (non-performance, roll rates, etc), as well as the classification and concentration thereof (through maximum ratios between the exposure to each customer, its own RPC or regulatory capital, 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. In turn, Banco Galicia has advanced statistical models which result in an internal rating that allows it to order and analyze credit risk in terms of expected losses, and to adjust pricing and/or risk policies by customer groups or segments. The Credit Division s mission is to assure the quality of loan portfolio through the control of the origination and the optimization of loan recovery strategies in accordance with standards of best practices.

This Division is in charge of the following functions: granting of loans, classification and follow-up of customers and recovery of past-due loans. This Division has separated credit granting, and the control and recovery functions, both for corporate and individuals, to clearly assign distinguishable objectives and goals.

The Risk Management Division often reviews and proposes changes to the internal policies, both as regards to credit granting and recovery of past-due loans.

Retail Credit Approval and Recovery. Two departments are in charge of the retail loan portfolio: the Consumer Credit Department, responsible for the analysis and report on credit approvals, and the Consumer Recovery Department, responsible for the follow-up, control on past-due loans and out-of-court proceedings.

With regards to consumer loans, Banco Galicia assesses applications for different products such as credit cards, cash advances in current accounts and secured and unsecured personal loans. Applications for these products are 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 or with Banco Galicia (credit screening). The analysis of the information provided by applicants and the decision whether to approve or else refuse the transaction are carried out in a centralized manner. Applicants credit history, either at Banco Galicia or in the financial system as a whole, is verified through the information provided by a company that provides credit information services.

With respect to the recovery of past-due loans, this Department follows up and monitors the past-due consumer loan portfolio both in its early and advanced stages, until recovery thereof is achieved or recovery of these loans is turned to the Judicial Proceedings Department. Recovery procedures throughout Argentina are carried out either directly or through third parties.

Early procedures for the collection of the past-due individuals loan portfolio are carried out through the Collection Center of the Customer Contact Center. Banco Galicia also uses a follow-up system that performs automated telephone calls in relation to past-due loans. In order to reach out to all provinces, steps to be taken are coordinated within the branch network. When these proceedings are exhausted, recovery of these loans is turned to collection agencies hired by Banco Galicia to handle recovery through out-of-court proceedings. Follow-up and supervision of these agencies are carried out by the Consumer Recovery Department.

Corporate Credit Approval and Recovery. Credit approval of the corporate loan portfolio is carried out through three specialized teams: the Corporate Credit Department, responsible for credit granting; the Credit Analysis Department, in charge of the analysis of large amount transactions; and the Corporate Review Department, responsible for monitoring and managing the loan portfolio, as well as establishing preventive measures and performing the classification thereof in accordance with regulations.

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Before approving a loan, Banco Galicia performs an assessment of the corporate borrower and its financial condition. For credits exceeding certain amounts, an analysis of each credit line and of each customer is carried out. For credits below certain amounts, Banco Galicia uses automated risk assessment systems that provide financial and non-financial information on the borrower. They also have the ability to perform automated risk assessments and projections of the financial statements to 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 economic 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).

The Board of Directors' Credit Committee decides on the granting of loans that exceed a certain amount and on all other loans to financial institutions (local or foreign) and related parties. The remaining loans are approved by the Corporate Credit Department pursuant to authorization levels previously granted.

The Corporate Recovery Department is responsible for monitoring and controlling the entire past-due commercial portfolio. It establishes procedures and acts proactively to design action plans on a case-by-case basis to recover any amounts that exceed the credit limits assigned. This Department also oversees recovery of problem loans in the corporate portfolio, managing them efficiently and working to regularize the status of those customers that are most attractive to Banco Galicia. Furthermore, this Department is in charge of the judicial and out-of-court proceedings to recover loans from the corporate loan portfolio as well as judicial proceedings to recover loans from the consumer portfolio. This Department also manages and oversees lawsuits filed in various jurisdictions of the country by external law firms hired to handle these matters.

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.

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.

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With regards to recovery of past due loans, the regional credit card companies manage the early stages of delinquency through their branch personnel and use different types of contact with customers (letters, phone calls, etc.). After 90 days, recovery is turned over to collection agencies that manage out of court proceedings, and if the loan is not recovered, court proceedings are initiated by these agencies. Cobranzas Regionales S.A., a subsidiary of Tarjeta Naranja S.A and Tarjetas Cuyanas S.A., supervises the whole process of recovery, including recovery procedures of said collection agencies.

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.

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 million (until August 2009 said figure was Ps.1 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 the Bank's commercial portfolio must be reviewed once every six months; and all other borrowers in the Bank's commercial portfolio must be reviewed during the fiscal year, so that the entire commercial portfolio is reviewed every fiscal year.

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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):

	Monthly or Bimonthly	Refinancing		Judicial Agreements	
		Previous %	Others Com. A 4975	Previous %	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.

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.

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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.

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.

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Loan Classification	Description
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:

Minimum Allowances for Loan Losses

Category	Secured	Unsecured
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%

Loans backed with preferred guarantees A 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, the Bank establishes additional provisions, determined based on the Bank's judgment of the entire loan portfolio risk at each reporting period.

As of December 31, 2009, December 31, 2008 and December 31, 2007, we maintained a general loan loss allowance of Ps.439.8 million, Ps.298.4 million and Ps.188.0 million, respectively, which exceeded by Ps.303.4 million, Ps.200.0 million and Ps.88.5 million, respectively, the 1% minimum general allowance required by the Argentine Central Bank. The excess over the minimum requirement of fiscal year 2007 was maintained in connection with commercial loans under a restructuring process which was not completed as of that date, and which were the remaining of the cases stemming from the 2001-2002 crisis. The increase in these amounts in fiscal years 2008 and 2009 was related to the seasoning of the individuals loan portfolio and to the possible occurrence of certain cases of default in the commercial loan portfolio, as a consequence of the worsening of certain macroeconomic variables.

Table of Contents**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 the Bank and the regional credit card companies, applying the Argentine Central Bank's loan classification criteria in effect at the dates indicated.

Loan Portfolio Classification	As of December 31, 2009					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
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
Total	13,699.8	100.00	564.1	100.00	14,263.9	100.00

Loan Portfolio Classification	As of December 31, 2008					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
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
Total	11,895.3	100.00	352.0	100.00	12,247.3	100.00

Loan Portfolio Classification	As of December 31, 2007					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%

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Loan Portfolio Classification	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
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
Total	11,642.7	100.00	332.0	100.00	11,974.7	100.00

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	As of December 31, 2006					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	10,149.9	96.24			10,149.9	93.94
2. With Special Follow-up Under observation and Low Risk	374.6	3.54			374.6	3.47
3. With Problems and Medium Risk	12.2	0.12	30.0	11.69	42.2	0.39
4. High Risk of Insolvency and High Risk	10.2	0.10	192.7	75.07	202.9	1.88
5. Uncollectible			28.8	11.22	28.8	0.27
6. Uncollectible Due to Technical Reasons			5.2	2.02	5.2	0.05
Total	10,546.9	100.00	256.7	100.00	10,803.6	100.00

	As of December 31, 2005					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	10,171.2	95.22			10,171.2	92.99
2. With Special Follow-up Under observation and Low Risk	384.4	3.60			384.4	3.51
3. With Problems and Medium Risk	120.4	1.13	206.9	80.82	327.3	2.99
4. High Risk of Insolvency and High Risk	6.0	0.05	23.0	8.98	29.0	0.27
5. Uncollectible			22.8	8.91	22.8	0.21
6. Uncollectible Due to Technical Reasons			3.3	1.29	3.3	0.03
Total	10,682.0	100.00	256.0	100.00	10,938.0	100.00

Amounts Past Due and Non-Accrual Loans

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,				
	2009	2008	2007	2006	2005

(in millions of Pesos, except ratios)

Total Loans ⁽¹⁾	14,263.9	12,247.3	11,974.7	10,803.6	10,938.0
Non-Accrual Loans ⁽²⁾					
With Preferred Guarantees	33.7	42.0	43.5	40.2	58.4
With Other Guarantees	97.9	10.3	5.0	5.1	6.5
Without Guarantees	548.1	375.6	327.3	233.8	317.5
Total Non-Accrual Loans ⁽²⁾	679.7	427.9	375.8	279.1	382.4
Past Due Loan Portfolio					
Non-Financial Public Sector					
Local Financial Sector					
Non-Financial Private Sector and Residents Abroad					
Advances	64.4	25.9	23.0	20.9	14.1
Promissory Notes	90.5	24.5	134.5	135.2	191.6
Mortgage Loans	16.8	24.9	30.0	28.4	14.6
Pledge Loans	2.7	1.1	0.8	0.3	0.5
Personal Loans	69.8	45.7	17.6	4.1	0.8
Credit-Card Loans	285.9	215.0	115.4	62.7	33.4
Placements with Correspondent Banks					
Other Loans	34.0	14.9	10.7	5.1	1.0
Total Past Due Loans	564.1	352.0	332.0	256.7	256.0
Past Due Loans					
With Preferred Guarantees	19.8	26.0	30.8	28.9	16.1
With Other Guarantees	66.9	9.0	4.2	4.3	4.9
Without Guarantees	477.4	317.0	297.0	223.5	235.0
Total Past Due Loans	564.1	352.0	332.0	256.7	256.0
Allowance for Loan Losses	806.4	526.8	428.6	327.0	427.9

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	As of December 31,				
	2009	2008	2007	2006	2005
	<i>(in millions of Pesos, except ratios)</i>				
Ratios (%)					
As a % of Total Loans:					
- Total Past Due Loans	3.95	2.87	2.77	2.38	2.34
- Past Due Loans with Preferred Guarantees	0.14	0.21	0.26	0.27	0.15
- Past Due Loans with Other Guarantees	0.47	0.07	0.03	0.04	0.04
- Past Due Unsecured Amounts	3.34	2.59	2.48	2.07	2.15
- Non-Accrual Loans ⁽²⁾	4.77	3.49	3.14	2.58	3.50
- Non-Accrual Loans ⁽²⁾ (Excluding Interbank Loans)	4.93	3.60	3.18	2.79	3.57
- Non-Accrual Loans ⁽²⁾ as a Percentage of Loans to the Private Sector	4.77	3.95	3.53	3.49	6.77
Allowance for Loan Losses as a % of:					
- Total Loans	5.65	4.30	3.58	3.03	3.91
- Total Loans Excluding Interbank Loans	5.84	4.44	3.63	3.27	4.00
- Total Non-Accrual Loans ⁽²⁾	118.64	123.11	114.05	117.16	111.90
- Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans ⁽²⁾	19.36	12.22	12.91	16.23	16.97
- Non-Accrual Loans as a Percentage of Total Past Due Loans	120.49	121.56	113.20	108.73	149.38

(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 .*

Our non-accrual loan portfolio, both in absolute terms and measured as a percentage of total loans, decreased significantly between the end of fiscal years 2006 and 2007, in the context of strong improvement in the credit environment in Argentina after the 2001-2002 crisis. At the end of fiscal year 2009, our non-accrual to total loans ratio was 4.77%, up from 3.49% at the end of fiscal year 2008, due to the seasoning of the individuals portfolio and default on the commercial portfolio as a consequence of the deterioration macroeconomic conditions. As a result of this last effect, considering only loans to the private sector, the non-accrual loan portfolio as a percentage of said portfolio rose from 3.95% as of December 31, 2008 to 4.77% as of December 31, 2009. The seasoning of the individuals portfolio is a consequence of the strong growth process it has undergone for several years.

Since fiscal year 2005, our 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 .

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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:

	2009	2008	As of December 31, 2007		2006	2005
			<i>(in millions of Pesos)</i>			
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	52.0	35.4	35.9		23.7	45.9
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued ⁽¹⁾	2.6	1.8	1.8		1.2	2.3

(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.

	2009	2008	Fiscal Year Ended December 31, 2007		2006	2005
			<i>(in millions of Pesos, except ratios)</i>			
Total Loans, Average ⁽¹⁾	11,481.9	12,077.3	10,528.9		10,851.0	9,746.9
Allowance for Loan Losses at Beginning of Period ⁽²⁾	526.8	428.6	327.0		427.9	632.6
Changes in the Allowance for Loan Losses During the Period ⁽²⁾						
Provisions Charged to Income	625.9	384.6	248.4		105.3	61.1
Prior Allowances Reversed	(5.4)	(6.5)	(21.5)		(32.5)	(96.2)
Charge-Offs (A)	(354.5)	(289.2)	(125.4)		(200.8)	(174.5)
Inflation and Foreign Exchange Effect and Other Adjustments	13.6	9.3	0.1		27.1	4.9
Allowance for Loan Losses at End of Period	806.4	526.8	428.6		327.0	427.9
Charge to the Income Statement during the Period						
Provisions Charged to Income ⁽²⁾	625.9	384.6	248.4		105.3	61.1
Direct Charge-Offs, Net of Recoveries (B)	(27.9)	(68.4)	(57.2)		(46.4)	(28.9)
Recoveries of Provisions	(5.4)	(6.5)	(21.5)		(32.5)	(96.2)
Net Charge (Benefit) to the Income Statement	592.6	309.7	169.7		26.4	(64.0)

Ratios (%)

Charge-Offs (A+B) to Average Loans ⁽³⁾	2.84	1.83	0.65	1.42	1.49
Net Charge to the Income Statement to Average Loans ⁽³⁾	5.16	2.56	1.61	0.24	(0.66)

(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.*

The increase in allowance for loan losses in fiscal year 2009 is mainly attributable to the seasoning of the individuals loan portfolio.

Table of Contents**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.

	As of December 31,								
	2009			2008			2007		
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>									
Non-Financial Public Sector			0.04			10.77			10.11
Local Financial Sector			0.18			1.21			0.92
Non-Financial Private Sector and Residents Abroad									
Advances	31.7	0.22	4.42	14.5	0.12	4.85	16.2	0.13	6.61
Promissory Notes	80.3	0.56	22.47	34.9	0.28	17.28	119.8	1.00	24.31
Mortgage Loans	11.8	0.08	6.76	21.9	0.18	8.38	26.5	0.22	7.89
Pledge Loans	1.5	0.01	0.45	0.5		0.66	0.3		0.79
Personal Loans	63.9	0.45	12.09	37.8	0.31	9.94	14.0	0.12	8.17
Credit-Card Loans	168.3	1.18	39.90	111.4	0.91	35.75	56.0	0.47	30.31
Placements in Correspondent Banks			3.09			2.73			1.32
Other	16.0	0.11	10.60	7.4	0.06	8.43	7.9	0.07	9.57
Unallocated ⁽¹⁾	432.9	3.04		298.4	2.44		187.9	1.57	
Total	806.4	5.65	100.00	526.8	4.30	100.00	428.6	3.58	100.00

	As of December 31,					
	2006			2005		
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>						
Non-Financial Public Sector				24.90		47.43
Local Financial Sector				2.88		1.17
Non-Financial Private Sector and Residents Abroad						
Advances	16.3	0.15	3.21	12.3	0.11	2.04
Promissory Notes	151.1	1.40	19.84	186.4	1.70	16.79
Mortgage Loans	25.0	0.23	6.37	21.6	0.20	4.60
Pledge Loans	0.4		0.62	0.5		1.11

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Personal Loans	3.7	0.03	5.21	0.9	0.01	2.36
Credit-Card Loans	28.5	0.26	22.76	14.0	0.13	15.84
Placements in Correspondent Banks			5.63			1.95
Other	1.0	0.01	8.58	17.1	0.16	6.71
Unallocated ⁽¹⁾	101.0	0.95		175.1	1.60	
Total	327.0	3.03	100.00	427.9	3.91	100.00

(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.*

Table of Contents**Charge-Offs**

The following table sets forth the allocation of the main charge-offs made by the Bank and the regional credit card companies during the years ended December 31, 2009, 2008 and 2007.

	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos)</i>		
Charge-offs by Type			
Advances	21.3	17.3	6.1
Promissory Notes	20.3	92.3	35.1
Mortgage Loans	9.9	7.9	5.4
Pledge Loans	0.3	0.1	0.2
Personal Loans	60.8	27.5	6.6
Credit-Card Loans			
Banco Galicia	54.9	31.6	9.2
Regional Credit-Card Companies	178.6	107.7	60.6
Other Loans	8.4	4.8	2.2
Total	354.5	289.2	125.4

During fiscal year 2009, Ps.354.5 million were written off against allowance for loan losses in connection with loans to individuals, including the regional credit cards companies' portfolios, and the increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio.

During fiscal year 2008, Ps.289.2 were written off against allowance for loan losses. This amount represented charge offs of loans to individuals, mainly regional credit cards companies' loans, and the close of negotiations with a commercial customer under a debt restructuring process. The increase from the Ps.125.4 million charge offs for fiscal year 2007 was mainly explained by the seasoning of the individuals' loan portfolio.

Foreign Outstandings

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 0.75% or more of our total assets:

Country	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos)</i>		
United Kingdom			
Demand Deposits	5.5	6.0	2.0
Forward Purchases of Boden 2012 Bonds		829.0	1,244.8
Forward Purchases of Discount Bonds in Pesos		603.2	600.6
Total	5.5	1,438.2	1,847.4
United States			
Demand Deposits	178.6	353.4	532.1
Overnight Placements	440.5	317.3	159.3

Other	21.6	0.7	
Total	640.7	671.4	691.4
Germany			
Demand Deposits	2.1	3.0	0.9
Forward Purchases of Boden 2012 Bonds	803.4	1,087.9	240.8
Forward Purchases of Discount Bonds in Pesos			105.9
Total	805.5	1,090.9	347.6

As of December 31, 2009, we had the following foreign outstandings: Ps.5.5 million (0.02% of our total assets) with United Kingdom financial institutions, corresponding to demand deposits with such institutions.

Ps.640.7 million (2.3% of our total assets) representing liquid placements with United States financial institutions, of which Ps.178.6 million correspond to demand deposits and Ps.440.5 million represent overnight placements.

Ps.805.5 million (2.9% of our total assets) with a German financial institution, of which Ps.803.4 million represent two forward purchases of Boden 2012 Bonds in connection with repurchase transactions with the applicable financial institution, and Ps.2.1 million correspond to demand deposits with such institution; both repurchase transactions are for a two-year term; all bear market floating interest rates based on Libor plus a fixed spread.

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There were no other foreign outstandings representing 0.75% or more of our total assets as of December 31, 2009, 2008 and 2007.

Deposits

The following table sets out the composition of our deposits as of December 31, 2009, 2008 and 2007. Our deposits represent deposits with the Bank.

	As of December 31,		
	2009	2008	2007
	<i>(in millions of Pesos)</i>		
Current Accounts and Other Demand Deposits	3,719.2	3,105.4	2,675.4
Savings Accounts	4,994.7	4,035.0	3,380.1
Time Deposits	7,954.7	6,548.0	6,704.8
Other Deposits ⁽¹⁾	248.8	263.2	291.6
Plus: Accrued Interest, Quotation Differences and CER Adjustment	122.0	104.5	113.7
Total Deposits	17,039.4	14,056.1	13,165.6

(1) *Includes among other, deposits originated by Decree No. 616/05, Reprogrammed Deposits under judicial proceedings and other demand deposits.*

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 Ps.1,406.7 million increase in time deposits. As in prior years, these increases were due to deposits received by the Bank's Argentine operation. As of December 31, 2009, time deposits included Ps.14.9 million of CER-adjusted time deposits.

In 2008, our consolidated deposits increased 6.8% mainly as a result of a Ps.1,084.9 million increase in deposits in current and savings accounts. As in prior years, these increases were due to deposits received by the Bank's Argentine operation. As of December 31, 2008, time deposits included Ps.47.3 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, 2009, 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. 3,719.2	26.9%			Ps. 3,719.2	22.0%
Savings Accounts	3,405.3	24.6	Ps. 1,589.4	51.3	4,994.7	29.5
Time Deposits	6,561.6	47.5	1,393.2	45.1	7,954.8	47.0
Maturing Within 30 Days	1,471.6	10.6	309.1	10.0	1,780.7	10.5

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Maturing After 31 Days but Within 59 Days	1,932.4	14.0	311.0	10.1	2,243.4	13.3
Maturing After 60 Days but Within 89 Days	933.8	6.8	175.7	5.7	1,109.5	6.6
Maturing After 90 Days but Within 179 Days	771.1	5.6	389.6	12.6	1,160.7	6.9
Maturing After 180 Days but Within 365 Days	852.0	6.2	185.9	6.0	1,037.9	6.1
Maturing After 365 Days	600.7	4.3	21.9	0.7	622.6	3.6
Other Deposits	138.9	1.0	109.7	3.6	248.6	1.5
Maturing Within 30 Days	134.0	1.0	100.4	3.3	234.4	1.4
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						
Maturing After 365 Days	4.9		9.3	0.3	14.2	0.1
Total Deposits ⁽¹⁾	Ps. 13,825.0	100.0%	Ps. 3,092.3	100.0%	Ps. 16,917.3	100.0%

(1) Only principal.
Excludes the
CER adjustment

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The categories with the highest concentration of maturities per original term are those within the segments within 30 days and after 31 days but within 59 days (Pesos and Dollars), which accounted for 23.8% of the total and mainly corresponded to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2009, the average original term of non-adjusted Peso and US Dollar-denominated time deposits (excluding Reprogrammed Deposits with *amparo* claims) was approximately 107 days. Dollar-denominated deposits, for Ps.3,092.3 million (only principal), represented 18.3% of total deposits, of which 5.2% (Ps.160.1 million, only principal) corresponded to Galicia Uruguay (consolidated).

The following table provides information about the maturity of our outstanding time deposits exceeding Ps.100,000, based on to whether they were made at our domestic or foreign branches, as of December 31, 2009.

	Domestic Offices	Foreign Offices
	<i>(in millions of Pesos)</i>	
Time Deposits		
Within 30 Days	1,097.4	
After 31 Days but Within 59 Days	1,553.4	
After 60 Days but Within 89 Days	722.0	
After 90 Days but Within 179 Days	800.8	
After 180 Days but Within 365 Days	897.7	
After 365 Days	608.7	
Total Time Deposits	5,680.0	
Other Deposits		
Total Deposits ⁽¹⁾	5,680.0	

(1) *Only principal.
Excludes the
CER
adjustment.*

Return on Equity and Assets

The following table presents certain selected financial information and ratios for the periods indicated.

	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos, except percentages)</i>		
Net Income / (Loss)	229.3	176.8	46.0
Average Total Assets	24,685.3	23,412.5	21,332.4
Average Shareholders' Equity	1,961.2	1,745.0	1,606.7
Shareholders' Equity at End of the Period	2,052.5	1,845.7	1,654.5
Net Income as a Percentage of:			
Average Total Assets	1.12	0.91	0.37
Average Shareholders' Equity	11.69	10.13	2.86
Declared Cash Dividends			
Dividend Payout Ratio	7.94	7.45	7.53

Average Shareholders Equity as a Percentage of Average Total Assets

Shareholders Equity at the End of the Period as a Percentage of Average Total Assets

8.31

7.88

7.76

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Our short-term borrowings include all of our borrowings (including repurchase agreements, debt securities and negotiable obligations) with a contractual maturity of less than one year, owed to foreign or domestic financial institutions or holders of negotiable obligations. See Notes 13 and 14 to our consolidated audited financial statements included in this annual report for detailed information about our Short-term Borrowings.

	2009	As of December 31, 2008	2007
	<i>(in millions of Pesos)</i>		
Short-Term Borrowings			
Argentine Central Bank	2.1	1.7	0.7
Other Banks and International Entities			
Credit Lines from Domestic Banks	86.9	43.6	33.2
Credit Lines from Foreign Banks	180.0	354.6	258.0
Repurchases with Domestic Banks	278.1	34.7	
Negotiable Obligations	125.8	108.9	36.3
Total	672.9	543.5	328.2

As of the end of fiscal year 2009, our short-term borrowings consisted mainly of repurchase agreements transactions with domestic banks.

The following table shows for our significant short-term borrowings for the fiscal years ended December 31, 2009, 2008 and 2007:

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 the periods.

	2009	As of December 31, 2008	2007
	<i>(in millions of Pesos, except percentages)</i>		
Argentine Central Bank			
Weighted-average Interest Rate at End of Period			
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 2.8	Ps. 1.7	Ps. 0.9
Average Balances for Each Period	Ps. 1.3	Ps. 1.1	Ps. 0.6
Weighted-average Interest Rate for the Period			
Credit Lines from Domestic Banks			
Weighted-average Interest Rate at End of Period	10.9%	24.7%	14.2%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 86.9	Ps. 261.5	Ps. 92.6
Average Balances for Each Period	Ps. 45.6	Ps. 72.9	Ps. 57.5
Weighted-average Interest Rate for the Period	12.2%	13.7%	9.5%
Credit Lines from Foreign Banks			
Weighted-average Interest Rate at End of Period	2.5%	5.4%	5.6%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 257.2	Ps. 457.4	Ps. 258.0
Average Balances for Each Period	Ps. 153.1	Ps. 373.6	Ps. 106.7
Weighted-average Interest Rate for the Period	5.1%	4.5%	5.8%
Repurchases with Domestic Banks			
Weighted-average Interest Rate at End of Period	9.8%	10.5%	%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 278.1	Ps. 400.6	Ps. 317.4

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Average Balances for Each Period	Ps.	25.9	Ps.	132.8	Ps.	138.3
Weighted-average Interest Rate for the Period		9.6%		10.5%		8.9%
Repurchases with Foreign Banks						
Weighted-average Interest Rate at End of Period						
Maximum Balance Recorded at the Monthly Closing Dates						
Average Balances for Each Period						
Weighted-average Interest Rate for the Period						
Negotiable Obligations						
Weighted-average Interest Rate at End of Period		%		12.1%		8.2%
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	247.7	Ps.	108.9	Ps.	65.7
Average Balances for Each Period	Ps.	139.8	Ps.	49.8	Ps.	50.8
Weighted-average Interest Rate for the Period		5.5%		9.9%		9.3%

Table of Contents**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* or 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 Galicia Uruguay and Tarjetas Regionales S.A. consolidated.

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.

The above-mentioned Argentine Central Bank rules provided a schedule for the gradual compliance by entities with the new rule over time. For this, it established the application, beginning on January 2004, of two coefficients known as Alfa 1 and Alfa 2, in order to temporarily, and in a decreasing manner, reduce the minimum capital requirement to cover the credit risk of public-sector assets and interest-rate risk, respectively. The Alfa 1 coefficient value increased progressively, in January of each year, until it reached 1.00 on January 1, 2009, and the value of the Alfa 2 coefficient increased in the same manner until it reached 1.00 on January 1, 2007, as shown in the table below:

January 1st/ December 31st	Alfa 1	Alfa 2
2004	0.05	0.20
2005	0.15	0.40
2006	0.30	0.70
2007	0.50	1.00
2008	0.75	
2009	1.00	

Under Argentine Central Bank rules, core capital primarily corresponds to a bank's shareholders' equity at the beginning of the fiscal year and supplemental capital primarily is comprised of 50% of the fiscal year's profits and 100% of fiscal year's losses, and subordinated debt. In the case of the Bank, supplemental capital includes the subordinated debt maturing in 2019 issued as a result of the restructuring of the Bank's foreign debt. Pursuant to Argentine Central Bank regulations on this point, subordinated debt computable as supplemental capital is limited to 50% of core capital and supplemental capital cannot exceed the latter.

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Communiqué A 4782 of the Argentine Central Bank, dated March 3, 2008, broadened the range of subordinated contractual obligations that financial institutions may include in their calculation of supplementary shareholders equity. Pursuant to this Communiqué, it is possible to record as such not only subordinated debt securities with a public offering, but also any other liability contractually subordinated that meets the requirements set forth in the regulation, regardless of whether such debt had a public offering and notwithstanding the manner of execution (which allows supplementary capital to include liabilities such as loans or credit lines from abroad, for example). The table below shows information on the Bank's consolidated computable regulatory capital, or RPC or Adjusted Shareholders' Equity, and minimum capital requirements as of the dates indicated.

	As of December 31,		
	2009	2008	2007
	<i>(in millions of Pesos, except percentages)</i>		
Shareholders' Equity	2,126.5	1,954.7	1,759.4
Argentine Central Bank Minimum Capital Requirements ⁽¹⁾			
Allocated to Financial Assets	1,064.1	1,014.1	845.3
Allocated to Fixed Assets, Intangible and Unquoted Equity Investments	168.7	169.5	153.2
Allocated to Market Risk	14.3	5.4	20.4
Allocated to Interest-Rate Risk	20.7	50.7	52.4
Lending to the Non-Financial Public Sector	343.7	324.8	231.5
Total (A)	1,611.5	1,564.5	1,302.8
Computable Regulatory Capital Calculated Under Argentine Banking GAAP			
Core Capital	1,991.2	1,789.1	1,756.4
Supplemental Capital	1,070.2	994.7	757.1
Deductions			
Investments in Financial Entities	(1.9)	(1.7)	(1.5)
Organization Expenses	(274.9)	(191.3)	(100.6)
Goodwill Recorded from June 30, 1997	(17.5)	(28.5)	(47.6)
Real Estate Properties for Banco Galicia's Own Use and Miscellaneous, for which No Title Deed has been Made	(8.4)	(6.3)	(2.8)
Other	(9.9)	(17.0)	(7.0)
Total	(312.6)	(244.8)	(159.5)
Additional Capital - Market Variation	40.4	13.3	3.1
Total (B)	2,789.2	2,552.3	2,357.1
Excess Capital			
Excess Over Required Capital (B)-(A)	1,177.7	987.8	1,054.3
Excess Over Required Capital as a % of Required Capital	73.08	63.14	80.93
Total Capital Ratio	14.35	13.92	15.54

*(1) In accordance
with Argentine
Central Bank
rules applicable
at each date.*

As of December 31, 2009, Banco Galicia's computable capital amounted to Ps.2,789.2 million, exceeding the minimum capital requirement by Ps.1,177.7 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date. This excess amount was Ps.987.8 million as of December 31, 2008. The increase of Ps.189.9 million in the excess was due to integration of principal by Ps.236.9 million, offset by the rise in the minimum capital requirement of Ps.47.0 million.

The greater minimum capital requirement was mainly the result of the Ps.32.7 million increase in minimum capital requirements to cover the credit risk, as a consequence of the growth of the Bank's exposure to the private sector during fiscal year 2009 and the Ps.18.9 million increase in minimum capital requirement for the exposure to the non-financial public sector, which was mainly due to the increase of the Alfa 1 coefficient from 0.75 to 1, therefore, eliminating, as from January 2009 the mitigating coefficient. The latter effect was mainly offset by the sale of part of the government securities portfolio made during fiscal year 2009.

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The Ps.236.9 increase in computable capital when compared to December 31, 2008 was mainly the result of Ps.202.1 million from basic shareholders' equity, mainly due to the result of the fiscal year 2008 and Ps.75.5 million from an increase in the complementary shareholders' equity, mainly due to the balance of the subordinated debt increase for the increase of the value of the dollar. This latter increase was offset by the increase of Ps.67.8 million in the deductions corresponding to an increase in the organization and development expenses.

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.

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 P&C 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 36th 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 shareholder's equity less non-computable assets. Non-computable assets consist mainly of deferred charges, pending capital contributions, and excess investments in authorized instruments. As of December 31, 2009, the computable capital of the companies controlled by Sudamericana Holding S.A. exceeded the minimum requirement of Ps.49.3 million by Ps.15.5 million. Sudamericana also holds Sudamericana 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.

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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.

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 United States' 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 Law No. 24,240 or the Consumer Protection Law (*Ley de Defensa del Consumidor*).

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 the Bank, 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.

The Bank 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. Sudamericana 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 the Bank 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, 2011.

Galval Agente de Valores S.A. 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.

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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 Government the power to regulate the local foreign exchange market.

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 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 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 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:
 - (i) resulting from loans granted to residents by local financial institutions in foreign currency;
 - (ii) resulting from 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 compliance with certain requirements;
 - (iii) resulting from sales of interests in local entities to direct investors;
 - (iv) to be applied to real estate acquisitions;
 - (v) resulting from an indebtedness with multilateral and bilateral credit agencies and with official credit agencies;
 - (vi) resulting from other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years, the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);
 - (vii) resulting from other foreign indebtedness where the proceeds will be applied to the settlement of foreign debt principal amortization or long term investments in foreign 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 by the International Monetary Fund, among others, within such purposes are the payment by non-Argentine residents of certain local taxes; or
 - (ix) resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the 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.

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The 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 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 securities; (ii) recoveries from local bankruptcies; (iii) proceeds from the sale of direct investments in the non-financial private sector in Argentina or the final disposition of such investments if they were made with foreign currency that entered the local foreign exchange market no less than 365 days before; 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.
- (c) With a US\$5,000 monthly limit in cases not contemplated above, unless authorization from the Argentine Central Bank is obtained.

Access to the local foreign exchange market by residents (both individuals and entities) to make foreign real estate, direct or portfolio investments or buy foreign exchange or traveler checks is allowed but limited to US\$2.0 million per month if certain other operative requirements are met. Such limits may be increased in certain specific cases.

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 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 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).

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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 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.

The difference between the amounts paid as a result of these court orders and the amount resulting from converting deposits at the Ps.1.40 per US Dollar exchange rate, adjusted by the CER and interest accrued up to the payment date, which amounted to Ps.837.7 million as of December 31, 2009, was recorded under Intangible Assets. The residual value as of said date was Ps.259.1 million. We have repeatedly reserved our right to make claims, at a suitable time, in view of the negative effect caused on our financial condition by the reimbursement of deposits originally denominated in Dollars, pursuant to orders issued by the Judicial Branch, either in US Dollars or in Pesos for the equivalent amount at the market exchange rate, since compensation of this effect was not included by the Government in the calculation of the compensation to financial institutions. The method of accounting for such right as a deferred loss, as set forth by Argentine Central Bank regulations, does not affect the existence or legitimacy of such right. To such effect, we have reserved all of the corresponding rights.

On December 30, 2003, we formally requested from the executive branch of the Government, with a copy to the Ministry of Economy and to the Argentine Central Bank, the payment of the due compensation for the losses incurred that were generated by the asymmetric pesification and, especially, for the negative effect on our financial condition caused by final court decisions. We have reserved our right to further extend such request in order to encompass losses made definitive by new final judgments.

In December, 2006, the Argentine Supreme Court pronounced its ruling with respect to the case *Massa c/ Estado Nacional y Bank Boston* resolving that the defendant bank had to fulfill its obligation to reimburse a US Dollar-denominated deposit subject to the emergency regulations by paying the original amount deposited converted into Pesos at an exchange rate of Ps.1.40 per US Dollar, adjusted by CER until the effective date of payment, together with an interest rate of 4% per annum, and computing amounts paid in order to comply with preliminary injunctions or other measures as payments on account. In August 2007 (the *Kujarchuk* case), the Argentine Supreme Court established a calculation method for payments on account, which confirmed the criteria held by most courts of law since the *Massa* ruling mentioned above. With respect to judicial deposits, in March 2007, the Argentine Supreme Court ruled in the case *EMM S.R.L. against Tía S.A.*, that Decree No. 214/02 does not apply to such deposits, and that such deposits must be reimbursed to the depositors in their original currency.

It is expected that the aforementioned rulings by the Argentine Supreme Court will be strongly followed in similar cases to be heard by the lower courts. The Bank continues to gradually address the judicial resolutions on a case-by-case basis, in accordance with the individual circumstances of each case. Management continuously monitors and analyzes the implications of the above resolutions. The Bank has recorded a Ps.24.3 million liability for the remaining amounts that may need to be paid in connection with cases pending resolution. The amount resulting from the difference between the amount ultimately determined by the courts and the amount recorded by the Bank, if any, will be recorded in accordance with Argentine Central Bank's rules under the item Intangible Assets, and will be amortized over a period of 60 months. Due to the above, and based on the information available to date, it is the opinion of the Bank's management that the effects resulting from these situations will not significantly affect the Bank's shareholders' equity. During 2009, as well as during the previous fiscal years, the number of legal actions filed by customers requesting the reimbursement of deposits in their original currency decreased significantly.

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, 2009 and charged to income, amounted to Ps.1.8 million.

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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 Argentine Central Bank, which is an autonomous institution. The Argentine Central Bank has vested the Superintendency with most of the Argentine Central Bank's supervisory powers. In this section, unless the context otherwise requires, references to the Argentine Central Bank shall be understood as references to the Argentine Central Bank acting through the Superintendency. The Financial Institutions Law provides the Argentine Central Bank with broad access to the accounting systems, books, correspondence, and other documents of 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. The Argentine Central Bank enforces the Financial Institutions Law and grants authorization for 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, to authorize the establishment of branches outside Argentina, to approve bank mergers, capital increases and certain transfers of stock, to fix minimum capital, liquidity and solvency requirements and lending limits, to grant certain credit facilities to financial institutions in cases of temporary liquidity problems and to promulgate other regulations that further the intent of the Financial Institutions Law.

Current regulations equally regulate local and foreign owned banks.

The Public Emergency Law, sanctioned on January 6, 2002, introduced substantial amendments to the Argentine Central Bank's charter which, among others, eliminated certain restrictions on its ability to act as a lender of last resort and allowed the Argentine Central Bank to make advances to the Government. These changes were further implemented by Law No. 25,780, published in the Official Gazette on September 8, 2003, which amended the Financial Institutions Law and the Argentine Central Bank charter.

Supervision

As the supervisor 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 loan loss provisions established) 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 purposes 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 in business.

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).

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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, 1 being the highest rating an entity can receive. The Argentine Central Bank modified the supervision system effective in September 2000. The objective and basic methodology of the new system, denominated 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 obtained that represents the final rating for the financial institution.

After being interrupted due to the 2001-2002 crisis, the Argentine Central Bank resumed the examination process. In the Bank's case, the first examination after said crisis was based on information as of June 30, 2005. New examinations were conducted, the last one of which was based on information as of June 30, 2008, and ended on December 21, 2009.

BASIC System

The Argentine Central Bank established a control system (BASIC) with the purpose of allowing the public access to a greater level of information and increased security with respect to their holdings in the Argentine financial system.

Each letter corresponds to one of the following procedures:

B (*Bonos* or Bonds). On an annual basis, all financial institutions in Argentina were required to engage in certain debt issuing transactions in order to expose them to scrutiny and analysis by third parties with high standards. This requirement was eliminated by the Argentine Central Bank effective March 1, 2002.

A (*Auditoría* or Audit). The Argentine Central Bank requires a set of external audit procedures that include: (a) the creation of a registry of auditors; (b) the implementation of strict accounting procedures to be complied with by external auditors; (c) the payment of a performance guarantee by those auditors to induce their compliance with the procedures, and (d) the creation of a department within the Argentine Central Bank liable for verifying that the procedures are followed. The purpose of this requirement is to assure accurate disclosure by the financial institutions to both the Superintendency and the public.

S (*Supervisión* or Supervision). The Argentine Central Bank has the right to inspect financial institutions from time to time.

I (*Información* or Information). Financial institutions are required to file on a monthly basis certain daily, weekly, monthly and quarterly statistical information.

C (*Calificación* or Rating). The Argentine Central Bank established a system that required the periodic credit evaluation of financial entities by internationally recognized rating agencies, which was suspended by Communiqué A 3601 in May 2002.

Legal Reserve

The Argentine Central Bank requires that every year banks allocate to a legal reserve a percentage of their net profits established by the Central Bank, which currently amounts to 20.0%. Said reserve shall only be used during periods of bank losses and after using up every allowance and other reserves. Distribution of dividends shall 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. Some of the allowed activities include the capacity to: grant and receive loans; receive deposits from public in general, 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 prior approval by the CNV; carry out operations in foreign currencies; act as trustee; and issue credit cards.

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Banks 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 said entity, a commercial bank's total equity investments (including interest in local mutual funds) shall not exceed 50% of the Bank's Adjusted Shareholders Equity or its Computable Regulatory Capital (as defined below). Also, investments in: (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) shall not exceed 15%, in total, of the Bank's Adjusted Shareholders Equity.

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's shareholders' equity.

Pursuant to the Argentine Central Bank's regulations, financial institutions are not allowed to engage directly in insurance activities and hold an interest over 12.5% in the outstanding capital of a company which does not provide services supplementary to those offered by financial institutions or exceeding certain specific percentages of the Adjusted Shareholders' Equity of the relevant financial institution, in accordance with the above-mentioned description. The Argentine Central Bank determines which services are complementary to the services provided by financial institutions, which services primarily include services in connection with stock brokerage, the issuance of credit, debit or similar cards, financial intermediation in leasing and factoring transactions.

Computable Regulatory Capital

Pursuant to the Argentine Central Bank's regulations, a bank's Computable Regulatory Capital 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 not exceed the net accounting revenue of the issuer 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 the basic 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 which 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 closing of the year once the results are audited; (iii) 50% of the revenues 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 Current and In Current Situation loans; (v) subordinated-debt not exceeding 50% of the minimum core capital with a 5 years 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 shorter than 10 years and those that set forth non-cumulative defaults (in this last case the limit for calculations is set at 50% of the minimum core capital), and (vi) breakdowns not included in financial statements pursuant to the auditors report and the accounts payable or collectable of the net worth accounts with uncollected valuation disparities; 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 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 in Argentina. Financial institutions must comply with capital adequacy requirements both on an individual basis and a consolidated basis.

Table of Contents***Capital Adequacy Requirements***

See -Selected Statistical Information-Regulatory Capital .

Capitalization of Debt Instruments

Through Communiqué A 4652, dated April 25, 2007, the Argentine Central Bank modified Item 7.3 Capital Contributions of Chapter VI. Capital Adequacy- Section 7. Regulatory Capital of its LISOL 1 rule. Through such Communiqué, the Argentine Central Bank broadened the set of financial instruments different from cash that it expressly allows to be contributed as capital for the purposes of all regulations related to capital, capital calculations and capital increases. Besides cash, in which case no special authorization from the Argentine Central Bank is required, the regulation establishes that subject to the prior authorization by the Superintendency, the following instruments are allowed as capital contributions: (i) securities issued by the 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. When the previous situation is not verified, contributions will be admitted at their accounting value, pursuant to Argentine Central Bank rules.

Profit Distribution

See Item 8. Financial Information-Dividend Policy and Dividends .

Treatment of Losses in Connection with Amparo Claims

Through Communiqué A 3916 dated April 3, 2003, the Argentine Central Bank provided 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 US Dollar deposits reimbursed, at the exchange rate of Ps.1.4 per US\$1.0 (adjusted by the CER plus accrued interest as of the payment date). In addition, it established that the corresponding amount shall be amortized in 60 monthly equal and consecutive installments beginning in April 2003.

On November 17, 2005, through Communiqué A 4439, the Argentine Central Bank established that, beginning in December 2005, financial institutions having granted, 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 amount to be deferred cannot exceed 10% of financial institutions' RPC nor 50% of the new commercial loans. Likewise, financial institutions will not be able to reduce the rest of their commercial loan portfolio. This methodology was applied until December 2008, when the balance recorded as of that date began to amortize in up to 36 monthly equal and consecutive installments. Our application of this rule has resulted in the deferral of losses related to *amparo* claims for Ps.209.7 million, from December 31, 2005 to December 31, 2008.

Due to the amortizations of deferred losses from *amparo* claims losses of Ps.108.7 million, Ps.39.5 million and Ps.109.3 were recorded in fiscal years 2007, 2008 and 2009, respectively.

As of December 31, 2009, this intangible asset, net of amortizations and including deferred amortizations, amounted to Ps.259.0 million. We have repeatedly reserved our right to make claims, at suitable time, in view of the negative effect caused in connection with *amparo* claims. See Item 4. Compensation to Financial Institutions-For Differences Related to *Amparo* Claims .

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 (including Cedros and Reprogrammed Deposits with *amparo* claims, when corresponding), the percentage varies with the remaining maturity. The deposit amount minus the minimum cash requirement is such deposits' lending capacity .

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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. The Argentine Central Bank can modify this practice, depending on monetary policy considerations.

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 US 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 2009, 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, including those adjusted by CER (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, up to a 67% maximum beginning on October 1, 2006, as established by the Argentine Central Bank's Communiqué A 4580), 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, 2009, the Bank was in compliance with its legal reserve requirements, and has continued to be up to the date of this annual report.

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 said borrower's shareholders' equity, although said limit may extend to 300% of the borrower's shareholders' equity if the sum does not exceed 2.5% of the bank's Adjusted Shareholders' Equity.

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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 1735/04 (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.

Financial assistance is also limited in order to prevent risk concentration. To that end, the aggregate of all financial assistance that, taken alone, exceeds 10% of a bank's RPC, must not exceed three times and five times a bank's RPC, excluding and including, respectively, the financial assistance to local banks. 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.

Financial assistance exceeding 2.5% of a bank's RPC, except interbank loans, must be approved by a bank's board of directors.

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 to related parties cannot exceed, together with any equity participation held by the bank in its affiliates, 5% of such bank's RPC. However, a bank may increase its total financial exposure to such related parties up to an amount equal to 10% of such bank's RPC: (i) if the affiliate provides complementary services (defined as services associated with brokerage of shares, issuance of credit cards, debit cards or other cards, financial brokerage in leasing and factoring operations), (ii) in the case of a temporary acquisition of shares in companies to facilitate their development in order to sell such shares afterwards, (iii) if the affiliate is a local financial institution rated other than 1 or 2 by the Argentine Central Bank, or (iv) if the additional financial assistance is secured with certain liquid assets, including public or private debt securities.

If the affiliate is a financial institution rated 1, the amount of total financial exposure can reach 100% of a bank's RPC. If the receiving affiliate financial institution is rated 2, the amount of total financial exposure can reach 20% with no limitation and an additional 80% can be included if the term for the loans and other credit facilities do not exceed 180 days. Also, these percentages differ if the associated institution is not a financial institution.

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.

Failure to observe these requirements may result in an increase of the minimum capital requirements for credit risk in an amount equal to 100% of the daily excess amounts over the limits established, beginning in the month when the excess amounts are first recorded and continuing for as long as the excess amounts remain.

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Notwithstanding the limitations described above, 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. The Bank 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

For a description of the rules governing the valuation of public sector assets, see -Selected Statistical Information-Government and Corporate Securities .

Financial Assistance from the Argentine Central Bank***Financial Assistance for Liquidity Support Granted After March 10, 2003***

Communiqué A 3901, issued on March 19, 2003, established an automatic mechanism to regulate the provision by the Argentine Central Bank of assistance for liquidity support to financial institutions. This mechanism does not apply to the financial assistance granted for such reasons during the 2001-2002 crisis.

Financial Assistance for Liquidity Support Granted Before April 1, 2003

Through Decree No. 739/03, dated April 1, 2003, the Government established a voluntary procedure for the restructuring of the financial assistance granted by the Argentine Central Bank to financial institutions during the 2001-2002 crisis. On March 2, 2007, the Bank repaid the total outstanding balance of the financial assistance it received from the Argentine Central Bank as a consequence of the 2001-2002 crisis.

Foreign Currency Position

Through Communiqué 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 shareholder 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 Communiqué 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 Communiqué A 4598, dated November 17, 2006, the Argentine Central Bank allowed, in certain cases, the limit to increase by 15%. Communiqué 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 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).

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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 basis points 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.

Decree No. 1292/96, 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. 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 the Bank, 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.

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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.

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;

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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 between the first and fifth day of each month).

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 by Laws No. 26,087, No. 26,119 and No. 26,268) incorporates money laundering as a crime under the Argentine Criminal Code. Additionally, with the goal of preventing and stopping money laundering, the *Unidad de Información Financiera* (UIF, Financial Information Unit) was created under the jurisdiction of the Argentine Ministry of Justice, Security and Human Rights.

Regulations in force establish, among other things, that:

- i) Any person who 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, will be imprisoned for two to ten years and will be fined an amount that will be between two and ten times the amount of the transaction.
- ii) Any person that was not involved in a crime committed by another person but that (a) helps a person to elude or escape from an investigation by the relevant authority; (b) hides, alters or destroys any trail, evidence or object related to the crime or helps the perpetrator of the crime or any participant to hide them, alter them or make them disappear; (c) acquires, receives or hides money or objects arising from a crime; (d) does not report a crime or does not identify a perpetrator of or participant in a crime that is known to him when obligated to do so in order to promote the criminal prosecution of a crime of such nature; or (e) secures or helps the perpetrator of or participant in a crime to secure the product or profit of a crime, will be imprisoned for six months to three years.

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.

In addition, regulations establish that: (a) within the framework of a review of reported suspicious activity, the persons that are obligated to provide information may not withhold information required by the UIF because 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.

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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; these parties 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). Such reporting obligation generally consists of performing due diligence in order to get to know the client and in order to understand the corresponding transaction and, if applicable, in order 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.

Likewise, Law No. 26,119 modified the composition and the structure of the UIF, which is now comprised of a President and a Vice-president that are appointed by the executive branch based on a proposal made by the Ministry of Justice and an advisory council comprised of representatives of the Argentine Central Bank, the Argentine Revenue Service (AFIP), the CNV, the SEDRONAR (the Government's secretary for the prevention of drug use and dealing), the Ministry of Justice, Security and Human Rights, the Ministry of Economy and the Ministry of Interior.

On June 13, 2007 Law No. 26,268 was enacted. Such law establishes the punishments and sanctions applicable to those individuals that are part of an unlawful association the purpose of which is, through the execution of crimes, the terrorizing of a population and the forcing of a government or an international organization to commit an act or refrain from committing an act, as long as the following characteristics are fulfilled: (a) there is a plan to spread hate regarding specific ethnic, religious or political groups; (b) the association has an international operational network; and (c) the association has at its disposal war weapons, explosives, chemical or bacterial agents or any other instruments that can put the life or safety of an uncertain number of people in danger.

In light of the above described framework, in 2000, the Bank formed a Board Committee, 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 the Bank'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.

The guide for unusual or suspicious transactions within the scope of the financial and foreign exchange system (passed by Resolution No. 2/02 of the UIF) establishes the obligation to report 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.

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Item 4A. Unresolved Staff Comments

None.

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;
- Progressively strengthen our balance sheet by consistently reducing the Bank's high exposure to the public sector, as well as those liabilities incurred by the Bank as a consequence of the 2001-2002 crisis, and
- Capitalize the Bank.

This strategy responds to the consequences of the 2001-2002 crisis on us, which left the Bank with a very low exposure to the private sector and an unusually high and low yielding exposure to the public sector with expensive liabilities supporting such assets, mainly our restructured foreign debt. Therefore, we have undertaken to significantly increase the relative size of our business with the private sector in terms of our total balance sheet, reducing low yielding public-sector assets, strengthening our balance sheet and improving our bottom line. In addition we have undertaken to increase the Bank's capital in order for it to be able to support the growth of its business.

Our strategy for reducing the Bank's liabilities has been to use the Bank's public-sector exposure to repay them, through the proceeds of sales at market conditions in order to minimize the impact on our shareholders' equity.

We settled in advance on March 2, 2007 the financial assistance from the Argentine Central Bank received as a consequence of the 2001-2002 crisis. This debt originally matured in 2011.

We reduced our exposure to the public sector from Ps.16,414.5 million to Ps.5,883.0 million between December 31, 2005 and December 31, 2009, representing a reduction of Ps.10,531.5 million or 64.2% of the former amount.

We have expanded our operations significantly since mid 2002, increasing 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, also contributing to our operating profitability, our asset quality recorded a significant improvement with both our total deposits (which began to increase in the second half of 2002) and loan origination (which began to increase gradually in 2003) increasing, both at the level of the Bank and at the level of the regional credit card companies.

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. However, despite this growth and although our net financial income began to recover from the very low levels, both in absolute values and relative to total assets, it is still low relative to our net income from services. This condition calls for the continuation of our efforts to reduce the low and the non-interest yielding assets and our high cost restructured foreign debt, while pursuing our strategy of increasing the size of our financial intermediation business with the private sector.

At the beginning of the recovery of the Argentine economy, the decreasing risk profile of the loan portfolio reduced the need to establish loan loss reserves and the improvement in the quality of the loan portfolio allowed for the reversal of provisions and strong loan recoveries, which reduced the impact of net credit losses on our bottom line. Nevertheless this effect decreased progressively, and loan loss provisions increased due to the seasoning of individuals' loan portfolios.

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During this period, following the expansion of our business volume we decided to expand our distribution network, with a related increase in personnel and a greater use of resources in general, as well as considerable expenses for advertising and publicity. In addition, the administrative expenses reflect an inflationary environment and the adjustment of salaries that has taken place.

During 2008, and the first half of 2009, the international financial crisis and certain preexisting domestic problems and the Government's decision to nationalize the private pension funds system 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. In spite of the adverse international and local financial condition, during fiscal year 2008 and the first half of 2009, the Bank 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.

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.

In summary, in the last years, our results of operations were still influenced by the negative effect on our net financial income of certain consequences of the 2001-2002 crisis and the 2008 and beginning of 2009 financial crisis. However, our operating profitability was positively impacted by the strengthening of our balance sheet, including the progressive reduction of public-sector assets and liabilities and 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.

The Argentine Economy, Financial System and Insurance Industry in the Three Years Ended December 31, 2009

Year 2009 was characterized by a gradual improvement in the international economy, after the strong impact the international financial crisis had globally, both on financial markets and on the real economy. The combination of coordinated monetary policies in advanced economies, strong liquidity injections and tax incentive plans all over the world resulted in a significant decrease in uncertainty, which made it possible to begin a recovery path. In the financial sector, a consistent positive trend in the price of financial assets was observed globally since March, as well as a renewed risk appetite, which led to a return of financial flows to emerging countries. The first signs of recovery in real economy were noticed in June, with a strengthening of that trend during the last two quarters of 2009.

Within this environment, the Argentine economy started to show signs of reactivation in July, after three consecutive quarters of contraction. The recessionary period the Argentine economy went through between the fourth quarter of 2008 and the second quarter of 2009 took place within a context of a sharp decrease in the global level of activity, with the addition of some domestic factors (an ongoing drought and having the elections moved forward). In this respect, even though the year as a whole ended with a decrease in the GDP, the last quarter of 2009 recorded growth when compared to the same quarter of the previous year, what generated a significant statistical drag for 2010.

Particularly, pursuant to the General Activity Index prepared by Orlando Ferreres consulting firm (IGA-OTF), the economy experienced a 4.3% contraction in 2009. However, the performance of the Argentine economy was varied during the year, with a 5.9% inter-annual (i.a.) contraction during the first semester of the year that decreased to 2.7% for the second half of 2009. The economy began to recover towards the third quarter of the year, in line with what took place globally. The economy in particular grew 1.5% during the third quarter of 2009 when compared to the previous quarter, in seasonally-adjusted terms; while during the fourth quarter of 2009 it grew at a 1.7% rate.

Therefore, the last quarter of 2009 ended with a 0.2% annual expansion (the first since the third quarter of 2008), generating a 2% statistical drag.

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With regards to supply, the agriculture and livestock sector showed the worst performance, with a 13% decrease annually, followed by the manufacturing sector (-7.7%), retail and wholesale trade (-7.3%) and the construction sector (-3.2%). In the particular case of the agriculture and livestock sector, the strong impact of the international crisis was worsened by the draught that affected most of the regions in Argentina, what led to its sharp drop. On the contrary, some service-related sectors experienced a limited decrease, for instance real estate services (-1.4%), transportation and communications (-1.4%) and financial brokerage (-1.2%). However, in line with what was discussed for the Argentine economy as a whole, many of the sectors started to recover towards the end of 2009, even showing an inter-annual increase in December. In this regard, the manufacturing sector (+6.7% i.a. in December), trade (+4.8% i.a.) and the agriculture and livestock sector (+3.2% i.a.) are worth noting. As for the latter, the recovery experienced by the sector's production in 2009/10, estimated at 31%, makes it possible to expect a good performance of the agriculture and livestock sector in 2010.

The industrial sector, as determined by the Industrial Production Index prepared by FIEL (IPI-FIEL), experienced an annual 4.7% decrease in 2009. As observed in other sectors of the economy, since the third quarter the industrial sector's pace of decrease started to slow down, ending the year with an annual 14.1% increase in December. Among the most affected sectors the automotive sector is worth noting, with a 20.2% accumulated fall in 2009, as well as the iron and steel industry, with a 20.8% contraction during the same period. Furthermore, such sectors were the ones that showed the strongest dynamism during the reactivation process of the last months; and the outlook regarding their performance in 2010 is positive.

The unemployment rate increased from 7.3% of the economically active population for the fourth quarter of 2008 to 8.4% for the same quarter of 2009, thus reflecting a moderate decrease in the performance of the labor market, in line with the decrease observed in the level of activity.

In the monetary sector, the main monetary aggregates evolved at the pace of the effects of the international financial crisis that took place during the first half of the year, and at the pace of the later recovery during the second semester of 2009, with the addition of domestic factors that brought about more uncertainty in some periods of the year. In view of a lower demand for money, the monetary base grew at an average annual rate of 4.3% during the first half of the year, gradually recovered during the second semester, and experienced a 11.5% increase at the end of the year, amounting to an average of Ps.118,661 million in December. In line with what took place in the Argentine economy as a whole, during the first half of the year the performance of the monetary policy was completely opposed to what was observed during the second semester of 2009.

In this respect, the Argentine Central Bank was forced to sell foreign currency to the market in order to reduce exchange rate volatility during the first semester of the year (a period that was still characterized by an unstable international environment and by the increase in uncertainty due to the early elections). Thus, such sale transactions in the foreign exchange market generated a Ps.5,472 million contraction, which was the main determining factor for the Ps.6,264 million reduction of the monetary base for said period. On the other side, the improvement in the international conditions and the decrease in volatility allowed the Argentine Central Bank to resume the policy of accumulation of international reserves during the second half of 2009. During that period, the monetary base increased Ps.19,165 million, of which Ps.18,120 million were the result of the Argentine Central Bank's intervention in the foreign exchange market. Thus, 2009 as a whole ended with a Ps.12,901 million increase in the monetary base, of which Ps.12,638 million were the result of foreign currency purchase transactions carried out by the Argentine Central Bank in the foreign exchange market. Meanwhile, the rest of the domestic credit items had virtually no effect during the year. During 2009, the Argentine Central Bank injected liquidity through the acquisition of government securities and other transactions for Ps.2,837 million, the reduction of the stock of repurchase agreement transactions for Ps.800 million and the National Government's transactions for Ps.204 million, which was almost completely sterilized through the net placement of Lebac and Nobac for Ps.2,413 million and the payment of rediscounts for Ps.1,166 million.

The reference exchange rate established by the Argentine Central Bank increased from Ps.3.454 to Ps.3.797 per U.S. Dollar between December 31, 2008 and December 31, 2009 (equivalent to a 9.9% depreciation); while the average exchange rate increased from Ps.3.161 per US Dollar in 2008 to Ps.3.731 per US Dollar in 2009.

Inflation for 2009 amounted to 7.7%, as measured by the Consumer Price Index (CPI) of the Argentine Institute of Statistics and Census (INDEC), higher than the 7.2% recorded in the previous year. In turn, the Wholesale Domestic Price Index (WPI , or IPIM) recorded a 10.0% increase.

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Pursuant to private estimates, consumer prices grew 16.3% in 2009. Even though the retail inflation ratio in 2009 was slightly lower than those of 2008 and 2007 (19.4% and 18%, respectively), an increase in said prices has been noted since August. The scarce flexibility regarding the decrease in prices, evidenced by the slight slowdown in inflation in a year 2009 with a sharp drop in the GDP, as well as pressures on salaries and fiscal and monetary policies somehow expansive, are the reasons for inflation in 2009.

In the fiscal area, the combination of a lower level of activity, the poor performance of the external sector and the modest growth in the international prices of commodities generated a 11.8% increase in tax revenues, in comparison to 2008. In turn, primary expenditures increased 30% during 2009, exceeding the 19% increase in total income. Thus, the national public sector achieved a primary surplus of Ps.17,285 million, equivalent to 1.5% of GDP, much lower than the 3.2% recorded the previous fiscal year. After interest payments for Ps.24,417 million, the financial deficit amounted to Ps.7,131 million, equivalent to -0.6% of GDP.

The balance of payment on current account maintained a surplus, as a result of the high excess in the trade balance. In fact, in terms of GDP, it would have recorded an increase, from 2.2% in 2008 to 3.0% in 2009. The balance of trade experienced a US\$16,980 million surplus in 2009, well over the US\$12,598 million of the previous year.

Exports dropped 20% when compared to 2008, as a consequence of the joint effect of the decrease in prices and volumes. The impact the financial crisis had on the main prices of Argentine goods for export made them decrease 14% in comparison to 2008, in spite of the gradual recovery they have showed since March 2009. In turn, the recession experienced by the world's economy during most of 2009 is the reason for the 7% drop in exported volumes.

While agriculture and livestock exports continue to be the ones with the highest share in the total exports of Argentina (39%), they had a modest performance with regards to volumes, with a 1% drop during the year. However, commodities showed the worst performance in terms of exported volumes, with a 32% decrease in 2009. Imports, in turn, decreased 32% when compared to 2008, as a consequence of the joint effect of the decrease in prices and volumes. Imports of intermediate goods represented 32% of total imports, followed by capital goods (+23%).

Within a framework of a gradual improvement in the international economy, the private sector's capital account experienced a net foreign currency outflow of US\$9,226 million during the first nine months of 2009. Large capital outflows shown during the first half of the year significantly decreased towards the third quarter of 2009, due to the improvement in the international economy and the lower level of uncertainty. Even though we do not have official data for the fourth quarter, capital outflows would have continued to be moderate during said period. As of December 31, 2009, the Argentine Central Bank's international reserves amounted to US\$47,967 million, US\$1,500 million higher than those at the end of 2008.

The Argentine Financial System

During the last months, the world's economy has shown signs of recovery in the indicators of economic activity and in the financial system. However, there is a risk this process may be interrupted because there still exists high levels of indebtedness of the public and private sectors, a credit market that has not been reinstated, and the highest unemployment levels in developed economies seen in decades.

With regards to emerging economies, in Latin America the normalization of world trade, together with the recovery and stabilization in the price of commodities provides an encouraging outlook for the region. Country risk for the area, as measured by Embi Latinoamérica, decreased 394 basis points (b.p.) during the year, reaching 328 b.p. at the end of 2009.

In Argentina, the performance of the financial system was in line with what was described above. The average interest rate paid by private banks in December (deposits up to 59 days) was 9.71%, decreasing 881 b.p. i.a. Meanwhile, the average interest rate applicable to time deposits in Pesos over Ps.1 million was 9.80% (-928 b.p.). In regard to lending rates, the rate for cash advances in current account decreased 737 b.p., while the rate for promissory notes decreased 999 b.p., closing the year in 20.35% and 15.95%, respectively.

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The financial system's total deposits increased 14.9% during the year, reaching Ps.269,516 million; deposits from the non-financial private sector increased 20.5%, amounting to Ps.197,353 million (substantially higher than the 7.7% increase recorded the previous year), while deposits from the public sector reached Ps.68,978 million (+1.8%). Within deposits from the private sector, transactional deposits grew 21.2%, reaching Ps.102,809 million at the end of the year, while time deposits increased 20.7%, reaching Ps.85,662 million.

Total loans to the private sector in the financial system grew 9.7% when compared to the end of 2008, reaching Ps.143,117 million. Loans that increased the most were consumer credit lines, made up of loans through credit cards and personal loans, which increased 14.1% during the year, reaching Ps.50,164 million. Short-term commercial loans, mainly made up of cash advances in current account and promissory notes, recorded a 3.0% increase, amounting to Ps.42,377 million. Pledge loans decreased 5.9%, with a final balance of Ps.7,315 million, while mortgage loans decreased 1.3%, to Ps.18,612 million. In turn, loans to the public sector accounted for 14.5% of total assets, increasing 1.7 percentage points (p.p.) during the year. This ratio increased for the first time after 6 years of a decreasing trend. As a prudential policy, financial institutions increased their liquidity levels, also contributing to financial stability. The liquidity ratio increased from an average 27.9% in December 2008 to 28.6% in December 2009.

In order to mitigate the impact the domestic and international situation had on the Argentine economy, the Argentine Central Bank continued injecting liquidity into the market during the first half of the year, mainly through the repurchase of debt securities (Lebac and Nobac), thus avoiding any further interest rate fluctuations. This situation was strongly reverted in the second half of the year. Thus, Lebac and Nobac increased 20.2% during the year, reaching Ps.43,980 million.

In solvency terms, the Argentine financial system's net worth increased by Ps.7,089 million during the year, which represents a 17.1% improvement. The system's profitability in 2009 was equivalent to 2.4% of total assets, while return on shareholders' equity was 19.6%, higher than the 13.4% recorded in 2008 and the 11.0% recorded in 2007. Income from interests and services increased, representing 4.1% and 3.9% of total assets, respectively, when compared to 3.1% and 3.6%, respectively, in 2008. The increase in the listed prices of government securities led to an improvement in income from holding of such securities, representing 3.3% of total assets. While administrative expenses increased (from 6.1% to 6.7% of total assets), operating income also did so to a greater extent. Provisions for loan losses rose from 0.9% to 1.1% of total assets, low levels in historical terms, but reflecting a decrease in the asset quality of the loan portfolio.

The non-accrual loan portfolio of the non-financial private sector increased from 3.1% in December 2008 to 3.5% in December 2009, although during the second half of the year this ratio decreased 0.3 p.p. The coverage of the private-sector non-accrual loan portfolio with allowances continued to be high, amounting to 125.7% in December 2009, although lower when compared to the 131.4% recorded twelve months before.

As of December 31, 2009, there were 83 financial institutions, considering both banking and non-banking institutions. Out of this total, 66 were banks, 54 of which were private-sector banks (concentrating 56.8% of total deposits in the financial system). In turn, 33 were domestic banks, one of which was a cooperative bank (accounting for 29.6% of total deposits, 1.0% higher when compared to the end of 2008) and 21 were foreign-owned banks (which represented 27.2% of total deposits, 1.6% lower when compared to the end of 2008). There were 12 government-owned banks (which represented 42.8% of total deposits), and there were 17 non-banking financial institutions, with only a 0.4% share of total deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 76.1% as of December 31, 2009. This percentage was 0.5% higher compared to the one recorded by the end of 2008. Based on information as of December 2009, the financial system employed a total of 97,606 people (61% of which were employed by the private sector), representing a 1.5% decrease since the beginning of the year.

Table of Contents***The Argentine Insurance Industry***

During 2009, the insurance industry continued growing, though at a lower rate compared to previous years. Insurance production amounted to nearly Ps.31,000 million, an 18% increase at current values compared to 2008. Out of the total insurance production, 79% relates to property insurance, 19% relates to life and personal insurance, and 2% relates to retirement insurance. Within property insurance, automotive insurance continues to be the most important segment, with a 47% share, followed by the workers' compensation segment, with a 26% share.

The most important group within the life insurance segment is the collective life insurance with 67% followed by personal injury insurance with 12%.

The retirement insurance production dropped 65%, which is associated with the end of the retirement and pension integrated systems and, therefore, the discontinuity of the issuance of retirement life annuity.

Inflation

The following table shows the rate of inflation, as measured by the variations in the WPI and the CPI, and the evolution of the CER index 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		
	2009	31, 2008	2007
Price Indices ⁽¹⁾			
WPI	10.27	8.82	14.56
CPI	7.69	7.24	8.47
Adjustment Indices			
CER	6.95	7.97	8.50

(1) Source: INDEC.

In the first five months of 2010, the WPI increased 6.77% and the CPI increased 5.10%. Over the same period, the CER increased 5.29%.

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.

	As of December 31,		
	2009	2008	2007
	<i>(In millions of Pesos)</i>		
Assets			
In Pesos, Unadjusted	19,791.0	15,165.1	14,177.0
In Pesos, Adjusted by the CER	926.3	2,439.2	2,350.7
In Foreign Currency ⁽¹⁾	6,885.1	7,131.5	6,301.0
Total Assets	27,602.4	24,735.8	22,828.7
Liabilities and Shareholders' Equity			
In Pesos, Unadjusted, Including Shareholders' Equity	20,513.1	17,262.1	15,597.3
In Pesos, Adjusted by the CER	14.9	50.3	277.3
In Foreign Currency ⁽¹⁾	7,074.3	7,423.4	6,954.1
Total Liabilities and Shareholders' Equity	27,602.3	24,735.8	22,828.7

(1)

*If adjusted to
reflect forward
sales and
purchases of
foreign exchange
made by the Bank
and recorded
off-balance sheet,
assets amounted to
Ps.9,223.1 million
and liabilities to
Ps.9,175.3 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, 2009, December 31, 2008 and December 31, 2007**

We discuss below our results of operations for the fiscal year ended December 31, 2009 as compared with our results of operations for the fiscal year ended December 31, 2008, and our results of operations for the fiscal year ended December 31, 2008 as compared with our results of operations for the fiscal year ended December 31, 2007.

Net Income/Loss

	Fiscal Year Ended			Change	
	December 31,			December 31,	
	2009	2008	2007	2009/2008	2008/2007
	<i>(in millions of Pesos, except percentages)</i>				
Consolidated Income Statement					
Financial Income	3,005.6	2,559.3	1,997.9	446.3	561.4
Financial Expenses	1,460.5	1,421.0	1,246.7	39.5	174.3
Net financial Income	1,545.1	1,138.3	751.2	406.8	387.1
Provision for Losses on Loans and Other Receivables	639.5	395.4	255.5	244.1	139.9
Net income from Services	1,310.9	1,187.9	913.1	123.0	274.8
Administrative Expenses	2,029.1	1,781.1	1,286.3	248.0	494.8
Minority Interest	(46.5)	(35.8)	(32.1)	(10.7)	(3.7)
Income / (Loss) from Equity Investments	11.3	56.8	2.0	(45.5)	54.8
Miscellaneous Income / (Loss), Net	233.1	80.1	25.1	153.0	55.0
Income Tax	(156.0)	(74.0)	(71.5)	(82.0)	(2.5)
Net income / (Loss)	229.3	176.8	46.0	52.5	130.8
Return on Average Assets ⁽¹⁾	1.12%	0.91%	0.37%	0.21%	0.54%
Return on Average Shareholders Equity	11.69%	10.13%	2.86%	1.56%	7.27%

(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 fiscal year 2009 amounted to Ps.229.3 million, as compared to a net income of Ps.176.8 million in the previous fiscal year and Ps.46.0 in fiscal year 2007.

Net income per share for fiscal year 2009 was Ps.0.185, compared to Ps.0.142 in fiscal year 2008. The return on average assets and the return on average shareholders equity were 1.12% and 11.69%, respectively, for fiscal year 2009, as compared to 0.91% and 10.13%, respectively, during fiscal year 2008. During fiscal year 2007, a Ps.0.037 net income per share was recorded, the return on average assets was 0.37% and the return on average shareholders

equity was 2.86%.

Fiscal Year 2009 Compared to Fiscal Year 2008

Net income for fiscal year 2009 amounted to Ps.229.3 million, Ps.52.5 million higher than the previous fiscal year.

This increase in net income is mainly attributable to:

- a Ps.446.3 million increase in financial income, from Ps.2,559.3 million to Ps.3,005.6 million,
- a Ps.153.0 million increase in miscellaneous net income, from Ps.80.1 million to Ps.233.1 million, and
- a Ps.123.0 million increase in net income from services, from Ps.1,187.9 million to Ps.1,310.9 million.

These factors were partially offset by:

- a Ps.244.1 million increase in provisions for loan losses from Ps.395.4 million to Ps.639.5 million,
- a Ps.248.0 million increase in administrative expenses, from Ps.1,781.1 million to Ps.2,029.1 million,
- an increase in income tax of Ps.82.0 million, from Ps.74.0 million, to Ps.156.0 million, and
- a decrease of Ps.45.5 million in equity investments, from Ps.56.8 million to Ps.11.3 million.

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During fiscal year 2008, net income amounted to Ps.176.8 million, a Ps.130.8 million increase compared to the previous fiscal year. This increase was mainly attributable to:

- a 30.1% increase in net income from services, from Ps.913.1 million to Ps.1,187.9 million,
- a 28.1% increase in financial income, from Ps.1,997.9 million to Ps.2,559.3 million,
- a Ps.55.0 million increase in miscellaneous net income, from Ps.25.1 million to Ps.80.1 million, and
- a Ps.54.8 million increase in income from equity investments, from Ps.2.0 million to Ps.56.8 million.

These factors were partially offset by:

- a 38.5% increase in administrative expenses, which increased from Ps.1,286.3 million to Ps.1,781.1 million,
- a 14.0% increase in financial expenses, from Ps.1,246.7 million to Ps.1,421.0 million, and
- a Ps.139.9 million increase in provisions for loan losses, from Ps.255.5 million to Ps.395.4 million.

Financial Income

Our financial income was composed of the following:

	Fiscal Year Ended		
	2009	December 31, 2008	2007
	<i>(in millions of Pesos)</i>		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	2,207.7	1,930.3	1,413.2
Income from Government and Corporate Securities, Net	559.1	238.1	241.3
CER Adjustment	24.4	123.9	205.1
Other ⁽¹⁾	214.4	267.0	138.3
Total	3,005.6	2,559.3	1,997.9

(1) Reflects income from financial leases, net, and differences in the quotation of gold and foreign currency as well as premiums on forward sales of foreign exchange.

The following table shows our yields on interest-earning assets and cost of funds:

	2009		As of December 31, 2008		2007	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
	<i>(in millions of Pesos, except rates)</i>					
Interest-Earning Assets	18,378.0	15.71%	19,892.5	12.14%	18,225.9	10.00%
Government Securities	4,686.5	11.84	3,642.2	4.08	4,278.8	3.42
Loans	11,463.6	19.34	12,077.3	17.01	10,528.9	14.17

Other ⁽¹⁾	2,227.9	5.17	4,173.0	5.09	3,418.2	5.41
Interest-Bearing Liabilities	15,923.4	7.63%	15,694.5	8.14%	14,858.8	7.21%
Current Accounts	1,287.3	1.00	948.1	2.28	678.4	2.42
Savings Accounts	3,014.5	0.19	2,587.7	0.18	2,252.9	0.23
Time Deposits	7,391.9	11.67	6,769.4	11.34	6,606.2	8.51
Argentine Central Bank ⁽²⁾	0.6		0.4		261.5	26.31
Debt Securities	2,729.9	8.22	2,799.8	10.00	3,360.1	8.66
Other Interest-bearing Liabilities	1,499.2	7.34	2,589.1	7.86	1,699.7	7.50
Spread and Net Yield						
Interest Spread, Nominal Basis ⁽³⁾		8.08		4.00		2.79
Net Yield on Interest-earning Assets ⁽⁴⁾		9.10		5.72		4.13
Financial Margin ⁽⁵⁾		8.41		5.72		4.12

(1) Until April 2007, it included, among others, the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

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(2) *Until April 2007, it included, among others, the financial assistance granted by the Argentine Central Bank and the advance from this entity for the acquisition of the Hedge Bond.*

(3) *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.*

(4) *Net interest earned divided by average interest-earning assets. Interest rates include the CER adjustment.*

(5) *Represents net financial income, divided by average interest-earning assets.*

Fiscal Year 2009 Compared to Fiscal Year 2008

Financial income for the fiscal year 2009 amounted to Ps.3,005.6 million, a 17.4% increase compared to the Ps.2,559.3 million recorded in fiscal year 2008. This increase in financial income was the result of a higher average yield on interest-earning assets, partially offset by lower average volume.

The average yield on interest-earning assets was 15.71%, a 357 b.p. increase, which can be explained by increases of 776 basis points and 233 b.p. in the average lending interest rate on government securities and on loans, respectively. Average interest-earning assets decreased 7.6%, from Ps.19,892.5 million to Ps.18,378.0 million. This was a result of the 46.6% drop in the average balance of other interest-earning assets, and 5.1% in the average balance of total loan portfolio. This effect was partially offset by a 28.7% increase in the average balance of the net position in government securities.

The average loan balance amounted to Ps.11,463.6 million, 5.1% lower than the Ps.12,077.3 million in fiscal year 2008. This decrease was mainly due to the fact that in January 2009 Banco Galicia made a swap at market prices of Secured Loans for other public sector assets (Nobac 2010, Bogar 2018 Bonds, Boden 2014 Bonds and Discount Bonds 2033). These assets, in the table Yield on Interest-Earning Assets and Cost of Funds, shown above, are presented in the line of Government Securities and caused a decrease in the Loans line. As a consequence of the foregoing, the average balance of loans to public sector decreased by Ps.1,144.8 million (90.5%). As regards to the private sector loans, an average increase of Ps.531.1 million (4.9%) was recorded.

The average interest rate on total loans, including the CER adjustment, was 19.34% in fiscal year 2009, compared to 17.01% in fiscal year 2008. The portfolio of loans to the private sector accrued a 19.31% average interest rate and the public-sector loan portfolio accrued a 22.50% average interest rate, including the CER adjustment.

The estimated market share of Banco Galicia, on an individual basis, in the Argentine financial system's total loans to the private sector was 7.67% at the end of December 2009, whereas such market share was 6.12% as of December 31, 2008.

The average interest rate on Peso-denominated loans to the private sector increased by 188 b.p., from 19.85% in fiscal year 2008 to 21.73% in fiscal year 2009. This increase reflected the increase experienced in the Argentine market in general. The average interest rate on foreign-currency denominated loans to the private sector increased by 59 b.p., from 6.75% in fiscal year 2008 to 7.34% in fiscal year 2009.

The average position in government securities amounted to Ps.4,686.5 million, an increase of Ps1,044.3 million (28.7%), compared to Ps.3,642.2 million in fiscal year 2008. This variation is mainly due to the increase of Ps.1,339.3 million in the average balance of the position in government securities in Pesos, as a result of the government securities received as part of the Secured Loans exchange transaction carried out by the end of January 2009. This increase was partially offset by the decrease of Ps.295.0 million in the average balance of government securities in Dollars due, mainly, to the sale in June 2009 of the 15th interest and amortization coupon of Boden 2012 Bonds due in August 2009. This decrease was partially offset by the increase in the price of the Dollar during the year 2009 (December 2008: Ps.3.45 December 2009: Ps.3.80).

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The average yield on government securities increased by 776 b.p., from 4.08% in fiscal year 2008 to 11.84% in fiscal year 2009. This variation is composed of a 1,397 b.p. increase in the average interest rate on government securities in Pesos, partially offset by a 79 b.p. decrease in the average interest rate on government securities in Dollars.

As a result of the Secured Loans exchange transaction mentioned above, the new portfolio of government securities received was assessed as a special investment, pursuant to the guidelines of the Argentine Central Bank.

Consequently, these holdings are stated at their equity value, exponentially increased in terms of the IRR, and adjusted by the CER, if applicable. When the market value of each item is lower than its book value, the monthly accrual of the IRR and the CER is offset, on a cumulative basis, against an asset regularization account, until the book value equals the market value. Such asset regularization account is reversed and charged to income as long as the balance thereof exceeds the positive difference between the market value and the book value. Moreover, during fiscal year 2009, a portion of such portfolio of government securities was sold, generating an income. Both effects mainly justify the rise in the average rate of the government security portfolio in Pesos. On the other hand, the nominal rate for 2009 and 2008 is influenced by the fact that in the item Government Securities are included Discount Bonds in Pesos and GDP-Linked Negotiable Securities, which accounting is governed by Communiqué A 4270 issued by the Argentine Central Bank.

The decrease in the average interest rate on government securities in US Dollars was mainly due to the decrease of the Libo rate accrued by Boden 2012 Bonds. Apart from that, the average interest rate for fiscal year was influenced by the sale of the 15th interest and amortization coupon of Boden 2012 Bonds.

The average balance of the Other Interest-Earning Assets section amounted to Ps.2,227.9 million, a Ps.1,945.1 million decrease as compared to the average recorded in fiscal year 2008. This was mainly due to the fact the Argentine Central Bank eliminated the rate on funds deposited with said entity corresponding to the minimum cash requirement on term liabilities.

The average rate of the Other Interest-Earning Assets section increased by 8 p.b. as of December 31, 2009 in comparison to December 31, 2008, from 5.09% in 2008 to 5.17% in 2009, resulting from the variation of the Peso in respect to the transactions in Pesos and in foreign currency, since the average rate of the other interest-earning assets in Pesos was 6.77% in 2008 to 6.47% in 2009, with a decrease of 30 p.b., while the average rate of the foreign currency decreased from 1.20% in 2008 to 0.78% in 2009, a decrease of 42 p.b.

Financial income for fiscal year 2009 includes a Ps.103.5 million profit from foreign-exchange quotation differences, which includes income from foreign exchange forward transactions. The above-mentioned profit includes a Ps.127.1 million gain from foreign exchange brokerage activities and a Ps.23.6 million loss from the valuation of the net position in foreign currency. Financial income for fiscal year 2008 includes Ps.173.3 million profit from foreign-exchange quotation differences, which includes a Ps.163.7 million profit from foreign-exchange brokerage activities and a Ps.9.6 million profit from foreign currency net position valuation.

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The following table shows our market shares:

	Fiscal Year Ended		
	December 31,		
<i>(in percentages)</i>	2009	2008	2007
Total Deposits	6.29	5.93	6.32
Private-Sector Deposits			
Total	7.81	7.61	8.23
Deposits in Current and Savings Accounts and Non-Restructured Time Deposits	8.07	7.87	8.55
Total Loans	6.91	6.16	7.41
Private-Sector Loans	7.67	6.12	7.75

Banco de Galicia y Buenos Aires S.A., only, within the Argentine financial system. Based on daily information on deposits and loans prepared by the Argentine Central Bank using-end of month balances. Beginning on December 2008, deposits from AFJPs were transferred to the ANSES, which implied a transfer of deposits from the private sector to the public sector.

Fiscal Year 2008 Compared to Fiscal Year 2007

Financial income amounted to Ps.2.559,3 million, representing a 28.1% increase from the Ps.1,997.9 million recorded in fiscal year 2007. The increase in financial income was the result of a higher average yield on interest-earning assets, and a growth in the average volume thereof.

The average yield on interest-earning assets was 12.14%, a 214 b.p. increase, which can be explained by increases of 284 b.p. and 66 b.p. in the average lending interest rate on loans and on government securities, respectively. A 32 b.p. decrease in the average interest rate of other interest-earning assets was registered.

Average interest-earning assets increased 9.1%, from Ps.18,225.9 million to Ps.19,892.5 million. This was a result of: i) a 14.7% increase in the average balance of the total loan portfolio, and ii) a 22.1% increase in the average balance of other interest-earning assets, from Ps.3,418.2 million in fiscal year 2007 to Ps.4,173.0 million in 2008. This was partially offset by a 14.9% decrease in the average balance of the net position in government securities, from Ps.4,278.8 million to Ps.3,642.2 million.

The average loan portfolio amounted to Ps.12,077.3 million, 14.7% higher than the Ps.10,528.9 million for fiscal year 2007. This was due to an increase in the average balance of loans to the private sector, of Ps.1,968.7 million, partially offset by an important decrease in the average balance of loans to the public sector, equal to Ps.420.3 million

(-24.9%). The decrease in the average portfolio of loans to the public sector was mainly due to the sales of Secured Loans and to the use of these loans for the purchase of the remaining Hedge Bond, both during the first six months of fiscal year 2007.

As regards loans to the private sector, a rise in the volume of such loans was registered during the year, with a 22.3% increase in the average balance for fiscal year 2008, compared to the previous fiscal year. It should be pointed out that this increase is net of the transfer of loan portfolios to financial trusts and the application of provisions corresponding to the fiscal year 2008.

The unconsolidated estimated market share of Banco Galicia in the Argentine financial system's total loan to the private sector was 6.12% at the end of December 2008, while at December 31, 2007 this market share was to 7.75%. The average interest rate on total loans, including the CER adjustment, was 17.01%, compared to 14.17% in fiscal year 2007. The private sector loan portfolio accrued a 17.47% average interest rate and the public-sector loan portfolio accrued a 13.10% average interest rate, including the CER adjustment.

The average interest rate on Peso-denominated loans to the private sector showed an increase of 364 b.p., from 16.21% to 19.85%. This increase reflected the increase observed in the Argentine market in general. The average interest rate on foreign currency loans to the private sector showed an increase of 32 b.p., from 6.43% in 2007 to 6.75% in 2008.

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The average position in government securities was Ps.3,642.2 million, 14.9% lower than the Ps.4,278.8 million from fiscal year 2007. This variation was mainly due to a decrease of Ps.588.9 million in the average balance of the position in government securities in Dollars, which itself was mainly due to the collection of annual amortization service and the sale of Boden 2012 Bonds, the proceeds of which were used for the repurchase of part of the foreign debt of Banco Galicia. This decrease was partially offset by the increase in the price of the Dollar in 2008 (Dec. 2007: Ps.3.15 Dec. 2008: Ps.3.45).

The average interest rate on government securities increased by 66 b.p., from 3.42% in fiscal year 2007 to 4.08% in fiscal year 2008. This variation was due to an increase of 482 b.p. recorded in the average balance of the position in government securities in Pesos, partially offset by a 114 b.p. decrease in the average balance of the position in government securities in Dollars.

The increase in the average interest rate on government securities in Pesos was partially due to the fact that the average interest rate in fiscal year 2007 included a Ps.32.0 million loss as a consequence of the release of Bogar Bonds which, as of December 31, 2006, had been delivered as collateral in advance for the acquisition of the remaining Hedge Bond. Pursuant to Communiqué A 3911 and supplementary regulations, Bogar Bonds used as collateral were recorded at their technical value, while those not allocated in that way should be recorded at their present value calculated using the rate provided for by the Argentine Central Bank. Furthermore, during fiscal year 2008 higher income was recorded related to trading operations. In turn, the nominal interest rate in 2008 and 2007 was influenced by the fact that Peso-denominated Discount Bonds and GDP-Linked Negotiable Securities are recorded under such item, which recording is regulated by Communiqué A 4270 of the Argentine Central Bank. See Item 4.

Information on the Company-Selected Statistical Information-Government and Corporate Securities . The decrease in the average rate on the position of government securities in Dollars in fiscal year 2008 was mainly due to the drop of the Libo rate accrued by the Boden 2012 Bonds. Additionally, the average rate of fiscal year 2007 was influenced by the Ps.27.5 million loss for the sale of Boden 2012 Bonds for US\$178.8 million in February 2007, which proceeds were used for the repurchase of part of its restructured foreign debt instrumented as loans due in 2010 and 2014.

The average rate of the item Other Interest-Earning Assets experienced, between December 31, 2007 and December 31, 2008, a 32 b.p. decrease, mainly as a result of the variation of the relative weight of the transactions in Pesos and in foreign currency, since the average rate for other assets with yields in foreign currency decreased from 2.87% in 2007 to 1.20% in 2008, thus decreasing 167 b.p., while the average rate in pesos increased merely 24 b.p., from 6.53% in 2007 to 6.77% in 2008. The decrease in the foreign currency average rate was mainly due to a decrease ordered by the Argentine Central Bank in the rate of return applied to the funds deposited with such entity corresponding to minimum cash payments. This drop was related with a decrease in the average yield of the balances deposited with correspondent bank accounts.

Financial income in 2008 includes a gain due to foreign-exchange quotation differences of Ps.173.3 million, which includes income from foreign exchange forward transactions.

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Our financial expenses were composed of the following:

	Fiscal Year Ended December 31,		
	2009	2008	2007
	<i>(in millions of Pesos)</i>		
Interest on Deposits	877.9	786.1	547.3
Negotiable Obligations	284.5	288.8	335.2
Contributions and Taxes	161.7	135.9	86.4
CER Adjustment	0.3	9.2	67.0
Other ⁽¹⁾	136.1	201.0	210.8
Total	1,460.5	1,421.0	1,246.7

(1) Includes accrued interest on liabilities resulting from financial brokerage with banks and international entities and premiums payable on repurchases.

Fiscal Year 2009 Compared to Fiscal Year 2008

Financial expenses for fiscal year 2009 amounted to Ps.1,460.5 million, representing a 2.8% increase from the Ps.1,421.0 million for fiscal year 2008.

This variation stemmed from a 51 b.p. decrease in the average cost of funds, partially mitigated by a 1.5% increase in the average balance of interest-bearing liabilities.

Average interest-bearing liabilities amounted to Ps.15,923.4 million, compared to Ps.15,694.5 million in fiscal year 2008. This variation was due to the Ps.1,388.5 million increase in total interest-bearing deposits, which rose from Ps.10,305.2 million to Ps.11,693.7 million, partially offset by a Ps.1,089.9 million decrease in the Other Interest-Bearing Liabilities (from Ps.2,589.1 million to Ps.1,499.2 million), and Ps.69.9 million average balance of debt securities, (from Ps.2,799.8 million to Ps.2,729.9 million).

The increase in the average balance of interest-bearing deposits was mainly the result of the increase in Banco Galicia's deposits in Argentina, in current accounts, savings accounts and time deposits. Taking into consideration the final balances of Banco Galicia's total deposits in Argentina, such increase totaled Ps.3,074.5 million for fiscal year, equivalent to a 21.9% increase from the previous fiscal year-end total. Average transactional deposits increased 21.7%, while time deposits grew 9.2%, which allowed for an improvement of interest-bearing deposits.

Of the total average interest-bearing deposits, Ps.2,841.4 million were Dollar-denominated deposits and Ps.8,852.3 million were Peso-denominated, compared to Ps.1,960.6 million and Ps.8,344.6 million, respectively, in fiscal year 2008.

Considering only private-sector deposits in current and savings accounts and time deposits, raised by Banco Galicia only in Argentina, the estimated deposit market share of the Bank in the Argentine financial system rose from 7.87% as of December 31, 2008 to 8.07% as of December 31, 2009.

The average rate on interest-bearing deposits was 7.53%, 17 b.p. lower than the 7.70% average rate recorded in fiscal year 2008. Peso-denominated deposits (including those adjusted by CER) accrued an average rate of 9.74%, higher by 44 b.p. than the average interest rate of 9.30% in fiscal year 2008. This increase was experienced by the Argentine market as a whole in 2009. Likewise, the cost of Dollar-denominated deposits was 0.67%, lower by 24 b.p. than the average interest rate of 0.91% recorded in fiscal year 2008.

The average balance of debt securities amounted to Ps.2,729.9 million, Ps.69.9 million lower than the Ps.2,799.8 million in fiscal year 2008. This decrease is mainly related to a US\$131.9 million net decrease (taking into consideration the capitalization of interests on Subordinated Notes Due 2019) in the final balance of Banco Galicia's foreign debt recorded as notes, due to amortizations, redemptions and advance cancellations. It should be mentioned that Grupo Financiero Galicia was authorized by the CNV to create the Program for the issuance of Notes for a nominal value of US\$60 million (or its equivalent in other currencies). The offer of notes for a nominal value of US\$45 million, whose subscription period ended on June 2, 2009, was totally subscribed. This issuance partially mitigated the reductions made by the Bank. Also, this variation was partially offset by an increase in the price of the Dollar between December 31, 2008 and the same date in 2009.

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The average cost of debt securities was 8.22% in fiscal year 2009, while it was 10.00% in fiscal year 2008. The average rate for fiscal year 2009 was mainly influenced by the Ps.68.6 million gain resulting from the repurchase and advance cancellation of part of Banco Galicia's foreign debt (Notes Due 2014 for a nominal value of US\$82.4 million). Otherwise, the average rate of the debt securities would have increased to 10.73%. The rate was also influenced by the issuance of notes mentioned in the above paragraph, as the Series I were issued at a price of 92.68% and for a nominal amount of US\$34.4 million, which amounted to an annual cost of 8% and, as the Series II were issued at a price of 103.48%, equal to an annual cost of 10.5% and for a nominal amount of US\$10.6 million.

The average balance of the Other Interest-Bearing Liabilities caption was Ps.1,499.2 million, with an average rate of 7.34% while, for fiscal year 2008, the average balance amounted to Ps.2,589.1 million and the average rate was 7.86%. This item records, mainly, Dollar-denominated debt with international banks and credit agencies and Dollar-denominated obligations in connection with repurchase agreement transactions of Government securities. The decrease of Ps.1,089.9 million in the average balance is mainly due to the decrease in the average of repurchase agreement transactions and the repayment in advance on January 6, 2009, by Grupo Financiero Galicia of foreign financial loans for US\$62 million, through a single final payment of US\$39.1 million.

The decrease in the average rate is due to Dollar and Peso operations, as the Dollar rate was 6.20% in 2008 and 4.83% in 2009, a decrease of 137 b.p., and the average rate in Pesos decreased 16 b.p., from 14.43% in 2008 to 14.27% in 2009.

Fiscal Year 2008 Compared to Fiscal Year 2007

Financial expenses for fiscal year 2008 amounted to Ps.1,421.0 million, representing a 14.0% increase from Ps.1,246.7 million for fiscal year 2007. This variation was due to the increase of 93 p.b. in the average cost of funds and an increase of 5.6% in average balance of the interest-bearing liabilities.

Average interest-bearing liabilities amounted to Ps.15,694.5 million, compared to Ps.14,858.8 million in the fiscal year 2007. This variation was mainly due to a Ps.767.7 million increase in the total interest-bearing deposits, from Ps.9,537.5 million to Ps.10,305.2 million and the increase in other interest-bearing liabilities, from Ps.1,699.7 million to Ps.2,589.1 million. These effects were partially offset by the Ps.560.3 million decrease in average balance of debt securities, from Ps.3,360.1 million to Ps.2,799.8 million.

The increase in the average balance of interest-bearing deposits was mainly the result of the increase in the Bank's deposits in Argentina, in current accounts, savings accounts and time deposits. Taking into consideration the final balances of Banco Galicia's total deposits in Argentina, such increase totaled Ps.1,019.0 million for fiscal year 2008, equivalent to a 7.8% increase from the previous fiscal year-end total. Average transactional deposits grew by 20.6%, while time deposits grew by 2.5% which improved the structure of the interest-bearing deposits.

Out of the total average interest-bearing deposits, Ps.1,960.6 million were Dollar-denominated deposits and Ps.8,344.6 million were Peso-denominated, compared to Ps.1,653.7 million and Ps.7,883.8 million, respectively, in fiscal year 2007.

Considering only private-sector deposits in current and savings accounts and time deposits (excluding restructured deposits), raised by Banco Galicia in Argentina, the estimated deposit market share of Banco Galicia in the Argentine financial system changed from 8.55% as of December 31, 2007, to 7.87% as of December 31, 2008. In order to understand the development of deposits by sector, it's worth mentioning the latest reform to the pension system, which implied the creation of the Argentine Integrated Pension System (*Sistema Integrado Previsional Argentino* or *SIPA*), eliminating the private pension funds capitalization system. This entailed the transfer of deposits from the private pension funds to the Sustainability Guaranty Fund of SIPA (*Fondo de Garantía de Sustentabilidad*) managed by National Social Security Administration (*Administración Nacional de Seguridad Social* or *ANSES*) and the reallocation of funds from the private sector to the public sector. If the balances for such ownership change are adjusted, Banco Galicia's market share of private sector deposits (current accounts, savings accounts and term deposits, excluding restructured deposits) would have decreased by 0.46 percentage points, as compared to December 31, 2007.

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The average rate on interest-bearing deposits was 7.70%, 158 b.p. greater than the 6.12% average rate for the fiscal year 2007. Peso-denominated deposits (including those adjusted by CER) accrued a 9.30% average interest rate, compared to a 7.21% average interest rate in fiscal year 2007, as a result of the increase experienced by the Argentine market as a whole during 2008. Likewise, the cost of Dollar-denominated deposits was 0.91%, a level similar to that recorded in 2007.

The average balance of the Argentine Central Bank item was Ps.0.4 million, while in the fiscal year 2007 it was Ps.261.5 million. This item showed the average balance of the financial assistance from the Argentine Central Bank and the average balance of the advance for the acquisition of the Hedge Bond. During the first quarter of fiscal year 2007, the Bank fully canceled in advance the debt owed for the financial assistance, which as of December 31, 2006 amounted to Ps.2,688.7 million and, during April 2007, Banco Galicia purchased 9.2% of the Hedge Bond, through an exchange for Secured Loans. The average rate for fiscal year 2007 was the result of the recording of a loss of Ps.32.8 million related to the acquisition cost of such Bond.

The average balance of debt securities was Ps.2,799.8 million, Ps.560.3 million lower than the Ps.3,360.1 million for fiscal year 2007. This decrease is basically related to a net reduction (including interests capitalized on the Notes due 2019) of US\$85.5 million in the year-end balance of the Bank's foreign debt recorded as notes, resulting from amortizations, redemptions and repayments in advance and from the payment by Galicia Uruguay of US\$24.6 million for the amortization of its notes due in September 2008 and the early cancellation of the installments due in September 2009 and 2010. The average cost of debt securities in fiscal year 2008 was 10.00%, while in the previous fiscal year it had been 8.66%. The average interest rate for fiscal year 2007 was mainly affected by the Ps.27.0 million profit resulting from the partial payment of Banco Galicia's capital increase in notes received at a value lower than their book value (See Item 4. Information on the Company-History- Banco Galicia's 2007 Capital Increase). Excluding this effect, the average rate would amount to 9.46%. The highest average rate of 2008 is mainly due to the increase of the restructured foreign debt rate according to contractual terms.

The average balance of the item Other Interest-Bearing Liabilities was Ps.2,589.1 million, with an average rate of 7.86% while, for fiscal year 2007, the average balance amounted to Ps.1,699.7 million and the average rate was 7.50%. This line item records, mainly, Dollar-denominated debt with banks and international entities, and Dollar-denominated negotiable obligations in connection with repurchase and reverse repurchase agreement transactions of government securities and the Dollar-denominated unsecured loan, taken by Grupo Financiero Galicia in the year 2007, as part of the capital increase of Banco Galicia. The variation in the average balance is mainly due to a higher average balance for repurchase agreement transactions and foreign-trade-related lines. It should be mentioned that during July 2008, Grupo Financiero Galicia cancelled the first repayment of principal for the Merrill Lynch International loan of US\$18.0 million and it later repaid the full loan amount in advance on January 7, 2009. The average rate for fiscal year 2007 was mainly influenced by the Ps.6.9 million profit resulting from the repurchase carried out in February, at market prices, of part of the Bank's foreign debt recorded as loans. Excluding this profit, the average interest rate on the item Other Interest-Bearing Liabilities, would amount to 8.82%. The decrease compared to fiscal year 2007 is mainly due to the decrease in the average rate related to the repurchase agreements.

Net Financial Income

Net financial income for fiscal year 2009 amounted to Ps.1,545.1 million, and the financial margin was 8.41%. In fiscal year 2008, the corresponding amounts were Ps.1,138.3 million and 5.72%, respectively.

Excluding the income from the valuation adjustment of public-sector assets (Ps.4.1 million profit), and including the financial income related to margin requirements of repurchase transactions (Ps.23.0 million profit), net financial income amounted to Ps.1,564.0 million and the corresponding adjusted financial margin was 8.51%. During fiscal year 2008, net financial income, calculated the same way, amounted to Ps.1,163.3 million, and the corresponding adjusted financial margin was 5.85%.

Net financial income for fiscal year 2009 was mainly due to the profit from the Peso-denominated matched portfolio, offset by the loss recorded by the matched portfolio in foreign currency.

The improvement in the adjusted net financial margin is mainly attributable to: (i) a decrease in the average cost of liabilities resulting from the change in their structure as a consequence of the change in the composition of deposits, with an increase in transactional deposits, and the reduction of foreign debt; (ii) an increase in income from

intermediation with the private sector, with an increase in the volume of average loans and an increase in the average interest rate on such loans; and (iii) an increase in income related to the government securities portfolio.

Table of Contents**Provision for Losses on Loans and Other Receivables**

Provisions for losses on loans and other receivables amounted to Ps.639.5 million in fiscal year 2009, Ps.244.1 million higher than the Ps.395.4 million for fiscal year 2008. A significant part of this increase was due to the seasoning of the individuals loan portfolio and to the possible occurrence of certain cases of default in the commercial loan portfolio, as a consequence of the worsening of certain macroeconomic variables, mainly during the first semester of 2009.

Provisions for losses on loans and other receivables amounted to Ps.395.4 million in fiscal year 2008, Ps.139.9 million higher than the Ps.255.5 million of fiscal year 2007. A significant percentage of this increase was due to the seasoning of our loan portfolio, mainly the individuals portfolio.

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			% Change	
	2009	December 31, 2008	2007	December 31, 2009/2008	2008/2007
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Income From					
Credit Cards	1,148.2	952.6	669.5	20.5	42.3
Deposits Accounts	252.9	201.7	160.5	25.4	25.7
Cash Management	18.6	17.8	13.8	4.5	29.0
Safe Deposit Box	30.2	18.0	13.2	67.8	36.4
Services for Shipments	14.9	11.1	8.3	34.2	33.7
Product Package	14.3	11.4	7.9	25.4	44.3
Financial Fees	50.1	42.0	28.8	19.3	45.8
Credit-related Fees	96.5	95.7	79.1	0.8	21.0
Check Collection	33.0	33.9	27.3	(2.7)	24.2
Collection Services (Taxes and Utility Bills)	25.7	19.5	14.1	31.8	38.3
International Trade	51.8	46.1	39.5	12.4	16.7
Other (1)	90.6	122.3	108.7	(25.9)	12.5
Total Income	1,826.8	1,572.1	1,170.7	16.2	34.3
Total Expenses	515.9	384.2	257.6	34.3	49.1
Net Income from Services	1,310.9	1,187.9	913.1	10.4	30.1

(1) Includes, among others, fees from investment banking activities, asset management, assets under custody and guarantees granted.

Fiscal Year 2009 Compared to Fiscal Year 2008

Net income from services amounted to Ps.1,310.9 million, 10.3% higher than the Ps.1,187.9 million recorded in fiscal year 2008. Almost all categories grew, mainly as a consequence of an increase in the volume of transactions together with an increase in the price of certain services, in line with the dynamics of the financial market.

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Banco Galicia's income from credit and debit card transactions, on an individual basis, amounted to Ps.465.3 million, a 26.5% increase over the Ps.367.7 million recorded in fiscal year 2008. This higher income was attributable not only to the greater number of credit cards managed, but also to the greater average purchases made with such cards during the year. The total number of cards managed by Banco Galicia (excluding those managed by the regional credit card companies) increased 9.5%, reaching 1,356.2 thousand as of December 31, 2009, compared to 1,238.5 thousand as of December 31, 2008.

Income from services corresponding to the regional credit card companies was Ps.682.9 million, 16.8% higher than the Ps.584.9 million recorded in fiscal year 2008. This variation was mainly due to the increase in the purchases made with these credit cards during fiscal year 2009. These companies managed 4,618.2 thousand cards as of December 31, 2009, a 2.6% decrease from December 31, 2008.

Total deposit accounts of Banco Galicia, the only company from Grupo Financiero Galicia that owns deposit accounts, amounted to 1,734.1 thousand as of December 31, 2009, 12.6% higher than the previous year.

Reflecting the increase in the volume of deposits and in the number of accounts, the higher sales of products, and the increase in the price of certain services, significant growth was achieved during fiscal year 2009 in income from the services related to deposit accounts (25.4%), financial transactions (19.3%), safe deposit boxes (67.8%), collection services (31.8%) and foreign trade (12.4%).

Expenses from services increased 34.3%, from Ps.384.2 million in fiscal year 2008 to Ps.515.9 million in fiscal year 2009.

Fiscal Year 2008 Compared to Fiscal Year 2007

Net income from services amounted to Ps.1,187.9 million, 30.1% higher than the Ps.913.1 million recorded in fiscal year 2007. All categories grew, mainly as a consequence of a significant increase in the volume of transactions, together with an increase in the price of certain services in line with financial market dynamics.

Banco Galicia's income from credit and debit card transactions, on an individual basis, was Ps.367.7 million, representing a 45.2% increase over the Ps.253.2 million recorded in fiscal year 2007. This higher income was attributable not only to the greater number of credit cards managed, but also to the greater average purchases made with such cards during the year. The total number of cards managed by Banco Galicia (excluding those managed by the regional credit card companies) increased 11.8%, reaching 1,238.5 thousand as of December 31, 2008, compared to 1,107.5 thousand as of December 31, 2007.

Income from services corresponding to the regional credit card companies was Ps.584.9 million, 40.5% higher than the Ps.416.3 million recorded in fiscal year 2007. This variation was mainly due to the increase in the average number of managed credit cards and to the significant increase in the purchases made with these credit cards during fiscal year 2008. These companies managed 4,742.8 thousand cards as of December 31, 2008, a 10.7% increase from December 31, 2007.

Banco Galicia's total deposit accounts amounted to 1,540.7 thousand as of December 31, 2008, 13.0% higher than that as of December 31, 2007.

In fiscal year 2008 significant growth was achieved in income from services related to financial transactions (45.8%), collection services (38.3%), deposit accounts (25.7%) check collection (24.2%), credit transactions (21.0%) and foreign trade (16.7%), thus reflecting the expansion of credit activity, the increase in the volume of deposits and in the number of accounts, the higher sales of products and the increase in the price of certain services.

Expenses from services increased 49.1%, from Ps.257.6 million in fiscal year 2007 to Ps.384.2 million in fiscal year 2008.

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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	
	2009	2008	2007	2009/2008	2008/2007
	<i>(number of credit cards, except otherwise noted)</i>			<i>(percentages)</i>	
Visa	982,866	936,267	855,708	4.98	9.41
Gold	262,388	203,464	172,830	28.96	17.72
International	471,766	470,709	433,000	0.22	8.71
Domestic	189,626	227,785	229,174	(16.75)	(0.61)
Business	28,430	20,976	15,962	35.54	31.41
Corporate	1,130	960	295	17.71	225.42
Platinum	29,526	12,373	4,447	138.63	178.23
Galicia Rural	7,157	6,215	5,841	15.16	6.40
American Express	308,942	241,145	195,360	28.11	23.44
Gold	143,899	99,970	79,829	43.94	25.23
International	145,111	133,644	115,531	8.58	15.68
Platinum	19,932	7,531		164.67	
MasterCard	57,276	54,916	50,577	4.30	8.58
Gold	19,452	16,790	13,203	15.85	27.17
MasterCard	36,670	36,531	35,684	0.38	2.37
Argencard	1,154	1,595	1,690	(27.65)	(5.62)
Regional Credit-Card Companies	4,618,199	4,742,816	4,283,770	(2.63)	10.72
Local Brands	2,944,544	2,864,709	2,479,788	2.79	15.52
Visa	1,424,453	1,628,185	1,599,046	(12.51)	1.82
MasterCard	221,575	217,090	182,237	2.07	19.13
American Express	27,627	32,832	22,699	(15.85)	44.64
Total	5,974,440	5,981,359	5,391,256	(0.12)	10.95
Total Amount of Purchases <i>(in millions of Pesos)</i>	Ps. 18,142	Ps. 14,949	Ps. 11,566	21.36	29.24

Administrative Expenses

The following table sets forth the components of our administrative expenses:

	Fiscal Year Ended			% Change	
	2009	December 31, 2008	2007	2009/2008	2008/2007
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Salaries and Social Security Contributions	975.8	805.2	540.6	21.2	48.9
Property-related Expenses	136.1	113.2	89.9	20.2	25.9
Personnel Services	76.8	90.8	75.7	(15.4)	19.9
Advertising and Publicity	127.8	146.5	113.8	(12.8)	28.7
Amount Accrued in Relation to Directors and Syndics Compensation	8.6	8.2	6.4	4.9	28.1

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Electricity and Communications	85.9	72.7	57.2	18.2	27.1
Taxes	139.3	104.0	70.4	33.9	47.7
Other	478.8	440.5	332.3	8.7	32.6
Total	2,029.1	1,781.1	1,286.3	13.9	38.5

Fiscal Year 2009 Compared to Fiscal Year 2008

In fiscal year 2009, administrative expenses amounted to Ps.2,029.1 million, 13.9% higher than the Ps.1,781.1 million recorded in the previous fiscal year.

Salaries and social security contributions and expenses related to personnel services increased 17.5%, from Ps.896.0 million in fiscal year 2008 to Ps.1,052.6 million in fiscal year 2009. This increase was mainly due to higher salaries, given the staff experienced a 2.8% decrease, from 9,408 employees as of December 31, 2008 to 9,142 in December 31, 2009.

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The remaining administrative expenses amounted to Ps.976.5 million in fiscal year 2009, thus reflecting a 10.3% increase from the Ps.885.1 million recorded in the previous fiscal year. This increase was associated to a successful policy of expenses control within the framework of an inflationary context.

Fiscal Year 2008 Compared to Fiscal Year 2007

In fiscal year 2008, administrative expenses amounted to Ps.1,781.1 million, 38.5% higher than the Ps.1,286.3 million recorded in fiscal year 2007. Salaries and social security contributions and expenses related to personnel services increased 45.4%, from Ps.616.3 million in fiscal year 2007 to Ps.896.0 million in fiscal year 2008. This increase was mainly due to higher salaries and to an increase in staff.

The Bank's staff, on a consolidated basis, grew 3.4%, from 9,103 to 9,408 employees, as a consequence of the greater level of activity of the Bank and the expansion of the distribution network of the regional credit card companies.

The remaining administrative expenses amounted to Ps.885.1 million in fiscal year 2008, thus reflecting a 32.1% increase from the Ps.670.0 million recorded in the previous fiscal year, with increases in all of its components. These increases were associated with the higher level of activity, geographic expansion and inflation during the year.

Income/(Loss) from Equity Investments

In fiscal year 2009, a Ps.11.3 million gain from equity investments was recorded, compared to a Ps.56.8 million profit recorded in fiscal year 2008, mainly due to the profit from the dividends received from Banco Galicias's interest in Visa Argentina S.A. Income for fiscal year 2008 was mainly a consequence of the Ps.53.8 million profit from dividends received due to Banco Galicia's interest in Visa Argentina S.A. The magnitude of these dividends was related to the initial public offering of Visa Inc.'s shares.

Income for fiscal year 2007 was mainly due to the Ps.2.5 million profit from the Bank's interest in Banelco S.A.

Miscellaneous Income/(Loss), Net

Miscellaneous net income for fiscal year 2009 amounted to Ps.233.1 million, compared to a Ps.80.1 million profit for fiscal year 2008. Excluding the income of a financial nature from security margins of repurchase agreement transactions (of Ps.23.0 million), miscellaneous net income in fiscal year 2009 amounted to Ps.210.1 million, while in fiscal year 2008 a gain of Ps.45.9 million was recorded (also excluding the above-mentioned financial income for Ps.34.2 million).

The variation in results between the two periods was mainly due to the revenue of Ps.85.5 million corresponding to the result from the early cancellation of the foreign financial loan, the Ps.55.3 million net operating income of Sudamericana recorded under Miscellaneous Income/Loss for consolidation purposes and the Ps.12.7 million profit from the sale by Galicia Warrants S.A. of its Silos plant in San Salvador, in the province of Entre Rios. These results were offset by the higher amortization of *amparo* claims for the year 2009 (Ps.39.2 million) in comparison to the year 2008, as from January 2009, the amount deferred at December 31 2008 began to be amortized in 36 monthly installments.

Miscellaneous net income for fiscal year 2008 amounted to Ps.80.1 million, compared to a miscellaneous net income of Ps.25.1 million for fiscal year 2007. Excluding the profits of a financial nature from security margins of repurchase agreement transactions (of Ps.34.2 million), miscellaneous net income amounted to Ps.45.9 million, while in fiscal year 2007 they recorded a gain of Ps.9.3 million (also excluding the above-mentioned financial income of Ps.15.8 million).

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Miscellaneous net income for fiscal year 2008 was mainly due to: i) Ps.43.5 million related to the net operating income of Sudamericana recorded under Miscellaneous Income/Loss for consolidation purposes, ii) profits associated with loans recovered of Ps.75.7 million, iii) the net establishment of allowances for Ps.132.9 million and iv) the amortization of deferred losses from *amparo* claims for Ps.39.5 million.

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, Grupo Financiero Galicia and Grupo Financiero Galicia's non-banking subsidiaries apply the deferred income tax method.

The income tax charge for fiscal year 2009 was Ps.156.0 million (an Ps.82.0 million increase when compared to fiscal year 2008), of which Ps.111.6 million corresponded to Tarjetas Regionales S.A. consolidated with its operating subsidiaries, Ps.24.8 million corresponded to Grupo Financiero Galicia, individually, and Ps.14.2 million and Ps.4.4 million corresponded to Sudamericana and Galicia Warrants, respectively.

The income tax charge for fiscal year 2008 was Ps.74.0 million, (a Ps.2.5 million increase or 3.5%, in comparison to fiscal year 2007), of which Ps.63.0 million corresponded to Tarjetas Regionales S.A. consolidated with its operating subsidiaries and Ps.11.1 million corresponded to Sudamericana.

The income tax charge for fiscal year 2007 was Ps.71.5 million, of which Ps.60.9 million corresponded to Tarjetas Regionales S.A. consolidated with its operating subsidiaries and Ps.6.0 million, Ps.0.8 million, Ps.0.3 million and Ps.0.3 million corresponded to Sudamericana, Galicia Warrants, Galicia Factoring y Leasing S.A. and Galicia Valores, respectively. Grupo Financiero Galicia recorded a Ps.3.2 million charge in its individual balance sheet.

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 the Bank'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, 2009, 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.

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, 2009	December 31, 2008	December 31, 2007
		<i>(in millions of Pesos)</i>	
Argentine Banking GAAP	806.4	526.8	428.6
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	101.7	134.5	246.3
Effect of BG Trust Securitization Treated as a Secured			
Borrowing for U.S. GAAP Purposes	(36.9)	(40.9)	(64.9)
ASC 450	678.0	481.7	240.9

U.S. GAAP Shareholders	Equity Adjustment*	63.6	(48.5)	6.3
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* *Including qualitative and quantitative adjustments.*

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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, 2009	December 31, 2008	December 31, 2007
		<i>(in millions of Pesos)</i>	
Loan Loss Reserve Under U.S. GAAP ASC 310 Analysis	101.7	134.5	246.3

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. 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. 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. The increase in the allowances recorded under ASC 450 is mostly due to a higher volume of credit card and personal loans granted during 2009 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, 2009	December 31, 2008	December 31, 2007
		<i>(in millions of Pesos)</i>	
Loan Loss Reserve Under U.S. GAAP ASC 450 Analysis	678.0	481.7	240.9

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, 2009	December 31, 2008	December 31, 2007
Loan Loss Reserves as a Percentage of Non-accrual Loans	108.37%	141.34%	132.13%

Loan Loss Reserves as a Percentage of Total Amounts Past Due	130.58%	171.81%	149.57%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	154.29%	190.78%	167.19%

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The allowance for loan losses has increased approximately 25% during 2009 under US GAAP. The mentioned raise was mainly due to the individual analysis of certain cases of default in the commercial loan portfolio as a consequence of the worsening of certain macroeconomic variables, 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

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 are recorded in accordance with Argentine Central Bank valuation rules for public-sector assets, as explained hereunder in Item 4. Information on the Company-Selected Financial Information-Government and Corporate Securities-Valuation .

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 .

Government securities under investment accounts or classified as government securities without quotation under Argentine Central Bank rules (Boden 2012 Bonds corresponding to the Compensatory Bond or Hedge Bond received, Bonar 2015 Bonds, securities issued by the Argentine Central Bank and Discount Bonds in Pesos), are considered as available for sale under U.S. GAAP. As of December 31, 2009, unrealized gains or losses on these securities are reflected in other comprehensive income.

As of December 31, 2008, the amortized cost exceeded the fair value of these securities by Ps.711,064. For U.S. GAAP purposes, Grupo Financiero Galicia has recorded an other-than-temporary impairment of these securities, based on a variety of factors, including the length of time and extent to which the market value has been less than cost, and Grupo Financiero Galicia's intent and ability to hold these securities to recovery. The fair value of these securities was determined on the balance sheet date, based on their quoted market price, and constitutes the new cost basis for this investment.

In addition, as of December 31, 2009, 2008 and 2007, under Argentine Banking GAAP, the Bank had recorded under Intangible Assets the difference arising from the reimbursement of Reprogrammed Deposits at the market exchange rate pursuant to *amparo* claims and the carrying value of these deposits. The receivable for differences related to *amparo* claims does not represent an asset under U.S. GAAP.

The table below shows the book value, market value and amortized cost of Boden 2012 Bonds, Discount Bonds and Bonar 2015 Bonds.

	December 31, 2009					December 31, 2008				
	Amortized Cost	Book Value	Market Value	Unrealized (Loss)/Gain	Equity Adjustment	Amortized Cost	Book Value	Market Value	Unrealized (Loss)/Gain	Equity Adjustment
<i>(In millions of Pesos)</i>	US GAAP	Argentine Banking GAAP	Argentine Banking GAAP	Argentine Banking GAAP	Shareholders' Equity	US GAAP	Argentine Banking GAAP	Argentine Banking GAAP	Argentine Banking GAAP	Shareholders' Equity
Boden 2012 Bonds	901.0	1,906.9	1,731.1	830.1	(175.8)	1,964.5	2,350.8	1,253.4	(1,097.4)	
Discount Bonds	169.9	622.0	337.9	132.2	(284.1)	297.3	666.9	196.5	(470.4)	
Bonar 2015 Bonds	591.5	359.0	676.6	85.0	(317.6)					

Foreign Debt Restructuring

On May 18, 2004, the Bank completed the restructuring of its foreign debt. As a result of this restructuring, we recorded a Ps.119.7 million net gain under Argentine Banking GAAP.

For U.S. GAAP purposes, we accounted for the restructuring in two steps. The first step of the debt restructuring required the holders of the Bank's debt to exchange its old debt with the Bank for new debt in two tranches. Pursuant to ASC 820, the Bank did not receive any concession from the holders of its debt and therefore, we did not consider the first step of the Bank's debt restructuring as a troubled debt restructuring. Pursuant to ASC 470-50 we accounted for the first step restructuring as a modification of the old debt and therefore we did not recognize any gain or loss.

The second step restructuring required the holders of the Bank's debt to forgive it a certain amount of debt based on

different options that the Bank offered to exchange its debt. Pursuant to U.S. GAAP we accounted for this second step of the Bank's debt restructuring in accordance with ASC 470, as the holders of the Bank's debt granted it certain concessions. ASC 470 requires the comparison of the future cash flows of the restructured debt and the carrying value of the old debt at the restructuring date.

We did not record any gain on the Bank's troubled debt restructuring since a gain can only be recognized when the carrying value of the old 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 by the Bank as payment of the debt. As a result, under U.S. GAAP, the carrying amount of the Bank's restructured debt is greater than the amount recorded under Argentine Banking GAAP. Therefore, under U.S. GAAP, we calculated a new effective interest rate to reflect the present value of the future cash payments of the Bank's restructured debt.

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Under Argentine Banking GAAP, transfers of financial assets to a financial trust are recorded as sales. The financial trust's debt securities retained are recorded at face value plus accrued interest, while certificates of participation retained are recorded under the equity method.

Under U.S. GAAP, transfers of financial assets can be recorded as sales, if control of such assets is surrendered. If control is not surrendered, they are recorded as secured borrowings, and the assets are retained in the books of the transferor and a liability is recognized for the fair value of the consideration received. The retained interests in a transfer recorded as a sale are initially recorded based on their allocated book value using the fair value allocation method. Then, the securities are considered available for sale securities and recorded at their fair value with changes in unrealized gains and losses charged to equity through other comprehensive income.

As of December 31, 2009 and 2008 these securities are considered available for sale, and the unrealized gains or losses are charged to equity through other than comprehensive income.

As of December 31, 2009, Grupo Financiero Galicia has determined that unrealized losses on these investments are temporary in nature based on:

The decline is attributable solely to adverse interest rate movements, and does not a connection with a credit event;

The principal and interest payments have been made as scheduled, and there is no evidence that the debtor will not continue to do so;

The future principal payments will be sufficient to recover the current amortized cost of the security; and

Grupo Financiero Galicia has the intent to hold the security at least until the fair value of the security recovers to a level that exceeds the security's amortized costs.

As of December 31, 2008, Grupo Financiero Galicia had recorded an other-than-temporary impairment of these securities related to the certificates of participation in the Almafuerde Special Fund and Galtrust I based on a variety of factors, mostly including the length of time and extent to which the market value has been less than cost and the weakening of the global and local markets condition in which Grupo Financiero Galicia operates, with no immediate prospect of recovery. The fair value of these retained interests in the trusts is determined based upon an estimate of cash flows to be collected by Grupo Financiero Galicia as the holder of the retained interests, discounted at an estimated market rate and will constitute the new cost basis of these securities.

Transfers of financial assets consolidated Variable Interest Entities

In the ordinary course of business, we utilize certain financing arrangements to meet our balance sheet management, funding and liquidity needs. For additional information on our liquidity risk, see Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources. These activities utilize special purpose entities (SPEs), typically in the form of trusts, which raise funds by issuing debt securities to third party investors. These SPEs typically hold various types of financial assets whose cash flows are the primary source of repayment for the liabilities of the SPEs. These SPEs are typically structured as variable interest entities (VIEs) and are thus subject to consolidation by the reporting enterprise that absorbs the majority of the economic risks and rewards of the VIE. The overall methodology for evaluating transactions and relationships under the VIE requirements includes the following two steps:

determine whether the entity meets the criteria to qualify as a VIE and;

determine whether Grupo Financiero Galicia is the primary beneficiary of the VIE.

In performing the first step the significant factors and judgments that were considered in making the determination as to whether an entity is a VIE include:

the design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;

the nature of the involvement with the entity;

whether control of the entity may be achieved through arrangements that do not involve voting equity;

whether there is sufficient equity investment at risk to finance the activities of the entity and;
whether parties other than the equity holders have the obligation to absorb expected losses or the
right to received residual returns.

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For each VIE identified, Grupo Financiero Galicia performs the second step and evaluates whether it is the primary beneficiary of the VIE by considering the following significant factors and criteria:

- whether the variable interest absorbs the majority of the VIE's expected losses;
- whether the variable interest receives the majority of the VIE's expected returns and;
- whether Grupo Financiero Galicia has the ability to make decisions that significantly affect the VIE's results and activities.

Based on the mentioned evaluation as of December 31, 2009, we consolidated certain VIEs related to trusts created as part of securitization transactions for credit cards and personal loans in which we have a controlling financial interest due to the holding of residual interests in these trusts (see Note 35.h of our consolidated financial statements).

Therefore, we re consolidated these loans and re-established the corresponding loan loss reserves. Under Argentine Banking GAAP, these transactions were 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.

As of December 31, 2009, the table below presents the assets and liabilities of the financial trusts which have been consolidated for US GAAP purposes:

<i>(In millions of Pesos)</i>	December 31, 2009
Cash and due from banks	Ps. 15.2
Loans (net of allowances)	463.7
Other assets	8.9
Total Assets	487.8
Debt Securities	279.6
Certificates of Participation	193.3
Other liabilities	14.9
Total Liabilities	487.8

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, Grupo Financiero Galicia and Grupo Financiero Galicia's non-bank subsidiaries apply the deferred income tax method.

For the purposes of U.S. GAAP reporting, Grupo Financiero Galicia applies 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 Grupo Financiero Galicia's assets and liabilities. Deferred tax assets are recognized if it is more likely than not those assets will be realized.

Grupo Financiero Galicia had significant accumulated tax loss carryforward as of December 31, 2008 and 2007. Based on the analysis performed, management believes that Grupo Financiero Galicia would recover only temporary differences with future taxable income. Therefore, the net operating tax loss carryforward and presumed minimum income tax was more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this amount as of December 31, 2008 and 2007.

As of December 31, 2009 based on the analysis performed, Grupo Financiero Galicia believes that it is more likely that not that it will recover only the net operating tax loss carryforward and the temporary differences, with future taxable income. Among other factors, Grupo Financiero Galicia considered that, as of the date of the issuance of these financial statements, the taxable income mainly due to the increase in the price of national government bonds has consumed a significant portion of the tax loss carryforward. Therefore, presumed minimum income tax is not more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this

amount.

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 Grupo Financiero Galicia 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.

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

The income tax charge for fiscal year 2009 was Ps.156.0 million (a Ps.82.0 million or 110.8% increase when compared to fiscal year 2008), mainly composed of Ps.111.6 million from Tarjetas Regionales S.A. consolidated with its operating subsidiaries and Ps.14.2 million, Ps.4.4 million, Ps.0.2 million and Ps.0.5 million from Sudamericana, Galicia Warrants, Galicia Factoring y Leasing S.A. and Galicia Valores, respectively. Grupo Financiero Galicia recorded a Ps.24.8 million charge in its individual balance sheet.

The income tax charge for fiscal year 2008 was Ps.74.0 million, of which Ps.63.0 million corresponded to Tarjetas Regionales S.A. consolidated with its operating subsidiaries, and Ps.11.1 million, Ps.1.3 million and Ps.0.5 million correspond to Sudamericana, Galicia Warrants and Galicia Factoring y Leasing S.A., respectively. Grupo Financiero Galicia recorded a Ps.2.1 million reversal in its individual balance sheet.

Table of Contents**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 2009	229.3	770.2	2,052.5	1,236.3
Fiscal Year 2008	176.8	(1,171.0)	1,845.7	(754.4)
Fiscal Year 2007	46.0	592.9	1,654.5	238.1

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:

Boden 2012 Bonds, Discount Bonds in Pesos and 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 varied significantly, with a favorable influence on the financial position of Grupo Financiero Galicia.

Certain of our securitization transactions are considered sales under U.S. GAAP, with the valuation of retained interests reflecting fair values, with changes in unrealized gains and losses charged to equity through other comprehensive income. The increase in the fair value during 2009, compared to the previous year, was mainly due to the decrease in the discount real rate utilized in the calculation of the fair value of Galtrust I.

The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that Grupo Financiero Galicia considers it more likely than not that it will recover the temporary differences and the net loss carry forward. In addition, Grupo Financiero Galicia believed that its presumed minimum income tax is not more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this amount.

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:

Boden 2012 Bonds, Bonar 2015 Bond and Discount Bonds in Pesos are reflected at market values, with changes from market values at the time of exchange being recognized as other comprehensive income as of December 31, 2009. Otherwise, as of December 31, 2008 Grupo Financiero Galicia had recorded an other than temporary impairment, which resulted in a significant decrease in its net income for Boden 2012 and Discount Bonds.

The receipt of Bonar 2015 Bonds through an exchange that occurred during 2009 generated a significant income for US GAAP purposes.

Certain of our securitization transactions are considered sales under U.S. GAAP, with the valuation of retained interests reflecting fair values, with changes in unrealized gains and losses charged to equity through other comprehensive income as of December 31, 2009. Otherwise, as of December 31, 2008 Grupo Financiero Galicia had recorded an other than temporary impairment of the certificates of participation in Galtrust I, in Nues Trust and in Almafuerde Special Fund which resulted in a significant decrease in its net income.

The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that Grupo Financiero Galicia considers it more likely than not that it will recover the temporary differences and the net loss carry forward. In addition, Grupo Financiero Galicia believe that its presumed minimum income tax is not more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this amount.

Results by Segments

Our segment disclosures for the years ended December 31, 2009, 2008 and 2007 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 the Board of Directors in deciding how to allocate resources and in assessing the 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 de Galicia y Buenos Aires S.A. consolidated line by line with Galicia Uruguay, Galicia (Cayman) Limited 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 S.A. consolidated with its subsidiaries.

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, 2009, December 31, 2008 and December 31, 2007.

Table of Contents**Banking**

The table below shows the results of our banking business segment.

<i>In millions of Pesos, except percentages</i>	As of December 31,		
	2009	2008	2007
Net Financial Income	1,144.2	847.3	516.2
Net Income from Services	727.9	655.0	520.4
Net Operating Revenue	1,872.1	1,502.3	1,036.6
Provisions for Loan Losses	388.7	214.9	159.2
Administrative Expenses	1,321.8	1,166.5	875.1
Net Operating Income	161.6	120.9	2.3
Income from Equity Investments			
Tarjetas Regionales SA	133.0	76.4	88.2
Sudamericana	3.4	2.9	1.9
Others	13.1	58.1	3.5
Income from Equity Investments	149.5	137.4	93.6
Other Income (Loss)	(139.3)	(63.0)	(65.5)
Net Income	171.8	195.3	30.4
Net Income as a % of Grupo Financiero Galicia's Net Income	75%	110%	66%
Average Loans	8,959.4	8,707.5	7,140.6
Average Deposits	14,765.9	13,199.0	11,857.0

This segment recorded Ps.171.8 million net income for fiscal year 2009, Ps.23.5 million lower than the Ps.195.3 million recorded in fiscal year 2008, which in turn was Ps.164.9 million higher than the Ps.30.4 million recorded for fiscal year 2007.

The improvement in the net operating revenue for the fiscal year 2009 of Ps.369.8 million and the increase in income from equity investments of Ps.12.1 million, were more than offset by the increase of: (i) provisions for loan losses, for Ps.173.8 million, (ii) administrative expenses, for Ps.155.3 million, and (iii) other losses, for Ps.76.3 million.

The improvement in net income for fiscal year 2008 was attributable to a Ps.465.7 million increase in net operating revenues and to a Ps.43.8 million increase in income from equity investments. These gains were partially offset by greater administrative expenses (which increased by Ps.291.4 million), and greater provisions for losses on loans and other receivables (which increased by Ps.55.7 million).

The increase in net financial income (Ps.296.9 million) for fiscal year 2009 was mainly due to: (i) a decrease in the cost of liabilities resulting from the change in their structure, as a consequence of the change in the deposits composition in favor of transactional deposits and of the reduction of the external debt, (ii) an increase in the income from the intermediation with the private sector, with an increase in the average volume loan and an increase in the average placement rate, and (iii) an increase in income related to the government securities portfolio. The average balance of total deposits increased by 11.9%, while the average loans to the private sector increased by 2.9%.

The increase in net financial income (Ps.331.1 million) for fiscal year 2008 was the consequence of the improvement in the financial margin, together with an increase in the average volume of intermediation with the private sector. The average interest rate on Peso-denominated loans to the private sector increased, which reflected the growth observed in the Argentine market in general. Average loans to the private sector amounted to Ps.8,707.5 million, 21.9% higher

than the Ps.7,140.6 million for fiscal year 2007. The improvement in net financial income is also attributable to the relative decrease in the cost of liabilities, resulting from the change in their structure as a consequence of the change in the composition of deposits, in favor of transactional deposits, and of the reduction of the restructured foreign debt. The average balance of total deposits increased by Ps.1,342.0 million, equivalent to 11.3%. The average rate on interest-bearing deposits was 7.70%, 158 b.p. higher than the 6.12% average rate recorded for the previous fiscal year. This increase was experienced by the Argentine market as a whole in 2008.

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Net income from services amounted to Ps.727.9 million in fiscal year 2009, 11.1% higher than the Ps.655.0 million recorded in fiscal year 2008, which was in turn 25.9% above the Ps.520.4 million recorded in fiscal year 2007. For both fiscal years, almost all the categories grew, mainly as a consequence of an increase in the volume of transactions together with an increase in the price of certain services, in line with the dynamics of the financial market.

Provisions for losses on loans and other receivables amounted to Ps.388.7 million in fiscal year 2009, Ps.173.8 million higher than fiscal year 2008, which was in turn Ps.55.7 million higher than the Ps.159.2 million recorded in the previous fiscal year. Both in fiscal years 2009 and 2008, a significant percentage of this increase was attributable to the seasoning of the loan portfolio within the economic context.

Administrative expenses for fiscal year 2009 amounted to Ps.1,321.8 million, 13.3% higher than the Ps.1,166.5 million from fiscal year 2008, which in turn were 33.3% higher than the Ps.875.1 million for fiscal year 2007. Both in fiscal years 2009 and 2008, the increase in administrative expenses was related to the increase in personnel expenses and in the remaining administrative expenses. In fiscal year 2009, the increase in personnel expenses (salaries, social charges and expenses for personnel services) were associated with the increase in salaries, since the staff was decreased by 2.8% from 9,408 to 9,142 employees. The other administrative expenses showed a controlled growth, as a result of a successful policy of expenditure control within the framework of an inflationary context. Variations in fiscal year 2008 compared to fiscal year 2007, were related to the increase in staff, the higher level of activity, the expansion of the distribution network and the increase in inflation during the year.

Income from equity investments amounted to Ps.149.5 million, Ps.137.4 million and Ps.93.6 million, for fiscal years 2009, 2008 and 2007, respectively. Income from equity investments for fiscal year 2009 was mainly due to Banco Galicia's gain from its interest in Tarjetas Regionales S.A. (Ps.133.0 million), while for fiscal year 2008, it was mainly due to Banco Galicia's gain from its interest in Tarjetas Regionales S.A. (Ps.76.4 million) and the Ps.53.8 million profit from dividends received because of Banco Galicia's interest in Visa Argentina S.A. In fiscal year 2007, income was mainly due to the Bank's interest in Tarjetas Regionales S.A.

Banco Galicia recorded Ps.139.3 million, Ps.63.0 million and Ps.65.5 million miscellaneous net losses for fiscal years 2009, 2008 and 2007, respectively. The loss for fiscal year 2009 was mainly attributable to the amortization of deferred losses from *amparo* claims of Ps.109.3 million. The increase in amortizations of *amparo* claims (Ps.69.8 million) in 2009 as compared to 2008, is attributable to the fact that, from January 2009, Banco Galicia began to amortize in 36 monthly installments the amount deferred at December 31, 2008. The loss for fiscal year 2008 was mainly attributable to the amortization of deferred losses from *amparo* claims of Ps.39.5 million, together with the net establishment of allowances. This effect was partially offset by income related to loan recoveries of Ps.54.6 million and financial income from margin requirements in connection with repurchase agreement transactions of Ps.34.2 million. The loss for fiscal year 2007 was mainly attributable to the loss due to the amortization of deferred losses from *amparo* claims of Ps.108.7 million, partially offset by loan recoveries of Ps.36.7 million and financial income from margin requirements in connection with repurchase agreement transactions of Ps.15.8 million.

Regional Credit Cards

The table below shows the results of our regional credit cards business segment.

<i>In millions of Pesos, except percentages</i>	As of December 31,		
	2009	2008	2007
Net Financial Income	375.5	296.2	203.2
Net Income from Services	737.0	571.8	409.0
Net Operating Revenue	1,112.5	868.0	612.2
Provisions for Loan Losses	250.8	180.4	96.3
Administrative Expenses	621.9	554.5	369.5
Net Operating Income	239.8	133.1	146.4

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Other Income (Loss)	54.9	45.2	41.4
Minority Interests	(32.6)	(20.6)	(27.5)
Pre-tax Income	262.1	157.7	160.3
Income Tax Provision	129.1	81.3	72.1
Net Income	133.0	76.4	88.2
Net Income as a % of Grupo Financiero Galicia's Net Income	58%	43%	192%
Average Loans	2,402.5	2,105.0	1,703.1

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In fiscal year 2009, the business segment of the regional credit card companies recorded net income of Ps.133.0 million, 74.1% higher than the Ps.76.4 million gain from fiscal year 2008. In turn, net income for fiscal year 2008 was lower by 13.4% compared to fiscal year 2007, which amounted to Ps.88.2 million.

The increase in the income for fiscal year 2009 was mainly a result of the increase in net operating revenues of Ps.244.5 million, which was more than the increase in the provisions for loan losses of Ps.70.4 million and the administrative expenses of Ps.67.4 million.

The decrease in net income for fiscal year 2008 was mainly a result of the fact that the increase in net operating revenues of Ps.255.8 million was more than offset by the increase in provisions for loan losses and other receivables for Ps.84.1 million and higher administrative expenses of Ps.185.0 million.

During fiscal year 2009, the regional credit card companies experienced growth in the most significant variables as compared to 2008: (i) average statements issued: 6.6%, reaching 1.85 million on annual average, (ii) loan portfolio (including managed portfolio): 3.8%, amounting to Ps.3,376 million at year-end, (iii) turnover: 20%, reaching Ps.9,061 million on an annual basis and (iv) the number of purchase transactions: 10.5%, reaching 74.7 million during the year. The distribution network remained stable at 209 service centers. The number of personnel remained almost unchanged, reaching 3,936 employees as of December 31, 2009.

During fiscal year 2008, the customer base of the regional credit card companies as a whole increased 16% as compared to the previous fiscal year, and the number of authorized cards exceeded 4.7 million cards in December 2008. The number of statements issued increased 18.1% in fiscal year 2008, as compared to the previous fiscal year, with almost 1.9 million statements as of December 2008. The distribution network continued growing, reaching 208 service centers in Argentina, 23 more centers than in fiscal year 2007 (+12%). Staff increased by 129 people, reaching 3,898 employees. Annual turnover in stores (valued at real prices as of December 2008) exceeded Ps.7,550 million, while the average loan portfolio increased 23.6%.

In fiscal years 2009 and 2008, the higher provisions for loan losses and other receivables were mainly related to the seasoning of the portfolio. With regard to fiscal year 2009, it is worth mentioning the great efforts made to control delinquency, adopting many preventive measures and improving the collection capacity, allowing the bank to contain related losses.

The increase in administrative expenses, both in fiscal year 2009 and 2008, was mainly related to the increase in the level of activity, inflation rate and the geographical expansion.

In both fiscal years, miscellaneous net income mainly reflected loans recovered.

Insurance

The table below shows the results of our insurance business segment.

<i>In millions of Pesos, except percentages</i>	As of September 30,		
	2009	2008	2007
Net Financial Income	28.5	20.2	16.6
Net Operating Revenue	28.5	20.2	16.6
Administrative Expenses	42.9	30.0	16.1
Net Operating Income	(14.4)	(9.8)	0.5
Other Income (Loss)	55.3	43.5	22.0
Pre-tax Income	40.9	33.7	22.5
Income Tax Provision	14.1	11.1	7.9
Net Income	26.8		