

GRUPO FINANCIERO GALICIA SA

Form 20-F

June 29, 2009

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 29, 2009

**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, 2008**  
**or**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**or**
- Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Commission File Number 0-30852**

**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, Managing Director**

**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:**

Class B Ordinary Shares, Ps. 1.00 par value, each ten shares of which are represented by an American Depositary Share

**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

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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 subsidiary Banco Galicia Uruguay S.A., ( Galicia Uruguay ), Galicia Uruguay's subsidiaries 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., and its subsidiaries;

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, 2008.

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. 3.4537, Ps. 3.1510 and Ps. 3.0695 per US\$1.00 as of December 31, 2008, December 31, 2007 and December 31, 2006, 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.

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

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

In 2002, Argentina experienced high inflation. As a result, for periods between July 17, 2002, and February 28, 2003, financial information may have been adjusted to account for inflation. However, information included in this annual report as of and for the five fiscal years ended December 31, 2008 does not include any effects of inflation accounting. 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.

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.A. Operating Results-Principal Trends and 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 such as the ongoing global economic slowdown;

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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-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.

**Table of Contents****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, 2008 and December 31, 2007 and for the fiscal years ended December 31, 2008, 2007 and 2006 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2006, December 31, 2005 and December 31, 2004 and for the fiscal years ended December 31, 2005 and December 31, 2004 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.

	<b>2008</b>	<b>Fiscal Year Ended December 31,</b>				<b>2004</b>
		<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	
	<i>(in millions of US Dollars, except as noted)<sup>(1)</sup></i>					
	<i>Unaudited</i>					<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>
<b>Consolidated Income Statement in Accordance with Argentine Banking GAAP</b>						
Financial Income	741.0	2,559.3	1,997.9	2,229.8	2,398.6	1,391.6
Financial Expenses	411.4	1,421.0	1,246.7	1,851.6	1,845.9	1,167.4
Net Financial Income <sup>(2)</sup>	329.6	1,138.3	751.2	378.2	552.7	224.2
Provision for Losses on Loans and Other Receivables	114.5	395.4	255.5	110.9	76.7	190.2
Income / (Loss) before Taxes	72.6	250.8	117.5	75.3	126.5	(66.1)
Income Tax	(21.4)	(74.0)	(71.5)	(94.2)	(19.3)	(43.8)
Net Income / (Loss)	51.2	176.8	46.0	(18.9)	107.2	(109.9)
Earnings / (Loss) per Share (in Pesos)	0.041	0.142	0.037	(0.015)	0.086	(0.093)
Cash Dividends per Share (in Pesos)						
Stock Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.431	1.487	1.333	1.296	1.310	1.224

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	<b>Fiscal Year Ended December 31,</b>					
	<b>2008</b> <i>(in millions of US Dollars, except as noted)<sup>(1)</sup></i> <i>Unaudited</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Amounts in Accordance with U.S. GAAP</b>						
Net Income / (Loss)	(339.1)	(1,171.0)	592.9	3,524.9	731.0	(1.1)
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	(0.273)	(0.943)	0.478	2.841	0.589	(0.001)
Book Value / (Deficit) per Share (in Pesos)	(0.176)	(0.608)	0.192	0.117	(1.714)	(2.574)
Financial Income	347.9	1,201.7	2,433.2	5,456.4	2,958.7	1,448.7
Financial Expenses	(402.8)	(1,391.3)	1,160.1	1,863.6	1,845.9	1,167.4
Net Financial Income / (Loss)	(54.9)	(189.6)	1,273.1	3,592.8	1,112.8	281.3
Provision for Losses on Loans and Other Receivables	(130.3)	(450.1)	203.4	160.3	113.5	210.0
Income Tax	14.7	50.9	(92.5)	(277.1)	19.3	35.4
<b>Consolidated Balance Sheet in Accordance with Argentine Banking GAAP</b>						
Cash and Due from Banks	985.9	3,405.1	2,960.0	2,294.8	1,041.2	988.7
Government Securities, Net	443.5	1,531.8	1,693.0	3,188.3	5,967.4	5,518.0
Loans, Net	3,409.3	11,774.6	11,601.0	10,525.0	10,557.6	8,439.8
Total Assets	7,162.1	24,735.8	22,828.7	23,615.4	25,638.1	23,652.2
Deposits	4,069.9	14,056.1	13,165.6	10,779.4	8,421.7	6,756.9
Other Funds <sup>(3)</sup>	2,557.8	8,834.0	8,008.6	11,227.5	15,589.6	15,375.8
Total Shareholders' Equity	534.4	1,845.7	1,654.5	1,608.5	1,626.8	1,519.5
Average Total Assets <sup>(4)</sup>	6,779.0	23,412.5	21,332.4	24,614.5	24,238.1	22,725.9
<b>Percentage of Period-end Balance Sheet Items Denominated in Dollars:</b>						
Loans, Net of Allowances	16.97	16.97	15.13	16.66	9.84	10.42
Total Assets	28.85	28.85	27.60	28.94	26.55	32.92
Deposits	16.98	16.98	15.53	14.13	15.55	20.89
Total Liabilities	32.47	32.47	32.84	30.41	25.81	29.56
<b>Amounts in Accordance with U.S. GAAP</b>						
Trading Securities	286.5	989.6	476.2	208.2	790.0	564.7
Available-for-Sale Securities	593.6	2,050.0	3,717.3	5,214.6	5,350.3	3,923.1
Total Assets	7,284.9	25,159.7	24,429.1	24,107.0	19,949.3	17,007.3
Total Liabilities	7,503.3	25,914.1	24,191.0	23,961.2	22,077.6	20,203.0

Shareholders	Equity (Deficit)	(218.4)	(754.4)	238.1	145.8	(2,128.3)	(3,195.7)
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	2008	Fiscal Year Ended December 31,			2004
		2007	2006	2005	
	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>				
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b><i>Profitability and Efficiency</i></b>					
Net Yield on Interest Earning Assets <sup>(5)</sup>	5.72%	4.13%	1.21%	2.38%	1.02%
Financial Margin <sup>(6)</sup>	5.72	4.12	1.74	2.53	1.08
Return on Average Assets <sup>(7)</sup>	0.91	0.37	0.0004	0.59	(0.42)
Return on Average Shareholders Equity <sup>(8)</sup>	10.13	2.86	(1.15)	6.83	(7.32)
Net Income from Services as a Percentage of Operating Income <sup>(9)</sup>	51.07	54.86	63.99	48.65	66.06
Efficiency ratio <sup>(10)</sup>	76.57	77.29	92.80	72.56	94.46
<b><i>Capital</i></b>					
Shareholders Equity as a Percentage of Total Assets	7.46%	7.25%	6.81%	6.35%	6.42%
Total Liabilities as a Multiple of Shareholders Equity	12.40x	12.80x	13.68x	14.76x	14.56x
Total Capital Ratio	13.92%	15.54%	15.03%	20.78%	25.11%
<b><i>Liquidity</i></b>					
Cash and Due from Banks as a Percentage of Total Deposits	24.23%	22.48%	21.29%	12.36%	14.63%
Loans, Net as a Percentage of Total Assets	47.60	50.82	44.57	41.18	35.68
<b><i>Credit Quality</i></b>					
Past Due Loans <sup>(11)</sup> as a Percentage of Total Loans	2.87%	2.77%	2.38%	2.34%	4.97%
Non-Accrual Loans <sup>(12)</sup> as a Percentage of Total Loans	3.49	3.14	2.58	3.50	7.74
Allowance for Loan Losses as a Percentage of Non-accrual Loans <sup>(12)</sup>	123.11	114.05	117.16	111.90	90.51
Net Charge-Offs <sup>(13)</sup> as a Percentage of Average Loans	1.83	0.65	1.42	1.49	3.77
<b>Ratios in Accordance with U.S. GAAP</b>					
<b><i>Capital</i></b>					
Shareholders Equity (deficit) as a Percentage of Total Assets	(3.00)%	0.97%	0.60%	(10.67)%	(18.79)%
Total Liabilities as a Multiple of Total Shareholders Equity	(34.35)x	101.61x	164.33x	(10.37)x	(6.32)x
<b><i>Liquidity</i></b>					
Loans, Net as a Percentage of Total Assets	49.59%	49.36%	40.10%	50.15%	43.91%
<b><i>Credit Quality</i></b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	141.34	132.13	168.58	139.49	84.75
<b><i>Inflation and Exchange Rate</i></b>					
Wholesale Inflation <sup>(14)</sup>	8.82%	14.56%	7.14%	10.69%	7.87%
Consumer Inflation <sup>(15)</sup>	7.24	8.47	9.84	12.33	6.10
Exchange Rate Variation <sup>(16)</sup> (%)	9.61	2.66	1.25	1.94	1.39



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CER <sup>(17)</sup>	7.97	8.50	10.08	11.75	5.48
CVS <sup>(18)</sup>					5.32

*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, 2008 amounts into US Dollars was Ps. 3.4537 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, which became effective February 3, 2002.*

(18) *The CVS is the Coeficiente de Variación Salarial, an adjustment coefficient based on the variation of salaries, which was effective between October 1, 2002 and March 31, 2004. The percentage disclosed for fiscal year 2004 corresponds to the variation between January 1, 2004 and March 31, 2004.*

**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.

	Exchange Rate <sup>(1)</sup>			Period-End
	High	Low	Average <sup>(2) (3)</sup>	

		<i>(in Pesos per US Dollar)</i>		
2004	3.0718	2.8037	2.9415 <sup>(3)</sup>	2.9738
2005	3.0523	2.8592	2.9233 <sup>(3)</sup>	3.0315
2006	3.1072	3.0305	3.0740 <sup>(3)</sup>	3.0695
2007	3.1797	3.0553	3.1154 <sup>(3)</sup>	3.1510
2008	3.4537	3.0128	3.1623 <sup>(3)</sup>	3.4537
December 2008	3.4537	3.3763	3.4226	3.4537
January 2009	3.4875	3.4497	3.4640	3.4875
February 2009	3.5595	3.4860	3.5115	3.5595
March 2009	3.7167	3.5905	3.6540	3.7135
April 2009	3.7208	3.6738	3.6934	3.7198
May 2009	3.7465	3.6928	3.7245	3.7465

(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 monthly averages.*

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As of June 25, 2009, the exchange rate was Ps. 3.7955 for US\$1.00.

**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**

*A contraction in the domestic economy as well as a deterioration in market conditions could adversely affect the financial system and Grupo Financiero Galicia*

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

It cannot be assured that any change in the future, including the enacting of regulations by Argentine authorities, will not substantially and adversely affect the financial position or the results of operations of private sector companies, including us, as has happened in the past.

*Argentina's political and economic instability is still high and could continue to affect the economy and our business*

During 2001 and 2002, Argentina went through a period of great political, economic and social instability, leading to the early resignation of the President, the default on Argentina's sovereign debt and the devaluation of the Argentine Peso, after more than 10 years of fixed exchange-rate parity with the US Dollar.

Even though the Government succeeded in stabilizing the main macroeconomic variables, such as the exchange-rate and domestic prices, allowing for the continuous growth of the Gross Domestic Product (GDP), some analysts believe that the growth of some indicators of the national economy and the stabilization achieved cannot be sustainable in the mid- and long term.

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Despite the recent economic growth, Argentina may, in the future, experience another economic recession, which could include high inflation and unemployment rates. Consequently, our results of operations as well as the results of operations of our subsidiaries, including Banco Galicia, could be substantially and adversely affected.

***Inflation may rise and undermine the economy and our business***

In January 2002, following the decision to abandon the fixed exchange-rate regime set forth in the Convertibility Law (pursuant to which, from April 1, 1991 to January 7, 2002, the Peso was freely convertible into U.S. Dollars on a one-to-one basis), the devaluation of the Peso had an effect on the domestic price system and led to inflation in 2002 after several years of price stability.

According to the data provided by the *Instituto Nacional de Estadísticas y Censos* ( INDEC, National Institute for Statistics and Census), in 2008 the inflation rate, measured using the consumer prices index, was 7.2%, in comparison to 8.5% in 2007 and 9.8% in 2006, in each case measured against the consumer prices in the immediately preceding year. Other price indexes, however, such as those reflecting construction prices and producers' prices, showed an increasing trend in the last two years despite the decrease in consumer inflation as measured by INDEC, which has generated a significant debate over the correct measurement and the possible understatement of the CPI by INDEC. Inflation may continue to increase or significantly accelerate going forward. Given the current uncertainties, it is not possible to assure you that inflation will not increase. In the past, inflation materially undermined the Argentine economy and the Government's ability to create conditions that promote economic growth. In addition, high inflation or high volatility in inflation rates would negatively and materially affect the financial system's volume of operations, making it difficult for Banco Galicia to continue with the development of its financial intermediation activities and possibly negatively impacting Argentina's level of economic activity and employment.

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 also shorten contractual terms and would erode economic agents' planning and decision making capacity, affecting the economic activity. All of these factors would adversely affect us, our business, financial condition, results of operations and prospects.

***A significant devaluation of the Peso may adversely affect the Argentine economy and us***

It cannot be assured that in the future, and due to various local and international circumstances, there will not be abrupt fluctuations in the value of the Peso. Since the second half of 2008, due to domestic and foreign factors, the Peso has devaluated versus the US Dollar.

Despite the positive effects of the real depreciation of the Peso in 2002 on the competitiveness of certain sectors of the Argentine economy, such 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 and had a negative impact on businesses whose activity was dependent on domestic market demand, such as utilities and the financial industry. The Government's ability to honor its foreign debt obligations was also negatively affected.

If the Peso were to significantly depreciate again, the related negative effects on the Argentine economy could occur again, with adverse consequences on our business, financial condition, results of operations and prospects.

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***Argentina's economy remains vulnerable to external shocks which could have an adverse effect on the country's economic growth and on our prospects. In addition, the Argentine economy is vulnerable to the ongoing economic crisis in the United States of America***

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 available to issuers (and the price of the securities of issuers) in other countries, with similar characteristics, including Argentina. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest-rates or exchange-rate volatility.

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 several Asian economies between 1997 and 1998. There is a risk that similar events may affect the Argentine economy in the future.

Argentina may also be affected by the economic conditions of major trade partners, such as Brazil, or countries such as the United States, that are significant trade partners and/or have influence over world economic cycles. If these countries' economies entered into a recession, the negative effect on the Argentine economy would stem from a decrease in Argentine exports, which would reduce the country's economic growth. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

In addition, at the end of 2007 and in early 2008, the United States' 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 spread quickly into other geographical regions, such as Europe, Asia, and even Latin America.

As a consequence of said financial and economic crisis, the world's major economies have entered into recessions or have shown a marked fall in their economic activities and this crisis could trigger a less favorable or an unfavorable international environment for Argentina, forcing domestic policy adjustments, which could trigger lower growth and adversely affect us, our business, financial condition, results of operations and prospects.

***A decline in international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth and on us***

Argentina's financial recovery from the 2001-2002 crisis has been significantly assisted by the increase in commodity prices, including its main commodity exports, such as soy. High commodity prices have contributed to the increase in the value of Argentine exports since the third quarter of 2002 and to high Government revenues from taxes on exports. The prices of the commodities that Argentina exports have decreased relative to their 2008 levels, affecting export levels in 2009. If prices continue to fall, the growth of the Argentine economy, as well as its exports, could be adversely affected. Such occurrence would have a negative impact on the levels of Government revenues and the Government's ability to service its debt, and could either generate recessionary or inflationary pressures, depending on the Government's reaction. Either of these results would adversely impact us, our business, financial condition, results of operations and prospects.

***Argentina's ability to obtain financing from international capital markets and foreign direct investment is limited, which could adversely affect the economy and our business***

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 swap 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, Italy and Germany did not accept the swap and initiated litigation against Argentina (holdouts). New legal proceedings could be brought in the future.



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In September 2, 2008, Argentina announced through Decree No. 1394/08 its intention to cancel its sovereign debt with the creditor nations of the Paris Club. The Paris Club announced its acceptance of such decision through a note dated September 18, 2008. As of the date of this annual report, the amount of the debt to be cancelled, the terms of such cancellation, and the extent of the representations of the parties are still unknown. Almost 70% of Argentina's debt with the Paris Club is with Germany, Japan and Spain, but the Paris Club includes creditors such as the United States and other members of the Group of Eight, which are industrially developed countries. A 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 our business, financial position and results of operations.

Recently, due to certain modifications made to the pension and retirement system, which was in charge of the *Administradora de Fondos de Jubilaciones y Pensiones* (AFJPs, Retirement and Pension Fund Administrators), some holdouts obtained a favorable decision from the Federal District Court for the District of New York City, which ordered a freeze on the assets held by AFJPs in the United States currently held by the *Administración Nacional de la Seguridad Social* (ANSES, National Social Security Administration), a decentralized entity of the Government. During January and early February of 2009, the Government exchanged certain of its debt for *Préstamos Garantizados Nacionales* (loans issued by the Government or Secured Loans to restructure bank loans during and after the 2001-2002 crisis), and as a result, was able to reduce the amount of sovereign debt maturing between 2009 and 2011.

In addition, foreign investors in Argentine public utilities companies filed claims with the *Centro Internacional de Arreglo de Disputas de Inversiones* (CIADI, International Center for Settlement of Investment Disputes), for substantial amounts, due to certain measures taken by the Government to overcome the 2001-2002 crises, and alleging that some measures are inconsistent with certain bilateral treaties signed by Argentina.

The Government's default on its debt payments, its delay in completing the debt restructuring with holdout creditors and the above-mentioned claims against the country, could hinder Argentina's and the country's private sectors access to the capital markets and ability to obtain direct foreign investment. Additionally, in recent years, the CIADI issued certain judgments against Argentina, all of which have been appealed. If such judgments result in court rulings against Argentina, they would involve large amounts of money for the country, as well as injunctions or other provisional remedies related to assets in Argentina that the Government intended to use for other matters. Consequently, the Government could lack sufficient financial resources to promote growth. In addition, private sector investment, which is necessary for the same purpose, may not be available due to the lack of financing.

If Argentina's ability to access financing from international markets and attract direct foreign investment is restricted, there is a risk that it may lack sufficient capital to sustain an investment cycle and sustain a high-economic growth rate. As a consequence, the country's fiscal balance 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. If a sustained growth cycle is not achieved, political, social and economic instability could resume. All of these events would have an adverse effect on the Argentine economy and financial system, as well as on us, our business, financial condition, results of operations and prospects.

***The foreign exchange market is subject to controls that restrict our access to foreign currency and our access to foreign funds and more restrictive measures could be implemented in the future that would adversely affect our business operations***

At the end of 2001 and in 2002, the Government and the Argentine Central Bank established controls over the foreign exchange market and over capital transfers abroad, substantially limiting the ability of companies operating in Argentina to retain foreign currency or make debt payments abroad. The existence of such controls and the surplus in the country's trade balance contributed to an appreciation of the Peso and to the increased availability of foreign currency, which in turn resulted in the easing of many of these restrictions. However, certain restrictions are still in force that limit access to the foreign exchange market by residents and non-residents, including us, to certain monthly amounts and their and our ability to make transfers of foreign currency and payments abroad. In addition, the Government issued a decree in June 2005 that established new controls and restrictions in connection with capital inflows, including the requirement that 30% of funds remitted to Argentina remain deposited in a domestic financial

institution for one year without earning any interest. This measure increases the cost of obtaining foreign funds and limits access to these funds. For more information, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market.

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In an economic environment where access to local capital is substantially constrained, these controls could have a negative effect on the Argentine economy and on our business, by limiting the ability of economic agents operating in Argentina to obtain foreign financing. Moreover, the Argentine authorities could again establish more severe restrictions on the foreign exchange market and on capital movements from and into Argentina, among others, in the future, in response to significant capital outflows or to a significant depreciation of the Peso. These restrictions may hamper foreign investors' ability to receive payments in connection with debt or equity securities of Argentine issuers, such as us, or more severely restrict our access to the foreign capital markets, both of which could adversely impact us, our business, financial condition, results of operations and prospects.

***The volatility of the regulatory environment in Argentina could continue to be high and future Argentine governmental policies could adversely affect the Argentine economy as a whole as well as financial institutions such as us and our subsidiaries***

The Government has historically exercised significant influence over the country's economy and financial institutions in particular have operated in a highly regulated environment for extended periods. In addition, Argentina's regulatory environment has been volatile. The lack of a stable regulatory environment has imposed limitations on the operation of the economy as a whole, including the financial system. During the 2001-2002 crisis, Argentina experienced a deep economic and financial crisis, social unrest and political turmoil. As a result, the Government took a series of far reaching measures that produced radical structural changes in the Argentine economy and legal framework. Laws and regulations currently governing the economy or the financial sector may change in the future. Future Government policies may include nationalization, forced renegotiation or modification of existing contracts and debt obligations, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting international trade and investment. Future changes in the regulatory environment and Government policies may adversely affect the economy and financial institutions in Argentina, including us and our subsidiaries, as well as our and our subsidiaries' business, financial condition, results of operations and prospects. This change could negatively impact our ability to raise funds through the local capital markets in the future, thus possibly negatively impacting our business, financial condition, results of operations and prospects.

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

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

Under Argentine law, the enforcement of foreign judgments is allowed provided that the requirements set forth in sections 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 on the concepts 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 U.S. court against us or our subsidiaries in Argentina may be limited.

***The reform of the Integrated Retirement and Pension System may limit our ability to obtain funding***

Through the enactment of Law No. 26,425 in November 20, 2008, the Argentine Congress approved the elimination of the capitalization system run by the AFJPs, which was absorbed and replaced by a single government run pension organization called the *Sistema Integrado Previsional Argentino* (SIPA, the Integrated Social Security System). Among other measures, the law establishes that: (i) funds accumulated in the private retirement and pension system during the last fourteen years will be administered by the ANSES and (ii) the retirement and pension system will now be run by the Government and citizens must contribute to this new system.

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The elimination of the existing capitalization system will cause a significant change in Argentina's local capital markets, as AFJPs have historically been important institutional investors. This change could limit our ability to obtain funding through the local capital markets, thus possibly negatively impacting our business, financial condition, results of operations and prospects.

**Risk Factors Relating to the Argentine Financial System**

***The ongoing international financial crisis could intensify and spread, possibly impacting Argentine banks, including Banco Galicia***

Although most Argentine banks have not been severely impacted by the ongoing banking crisis in the United States, Europe and Asia, the possibility that Argentine banks could, in the future, be impacted by such crisis cannot be ruled out. Likewise, the high volatility in international assets was also present in local ones. These factors could lead to a lack of confidence by depositors and affect the Argentine financial system, most likely affecting Banco Galicia's profitability. If Banco Galicia's profitability decreases, our business, financial condition, results of operations and prospects would most likely be negatively affected as well.

***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' ability to withdraw money freely from banks and the pesification and restructuring of their deposits, were strongly opposed by depositors due to the monetary losses that they sustained and undermined their confidence in the Argentine financial system and in all financial institutions operating in Argentina.

Although the financial system has seen a substantial recovery in deposits (mostly transactional deposits) since 2002, it cannot be assured that this trend will continue or that the deposit base of the Argentine financial system, including Banco Galicia's, will not be affected in the future by adverse economic, social and political events. If the confidence of depositors 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 by, in general terms, affecting their ability to operate as financial intermediaries. If Banco Galicia's volume of business or ability to act as a financial intermediary is negatively impacted, its profitability may decrease which, in turn, may adversely impact our business, financial conditions, results of operations and prospects.

***The negative consequences of the 2001-2002 crisis on the profile and activities of the financial system, including us, may not be overcome in the short term or at all***

Immediately after the 2001 and 2002 crisis, the financial system temporarily practically ceased acting as an intermediary between savings and credit. Even though the financial system's private sector deposits and loans have increased substantially from the low levels of 2002, financial depth in Argentina (measured by the ratio of the total financial system's private-sector deposits and loans to GDP), remains low when compared to the levels displayed by comparable countries, such as other Latin American countries, and with past levels recorded in Argentina itself, especially in the case of loans to the private sector. Such loans represented approximately 12% of the Argentine GDP at the end of 2008, as compared to approximately 23% at the end of 1999. The time period necessary for the Argentine financial system's credit activity to return to pre-crisis relative levels remains uncertain.

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In addition, even though deposits in the financial system have increased significantly since mid 2002, most deposits are either sight or short-term time deposits. The sources of medium and long-term funding for financial institutions are currently limited. Due to these reasons, and to the characteristics of credit demand, the loan expansion recorded since 2004 has been largely based on short-term loans to individuals and companies.

For the financial system to be able to reach an adequate financial depth level and, at the same time, develop a medium and long-term credit business without having to assume excessive risks in terms of maturity gaps, several developments would need to occur, including, principally: (i) growth in deposits and loans would need to continue over time, (ii) the terms of assets and liabilities in the Argentine financial system would need to be extended, (iii) the public's confidence in the Argentine financial system would need to increase to levels enabling the country's savings to be channeled to the financial system to a greater extent than at present, and (iv) a process of sustained growth with macroeconomic and legal stability would be needed. These trends may not materialize and, even if they do, financial intermediation activities may not develop to the extent needed or may not reach the necessary volume so as to allow the recurrent income generation capacity of Argentine financial institutions, including us, to improve substantially or the expansion of the credit business beyond short-term lending.

***Financial institutions' asset quality could deteriorate if the economic growth process does not recover, which would have a negative impact on financial institutions' profitability as well as on ours***

After the 2001-2002 crisis, the asset quality ratios of Argentine financial institutions improved and in the last four years the Argentine financial system enjoyed a period of very low credit risk in historical terms. The portfolio quality of financial institutions has improved due to the considerable growth of the country's economy, the improvement of the economic situation in general and the completion of various debt restructuring processes. However, while certain sectors benefited from the post-crisis relative price system, other sectors were adversely affected. The portfolio quality of the private sector, overall, started to deteriorate during 2008. It cannot be assured that the private sector portfolio will not continue to deteriorate.

The value of a large portion of the assets held by various Argentine financial institutions, as well as those institutions' income generation capacity, is dependent, to a large extent, on sustained economic growth.

Should growth significantly slow down or if economic activity experiences a downturn, borrowers' performance could deteriorate, as could employment levels and real wages. Also, even if the Argentine economy continues to grow, if inflation continues to rise it could also affect real wages and employment levels and trigger nominal interest rates increases, all of which would weaken credit demand and borrowers' repayment capacity. In addition, individuals' indebtedness has increased significantly in the past years, which could trigger deterioration in their repayment ability, especially if coupled with a tightening financial scenario. Finally, legacy loans from the 2001-2002 crisis have reached a very low level and, therefore, no material further positive effect on credit quality ratios would be derived from further improvement thereof.

Improvement in the credit risk environment after the 2001-2002 crisis and the low credit risk environment of the recent years have had a positive impact on financial institutions' profitability as they have translated into low loan loss provisions as well as above average income from loan recoveries and the reversal of loan loss provisions in connection with legacy loans. In a tougher credit environment, coupled with the fact that above average income from the recovery of legacy loans and the reversal of loan loss reserves on such loans is reaching an end, credit losses could rise, which may require increases in loan loss reserves, which would most likely have a negative impact on financial institutions' profitability including on ours.

***Judgments against financial institutions in connection with the pesification and restructuring of deposits in 2002 may result in a deterioration of financial institutions' deposit base and liquidity, including ours***

As a consequence of the application by financial institutions of emergency measures implemented by the executive branch of the Government during and in respect of the 2001-2002 crisis, which mandated the pesification of deposits originally denominated in Dollars and the restructuring of such deposits, in 2002 individuals and entities initiated a significant number of legal actions (known as *amparo* claims) against financial institutions, including the Bank, on the basis that these measures violated their constitutional and other rights. Most appellate and lower courts have declared the above-mentioned emergency measures unconstitutional and, as a result, financial institutions have been required to reimburse the relevant Dollar-denominated deposits, or their equivalent in Pesos, at the then current free market

exchange rate.

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These rulings resulted in a significant withdrawal of deposits from the financial system and the Bank in 2002 and in significant losses for financial institutions to date, including us, as these institutions have had to reimburse the restructured deposits (mostly Dollar-denominated deposits before pesification) at market exchange rates rather than at the rate at which the deposits were pesified and booked in accordance with the applicable regulations. Pursuant to Argentine Central Bank rules, the losses from the above-mentioned court rulings were deferred and began to be amortized over a five-year period. The negative impact of these losses on financial institutions' capital has been significant. The Government has not provided compensation for these losses and has expressed that it does not intend to do so.

The Argentine Supreme Court of Justice (or the Argentine Supreme Court) has issued several rulings in connection with the pesification of deposits, which referred to particular cases, with different implications. Also, under Argentine law, Argentine Supreme Court rulings are not precedent setting for lower courts and, therefore, whether these rulings will be followed in similar cases to be heard by lower courts is uncertain. As a consequence of the foregoing, the final resolution of such cases is uncertain. However, if an increasing number of new adverse judgments against financial institutions such as us should materialize, financial institutions, including us, could incur further significant losses and their and our financial condition could be adversely impacted.

***New limitations on creditors' rights in Argentina and to the ability to foreclose on certain guarantees and collateral may adversely impact financial institutions such as us***

In order to protect debtors, who were affected by the 2001-2002 crisis, the Government passed various laws and regulations temporarily suspending the ability of creditors to foreclose on collateral and to exercise their rights pursuant to guarantees and similar instruments. Such regulations have restricted Argentine creditors, such as us, from initiating collection actions or lawsuits to recover on defaulted loans. Even though these rules have ceased to be applicable, under an adverse economic environment or other circumstances, the Government may pass new rules and regulations affecting the ability of creditors to enforce their rights pursuant to debt agreements, guarantees and similar instruments, which may have an adverse effect on the financial system and our business.

***Certain administrative proceedings being initiated by Argentine provincial tax authorities against financial institutions could generate losses for such institutions, including us***

Certain provincial authorities have initiated administrative proceedings against financial institutions in order to collect certain local taxes levied on financial institutions' gross income obtained in 2002 and thereafter. The amounts that provincial tax authorities seek to collect in these administrative proceedings in relation to the gross income generated in 2002 by financial institutions are significant, as such authorities are including in the taxable income those gains obtained by financial institutions in connection with the compensatory bonds that the Government made available to them in order to compensate them for the losses that they would otherwise have incurred as a consequence of the policies implemented by the Government to deal with the 2001-2002 crisis, particularly the asymmetric pesification. Although the final outcome of these administrative proceedings is still highly uncertain, as is the number of provincial authorities that will initiate such proceedings and when, these proceedings could generate losses for financial institutions, including us, during fiscal year 2009.

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***Consumer protection laws may limit some of the rights afforded to us and our subsidiaries***

Law No. 24,240, the Consumer Protection Law, as amended and with supplementary rules, (the Consumer Protection Law ) sets forth a series of rules and principles to protect consumers. On March 12, 2008, the Argentine Congress approved an amendment to the Consumer Protection Law, enacted by the Executive Branch through Decree No. 565/08 dated April 3, 2008, published in the Official Gazette of the Argentine Republic (the Official Gazette ) on April 7, 2008.

The Consumer Protection Law was thus amended 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 administrative authority charged with enforcing such law 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 cannot exceed Ps. 5 million, depending on the seriousness 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, which is part of the Ministry of Economy and Production, was appointed as the national enforcement authority and the city of Buenos Aires and the provinces are to act as local enforcement authorities.

We cannot assure you that court and administrative rulings arising from the measures adopted by the Secretary of Domestic Commerce and other enforcement authorities will not cause an increase in the degree of protection given to our debtors and other clients, or that such rulings will not favor the claims brought by consumers groups or associations. This could prevent us and/or our subsidiaries from collecting payments for services and financing provided, with an adverse effect on our assets, financial condition, business, results of operations and prospects.

**Risk Factors Relating to Us**

***Since we are a holding company, our ability to pay cash dividends depends on the ability of our subsidiaries to pay dividends to us***

We are a holding company and, as such, we conduct all of our operations through our subsidiaries. Thus, dividends or other intercompany transfers of funds from subsidiaries are expected to be our primary source of funds to pay for expenses and dividends. Banco Galicia is our most significant subsidiary. As of December 31, 2008, Banco Galicia s consolidated assets represented 98.8% of our consolidated assets. While we do not anticipate that we will conduct operations at the level of the holding company, any expenses we incur at such level, will reduce amounts available to be distributed to our shareholders. The ability of our subsidiaries to pay dividends and make other payments to our holding company will depend on their results of operations and financial condition and may be restricted by, among other things, applicable corporate and other laws and regulations and contractual limitations. In addition, our ability to pay dividends will be subject to legal and other requirements.



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We have not received dividends from Banco Galicia since October 2001. In addition, Banco Galicia is restricted from paying dividends as, among other things, under Argentine Central Bank regulations it must reduce its retained earnings available to be distributed as cash dividends by, among others, the difference between the market value and the carrying value of all of its public-sector assets, after netting the legal reserve and other reserves established by Banco Galicia's bylaws. Also, the loan agreements entered into by Banco Galicia, as part of the restructuring of its debt denominated in foreign currency and subject to foreign law (the Bank's foreign debt), limit its ability to pay dividends. See Item 8. Financial Information-Dividend Policy and Dividends-Dividend Policy.

***Our ability to repay indebtedness at the holding company level may be impaired due to the lack of liquidity at such level***

We conduct our business through our subsidiaries and, therefore, at the holding company level we do not have significant operations or material assets of our own other than the capital stock of our subsidiaries. Excluding such assets, our ability to repay our indebtedness, at the level of the holding company, is dependent on the cash flows generated by our subsidiaries and their ability to make cash distributions. In the absence of such dividend payments, we may need to seek other funding sources in respect of such indebtedness, which may not be available to us at all or on reasonable terms.

Our subsidiaries do not have any obligation to pay amounts to us so that our indebtedness at the holding company level can be repaid or to make funds available for that purpose. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as our subsidiaries' financial condition and operating requirements may limit our ability to obtain cash from our subsidiaries. Furthermore, the Bank's ability to pay dividends or make other intercompany payments is limited by Argentine Central Bank's rules and certain financial covenants. See -A breach of any of the covenants under the Bank's debt agreements and the agreements entered into by the Bank and us as part of the restructuring of the Bank's foreign debt in 2004 could result in the occurrence of an event of default under these agreements and Item 8. Financial Information-Dividend Policy and Dividends. In the absence of dividend payments, we may not have sufficient liquidity to repay our outstanding indebtedness.

***We may operate finance-related businesses that have little or no regulatory supervision***

We may operate finance-related businesses outside of Banco Galicia that are not regulated by the Argentine Central Bank. These businesses will be subject only to those regulatory limitations that may be applicable to them. We may enter into businesses that have little or no regulatory supervision or that entail greater risks than our existing businesses, and which may adversely impact our business and financial condition.

***We are subject to corporate disclosure and accounting standards that may limit the information available to our shareholders***

A principal objective of the securities laws of the United States, Argentina and other countries is to promote full and fair disclosure of all material information of companies issuing securities. However, there may be less publicly available information about us than is regularly published by or about listed companies in certain countries with more developed capital markets, such as the United States. While we are subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, the periodic disclosure required of non-United States issuers under the Exchange Act is more limited than the periodic disclosure required of United States issuers. Furthermore, we are not required to comply with the United States Securities and Exchange Commission's (or SEC's) proxy rules in connection with shareholders' meetings.

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In addition, we maintain our financial books and records in Pesos and prepare our financial statements in conformity with Argentine Banking GAAP, which differs in certain respects from Argentine GAAP and U.S. GAAP. See Item 5.A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation and note 35 to our consolidated audited financial statements included in this annual report for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP.

Also, for a description of the differences between Argentine and Nasdaq corporate governance requirements, see Item 6. Directors, Senior Management and Employees-Nasdaq Corporate Governance Standards.

***Our shareholders may be subject to liability for certain votes of their securities***

Shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us. Also, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or our bylaws may be held liable for damages to us or to other third parties, including other shareholders.

***United States holders of our class B shares may not be able to exercise preemptive and accretion rights***

Under Argentine law, holders of our ordinary (common) Class B shares (including the Class B shares underlying our American depositary shares (the class B shares and ADSs, respectively) have preemptive and accretion rights with respect to future issuances of class B shares. United States holders of our class B shares may not be able to exercise such preemptive and accretion rights unless a registration statement under the Securities Act of 1933 is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to such rights or the shares related thereto. Therefore, if we elect not to file a registration statement with respect to such rights or if an exemption from registration is not otherwise available, a United States holder of class B shares (including those underlying our ADSs) may not be able to exercise such rights. In addition, the depositary may not be able to sell such rights and distribute the proceeds thereof to a United States holder of class B shares (including those underlying our ADSs) as contemplated in the Depositary agreement, in which case such rights may lapse.

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***The concentration of our assets in Argentine public-sector debt instruments is high, which makes our future financial condition dependent on the Government's credit quality and ability and willingness to comply with its repayment obligations***

As of December 31, 2008, our exposure to the Argentine public sector (as shown under Item 5.A. Operating Results-Exposure to the Argentine Public Sector ), amounted to Ps. 6,054.3 million, representing 24.5% of our total assets. Under U.S. GAAP this amount was Ps. 3,777.2 million. Therefore, the value of our assets, our income and cash flow generation capacity and our future financial condition is strongly dependent on the Government's ability to comply with its payment obligations in respect of these public-sector assets. In turn, the ability of the Government to comply with its payment obligations with respect to such public-sector assets is dependent on, among other things, its ability to establish an economic policy that is successful in promoting sustainable economic growth in the long run, generating tax revenues and controlling public expenses, all or some of which may not occur.

***We carry a significant portion of our public-sector assets at values that do not reflect their market value, which is substantially lower than their respective book value***

We carry our public-sector assets under Argentine Banking GAAP, in accordance with Argentine Central Bank valuation rules, as explained under Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities-Valuation, and Item 5.A. Operating Results-Critical Accounting Policies- U.S. GAAP Critical Accounting Policies-Fair Value Estimates. The book values of our positions in Secured Loans, Boden 2012 Bonds (bonds issued by the Government as compensation for the asymmetric pesification), and Discount Bonds in Pesos and GDP-Linked Negotiable Securities (issued by the Government as part of the restructuring of its foreign debt in 2005) are greater than their respective quoted market values.

The difference between the aggregate book value of the above-mentioned assets and their respective aggregate market value as of December 31, 2008, amounted to Ps. 1,827 million, as explained under Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities. As market conditions change, adjustments to the market value of the above-mentioned assets are not reflected in our financial condition. Future sales or settlements of these assets will reflect the market conditions at the time and may result in losses, representing the difference between the settlement amount and the then carrying value, thereby adversely affecting our financial results.

***We hold Argentine securities which might be highly volatile***

We have had and we currently have certain investments in Argentine government debt and corporate debt. In particular, we hold a significant amount of Boden Bonds, Discount Bonds and other investments the underlying assets of which are mostly government securities. Investments in such securities involve certain risks, including market volatility and the risk of a loss of principal.

Some of the issuers in which we have invested and may invest, including the Argentine government, have experienced in the past substantial difficulties in servicing their debt obligations, which have led to the restructuring of certain indebtedness. We cannot assure that the issuers in which we have invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of our investments in such issuers. In addition, such issuers and, therefore, such investments, are generally subject to many of the risks that are described in this section with respect to us, and, thus, could have little or no value, thereby adversely impacting our financial results.

**Table of Contents*****Our net position in CER-adjusted assets exposes us to increases in the real interest rate***

The policies implemented by the Government to address the 2001-2002 crisis created mismatches between our assets and liabilities in terms of currency, yield and maturities. Currently, we carry a net position in CER-adjusted assets (the CER is a coefficient based on the variation of consumer prices), which bear fixed interest rates over CER-adjusted principal. This position is funded by Peso-denominated liabilities (with no principal adjustment linked to inflation), bearing market interest rates and repricing, mainly, in the short term. See Item 5.A. Operating Results-Currency Composition of Our Balance Sheet . This mismatch exposes us to the fluctuations in real interest rates, with an adverse impact on income resulting from a significant increase in real interest rates paid on our Peso-denominated liabilities, which occurs when nominal interest rates increase more than the consumer inflation rate published by INDEC.

***A breach of any of the covenants under the Bank's debt agreements and the agreement entered into by the Bank and us as part of the restructuring of the Bank's foreign debt in 2004 could result in the occurrence of an event of default under these agreements***

The loan agreements and indenture entered into by the Bank as part of its foreign debt restructuring in May 2004, include certain covenants that, among other things, restrict the Bank's ability to pay dividends on stock, purchase its stock or the stock of its subsidiaries or use the proceeds of the sale of certain assets or from the issuance of debt or equity securities. Some of these agreements also require that the Bank maintain specified financial ratios. We agreed to maintain certain corporate governance standards and to provide the Bank's creditors with certain financial information and reports on a quarterly and annual basis. A breach of any of these covenants or the Bank's inability to maintain the required ratios could result in an event of default under these agreements. In the event of a default, the relevant lenders could elect, among other options, to declare the Bank's indebtedness, together with accrued interest and other fees, to be immediately due and payable. For more information see Item 10. Additional Information-Material Contracts.

***It may be difficult for us to fully overcome all of the residual negative effects of the 2001-2002 crisis***

Our income generation capacity was negatively affected by the 2001-2002 crisis, especially our capacity to generate financial income. It is difficult to predict whether we will be able to increase our level of activity and loan origination to the private sector so as to generate sufficient increased financial revenue and income from services in order for our operating results to more than offset losses from the amortization of *amparo* claims, the negative margin on our matched position in foreign currency resulting from the low yield of our Boden 2012 Bonds and potential losses if we were to mark-to-market the portfolio of public-sector assets. Although demand for fee-related products and services as well as for credit has been increasing in Argentina, together with the growth of the economy, demand for financial products and credit may not continue to increase or may not increase to the extent or at the necessary pace. In addition, we may not be able to sufficiently increase our business volume or margins between lending and borrowing could decrease or be insufficient for our operating income to exceed the above-mentioned losses. Also, lower economic growth would have a negative impact on credit quality and credit losses. Therefore, we may not be able to increase our operating results in the required amount or at the required pace in order to offset these losses.

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**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. 24,735.8 million as of December 31, 2008.

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, (1038) Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

Our agent for service of process in the United States is CT Corporation System, presently located at 111 Eighth Avenue, 13<sup>th</sup> Floor, New York, New York 10011.

**Organizational Structure**

The following table illustrates our organizational structure as of December 31, 2008. 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;

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Galval Agente de Valores S.A. or Galval , incorporated in Uruguay;  
Galicia Pension Fund Ltd. and Galicia (Cayman) Ltd. or Galicia Cayman , incorporated in the Cayman Islands;  
Tarjeta Naranja Dominicana S.A., incorporated in the Dominican Republic.

**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 shares.

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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.

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. In order to fund such cash payment, on July 24, 2007, Grupo Financiero Galicia entered into a loan agreement for US\$80 million with Merrill Lynch International. The loan was unsecured and was initially scheduled to be paid in two installments. The interest rate was 7.75% for the first year and 3-month Libor plus 350 basis points for the second year, payable annually in July 2008 and July 2009. The first payment of principal, which was for US\$18 million, was due one year after the granting of the loan, and was paid on July 28, 2008. The second payment of principal, for the remaining balance of US\$62 million, which was due on July 25, 2009, was fully repaid in advance at a discount on January 6, 2009, through a single and final payment of US\$39.1 million. For more information on this loan, see Item 8. Financial Information-Significant Changes.

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After the capital increase, Grupo Financiero Galicia holds 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](#).

***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 Buenos Aires Stock Exchange (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 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. 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.



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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 U.S. 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.

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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 current and projected high growth of its business with the private sector. For more information, see "Banco Galicia's 2007 Capital Increase" below.

*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, 2008, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1.7 million. To make the Bank's foreign debt restructuring possible we issued 149 million of our preferred shares on May 13, 2004, each of which was mandatorily convertible into one of our class B shares a year later, which occurred on May 13, 2005. Creditors of the Bank opting for the equity participation offer received 87.8 million of our preferred shares and cash and we received US\$100 million of subordinated bonds in exchange for those shares and cash. In addition, we entered into an agreement with the Bank's bank creditors in which we agreed to maintain certain corporate governance standards and to provide them with certain financial information and reports on a quarterly and annual basis. In accordance with the terms of the Bank's foreign debt restructuring, the Bank made certain cash payments for interest accrued until April 30, 2002, and applied cash not used in the cash offer to prepay at par long-term instruments to be delivered to creditors participating in the restructuring. 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.

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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, 2008, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$688.5 million, US\$85.9 million lower than as of December 31, 2007 and US\$608.7 million lower than as of December 31, 2006, due to amortization, prepayments and advance cancellations. For more information see Item 5.A. Operating Results-Contractual Obligations and Item 5.A. Operating Results-Funding .

Capitalization as a Result of the Restructuring of the Foreign Debt. In the restructuring of the New York Branch's debt, the Bank increased its capitalization by US\$42.6 million as a result of exchanging part of the old debt for new debt or cash at a discount. In the restructuring of the foreign debt of the Bank's Head Office and its Cayman Branch, the Bank increased its regulatory capital by US\$278.9 million, due to: (i) the exchange of part of the debt subject to restructuring for cash and Boden 2012 Bonds at a discount, and the capitalization of interest past due at a rate lower than the contractual rate recorded in the Bank's books, which generated in aggregate a US\$48.9 million increase in shareholders' equity; and (ii) the issuance of US\$230.0 million of subordinated debt computable as supplemental capital under the Argentine Central Bank's capital adequacy rules.

*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. The period during which preemptive rights could be exercised commenced on July 23, 2007, and ended on August 1, 2007. Accretion rights were able to be exercised during the same period. 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.

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*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. At the date of this annual report, Galicia Uruguay is not engaged in any active business and its existing restructured debt (time deposits and negotiable obligations), has been repaid in full.

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.

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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.

As of December 31, 2008, 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, 2008, the regional credit cards 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 whose initial purpose was to invest in and develop businesses related to technology, communications, the Internet, connectivity, and contents. On February 1, 2007, Tradecom Argentina -the only operating subsidiary of Net Investment was merged into Net Investment and the merger was registered with the *Inspección General de Justicia* ( IGJ, the Argentine Superintendency of Companies). Net Investment conducts its operations under the name Tradecom Argentina and provides business-to-business e-commerce services.

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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. Additionally, the estimates for 2009 are less favorable than those for 2008 due to among other factors the economic crisis currently affecting international markets, which has already had an impact at the domestic level.

Therefore, Net Investment's Board of Directors decided to refocus its operations and reorganize its structure, based on the future activities and objectives.

***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%.

***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. GV Mandataria was registered with the IGJ on July 16, 2008.

**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.

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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, 2008, the Bank ranked third in terms of assets, deposits and loan portfolios 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 7.61% and 6.12% respectively, as of the end of 2008. On a consolidated basis, as of the end of fiscal year 2008, Banco Galicia had total assets of Ps. 24,440 million, total loans of Ps. 12,247 million, total deposits of Ps. 14,097 million, and its shareholders' equity amounted to Ps. 1,955 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 238 full service banking branches, located throughout the country, 1,399 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. The Bank's customer base reaches more than 1.8 million customers, who were comprised of mostly individuals but who also included nearly 44,000 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 for the last three financial years, see Item 5.A. Operating Results-Results by Segments-Banking .

*Wholesale Banking*

The Wholesale Banking Division ( Wholesale Banking ) is in charge of the Bank's business with the corporate sector. It provides financial services and products to companies of all sizes and across all sectors of the economy and focuses on generating value-adding solutions that meet the needs of customer companies and establishing close, lasting relationships with its customers. Wholesale Banking provides personalized advice and a wide variety of commercial banking and investment banking products, to provide working capital and to finance middle and long term investment projects and international trade, among other purposes, and a wide range of transactional services among which are deposit accounts, commercial credit cards, collection and payment services, cash management, international trade services, direct payroll deposit, alternatives in the capital markets, foreign trade solutions and Galicia Office (the e-banking service for companies). Strong collaboration between the commercial banking units and the capital markets and investment banking units allows the Bank to better meet its customers' needs.

The Bank closed fiscal year 2008 with nearly 44,000 corporate customers, strengthening its leadership in the SMEs and agricultural and livestock sectors, as well as its strong presence in the large corporate sector. As of the end of fiscal year 2008, the corporate loans portfolio of the Bank (on an individual basis) was Ps. 4,865.4 million, and Ps. 17,671 million were disbursed in loans, including the purchase of checks and negotiable instruments for Ps. 9,300 million.

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**Middle-Market Banking.** Middle-Market Banking provides services to businesses with annual sales of more than Ps. 1 million, excluding multinationals or subsidiaries of multinationals or global companies. This unit offers its customers a broad range of financial products, including deposit taking and lending including general commercial loans, working capital loans, trade finance, on-lending of funds originated in other entities, overdraft credit lines, mortgage loans, and leasing services, transactional services, such as pay roll direct deposit, collections, and corporate credit cards as well as the Galicia Rural card, a proprietary card developed by the Bank especially for the agribusiness sector. Middle Market Banking is divided into three different units, each of which provides services tailored to companies particular needs based on such companies' annual sales, and has a special unit specializing in providing services to the agricultural and livestock sector, as follows:

SMEs: annual sales between Ps. 1 million and Ps. 150 million. Service of this sector is also divided in subcategories.

Large companies: annual sales above Ps. 150 million.

Agribusinesses: all agribusinesses and those individuals with activity in the agriculture and livestock sectors with annual revenues above Ps. 200,000 (individuals below Ps. 200,000 are served by the Retail Banking division).

In 2008, the Bank offered credit lines to, among other purposes, fund working capital and medium and long-term investment projects and also offered a leasing option to finance the acquisition of production equipment for the industrial and agricultural and livestock sectors. Among long-term loans, the International Finance Corporation ( IFC ) line of credit is notable. Such line of credit, which was used to fund investment projects in Argentina by SMEs from all economic sectors, allowed the Bank to close 36 transactions, totaling US\$26.1 million, during the fiscal year. In turn, in order to fund technological innovation projects for companies in the manufacturing and industrial sectors, the Bank continued to offer the FONTAR (*Fondo Tecnológico Argentino*, the Argentine Technological Fund) line of credit, and had the leading position in its placement, through 24 projects approved for Ps. 28.3 million during the fiscal year.

Within the commercial credit cards market, the Bank also maintained its leading position providing solutions and benefits for each segment of such market. The Visa Business card, for the SMEs segment and the Visa Corporate card, for the corporate segment, both designed to meet the needs of the companies' administrative and commercial activities, reflected an increase in purchases greater than 64% as compared to 2007.

The Galicia Rural credit card is an exclusive means of payment developed by the Bank for the agricultural and livestock sectors designed to finance the purchase of machinery and all of the supplies and services necessary for these sectors' activities. In fiscal year 2008, this product continued to grow and strengthened its leading position with an estimated 60% market share and over Ps. 1,000 million in agrochemicals, machinery, fuel, seeds and cattle financed, and a 17% increase in consumption as compared to 2006. The Bank has historically worked closely with this sector, through a direct relationship with the producers, a distinctive value added component of the Galicia brand. During the fiscal year, the Bank offered a whole range of products and services to producers, as well as the best financial assistance available. This close relationship was also evidenced by the Bank's involvement in over 300 agricultural events and its presence in over 180 cattle auctions all over the country, in which financing with the Galicia Rural card was provided.



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The Corporate Banking Centers play a key role in the Bank's service model, allowing it to strengthen relationships with its corporate customers and to deepen its knowledge of the different regions in which they operate. Currently, the Bank has centers located in the cities of Mar del Plata, Rosario, Mendoza, Córdoba, Corrientes and Tucumán, and new centers will be opened in Neuquén, Pilar and Quilmes. In each center, a team of specialized officials provides assistance on products and services for SMEs, agribusiness and international trade.

**Corporate Banking.** Corporate Banking serves the largest corporations and multinationals or subsidiaries of multinationals or global companies. This business unit offers clients a broad range of services tailored to fit their specific needs, including deposit-taking and lending, trade finance, general commercial and syndicated loans, working capital loans, letters of credit, collections and treasury services, and payroll direct deposit, among others. The objectives set forth for these products and services for fiscal year 2008 were exceeded. During the fiscal year, the Bank continued to selectively give priority to working capital financing, especially in international trade transactions, through pre-financing, financing of imports and, to a lesser extent, financial loans denominated in a foreign currency to companies that generate US Dollars through sales abroad.

**Capital Markets and Investment Banking.** These units focus on the integral development of complex capital markets and investment banking products and services for the Wholesale Banking Division's customers, the Bank itself and its subsidiaries. These services include strategic advice, capital raising through equity and debt securities, securitizations, debt restructuring, structured finance, and M&A advice, among others.

During fiscal year 2008, the Bank managed to maintain its income level as compared to the previous fiscal year, in spite of the environment within which the national and international markets developed. The Bank showed its leadership in market based on the variety and quantity of structured products it offered, among which the establishment of trust funds and the placement of corporate debt were most notable. With respect to the securitization market, the Bank established trust funds containing bank loans for the sale of durable goods and for sales through credit cards and, also, established financial trusts for agricultural activities. With respect to funding transactions, the Bank placed US Dollar-denominated bonds and Peso-denominated short-term securities. In total, the Bank placed 11 financial trusts, totaling approximately Ps. 854 million, and four debt transactions, for Ps. 212 million. This unit actively participated in the Bank's financial strategy, by structuring trust funds using the Bank's own portfolio consumer loans for Ps. 338 million. In addition, five trust funds were established totaling Ps. 459 million and three bond issuances totaling US\$49.6 million were undertaken for the regional credit card companies.

**International Trade.** The Bank's international trade services include documentary and stand by letters of credit, guarantees, documentary collections, payment order processing, as well as the possibility of financing trade related transactions. These services are supplemented by Galicia Factoring y Leasing S.A., a wholly owned subsidiary that offers international factoring services. The volume of factored international transactions in 2007 amounted to US\$48.5 million.

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The volume of foreign trade transactions handled through the Bank increased 42% as compared to the prior fiscal year, reaching US\$9,424 million and including over 4,800 clients. Taking into consideration only commercial transactions (imports and exports), the increase was equal to 43.6%. This rate greatly exceeded the increase in the total foreign trade amount for the country as a whole in 2008, which was equal to 31.5%. For these two items, the Bank carried out transactions totaling US\$8,443 million, which was equal to 6.4% of Argentina's foreign trade for the year. This growth was also reflected in the over 230,000 transactions processed, which was a 14.2% rate of growth for the fiscal year.

All these results were achieved due to the development of several actions within the relationship banking concept, which sought to strengthen the Bank's position as a model for foreign trade transactions. It is also important to highlight the Bank's active involvement in sector-specific chambers of commerce and bank associations, an involvement that strengthened its position as a market leader.

**Non-Financial Public Sector.** Through this unit the Bank provides financial services to different government areas and entities, in different districts, focusing on transactional services. During fiscal year 2008, visits to various districts were intensified, new agreements were subscribed to and the range of services rendered to the municipal sector was broadened. The increased interest in such services offered has placed the Bank in a good position to continue to do business for the public sector in 2009.

**Corporate and Real Estate Business Development.** This unit's objective is to develop and leverage business opportunities related to the corporate area and to channel business development, structuring and real estate projects financing opportunities within the corporate, commercial, industrial and tourism-related segments. During 2008, the Bank's leading position was strengthened with respect to the structuring and execution of real estate leasing transactions for the purchase and construction of real estate assets for different companies.

***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 safety 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 .

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Year after year, the Bank renews its commitment to work with its customers, offering financial solutions suitable for the different market sectors it services. During the fiscal year, in addition to continuing to focus on its broad client base, the Bank has, through mass advertising, reached out to a broader potential client base, all over the country. At the end of fiscal year 2008, Retail Banking's customer base was comprised of more than 1.8 million individuals and the Bank's portfolio of loans to individuals amounted to Ps. 5,578.3 million, 20.4% more than at the end of fiscal year 2007. With respect to the number of new accounts, the portfolio of individuals' current accounts increased 25% and with respect to savings accounts, an 18% increase was recorded, in both cases as compared to 2007.

With respect to credit cards, the amount in Pesos corresponding to purchases with Visa, Visa Débito, American Express and MasterCard cards issued by the Bank exceeded Ps. 8,400 million (a 31% increase as compared to the previous fiscal year) in over 83 million transactions (a 15% increase as compared to 2007). The number of accounts and debit cards used for purchases, amounted to over 1.1 million as of December 2008, accounting for a 15% increase as compared to the previous fiscal year. Also, the Bank continued to offer the benefit of the Aerolíneas Plus program, which represents a differential advantage over our competitors, through which over 55,000 customers were able to fly to the place they desired using the points accumulated through their purchases made using their credit cards issued by the Bank. This benefit program is based on an agreement between the Bank and the airline company that, among other things, establishes the price of the mileage that the Bank's customers accumulate through the use of their credit cards, which price the Bank pays on an ongoing basis. The mileage is then credited to the customers' account with the airline company.

With respect to personal loans, the Bank extended such loans to its existing customers, continuing to pre-assign credit limits (the loan amount authorized to be extended) to those customers with salaries directly deposited at the Bank or that already had a risk product outstanding, and non-customers. In 2008, investments and deposits from clients that did not have a risk product were included as customers able to receive personal loans, thus adding over 40,000 clients and reaching over 300,000 clients who now have an automatic rating available in order to obtain access to consumer loans. In addition, the Bank improved its loan-origination times using on-line crediting to accounts, thus allowing the customer to immediately have the funds available. Sales through automatic channels (telemarketing, Fonobanco and Home Banking) recorded a 38% increase in comparison with fiscal year 2007. The sale of consumer loans was added to the automated teller machines (ATM) transactions, an option through which customers can have access to a loan immediately and withdraw the funds through the ATM itself. The Bank also continued to work hard on placement campaigns, reaching customers and non-customers through mass communications and direct marketing actions with an assigned loan rating. All of the above allowed the Bank to place over 95,000 loans in compliance with the objectives set forth for the fiscal year and within the changing context with respect to liquidity and demand that characterized the fiscal year.

Despite the characteristics of a real estate market that did not grow, the Bank, in accordance with its prudential policy of the past years, continued to meet its customers' demands by offering a wide range of uses, terms and rates (mainly fixed and combined). During fiscal year, the portfolio maintained its balances' level, recording a 3% growth in comparison with 2007.

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In addition, the Bank markets through its wide distribution network a broad range of property and life insurance, from Sudamericana Holding, as well as from other leading insurance companies. During fiscal year, the Bank continued to strengthen its position within the bank assurance market and its role as a comprehensive financial services provider, which translated into an increase in insurance related income from services. In 2008, the Bank once again recorded an increase in insurance placements, positioning the Bank among the main actors in marketing property insurance products.

In fiscal year 2008, the number of customers that collected their salaries through the Bank grew more than 18%, while the amounts deposited increased more than 48% as compared to 2007. It is also worth mentioning that foreign-currency brokerage of both US Dollars and Euros, a service rendered in all branches, showed a 30% increase in the amount traded and a 35% increase in its related annual income as compared to the previous year. In addition, during 2008, the Bank continued the implementation of its branch network safety box service installation plan, increasing annual income by 32%.

**Private Banking.** Galicia Banca Privada (Galicia Private Banking) offers premium, professional financial services to people with medium to high net worths through the management of their investment portfolios and the provision of financial counseling. In addition, it offers a wide range of domestic financial investments to its clients, giving priority to the Bank's products (deposits, Fima mutual funds, among others) and trust funds and bonds for which the Bank acts as an underwriter.

One of the competitive advantages offered by Private Banking within this segment is the broad geographic coverage of its service centers, which includes: six regional centers in the main cities of the country and six centers in the Autonomous City of Buenos Aires and Greater Buenos Aires, including the service center located on the 16th Floor of the Bank's corporate building.

**Branch Network**

As of December 31, 2008, the Bank's branch network's geographical distribution was as follows:

<b>Geographical Area</b>	<b>Number of Branches</b>
City of Buenos Aires	76
Greater Buenos Aires	60
Rest of the Province of Buenos Aires	31
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
<b>Total</b>	<b>238</b>

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During 2008, the Bank opened 6 new branches in the following locations in accordance with the plan presented the previous fiscal year: Canning, located in Greater Buenos Aires, Villa Mercedes, in the province of San Luis, Recta Martinoli, in Córdoba Capital City, Tucumán Barrio Norte, in the province of Tucumán, San Lorenzo, in the province of Santa Fe, and Comodoro Barrio Industrial, in the province of Chubut. In addition, the number of business officers specialized in personalized services to the highest-potential customers segments, both SMEs and individuals was increased.

The Bank continued to work on strengthening its Commercial Coaching program, the main objective of which is to increase sales productivity within the individuals segment and to make the application of its customer service model more consistent. A challenge for the next fiscal year is the strengthening of the Advisory Sale program, which was initiated in 2007, in order to establish better relationships and business reciprocity with certain Wholesale Banking customers.

*Alternative Channels*

The services, transactions and sales channels that the Bank offers, other than traditional branches that service both individual and corporate customers, include the Customer Contact Center, e-galicia.com, Red Galicia 24, Galicia Móvil, the Retail Sales Unit and the Real Estate Center. As in previous fiscal years, the level of use of alternative channels by the Bank's customers recorded an upward trend.

e-galicia.com. e-galicia.com provides specific services for both individuals ( Home Banking ) and companies ( Galicia Office ) and enables customers to access and utilize their products anywhere 365 days per year as if they were carrying out their transactions in a traditional branch. e-galicia.com enables individual customers to undertake different operations, from inquiries and requests of information to investments and transfers between their accounts and third party accounts at the Bank or any other bank. In the case of companies, Galicia Office provides a wide range of functions aimed at facilitating such companies' treasury management, making collections and payments, including salaries, easier, providing information related to such transactions and a communication channel between companies and their suppliers, among others.

Through Home Banking alone, approximately 9 million monthly enquiries and transactions were made in 2008, up 53% in respect to 2007. The trend of an increasing number of subscribed customers continued from the last years, with a 28% rise in fiscal year 2008. Among the wide range of available transactions, data reveals a significant increase in the channel's efficiency and a special preference for the payment of services and transfers to third parties, with increases of 47% and 40%, respectively during the fiscal year.

It is worth highlighting the level of use this channel reached within the Business and Professionals segment. 42% of these customers generally use the wide range of transactions available and access exclusive services, such as payroll payments, enquiries on business settlements and payments received, and access Red de Campo and Galicia Compras.

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Galicia Office has been available for over nine years and has over 30,000 customers, or 71% of the Wholesale Banking customer base. With over 45 million enquiries and 1.7 million transactions, the operational volume increased 46% during the fiscal year. As regards payroll direct deposits, the number of these transactions exceeded by 112% the figure recorded in 2007, and over 61% of these direct deposits were carried out through Galicia Office. As regards international trade, the amount of transfers abroad and payment orders processing exceeded by 39% the figure recorded in the previous fiscal year. As in previous years, the Bank worked on the generation of new functionalities, among which the allocation of pre-financing in the settlement of payment orders and the implementation of a significant development in order to improve the distribution of files of Integrated Collection, Supplier Payments and Automatic Debit Services stand out.

Galicia Compras, our e-commerce channel and Red de Campo, our agricultural data site, both for the exclusive use of Galicia Office customers, continued to grow with respect to the number of queries made. In addition, new benefits and improvements have been added to both channels. In Galicia Compras, the Bank worked hard on the generation of promotional offers through agreements subscribed to with first class suppliers and service providers and on the development of the channel's transactional phase through which the customer can place its purchase orders to its suppliers, which became operational during early 2009.

Customer Contact Center (the CCC). The CCC includes: Fonobanco, the telephone banking service (with an automated customer-service system, or IVR, in operation); FonoSeguros, which offers assistance on all kinds of insurance coverage; International Trade, which offers assistance on the Bank's products and on all international trade matters; e-galicia, the technical support and counseling service that assists customers that operate with the Bank's Internet services; Galicia Responde, the suggestions, complaints and claims specialized service; Telemarketing, the sales and telephone advice facility for customers and non-customers, through which the Bank has been able to reach customers in a fast and efficient manner, closing sales immediately, signifying a premium service; the Investments Center, through which a broad range of investment products is made available; and the Collections Center.

Red Galicia 24. Comprises 620 ATMs (7% more than 2007) and 754 self-service terminals (25% more than 2007) installed in the Bank's branch network and other locations throughout the country such as gas stations, supermarkets and shopping malls. This network of state-of-the-art technology terminals solves transactional needs for our customers and users in a dynamic, simple, safe and affordable way, on a 24-7 basis. The Bank's ATM network, one of the most extensive in the country, recorded a 16% increase in the number of total transactions for the fiscal year as compared to the previous year, while the amounts of transactions carried at self-service terminals recorded a 25% increase over the same period. During 2008, 53 million ATM transactions and 18 million self-service terminal transactions were made. In accordance with the plan to improve Red Galicia 24's service quality and increase its capabilities and functions, the Bank continued to replace ATMs, 90% of which were already replaced as of the end of 2008, and finished the technical upgrade of self-service terminals.

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**Galicia Móvil.** Galicia Móvil (Galicia Mobile) was launched in 2006, adding a new service channel available through cellular phones. Initially, it focused on small payments and later evolved to make available to its customers a cell phone application that allows them to make queries and payments of services, taxes and credit cards. These new applications were in addition to the existing message services for cell phones, such as balances alerts, payroll deposits, credit cards due dates, time deposits and automatic debits. In addition, two months after the launch of the new iPhone mobile phone, the Bank implemented an application that allows direct access to the Bank's webpage, searches for the nearest branch through GPS systems and the presentation of promotional offers and services.

**Retail Sales Unit.** This specialized sales force made a significant contribution to the increase in retail banking products sales. During 2008, this unit experienced significant growth, ending the year with a team of sales professionals distributed in over 30 main locations throughout the country.

**Real Estate Center.** Its purpose is to strengthen and encourage the placement of mortgage loans through interaction with realtors. In order to do so, the center has trained personnel that is specialized in these credit lines and who provide constant advice to realtors and personalized service for each referred customer.

***Treasury Division***

The Treasury Division is responsible for the centralized management of the Bank's treasury operations and liquidity, as well as for its foreign-exchange and securities positions, and it participates in the management of market, liquidity, interest-rate and currency risks. To this end, it develops the necessary data and strategies to keep such risks within the limits established by the Board of Directors. In addition, it provides financial services and distributes financial products to, among others, corporations, financial entities, mutual funds, the public sector and insurance companies. The Bank carries out securities trading services in the different markets, mainly in its capacity as an agent of the *Mercado Abierto Electrónico* ( MAE, Argentine Over-The-Counter Market) and also through Galicia Valores S.A. Sociedad de Bolsa ( Galicia Valores ), a brokerage firm that operates on the BASE. This division manages the Bank's business relations with correspondent banks, international credit agencies and international mutual funds.

**Financial Operations.** Despite international and local factors that did not favour the flow of capital to emerging markets, traded volumes within the domestic market during 2008 did not show significant variations in comparison to 2007. As regards fixed-income instruments, the traded amount was US\$88,840 million (9.7% below 2007), with the total amount traded by the Bank US\$1,485 million. In the equity market, the total traded volume amounted to Ps. 124,570 million (a 17% increase in comparison to 2007) and to which Galicia Valores contributed with a total of Ps. 1,482 million.

In addition, during the fiscal year, the Bank placed in the local and international markets 12 issuances of financial trust securities and negotiable obligations, both its own and for third parties. The total amount of said issuances amounted to Ps. 898 million.

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As regards foreign-exchange brokerage, during 2008, the higher volatility caused an increase in traded volumes. In foreign-trade transactions, traded amounts reached US\$9,424 million, which represented a 42% increase from the previous fiscal year, and foreign-exchange bills brokerage reached US\$3,060 million, which represented a 57% increase as compared to 2007. In the wholesale foreign-exchange market, the total amount corresponding to transactions closed by the Bank through the MAE amounted to US\$10,593 million, similar to the amount traded in 2007. As regards the forward market (OCT-Rofex), the volume traded by the Bank amounted to US\$6,004 million during 2008, thus doubling the volume recorded the previous year.

**Asset Management.** Banco Galicia distributes the FIMA mutual funds family through its broad distribution network (branches and electronic banking channels, such as ATMs, phone banking and e-galicia.com) to different customer segments (institutions, companies and individuals) and it also acts as the custodian of the assets that make up the funds, in its role as depository. Galicia Administradora de Fondos is the Bank's subsidiary that manages investments and determines the value of the mutual fund units on a daily basis. The mutual funds invest in a variety of financial instruments, such as government and corporate securities, and equity or term deposits, among others, depending on the different investment profiles.

The mutual funds sector, and international mutual funds in particular, recorded a significant drop in value, caused, on the one hand, by the drop in prices of fixed and variable-income assets due to the worsening of the international markets crisis and, on the other hand, due to local regulations which first restricted funds with Mercosur assets in the AFJPs portfolios (Joint resolution No. 517 by the *Comisión Nacional de Valores* ( CNV, National Securities Commission) the Argentine Central Bank and the Superintency of AFJPs) and then eliminated the AFJPs system with these funds being now fully managed by the ANSES. This last situation turned ANSES into one of the main stakeholders in the industry, mainly as regards time deposits and international share deposits. Notwithstanding, during 2008, total funds managed by Galicia Administradora de Fondos grew 26.1%, amounting to Ps. 776 million at fiscal year end.

**International.** The Bank's positive image, consolidated by, among other things, its permanent presence in main international events, enabled the Bank to keep available all commercial lines by correspondents despite the financial crisis. This enabled the Bank to cover all of the foreign-trade business requirements channeled through the Bank by our customers. It is important to highlight that, despite the increase in financial costs due to the decrease in international liquidity, the Bank has managed to maintain margins related to its foreign trade operations.

**Regional Credit Cards**

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 approximately 115,000 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.



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At the end of fiscal year 2008, 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. With respect to business volume, aggregate annual purchases made by cardholders exceeded Ps. 7.55 billion in fiscal year 2008, representing almost an increase of 35% from fiscal year 2007, while, as of December 31, 2008, 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. These higher volumes were accompanied by a deterioration in the asset quality indicators although they remain at good levels for the long-term.

The regional credit card companies' distribution network is made up of 208 service centers (of which 151 are branches), 21 more than at the end of 2007. Originally their operations were concentrated in their regions of influence and their distribution networks did not generally overlap. In the last years, these companies have expanded their geographical reach and are undergoing a phase of geographical expansion throughout Argentina, which is causing competition among the companies in certain locations. During 2008 Tarjeta Naranja S.A. expanded into the Greater Buenos Aires area, an area of high potential due to its large population, while, in 2007 and 2008, Tarjetas Cuyanas S.A. entered the most important markets in the north of Argentina and Tarjetas del Mar S.A. broadened its area of influence (Mar del Plata) increasing its number of branches from 3 to 9. The regional credit card companies target mainly the low and medium-low income segment of the population, which in Argentina rarely uses a bank or may not operate with a bank at all but, with time, their customer base has expanded to include other segments of the population.

For a breakdown of the regional credit card companies' revenues for the last three financial years, see Item 5.A.

Operating Results-Results by Segments-Regional Credit Cards .

***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.

The joint production of the above-mentioned insurance companies amounted to Ps. 293.7 million in 2008, compared with Ps. 145.4 million in 2007. This production increase was experienced both by Galicia Seguros and Galicia Retiro. In Galicia Seguros, the commercial activities were aimed at increasing sales (which amounted to Ps. 74.1 million in annualized premiums in 2008, and to Ps. 46.3 million in annualized premiums in 2007), improving the insurance policy lap ratio, and increasing the type of coverage offered. On the other hand, Galicia Retiro launched in August 2007 the Pension-Linked Life Annuities, resulting in a production amounting to Ps. 13.3 million in 2007, and Ps. 18.8 million in 2008. For a breakdown of the insurance companies' revenues for the last three financial years, see Item 5.A. Operating Results-Results by Segments-Insurance .

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In line with our strategy, this investment allows us to consolidate our leadership as a financial services provider and supplement those businesses that Banco Galicia may only conduct to a limited extent due to prevailing regulations. The Bank and the regional credit card companies market Sudamericana's insurance products through their distribution network. Sudamericana's subsidiaries also sell their products through their own distribution networks.

***Other Businesses***

**Galicia Warrants:** this company is a leading company in its industry, in which it has continuously conducted business in Argentina since 1994. Galicia Warrants stores goods and issues certificates of deposit for goods and warrants. Warrants are legal instruments that are delivered to banks as collateral for their financing. By issuing such certificates Galicia Warrants helps agricultural producers to mitigate the price seasonality of their products by allowing them to choose when to sell them. It also facilitates its customers' access to credit, secured by such certificates and the use of goods kept in custody by Galicia Warrants as collateral reduces the cost of credit for its customers. Galicia Warrants principal customers belong to the agricultural, industrial, agro-industrial, export and retail sectors, and it serves more than 600 companies in more than 800 warehouses distributed throughout the country. Its activities are concentrated in the central region of Argentina. During 2008, the revenues of this company amounted to Ps. 11.6 million (61% more than in 2007), with Ps. 2.1 million in profits (as compared with Ps. 1.1 million in profits in 2007). During 2008, the company issued deposit certificates and warrants in the amount of US\$91.9 million for third-party's goods distributed all over the country and relating to a wide range of products.

**Net Investment:** this company conducts its operations under the name Tradecom Argentina, providing business-to-business e-commerce support services and virtual markets for transactions between companies and suppliers.

**Galval:** this company mainly generates fee income from brokerage and custodial services rendered to the Bank's customers. As of December 2008, it had custody of customers' securities for an amount of US\$80.0 million, out of which US\$12.9 million related to securities held by Grupo Financiero Galicia.

For a breakdown of the other businesses' revenues for the last three financial years, see 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.A. Operating Results-Results by Segments .

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***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 to a lesser extent from cooperative banks, as well as from non-bank financial institutions.

With respect to private-sector customers, the most important segment for the Bank, the main competitors are large foreign retail banks and certain domestically-owned private-sector banks, which, prior to the crisis, operated in merchant 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 from the immediate post-crisis period, as the public, which was initially attracted to such institutions as safe harbors, 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.

The Bank's estimated market share of private-sector deposits in the Argentine financial system only and considering only the Bank's operations in Argentina, was 7.61% as of December 31, 2008, compared to 8.23% and 8.43% as of December 31, 2007 and 2006, respectively. Following the 2001-2002 crisis, the Bank significantly increased its deposit market share. The decrease is attributable, mainly, to a reduction of its exposure to institutional deposits, due to its high liquidity condition.

The Bank is one of the leading banks in Argentina and the largest domestically owned private-sector bank, as measured by its assets. As of December 31, 2008, measured by its deposits in Argentina only, the Bank was ranked fifth in the whole financial system and third among private-sector banks (including foreign banks). 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, it is the primary private-sector institution serving the SMEs sector and it has traditionally maintained a dominant position in the agriculture and livestock sector.

***Argentine Banking System***

As of December 31, 2008, the Argentine financial system consisted of 84 financial institutions, of which 67 were banks and 17 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 67 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 55 private-sector banks, 33 were private-sector domestically-owned banks; 21 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks); and 1 was a cooperative bank, also domestically-owned.

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As of the same date, the largest private-sector banks, in terms of total deposits, were: BBVA Banco Francés, Banco Río Santander, Banco Galicia, Banco Macro, HSBC Bank, Citibank, Credicoop and Standard Bank. 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, 2008, private-sector banks accounted for 57.4% of total deposits and approximately 63.8% 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, 2008, financial institutions (other than banks) accounted for approximately 0.3% of deposits and 3.4% of net loans in the Argentine financial system.

As of December 31, 2008, 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, 2008, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 42.3% of deposits and 32.9% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 84 at December 31, 2008, with the ten largest banks holding 75.62% of the system s deposits and 68.69% of the system s loans as of December 31, 2008.

During the 1990s, foreign banks significantly increased their presence in the Argentine financial system. Since the last quarter of 1996, control of most of the largest Argentine private-sector domestically-owned commercial banks was transferred to foreign banks, which now control most of the largest private sector financial institutions except the Bank. This foreign presence grew both in the universal banking sector and among financial institutions specializing in specific products or markets. This situation has not changed despite the fact that the number of foreign banks decreased by 16 through December 2008, 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 and consumer finance market of the Interior in which 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 is estimated to be the largest proprietary brand issuer in Argentina amongst approximately 170 companies. After the 2001-2002 crisis, which significantly affected these companies competitors and led many of them to cease operations, and until 2004, competition had been relatively low or inexistent. Since 2005, and especially during 2006, 2007 and the first half of 2008, the regional credit-card companies have faced increased competition from: (i) the banks due to a nation wide aggressive offering of personal loans with low interest rates, (ii) the creation by banks of units, companies and products specializing in services for the low and mid-to-low income segments of the population, which is the regional credit card companies target, and (iii) large retail trade players, such as supermarkets, home appliance chains and department stores, which offered their customers ample financing, apart from price cuts in purchases made at their stores with their proprietary credit cards.

**Table of Contents****Insurance**

Sudamericana's subsidiaries face significant competition, as the Argentine insurance industry was comprised of approximately 183 insurance companies as of December 2008, 45 of which were dedicated exclusively to life insurance and 22 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 27,000 individuals and 240 companies.

In 2008, the market recovery continued and production was close to Ps. 27 billion, with an 8% increase in current values. Of this amount, 71% of the total production related to P&C insurance; 20%, to life and personal insurance; and the remaining 9% related to retirement insurance. Out of the 71% related to P&C insurance, the automotive insurance segment continued, as in the prior years, to be the most important segment (45% of the P&C insurance sector), followed by the labor risk segment (25%). Out of the remaining 29%, nonpension-linked life insurance represented 55% thereof, followed by pension-linked life insurance (13%), pension-linked retirement (25%) and voluntary retirement (7%). The most dynamic sector in terms of annual growth was life insurance.

As of December 2008, Galicia Seguros ranked sixth in terms of the number of group life insurance policies underwritten and tenth in terms of the 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.

	<b>March 2009</b>
<b>Branches (number)</b>	
Bank Branches	238
Regional Credit Card Cos. Branches	152
Business Centers and In-House Facilities	15
Private-Banking Centers	12
<b>Electronic Banking Terminals (number)</b>	
ATMs	641
Self-Service Terminals	758
<b>Electronic Banking Transactions (thousands per month)</b>	
ATMs + Self-Service Terminals	7,724
Phone-Banking	457
e-banking	12,693

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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 ). In addition, the Bank has a special sales unit specializing in marketing various retail banking products and services, and a centralized unit specializing in the marketing of mortgage loans, which works together with realtors. Banco Galicia is clearly client service oriented and assigns great importance to its service model and seeks to improve it constantly. In 2005, a new sales and service model was designed and implemented, with the purpose of increasing commercial efficacy, establishing an integrated strategy among the different distribution channels and improving the quality of service. In line with this model, the Bank moved forward in its specialization of distribution channels (readjusting product offerings by segment/channel), the redesign of the customer service model at the branches, and the attraction of new open-market customers, among others. Also a plan for the migration of cash operations to automatic means in order to reduce operating burden and waiting times at the branches was added. In 2006, the new customer service model, which had been implemented in all branches during the previous year, was reinforced through the assignment of business officers for medium- and high-income individuals as well as for companies. In the latter case, emphasis was placed on the agricultural and livestock sectors and the whole range of the SMEs segment. During 2007, the number of officials specializing in personalized service to the higher potential customer segments was increased while in 2008 the retail sales unit recorded significant growth increasing its distribution and service capacity.

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The Bank has a segmented marketing approach. In the late 1990s, data warehouse capabilities began to be used to design marketing campaigns focused on specific segments of the Bank's customer base. The Bank focuses on the ongoing enrichment and exploitation of its corporate data warehouse and of the Retail Division's data mart in order to, among others, generate the information and the necessary knowledge to create data mining models to focus product sales in accordance with each customer's preferences. These tools have allowed the Bank to improve its knowledge of its customers and its portfolio segmentation, and to work on micro segmentation and the identification of more precise targets. 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, in the late 1990s, the Bank began to implement customer relationship management technology. Currently, a program named "Genesis" is under development, geared at improving the way the Bank's business relationships with its current and potential customers are managed, spanning all of the Bank's business units, and combining the perspective of each of them into an integral vision.

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. Implementation at the branches was launched and will be gradual. 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. During 2005, the Bank implemented new measures and activities, especially at the branch level, and during 2006, started the implementation of a three-year plan for the purpose of strengthening the organizational culture through certain values such as commitment, kindness, and accuracy, while continuing with the assessment of service quality at the branches. This assessment is part of the incentive program and is based on the ongoing monitoring of indicators of customer satisfaction, service quality and the response to claims. In November 2005, the Bank began adhering to the "Code of Banking Practices" established by the four bank associations of Argentina, which will further contribute to the improvement of the quality of service.

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.

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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 principal assets, as of December 31, 2008:

<b>Property</b>	<b>Address</b>	<b>Square Meters (approx.)</b>	<b>Main Uses</b>
<b>Grupo Financiero Galicia</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
	-Maipú 241, Buenos Aires, Argentina <sup>(1)</sup>	1,616	Administrative activities
<b>Banco de Galicia y Buenos Aires S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	17,300	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	42,000	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,340	Administrative activities
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3,600	Administrative activities
<b>Banco Galicia Uruguay S.A.</b>			
- Owned	-Dr. Americo Ricaldoni 2468, Montevideo, Uruguay	400	Administrative activities
	-Punta del Este, Uruguay		Former Branch
- Rented	-Montevideo, Uruguay	580	Storage
<b>Tarjeta Naranja S.A.</b>			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	-Humberto Primo, Córdoba, Argentina: 7 properties	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
	Río Grande, Tierra del Fuego, Argentina	300	Commercial activities
- Rented	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	Administrative activities, printing centre and storage
<b>Tarjetas Cuyanas S.A.</b>			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,740	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Vicente Zapata 145, Mendoza, Argentina	280	Printing centre
	-Olascoaga 348, San José, Mendoza, Argentina	580	Storage
<b>Tarjetas del Mar S.A.</b>			
- Rented	-Luro 3001, Mar del Plata, Buenos Aires, Argentina	240	Administrative Activities
	-Luro 2943, Mar del Plata, Buenos Aires, Argentina	765	Administrative Activities
<b>Galicia Seguros S.A.</b>			
- Owned	-Maipú 241, Buenos Aires, Argentina	1,643	Administrative activities

**Net Investment S.A.**



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- Rented	-25 de Mayo 702, 3rd floor, Buenos Aires, Argentina	290	Administrative activities
<b>Galicia Warrants S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Ruta Nacional 18, Km. 209, San Salvador, Entre Ríos, Argentina	47,917	Storage
- Leased	-Alsina 3450, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Lavalle 3272, San Miguel de Tucumán, Tucumán, Argentina	3,200	Storage
	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
	-Pasaje 1° de Mayo Esquina 25 de Mayo, Barrio el Corte Alderete, Tucumán, Argentina	2,000	Storage
	-San Martín 891 PB, San Miguel de Tucumán, Tucumán, Argentina	64	Administrative activities
<b>Galval Agente de Valores S.A.</b>			
- Rented	-Zona Franca, Montevideo, Uruguay	120	Administrative activities
<b>GV Mandataria de Valores S.A.</b>			
- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina <sup>(2)</sup>	336	Administrative activities

(1) *We lease six units to the Bank equivalent to 1,159.5 square meters, for Ps. 34,784.1 per month and two units to Galicia Seguros S.A. equivalent to 413.6 square meters, for Ps. 12,408.3 per month. We hold a 45.4 square meters unit vacant for storage.*

(2) *Banco Galicia leases 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.*

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In 1994, Banco Galicia purchased the building located at Reconquista 188/200, in Buenos Aires and, between 1992 and 2000, it purchased the building located at Tte. Gral. Juan D. Perón 444, in Buenos Aires. In addition to these locations, the Bank has a new corporate tower at Tte. Gral. Juan D. Perón 430, which centralizes most of its offices.

As of December 31, 2008, our distribution network consisted of:

Banco Galicia: 238 branches located in Argentina, 137 of which were owned and 101 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja S.A.: 114 sales points located in 21 of the 23 Argentine provinces, 113 of which were rented by the company.

Tarjetas Cuyanas S.A.: 28 sales points located in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Rio Negro, Salta, Jujuy and Tucumán. All of them were rented.

Tarjetas del Mar S.A.: 8 sales points located in the Province of Buenos Aires, all of which were rented.

**Capital Investments and Divestitures**

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.

During 2006, our capital expenditures amounted to Ps. 136.5 million, distributed as follows:

Ps. 41.7 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);

Ps. 46.7 million in construction in progress; and

Ps. 48.1 million in organizational and IT system development expenses.

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These capital expenditures were made mainly in Argentina.

During 2008, Grupo Financiero Galicia decided to create G.V. Mandataria de Valores S.A., contributing working capital of Ps. 0.6 million. Its main object is to develop securities related businesses; currently, it is attending to the development of securities related business for Grupo Financiero Galicia's controlled Galval Agente de Valores S.A. In addition, also during 2008, Grupo Financiero Galicia contributed working capital to Net Investment for Ps. 0.2 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, on July 27, 2007 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. There were no capital contributions to any other of our subsidiaries during 2007.

On December 19, 2006, Tarjeta Naranja S.A. paid Ps. 0.009 million to acquire a 99.4% ownership interest in Ancud Comercial S.A., a company incorporated in the Dominican Republic (which is currently known as Tarjeta Naranja Dominicana S.A.). On the same date, Tarjeta Naranja S.A. made a US\$4 million capital contribution to such company. The total investment in such company amounted to Ps. 12.1 million.

We have budgeted capital expenditures for the fiscal year ending December 31, 2009, for the following purposes and amounts:

	<i>(In millions of Pesos)</i>	
Construction of the New Corporate Tower (construction, furniture, equipment, phones, etc.)	Ps.	14.5
Fixed Assets		94.3
Organizational and IT System Development		90.8
In Subsidiaries		8.0
<b>Total</b>	<b>Ps.</b>	<b>207.6</b>

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Management considers that internal funds will be sufficient to finance fiscal year 2009 capital expenditures. In addition, on June 2, 2009, Banco Galicia entered into an agreement with American International Group, Inc. and AIG Consumer Finance Group ( AIG ) to purchase 80% of AIG s shares in its consumer finance operations in Argentina, consisting of Compañía Financiera Argentina S.A. ( CFA ), Cobranzas y Servicios S.A. ( CyS ) and AIG Universal Processing Center S.A. ( UPC ) in a transaction that involves the sale of all the shares of said companies to Banco Galicia along with other third parties. Through this transaction, which amounts to Ps. 133.2 million, the Bank will be able to further consolidate its expansion strategy in the Argentine market. The consummation of this purchase, however, is subject to the satisfaction of certain conditions, including the approval of the Argentine Central Bank.

**Selected Statistical Information**

You should read this information in conjunction with the other information provided in this annual report, including our audited consolidated financial statements and Item 5. Operating and Financial Review and Prospects . We prepared this information from our financial records, which are maintained under accounting methods established by the Argentine Central Bank under Argentine Banking GAAP, and do not reflect adjustments necessary to reflect the information in accordance with U.S. GAAP.

The exchange rate used in translating Pesos into 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. 3.4537, Ps. 3.1510 and Ps. 3.0695 per US\$1.00 as of December 31, 2008, December 31, 2007 and December 31, 2006 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 its government securities portfolio. The non-accrual loans balance is included in the average loan balance calculation.

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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>								
<b>Assets</b>									
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	2,908.1	197.0	6.77	1,264.9	15.2	1.20	4,173.0	212.2	5.09
<b>Total Interest-Earning Assets</b>	<b>14,182.4</b>	<b>2,191.5</b>	<b>15.45</b>	<b>5,710.1</b>	<b>224.1</b>	<b>3.92</b>	<b>19,892.5</b>	<b>2,415.6</b>	<b>12.14</b>
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)		
<b>Total Assets</b>	<b>17,222.5</b>			<b>6,190.0</b>			<b>23,412.5</b>		
<b>Liabilities and Equity</b>									
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
<b>Total Interest-Bearing Liabilities</b>	<b>9,354.5</b>	<b>922.1</b>	<b>9.86</b>	<b>6,340.0</b>	<b>355.6</b>	<b>5.61</b>	<b>15,694.5</b>	<b>1,277.7</b>	<b>8.14</b>
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		
<b>Total Liabilities and Equity</b>	<b>16,500.6</b>			<b>6,911.9</b>			<b>23,412.5</b>		

**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.

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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>								
<b>Assets</b>									
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 <sup>(1)</sup>	2,378.1	155.2	6.53	1,040.1	29.8	2.87	3,418.2	185.0	5.41
<b>Total Interest-Earning Assets</b>	<b>12,451.1</b>	<b>1,556.8</b>	<b>12.50</b>	<b>5,774.8</b>	<b>266.3</b>	<b>4.61</b>	<b>18,225.9</b>	<b>1,823.1</b>	<b>10.00</b>
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)		
<b>Total Assets</b>	<b>15,271.2</b>			<b>6,061.2</b>			<b>21,332.4</b>		
<b>Liabilities and Equity</b>									
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



<b>Total Interest-Bearing Liabilities</b>	<b>9,011.2</b>	<b>758.7</b>	<b>8.42</b>	<b>5,847.6</b>	<b>312.5</b>	<b>5.34</b>	<b>14,858.8</b>	<b>1,071.2</b>	<b>7.21</b>
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		
<b>Total Liabilities and Equity</b>	<b>14,951.1</b>			<b>6,381.3</b>			<b>21,332.4</b>		
<b>Spread and Net Yield</b>									
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.

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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, 2006.

	<b>Fiscal Year Ended December 31, 2006 (*)</b>								
	<b>Pesos</b>			<b>Dollars</b>			<b>Total</b>		
	<b>Average</b>	<b>Accrued</b>	<b>Average</b>	<b>Average</b>	<b>Accrued</b>	<b>Average</b>	<b>Average</b>	<b>Accrued</b>	<b>Average</b>
	<b>Balance</b>	<b>Interest</b>	<b>Yield/</b>	<b>Balance</b>	<b>Interest</b>	<b>Yield/</b>	<b>Balance</b>	<b>Interest</b>	<b>Yield/</b>
			<b>Rate</b>			<b>Rate</b>			<b>Rate</b>
	<i>(in millions of Pesos, except rates)</i>								
<b>Assets</b>									
Government Securities	3,501.5	252.5	7.21	1,174.3	60.0	5.11	4,675.8	312.5	6.68
Loans									
Private Sector	5,148.2	754.0	14.65	1,333.3	75.1	5.63	6,481.5	829.1	12.79
Public Sector	4,369.5	496.3	11.36				4,369.5	496.3	11.36
Total Loans	9,517.7	1,250.3	13.14	1,333.3	75.1	5.63	10,851.0	1,325.4	12.21
Other <sup>(1)</sup>	1,778.4	125.5	7.06	4,447.4	158.8	3.57	6,225.8	284.3	4.57
<b>Total Interest-Earning Assets</b>	<b>14,797.6</b>	<b>1,628.3</b>	<b>11.00</b>	<b>6,955.0</b>	<b>293.9</b>	<b>4.23</b>	<b>21,752.6</b>	<b>1,922.2</b>	<b>8.84</b>
Cash and Gold	432.7			210.0			642.7		
Equity in Other Companies	561.1			44.2			605.3		
Other Assets	1,970.2			80.8			2,051.0		
Allowances	(348.8)			(88.3)			(437.1)		
<b>Total Assets</b>	<b>17,412.8</b>			<b>7,201.7</b>			<b>24,614.5</b>		
<b>Liabilities and Equity</b>									
Deposits									
Current Accounts	536.8	21.0	3.91	122.0			658.8	21.0	3.19
Savings Accounts	1,283.0	4.4	0.34	506.3			1,789.3	4.4	0.25
Time Deposits	4,556.3	405.8	8.91	741.6	9.6	1.29	5,297.9	415.4	7.84
Total Interest-Bearing Deposits	6,376.1	431.2	6.76	1,369.9	9.6	0.70	7,746.0	440.8	5.69
Argentine Central Bank	6,083.0	769.5	12.65	0.1			6,083.1	769.5	12.65
Other Financial Entities	265.9	35.1	13.20	172.9	11.3	6.54	438.8	46.4	10.57
Debt Securities	170.7	24.4	14.29	3,261.7	270.5	8.29	3,432.4	294.9	8.59
Other	108.8	12.2	11.21	1,084.9	96.2	8.87	1,193.7	108.4	9.08

<b>Total Interest-Bearing Liabilities</b>	<b>13,004.5</b>	<b>1,272.4</b>	<b>9.78</b>	<b>5,889.5</b>	<b>387.6</b>	<b>6.58</b>	<b>18,894.0</b>	<b>1,660.0</b>	<b>8.79</b>
Demand Deposits	1,735.8			20.6			1,756.4		
Other Liabilities	1,651.9			518.8			2,170.7		
Minority Interests	144.1						144.1		
Shareholders Equity	1,649.3						1,649.3		
<b>Total Liabilities and Equity</b>	<b>18,185.6</b>			<b>6,428.9</b>			<b>24,614.5</b>		
<b>Spread and Net Yield</b>									
Interest Rate Spread			1.22			(2.35)			0.05
Cost of Funds Supporting Interest-Earning Assets			8.60			5.57			7.63
Net Yield on Interest-Earning Assets			2.41			(1.35)			1.21

(\*) Rates include the CER adjustment.

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

The negative interest rate spread in US Dollars and the negative net yield on interest-earning assets in US Dollars are due to the fact that the yield on the Dollar-denominated assets (mainly Boden 2012 Bonds) is lower than the cost of the Dollar-denominated liabilities (mainly the Bank's restructured foreign debt).

**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, 2008 compared with the fiscal year ended December 31, 2007; and (ii) the fiscal year ended December 31, 2007, compared with the fiscal year ended December 31, 2006. Differences related to rate or volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2008/ Fiscal Year 2007, Increase (Decrease) due to changes in			Fiscal Year 2007/ Fiscal Year 2006, Increase (Decrease) due to changes in		
	Volume	Rate	Net Change <i>(in millions of Pesos)</i>	Volume	Rate	Net Change
<b>Interest Earning Assets</b>						
Government Securities						
Pesos	(0.6)	55.9	55.3	(105.6)	(130.0)	(235.6)
Dollars	(22.0)	(31.1)	(53.1)	77.8	(8.4)	69.4
Total	(22.6)	24.8	2.2	(27.8)	(138.4)	(166.2)
Loans						
Private Sector						
Pesos	301.5	291.6	593.1	322.3	87.2	409.5
Dollars	20.0	5.5	25.5	20.4	11.6	32.0
Total	321.5	297.1	618.6	342.7	98.8	441.5
Public Sector						
Pesos	(55.1)	(0.4)	(55.5)	(368.5)	93.4	(275.1)
Dollars						
Total	(55.1)	(0.4)	(55.5)	(368.5)	93.4	(275.1)
Other						
Pesos	35.7	6.1	41.8	38.2	(8.5)	29.7
Dollars	8.7	(23.3)	(14.6)	(102.6)	(26.4)	(129.0)
Total	44.4	(17.2)	27.2	(64.4)	(34.9)	(99.3)
<b>Total Interest-Earning Assets</b>						
Pesos	281.5	353.2	634.7	(113.6)	42.1	(71.5)
Dollars	6.7	(48.9)	(42.2)	(4.4)	(23.2)	(27.6)
<b>Total</b>	<b>288.2</b>	<b>304.3</b>	<b>592.5</b>	<b>(118.0)</b>	<b>18.9</b>	<b>(99.1)</b>
<b>Interest Bearing Liabilities</b>						
Demand Account						
Pesos	5.2		5.2	(0.2)	(4.4)	(4.6)
Dollars						
Total	5.2		5.2	(0.2)	(4.4)	(4.6)

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<b>Savings Account</b>						
Pesos	0.9	(1.3)	(0.4)	1.1	(0.4)	0.7
Dollars						
<b>Total</b>	<b>0.9</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>1.1</b>	<b>(0.4)</b>	<b>0.7</b>
<b>Time Deposits</b>						
Pesos	9.0	193.9	202.9	108.4	32.8	141.2
Dollars	1.3	1.1	2.4	2.3	3.5	5.8
<b>Total</b>	<b>10.3</b>	<b>195.0</b>	<b>205.3</b>	<b>110.7</b>	<b>36.3</b>	<b>147.0</b>
<b>With the Argentine Central Bank</b>						
Pesos	(34.4)	(34.4)	(68.8)	(1,110.3)	409.6	(700.7)
Dollars						
<b>Total</b>	<b>(34.4)</b>	<b>(34.4)</b>	<b>(68.8)</b>	<b>(1,110.3)</b>	<b>409.6</b>	<b>(700.7)</b>
<b>With Other Financial Entities</b>						
Pesos	19.0	7.6	26.6	(12.2)	4.3	(7.9)
Dollars	21.9	0.5	22.4	7.5	(1.9)	5.6
<b>Total</b>	<b>40.9</b>	<b>8.1</b>	<b>49.0</b>	<b>(4.7)</b>	<b>2.4</b>	<b>(2.3)</b>
<b>Negotiable Obligations</b>						
Pesos	(6.2)	(1.0)	(7.2)	52.7	0.6	53.3
Dollars	(42.8)	39.1	(3.7)	(33.8)	(23.4)	(57.2)
<b>Total</b>	<b>(49.0)</b>	<b>38.1</b>	<b>(10.9)</b>	<b>18.9</b>	<b>(22.8)</b>	<b>(3.9)</b>
<b>Other liabilities</b>						
Pesos	6.9	(1.8)	5.1	4.5	(0.2)	4.3
Dollars	17.9	4.1	22.0	(6.2)	(23.1)	(29.3)
<b>Total</b>	<b>24.8</b>	<b>2.3</b>	<b>27.1</b>	<b>(1.7)</b>	<b>(23.3)</b>	<b>(25.0)</b>
<b>Total Interest Bearing Liabilities</b>						
Pesos	0.4	163.0	163.4	(956.0)	442.3	(513.7)
Dollars	(1.7)	44.8	43.1	(30.2)	(44.9)	(75.1)
<b>Total</b>	<b>(1.3)</b>	<b>207.8</b>	<b>206.5</b>	<b>(986.2)</b>	<b>397.4</b>	<b>(588.8)</b>

Of the Ps. 592.5 million increase in interest income for fiscal year 2008 as compared to the previous year, 51.4% is explained by an increase in rates and 48.6% is explained by an increase in volume. The main increases both in volume and in rates were due to the loans to the private sector in Pesos.

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In terms of interest expenses, the Ps. 206.5 million increase was mainly due to the increase in the rate of Peso-denominated time deposits (Ps. 193.5 million). Although the rates of the Dollar-denominated negotiable obligations increased (Ps. 39.1 million), the reduction in volume offset said increase and the combined effect showed a slight improvement.

**Interest-Earning Assets-Net Yield on Interest-Earning Assets**

The following table analyzes, by currency of denomination, the levels of our average interest-earning assets and net interest earned, and illustrates the net yields and spreads obtained, for each of the periods indicated.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>(in millions of Pesos, except percentages)</i>		
<b>Total Average Interest-Earning Assets</b>			
Pesos	14,182.4	12,451.1	14,797.6
Dollars	5,710.1	5,774.8	6,955.0
<b>Total</b>	<b>19,892.5</b>	<b>18,225.9</b>	<b>21,752.6</b>
<b>Net Interest Earned <sup>(1)</sup></b>			
Pesos	1,269.4	798.1	355.9
Dollars	(131.5)	(46.2)	(93.7)
<b>Total</b>	<b>1,137.9</b>	<b>751.9</b>	<b>262.2</b>
<b>Net Yield on Interest-Earning Assets <sup>(2)</sup> (%)</b>			
Pesos	8.95	6.41	2.41
Dollars	(2.30)	(0.80)	(1.35)
<b>Weighted-Average Yield</b>	<b>5.72</b>	<b>4.13</b>	<b>1.21</b>
<b>Interest Spread, Nominal Basis <sup>(3)</sup> (%)</b>			
Pesos	5.59	4.08	1.22
Dollars	(1.69)	(0.73)	(2.35)
<b>Weighted-Average Yield</b>	<b>4.00</b>	<b>2.79</b>	<b>0.05</b>
<b>Credit Related Fees Included in Net Interest Earned</b>			
Pesos	69.9	43.5	26.4
Dollars			
<b>Total</b>	<b>69.9</b>	<b>43.5</b>	<b>26.4</b>

(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.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>(in millions of Pesos)</i>		
<b>Government Securities</b>			
<b>Pesos</b>			
<b>Investment</b>	<b>22.8</b>	<b>17.1</b>	
Issued by Argentine Central Bank Lebac and Nobac	22.8	17.1	
<b>Trading</b>	<b>233.7</b>	<b>38.9</b>	<b>0.1</b>
Bonar		36.7	
Bogar Bonds	1.6	2.1	
Others	232.1	0.1	0.1
<b>Issued by Argentine Central Bank</b>	<b>550.2</b>	<b>331.6</b>	<b>119.5</b>
Lebac Unquoted		11.0	
Lebac Quoted		103.3	17.7
Nobac Unquoted	520.2	8.3	101.8
Nobac Quoted	30.0	209.0	
<b>Without Quotation</b>	<b>69.8</b>	<b>1.9</b>	<b>433.5</b>
Bogar			428.6
Discount Bonds in Pesos	69.8	1.9	4.9
<b>Total Government Securities in Pesos</b>	<b>876.5</b>	<b>389.5</b>	<b>553.1</b>
<b>Dollars</b>			
<b>Investment</b>	<b>527.4</b>	<b>1,303.4</b>	<b>2,608.8</b>
Boden 2012 Bonds	525.9	1,303.4	2,608.8
Boden 2013 Bonds	1.5		
<b>Trading</b>	<b>127.9</b>	<b>0.1</b>	<b>26.4</b>
Boden 2012 Bonds		0.1	26.3
Boden 2013-2015 Bonds	127.5		
Others	0.4		0.1
<b>Total Government Securities in Dollars</b>	<b>655.3</b>	<b>1,303.5</b>	<b>2,635.2</b>
<b>Total Government Securities</b>	<b>1,531.8</b>	<b>1,693.0</b>	<b>3,188.3</b>
<b>Corporate Securities</b>	<b>0.1</b>	<b>1.0</b>	<b>0.3</b>
Corporate Equity Securities (Quoted) in Pesos	0.1	1.0	
Corporate Equity Securities (Quoted) in Dollars			0.3
<b>Total Government and Corporate Securities</b>	<b>1,531.9</b>	<b>1,694.0</b>	<b>3,188.6</b>

The Ps. 525.9 million holdings of Boden 2012 Bonds (US\$ 300.7 million of face value) represent Boden 2012 Bonds resulting from the Bank's purchase of the Hedge Bond. 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).

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The decrease in our holdings of government securities in 2007 mainly reflects sales under repurchase agreements of 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, over the last months of fiscal year 2008 domestic as well as international capital markets evidenced a high level of volatility with respect to equity and debt securities quotations. As explained under Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities-Valuation, and 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.

As of December 31, 2008, our position in government securities amounted to Ps. 3,645.3 million, and the difference between our holdings of government securities and our net position was mainly due to forward purchases of Boden 2012 Bonds and Discount Bonds in Pesos, in connection with repurchase agreements, for Ps. 1,824.9 million and Ps. 597.1 million, respectively, to forward sales of PR12 bonds ( *Bonos de Consolidación en Moneda Nacional Cuarta Serie 2%* ), Boden 2013 and Boden 2015 for Ps. 232.1 million, Ps. 79.8 million and Ps. 47.7 million, respectively and to Ps. 51.1 million of Lebac and Nobac delivered to the Rosario Futures Exchange ( *Rofex* ) as guarantees of transactions conducted on such exchange.

	As of December 31, 2008					Net Position
	Holdings	Forward Purchases	Forward Sales	Spot purchases to be settled	Spot sales to be settled	
<b>Government Securities</b>						
Held for Investment Purposes						
Pesos	22.8					22.8
Dollar	525.9	1,824.9				2,350.8
Held for Trading Purposes						
Pesos	233.7		232.1			1.6
Dollar	129.4		127.5			1.9
Securities without Quotation						
Pesos	69.8	597.1				666.9
Instruments issued by the Argentine Central Bank						
Pesos	550.2					550.2
Other		51.1				51.1
<b>Total Government Securities</b>	<b>1,531.8</b>	<b>2,473.1</b>	<b>359.6</b>			<b>3,645.3</b>

<b>Corporate Equity Securities (Quoted)</b>	<b>0.1</b>			<b>0.1</b>
<b>Total Government and Corporate Securities</b>	<b>1,531.9</b>	<b>2,473.1</b>	<b>359.6</b>	<b>3,645.4</b>

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As of December 31, 2008 and based on quoted market prices:

The market value of our position in Boden 2012 Bonds was Ps. 1,253.4 million. This total comprises both our holdings recorded as government securities held for investment and our forward purchases in connection with repurchase agreements.

The market value of our position in Discount Bonds in Pesos and GDP-Linked Negotiable Securities was Ps. 196.5 million.

Our holdings of Lebac and Nobac and Bonar Bonds were marked-to-market.

*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.

Quoted government securities in investment accounts are valued at their acquisition cost increased by accruing their internal rate of return over the period elapsed since the date of inclusion of the securities in the investment account category. Argentine Central Bank Communiqué A 3857, dated January 7, 2003, established that financial institutions could record as investments, only those securities incorporated in their balance sheets through December 31, 2002.

After that date, the value of any securities (except the Compensatory Bond and the Hedge Bond received and/or to be received according to applicable compensation rules or other compensation to be received) incorporated into a bank's position was required to be marked-to-market.

Within the context of high volatility experienced by the international and local capital markets since July 2007, the Argentine Central Bank issued Communiqué A 4698 dated August 24, 2007, through which, among other items, it established that debt instruments issued by such institution that are included in the volatility list published monthly by that institution, may be classified in investment accounts and recorded at their amortized cost plus the corresponding internal rate of return, as long as the financial institution commits to hold them until maturity. The difference with respect to the market value has to be disclosed in the notes to the quarterly and annual financial statements. Holdings in investment accounts may be used in repurchase transactions, subject to certain conditions.

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Securities received by financial institutions as compensation for the effects of the asymmetric pesification established by Decrees No. 905/02 and complementary rules (in the Bank's case, Boden 2012 Bonds) are carried at their technical value, in accordance with Argentine Central Bank Communiqué A 3785 issued on October 29, 2002. Technical value means the face value adjusted by contractual terms. In accordance with Argentine Central Bank rules, the Bank recorded the Boden 2012 Bonds already received at 100% of their technical value. As of December 31, 2008 and 2007, the Boden 2012 Bonds were trading at approximately 53% and 89% of such value, respectively. The market value of the Bank's position in these securities, as of December 31, 2008, is shown in Government Securities-Net Position above.

Also in the context of the high market volatility in the second half of 2007, by means of Communiqué A 4702 dated August 30, 2007, the Argentine Central Bank established that holdings of debt securities issued by such entity and of government securities may be classified as Available for Sale. These holdings 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 financial statements. The difference (negative or positive) between the carrying amount of these holdings and their market value has to be recognized in equity accounts specially created for this effect. Interest will be recognized in the income statement in each period by accruing the internal rate of return, with the counterpart recorded in equity accounts. The rule allows the use of these holdings in repurchase transactions subject to certain conditions, and for withdrawal from this category in the case of sale, collection of amortization and/or principal installment or when the volatility published by the Argentine Central Bank is no longer available, in which case they must be recorded under Holdings without Quotation.

By means of Communiqué A 3911, dated March 28, 2003, the Argentine Central Bank established a new method for the valuation of public sector assets. This rule applies to Secured Loans, secured promissory notes or bonds (Bogar Bonds) issued by the Fiduciary Fund for Provincial Development to restructure loans received by provincial governments prior to the crisis, or FFDP, other loans to the non-financial public sector, and government securities without quotation, except for, among others, government securities accounted in investment accounts, securities issued by the Argentine Central Bank (Lebac and others) and government securities received or pending receipt as compensation for government policy measures. Beginning with the financial statements for March 2003, assets within the scope of Communiqué A 3911 and complementary rules had to be valued at the lowest of their technical value and their present value, with the latter converging with its market value in June 2008. In order to determine the present value, the Argentine Central Bank established a discount rate that increased gradually over time as shown in the table below. The difference between the lowest of the present value and the technical value, and the book value must be reflected in an asset regularizing account, in case of a positive difference, or be charged to income in case the difference is negative. For as long as it did have a position in such bonds, this valuation rule generated a loss for the Bank.

	January	February	March	April	May	June	July	August	September	October	November	December
2003			3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2004	3.25	3.25	3.25	3.25	3.25	3.25	3.29	3.33	3.37	3.41	3.46	3.50
2005	3.54	3.58	3.62	3.66	3.71	3.75	3.79	3.83	3.87	3.91	3.96	4.00
2006	4.08	4.15	4.23	4.31	4.39	4.47	4.56	4.64	4.73	4.82	4.91	5.00
2007						5%						
	5% +	5% +	5% +	5% +	5% +	+	5% +	5% +	5% +	5% +	5% +	5% +
	0.04xTMC	0.08xTMC	0.13xTMC	0.17xTMC	0.21xTMC	0.25xTMC	0.29xTMC	0.33xTMC	0.38xTMC	0.42xTMC	0.46xTMC	0.50xTMC
2008	5% +	5% +	5% +	5% +	5% +							
	0.58xTMC	0.66xTMC	0.75xTMC	0.83xTMC	0.92xTMC							
												TM (as from June 2008)

Where:

TM = average market rate informed

*by the  
Argentine  
Central Bank  
based on the  
internal rates of  
return of  
government  
securities with  
similar  
modified  
duration .*

TMC = *average market  
rate corrected  
= TM 5%.*



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By means of Comunicqué A 4704, dated September 7, 2007, effective August 31, 2007, the Argentine Central Bank resolved to set the discount rate to be used for the valuation of public-sector assets within the scope of Comunicqué A 3911 and complementary rules at a value that does not imply either a loss or a gain at the level of the financial system as a whole, taking into account the accrual of such assets' yield, and, if applicable, adjusted by the *Coficiente de Estabilización de Referencia* ( CER, Reference Stabilization Index). This criterion will be applicable as long as, when applying the rate that would correspond according to the table above, the discount rate is such that it implies a loss -for the financial system as a whole- in the valuation of the comprised portfolio.

Through Comunicqué A 4084, dated January 30, 2004, public-sector assets granted as collateral for advances from the Argentine Central Bank to acquire Boden Bonds (both for banks' customers and held by banks) set forth in sections 10, 11 and 12 of Decree No. 905/02, were excluded from valuation at present value. These assets, in the Bank's case Bogar Bonds, could be recorded at the value determined by the Argentine Central Bank for their use as collateral. In the case of Bogar Bonds this value was the technical value.

By means of Comunicqué A 4414, dated September 8, 2005, among others, the Argentine Central Bank modified the valuation criteria of government and corporate securities without quotation, effective for information as of August 2005. The securities without quotation within the scope of such Comunicqué (Argentine Central Bank bills and notes, subordinated and non-subordinated negotiable obligations and financial trust securities) must be carried at cost plus their internal rate of return, at period-end.

Through Comunicqué A 4270, the Argentine Central Bank allowed the Discount Bonds in Pesos and the GDP-Linked Negotiable Securities, stemming from the debt exchange for the restructuring of the defaulted Argentine sovereign foreign debt carried out in 2005, to be recorded at the lower of: (i) the carrying value of the tendered securities in accordance with the prevailing valuation rules (Comunicqué A 4084 item 1 v) and item 5, and complementary rules), and (ii) the total future nominal cash payments up to maturity specified by the terms and conditions of said securities. The Bank's holdings of Discount Bonds in Pesos and GDP-Linked Negotiable Securities were recorded as per the first alternative. This valuation is reduced in the amount of the perceived service payments and accrued interest shall not be recognized. The market value of these securities as of December 31, 2008, is shown in Government Securities-Net Position above.

The Argentine Central Bank restricts the distribution of cash dividends by establishing, among other things, that banks must adjust their earnings to be distributed as cash dividends by the difference between the market value and the carrying value of their public-sector assets, including all government securities.

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On January 22, 2009, within the framework of the swap of Secured Loans, the Argentine Central Bank issued its Communiqué A 4898, establishing that, beginning in February 2009 and at the Bank's option, such holdings could be registered in special investment accounts and valued at their acquisition cost increased on an exponential basis according to their internal rate of return, and adjusted by CER, when applicable. When the market price of each bond is lower than their book value, the monthly accrual of the internal rate of return and the CER adjustment is recorded, on a cumulative basis, in contraasset accounts (i.e. accounts which counter, or subtract from asset accounts), until their book value equals their market price. Said contraasset account is withdrawn with a charge to the income statement as long as its balance is greater than the positive difference between the market price and the book value. As of the date of this annual report our holdings of Nobac, Boden 2014 Bonds and Bogar 2018 Bonds stemming from such swap are registered in special investment accounts.

Our portfolio of quoted corporate debt and equity securities is considered to be held for trading and, therefore, is carried at market value.

*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, 2008. Our government securities portfolio yields do not contain any tax equivalency adjustments.

	<b>Maturity Yield</b>								
	<b>Total Book Value</b>	<b>Maturing within 1 year</b>		<b>Maturing after 1 year but within 5 years</b>		<b>Maturing after 5 years but within 10 years</b>		<b>Maturing after 10 years</b>	
		<b>Value</b>	<b>Value</b>	<b>Yield (1)</b>	<b>Value</b>	<b>Yield (1)</b>	<b>Value</b>	<b>Yield (1)</b>	<b>Value</b>
<i>(in millions of Pesos, except percentages)</i>									
<b>Government Securities</b>									
<b>Held for Trading and Brokerage Purposes (carried at market value)</b>									
Pesos	233.7	33.2	69.5%	166.5	69.5%	33.9	69.2%		
Dollars	129.5	16.6	41.1%	64.6	42.1%	48.3	37.4%		
<b>Held for Investment (carried at amortized cost)</b>									
Pesos	22.7	0.4	51.1%	10.1	43.9%	3.1	51.1%	9.3	18.4%
Dollars	525.9	131.5	41.5%	394.4	41.5%				
<b>Instruments Issued by the Argentine Central Bank</b>									
Pesos	30.0			30.0	22.0%				
<b>Securities Without Quotation</b>									
Pesos	590.0	520.2						69.8	19.0%
<b>Total Government Securities</b>	<b>1,531.8</b>	<b>701.9</b>	<b>12.1%</b>	<b>665.6</b>	<b>47.7%</b>	<b>85.3</b>	<b>50.5%</b>	<b>79.1</b>	<b>18.9%</b>

<b>Corporate Debt Securities</b>	<b>0.1</b>			<b>0.1</b>	<b>8.0%</b>				
<b>Total Portfolio</b>	<b>1,531.9</b>	<b>701.9</b>	<b>12.1%</b>	<b>665.7</b>	<b>47.7%</b>	<b>85.3</b>	<b>50.5%</b>	<b>79.1</b>	<b>18.9%</b>

(1) *Effective yield based on December 31, 2008 quoted market values.*

#### **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. As well, certain amounts related to advances, promissory notes, mortgage loans and pledge loans are extended to individuals. However, advances and promissory notes represent mainly 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.

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	<b>2008</b>	<b>2007</b>	<b>As of December 31, 2006</b>	<b>2005</b>	<b>2004</b>
			<i>(in millions of Pesos)</i>		
Principal and Interest					
Non-Financial Public Sector	1,319.6	1,210.5	2,690.6	5,187.5	4,513.7
Local Financial Sector	148.1	110.0	311.6	128.2	150.5
Non-Financial Private Sector and Residents Abroad <sup>(1)</sup>					
Advances	594.4	792.1	346.3	223.6	199.8
Promissory Notes	2,116.3	2,911.2	2,143.7	1,836.9	1,099.2
Mortgage Loans	1,026.8	945.1	688.0	503.4	623.9
Pledge Loans	81.0	94.5	67.1	121.1	92.9
Personal Loans	1,217.6	977.9	563.2	258.0	58.2
Credit Card Loans	4,378.4	3,630.1	2,458.6	1,732.1	1,105.4
Placements in Banks Abroad	334.5	158.0	608.0	212.9	379.2
Other Loans	883.3	1,010.8	794.8	599.8	393.9
Accrued Interest, Adjustment and Quotation Differences Receivable	185.8	177.0	155.0	146.8	414.4
Documented Interest	(38.5)	(42.5)	(23.3)	(12.3)	(3.7)
<b>Total Non-Financial Private-Sector and Residents Abroad</b>	<b>10,779.6</b>	<b>10,654.2</b>	<b>7,801.4</b>	<b>5,622.3</b>	<b>4,363.2</b>
<b>Total Gross Loans</b>	<b>12,247.3</b>	<b>11,974.7</b>	<b>10,803.6</b>	<b>10,938.0</b>	<b>9,027.4</b>
Allowance for Loan Losses	(526.8)	(428.6)	(327.0)	(427.9)	(632.6)
<b>Total Loans</b>	<b>11,720.5</b>	<b>11,546.1</b>	<b>10,476.6</b>	<b>10,510.1</b>	<b>8,394.8</b>
Loans with Guarantees					
With Preferred Guarantees <sup>(2)</sup>	1,332.8	1,289.8	1,076.2	838.5	1,190.0
Other Guarantees	2,971.1	3,180.2	4,103.6	6,317.3	5,235.8
<b>Total Loans with Guarantees</b>	<b>4,303.9</b>	<b>4,470.0</b>	<b>5,179.8</b>	<b>7,155.8</b>	<b>6,425.8</b>

(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.*

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.

As of December 31, 2008, loans to the private sector (including residents abroad) before the allowance for loan losses were up 1.5% from the Ps. 10,656.8 million recorded as of the end of the previous fiscal year. During 2008, short-term lending to individuals, through credit-card loans (including the Bank's and the regional credit card companies' loan portfolio) and personal loans, recorded very high growth, with credit-card loans recording the greatest increase in absolute terms.

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As of December 31, 2007, the loan portfolio before the allowance for loan losses totaled Ps. 11,974.7 million, with a 10.8% increase with respect to the end of the previous year, as a consequence of a strong increase in the private-sector loan portfolio, partially offset by a substantial decrease in the public-sector loan portfolio. The decrease in the latter was mainly due to the sale of Secured Loans during 2007. As of December 31, 2007, loans to the financial sector and non-financial public sector amounted to Ps. 1,317.9 million, 52.9% lower than the Ps. 2,798.0 million outstanding as of the close of the previous fiscal year. This total includes Ps. 1,208.6 million in Secured Loans and Ps. 107.4 million in loans granted to the financial public sector.

*Loans by Type of Borrower*

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2008, 2007 and 2006. 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.

	2008		As of December 31, 2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Corporate	1,148.6	9.38	1,870.0	15.62	1,534.7	14.21
Middle-Market Companies	3,716.8	30.35	3,993.8	33.35	2,521.9	23.34
- Agribusiness	1,461.4	11.93	1,341.9	11.21	902.1	8.35
- SMEs	2,255.4	18.42	2,651.9	22.14	1,619.8	14.99
Commercial Loans	4,865.4	39.73	5,863.8	48.97	4,056.6	37.55
Individuals	5,578.3	45.55	4,631.4	38.68	3,131.0	28.98
- Bank	3,232.0	26.39	2,603.1	21.74	1,720.2	15.92
- Regional Credit Card Companies	2,346.3	19.16	2,028.3	16.94	1,410.8	13.06
Financial Sector <sup>(1)</sup>	484.0	3.95	269.0	2.25	925.4	8.57
Non-Financial Public Sector	1,319.6	10.77	1,210.5	10.10	2,690.6	24.90
Other Loans						
<b>Total <sup>(2)</sup></b>	<b>12,247.3</b>	<b>100.00</b>	<b>11,974.7</b>	<b>100.00</b>	<b>10,803.6</b>	<b>100.00</b>

*(1) Includes local and international financial sector. Financial Sector loans are primarily composed of interbank loans (call money loans), overnight*

*deposits at  
international  
money center  
banks and loans  
to provincial  
banks.*

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

During 2008 the growth in loans granted to individuals is particularly notable, while in 2007, the growth in loans granted to SMEs, the agribusiness sector and individuals stands out.

**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.

	2008		As of December 31, 2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
<b>Financial Sector <sup>(1)</sup></b>	<b>484.0</b>	<b>3.95</b>	<b>269.0</b>	<b>2.25</b>	<b>925.4</b>	<b>8.57</b>
Services						
Non-Financial Public Sector	1,319.6	10.77	1,210.5	10.10	2,690.6	24.90
Communications, Transportation Health and Others	838.3	6.84	936.7	7.82	517.2	4.79
Electricity, Gas, Water Supply and Sewage Services	30.7	0.25	198.2	1.66	234.8	2.17
Other Financial Services	44.5	0.37	11.7	0.10	35.7	0.33
<b>Total</b>	<b>2,233.1</b>	<b>18.23</b>	<b>2,357.1</b>	<b>19.68</b>	<b>3,478.3</b>	<b>32.19</b>
Primary Products						
Agriculture and Livestock	1,274.5	10.41	1,217.8	10.17	971.8	9.00
Fishing, Forestry and Mining	60.9	0.49	49.8	0.42	29.8	0.28
<b>Total</b>	<b>1,335.4</b>	<b>10.90</b>	<b>1,267.6</b>	<b>10.59</b>	<b>1,001.6</b>	<b>9.28</b>
<b>Consumer</b>	<b>5,294.9</b>	<b>43.23</b>	<b>4,402.4</b>	<b>36.76</b>	<b>2,988.0</b>	<b>27.65</b>
<b>Retail Trade</b>	<b>537.2</b>	<b>4.39</b>	<b>721.0</b>	<b>6.02</b>	<b>524.1</b>	<b>4.85</b>
<b>Wholesale Trade</b>	<b>647.0</b>	<b>5.28</b>	<b>854.3</b>	<b>7.13</b>	<b>333.7</b>	<b>3.09</b>
<b>Construction</b>	<b>82.2</b>	<b>0.67</b>	<b>268.1</b>	<b>2.24</b>	<b>309.7</b>	<b>2.87</b>
<b>Manufacturing</b>						
Foodstuffs	533.6	4.36	561.4	4.69	406.1	3.76
Transportation Materials	81.5	0.67	69.3	0.58	100.2	0.93
Chemicals and Oil	293.2	2.39	339.6	2.84	177.4	1.64
Manufacturing Industries	682.6	5.57	836.1	6.98	545.7	5.05
<b>Total</b>	<b>1,590.9</b>	<b>12.99</b>	<b>1,806.4</b>	<b>15.09</b>	<b>1,229.4</b>	<b>11.38</b>
<b>Other Loans</b>	<b>42.6</b>	<b>0.36</b>	<b>28.8</b>	<b>0.24</b>	<b>13.4</b>	<b>0.12</b>
<b>Total <sup>(2)</sup></b>	<b>12,247.3</b>	<b>100.00</b>	<b>11,974.7</b>	<b>100.00</b>	<b>10,803.6</b>	<b>100.00</b>



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

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

By sector of economic activity, while Services including loans to the non-financial public sector remains the most significant item, as in fiscal year 2007, its share of the total loan portfolio shows a decrease. The Services sector share declined from 19.7% as of December 31, 2007 to 18.2% as of fiscal year end 2008. Out of the remaining sectors, consumer loans continued to be the most significant category, with a 43.2% share of the total portfolio, as well as loans to the manufacturing sector, with a 13.0% share, and loans to the primary products industry with a 10.9% share. This last portfolio is mainly made up of loans to the agricultural sector.

**Table of Contents***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, 2008.

	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, 2008
<i>(in millions of Pesos)</i>							
<b>Non-Financial Public Sector</b> <sup>(1)</sup>	1.8	1,313.5	0.5	2.0	1.8		1,319.6
<b>Financial Sector</b> <sup>(1)</sup>	148.1						148.1
<b>Private Sector and Residents Abroad</b>	6,992.9	1,355.6	532.4	1,089.2	505.0	304.5	10,779.6
- Advances	367.3	222.0	4.4	0.6			594.3
- Promissory Notes	810.8	704.0	175.8	308.4	83.4	33.9	2,116.3
- Mortgage Loans	26.5	89.4	108.9	314.9	218.1	269.0	1,026.8
- Pledge Loans	5.4	15.5	17.6	34.9	6.0	1.6	81.0
- Personal Loans	71.0	296.7	222.1	430.4	197.4		1,217.6
- Credit-Card Loans	4,378.4						4,378.4
- Other Loans	1,186.3	28.0	3.6		0.1		1,218.0
- Accrued Interest and Quotation Differences Receivable <sup>(1)</sup>	185.8						185.8
- (Documented Interest)	(38.5)						(38.5)
- (Unallocated Collections)	(0.1)						(0.1)
<b>Allowance for Loan Losses</b> <sup>(2)</sup>	<b>(526.8)</b>						<b>(526.8)</b>
<b>Total Loans, Net</b>	<b>6,616.0</b>	<b>2,669.1</b>	<b>532.9</b>	<b>1,091.2</b>	<b>506.8</b>	<b>304.5</b>	<b>11,720.5</b>

(1) *Interest and the CER adjustment were assigned to the first month.*

(2) *Allowances were assigned to the first month as were past due loans and loans in judicial proceedings.*

*Interest Rate Sensitivity of Outstanding Loans*

The following table presents the interest rate sensitivity of our outstanding loans as of December 31, 2008.

	<b>In millions of Pesos</b>	<b>As a % of Total Loans</b>
Variable Rate <sup>(1)(2)</sup>		
Pesos	6,530.0	57.41
Dollars	383.0	3.37
<b>Total</b>	<b>6,913.0</b>	<b>60.78</b>
Fixed Rate <sup>(2)(3)</sup>		
Pesos	2,844.1	25.00
Dollars	1,617.2	14.22
<b>Total</b>	<b>4,461.3</b>	<b>39.22</b>
Past Due Loans		
Pesos	452.1	3.97
Dollars	15.3	0.13
<b>Total</b>	<b>467.4</b>	<b>4.10</b>

(1) *Includes overdraft loans.*

(2) *Includes past due loans and excludes interest receivable, differences in quotations and the CER adjustment.*

(3) *Includes short-term and long-term loans whose rates are determined at the beginning of the loans life.*

**Table of Contents*****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.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 an 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 Bank's Credit Division defines the credit risk policies and procedures, monitors their compliance, constantly assesses credit risk and develops credit evaluation models to be applied to risk products. It is also responsible for loan approval, classification of the loan portfolio and recovery of past due loans as well as generating the information on credit issues required by the Bank's Board of Directors and by the regulatory authorities. To perform its tasks, the Division is made up of the Corporate Credit Department, which is in charge of approving, supervising, classifying and provisioning the commercial and financial institutions' loan portfolio; the Corporate Recovery and Legal Proceedings Department, which is in charge of the follow-up and legal recovery of the past due commercial portfolio and consumer portfolio; and the Retail Credit Department, which is in charge of approving consumer loans as well as following up and recovering past due consumer loans.

A significant characteristic of fiscal year 2008 was the establishment of a maximum limit for financial assistance to a client/economic group (excluding interbank transactions) to 5% of the computable regulatory capital (RPC). The Board of Directors' simple majority shall decide in which cases it is necessary to make an exception to address special funding situations.

In addition, the Board of Directors decided that significant credits, defined as credits to clients/economic groups exceeding Ps. 30 million (excluding interbank transactions), must be approved by the Bank's Board of Directors' simple majority and, for related customers, it must be approved by two thirds of the Board of Directors.

Finally, for middle-market clients (except for Corporate Banking) it was decided that customers rated CCC, CC or C, will only be accepted under exceptional circumstances, duly justified by their corresponding level and which must comply with, among others, the following characteristics: (i) belonging to an economic group with a better rating and that is a customer of the Bank, (ii) having a shareholder (legal person) with very good equity and economic-financial indexes, (iii) being a company initiating an investment project as long as the group/customer justifies it, and (iv) having 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.

The Bank constantly monitors its loan portfolio through different ratios (arrears, roll rates, etc.), as well as the classification and concentration of such portfolio (through maximum exposure to each client, its own RPC, and that of each client). The portfolio classification as well as its concentration control, is carried out following the Argentine Central Bank regulations. In turn, advanced statistical models are under development which generate an internal rating that will allow the Bank to organize and quantify credit risk in terms of expected losses (with the ability to estimate the different components defined by the formula) as well as to adjust pricing and/or risk policies based on a customer's group/sector. For the commercial loan portfolio, these models are in the implementation stage.

The Board of Directors' Credit Committee decides on loans exceeding a certain amount for individuals as well as companies and on all loans to financial institutions (domestic or foreign) and related parties. The Retail Credit Department, the Credit Division Manager and officials of the Corporate Credit Department approve the remaining loans pursuant to credit authority levels previously granted. For a description of the Board of Directors' Credit

Committee, see Item 6. Directors, Senior Management and Employees- Functions of the Board of Directors of Banco Galicia.

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**Retail Credit.** As regards consumer loans, the Bank 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 evaluation systems that take into account different variables to determine the customer's credit profile and repayment capacity, as well as through granting guidelines based on the customer's credit history within the financial system or with the Bank (credit screening). Analysis of the information required from applicants and the credit approval or refusal decision is made in a centralized manner. Applicants' previous credit performance, 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.

The Retail Credit Department is responsible for approving loans for amounts up to Ps. 1.25 million. Loans exceeding such amount have to be approved by the Board of Directors' Credit Committee. This Department also defines and approves credit policies for the retail banking business, together with the originating sectors. The Retail Credit Department also monitors the classification of the loan portfolio pursuant to the Argentine Central Bank regulations and the Bank's internal policies. In accordance with the rules in force, classification of the retail loan portfolio is based on the borrower's performance.

As regards the recovery of past due loans, the Retail Credit Department manages individual past due loans from early stages of delinquency until such loans are recovered or the recovery procedures are abandoned in the case of loans deemed uncollectible. Collections throughout Argentina are carried out either directly or through third parties.

When a consumer loan is more than three days past due, recovery procedures are undertaken through the Collection Center (a specialized area of the Bank's Customer Contact Center) and through letters. The Bank uses a system that performs automated telephone calls for the follow-up of loans in early stages of delinquency. For a better coverage of the locations in the provinces, the Department also coordinates actions with the Bank's branch network staff. When these procedures are exhausted, recovery of these loans is turned to collection agencies hired by the Bank to handle recovery through out of court proceedings, while court proceedings are the responsibility of the Judicial Proceedings sector, which reports to the Corporate Recovery and Legal Proceedings Department. The Retail Credit Department oversees the performance of these agencies.

Banco Galicia does not classify, nor does it provide for recovery procedures of certain small balance loans, including credit card balances from membership fees and other administrative costs charged to customers on unsolicited credit cards, and small residual balances from lending operations where the cost of recovery and legal costs are prohibitive. These small balance loans are charged-off directly to the income statement.

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**Corporate Credit.** Prior to the approval of a loan, the Bank performs an evaluation of the corporate borrower and its financial condition. For credits above certain amounts, the Bank carries out a standard analysis of each credit line and of each corporate borrower. For credits below certain amounts, automated risk evaluation systems that provide financial and non-financial information on the borrower are used. They can also perform automated risk evaluations and financial-statement projections and have the capacity to generate automatic warnings when certain situations are verified that may indicate an increase in risk.

The Bank bases its risk assessment on the following factors:

Qualitative analysis	Assessment of the quality of the corporate borrower performed by the officer to which the account has been assigned on the basis of personal knowledge.
Economic and financial risk	Quantitative analysis of the borrower's financial statements.
Economic sector risk	Measurement of the general risk of the sector in which the borrower operates (based on statistical information gathered from internal and external sources).
Environmental risk	Environmental impact assessment (required for all investment projects exceeding Ps. 15 million).

The Corporate Credit Department is responsible for approving loans to corporate customers with a credit limit not exceeding Ps. 10.0 million. In such process, the primary objective is to maintain high credit-quality standards, in accordance with the Bank's policies and procedures. The Department also classifies the performing and non-performing commercial portfolios, in accordance with the regulations set by the Argentine Central Bank and with the Bank's own internal policies, and coordinates the Credit Division's relations with the Argentine Central Bank, the independent auditors, and the rating agencies. Moreover, it reviews all those corporate customers whose total credit exceeds Ps. 500,000 in accordance with a review schedule determined by the level of credit risk.

The Corporate Banking and Middle-Market Banking Departments are responsible for the business relations with the Bank's corporate customers with respect to both the management of the various lines of business and credit origination.

An officer of the Credit Division must approve all credit extensions. Approval of commercial credits is structured based on the credit limit assigned to each customer, as follows:

Up to Ps. 6.0 million: credit granting proposals are presented by business officers and approved by officers of the Corporate Credit Department in accordance with pre established credit authority levels.

Over Ps. 6.0 million and up to Ps. 10.0 million: credit granting proposals are presented by the manager of the business department to which the account belongs and approved by the manager of the Credit Division.

Over Ps. 10.0 million: credit granting operations must be approved by the Board of Directors Committee. The participation of the managers of the business departments depends on the account under approval.

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**Corporate Recovery and Legal Proceedings.** The Corporate Recovery and Legal Proceedings Department ( Recovery Department ) is responsible for monitoring and controlling past-due commercial portfolios. It establishes procedures, acts proactively, and designs action plans on a case-by-case basis to recover any amounts that exceed the credit limits that are assigned to the different corporate customers. The Recovery 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 the Bank. Finally, the Recovery Department manages court and out-of-court proceedings aimed at recovering corporate portfolios and court proceedings involving the consumer portfolio. This includes overseeing lawsuits carried out in various jurisdictions by law firms hired to handle these matters.

**Policy for Requiring Collateral.** The credit review process at Banco Galicia is not affected by the collateral underlying the loan. The Bank's credit review process and the Argentine Central Bank's loan classification system is based on a borrower's capacity to repay or on the past due status of the loan rather than on the structure of the loan. However, once a loan is classified, the level of the reserve that should be made against the loan is determined by whether the loan is secured or unsecured. In order to protect its assets, the Bank performs reviews of the collateral received in various opportunities during the duration of the loan, whether it is upon the initial granting of the loan, or due to the portfolio's periodic reviews or due to the updating of the credit margins.

***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 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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As regards 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***

Independently of its internal policies and procedures designed to minimize credit risk, we comply with the applicable regulations of the Argentine Central Bank. The following regulations are applicable to the Bank and to the regional credit card companies, which periodically file information with the Argentine Central Bank on their portfolio classification in accordance with Argentine Central Bank rules, in their capacity as credit card issuers.

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 is a bifurcated system, applying 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 does not depend on the currency of denomination of the loan. The loan classification criteria applied to loans in the consumer portfolio are based on objective guidelines related to the borrowers' degree of fulfillment of its obligations or its legal status, the information provided by the Financial System's Debtors System whenever they 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 case of discrepancies, the guideline indicating the highest uncollectibility risk must be taken into account.

For Argentine Central Bank purposes, consumer loans are mainly defined as mortgage loans, pledge loans, credit card loans and other installment loans to individuals. The remaining loans are deemed commercial. The regional credit card companies do not offer commercial loans. In addition, in accordance with the requirements set forth by the Argentine Central Bank, banks may choose to apply the consumer portfolio classification criteria to commercial loans of up to Ps. 500,000. Given that the Bank uses this option, it classifies as part of its consumer portfolio all commercial loans up to Ps. 500,000, the classification of which is based on the level of fulfillment and status thereof.

The principal criterion for the classification of loans in the commercial portfolio is the applicable borrower's ability to pay, as measured mainly by such borrower's future cash flow. If a customer has both commercial and consumer loans, consumer loans will be added to commercial loans to determine eligibility for classification in the consumer portfolio. Loans backed by preferred guarantees will be considered at 50% of their nominal value.

In applying the Argentine Central Bank's classification to commercial loans, banks must assess the current and projected financial situation of the borrower, the customer's exposure to currency risk, management and operational history, the capacity of the borrower to provide accurate and timely financial information, as well as the general risk of the sector in which the borrower operates and the borrower's relative position within that sector.

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The Argentine Central Bank's regulations establish that a team that is independent from the areas in charge of loan origination must conduct a periodic evaluation of the commercial portfolio. The Bank's Credit Division, which is independent from the business units that generate the transactions, is in charge of these reviews.

The review must be carried out on each borrower with outstanding debt pending payment equal to the lesser of the following amounts: Ps. 1 million or 1% of a bank's RPC but, in any case, the review shall at least cover 20% of the total loan portfolio. The frequency of each borrower's review shall depend on a bank's exposure thereto. 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 a bank's RPC, or every six months when exposure equals or exceeds the lesser of the following amounts: Ps. 1 million or 1% of a bank's RPC. In all cases, at least 50% of the Bank's commercial portfolio must be reviewed by the end of each six months, and all other borrowers in the Bank's commercial portfolio must be reviewed during a fiscal year, so that the entire commercial portfolio is reviewed every fiscal year.

In addition, only one level of discrepancy is permitted between the classification assigned by a bank to a customer and the lowest classification assigned to it by at least two other banks, the combined credit of which represents 40% or more of the total credit to such borrower considering all banks. If the Bank's classification was different by more than one level from the lowest of such classification, it must immediately downgrade its classification of the debtor to the same classification, or within one classification level.

With the purpose of facilitating customers' access to credit after the 2001-2002 crisis, the Argentine Central Bank resolved, mainly through Communiqués A 4070 and A 4254, dated January 9 and December 2, 2004, respectively, to introduce certain changes aimed at counterbalancing the effects of said crisis on customers' classification. The most important modifications that are still in effect are the following:

- the reduction in the required loan amortization necessary to improve the customer's classification; and

- the possibility to provide customers with new financial assistance and classify as normal customers classified in a non-performing status in the financial system, thereby restricting this financing assistance to pre-established percentages based on the worst situation a customer registers in the financial system.

Communiqué A 4738 of the Argentine Central Bank, dated November 26, 2007, introduced certain amendments to the classification rules applicable the consumer portfolio, in order to reflect a borrower's total risk more accurately.

Consequently, the rule establishes new consumer portfolio categories. In addition, said Communiqué establishes that, in order to determine the degree of timely fulfillment of obligations, it will be necessary to analyze the client's arrears, legal situation and the classification assigned by the rest of the financial institutions and whether the fulfillment of obligations depends on any kind of refinancing.

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Pursuant to this Communiqué, those clients 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 addition:

to achieve this better quality status, the client must comply with the rest of the requirements for the new category;

in case of having refinanced and non-refinanced obligations, the resulting classification shall be the lowest resulting from the individual analysis of each transaction;

if a client 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;

debtors with arrears of over 31 days must be classified within the category resulting from adding the number of arrear days corresponding to the first refinanced debt unpaid installment and those of the minimum arrears set forth for the category in which the debtor is classified at the time default is recorded.

For clients in a normal situation, additional financial assistance granted shall not be deemed to be refinancing as long as it implies an increase in principal owed and the client's ability to pay the obligation resulting from said financial assistance is assessed. The remaining cases, in which no debt increase is recorded, will be deemed refinancing and only those clients that have not exceeded two refinancing instances within 12 months since the last refinancing will be kept within category 1.

Also, higher financial assistance to fund working capital increases or additional investment shall not be deemed to be refinancing.

*Loan Classification*

The following tables contain the six loan classification categories corresponding to the different risk levels set forth by the Argentine Central Bank. The total exposure to a private-sector client must be classified according to the riskiest 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 a significant cash flow, 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 presents good prospects.

2. With Special Follow-up

The cash flow analysis reflects that the debt may be repaid even though it is possible that the client'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 Agreements to Refinance.

3. With Problems

The cash flow analysis evidences problems to repay the debt, and therefore, should these problems not be solved, there may be some losses.

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Loan Classification	Description
4. High Risk of Insolvency	The 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 analysis. Includes loans to insolvent or bankrupt borrowers.
6. Uncollectible due to Technical Reasons	Includes borrowers indicated by the Argentine Central Bank to be in non-performing 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: <ul style="list-style-type: none"> <li>(i) classified as normal ,</li> <li>(ii) subject to the supervision of the Argentine Central Bank or other similar authority of the country of origin, and</li> <li>(iii) classified as investment grade by any of the rating agencies admitted to the Argentine Central Bank pursuant to Communiqué A 2729.</li> </ul>

**Consumer Portfolio.**

Loan Classification	Description
1. Normal Situation	Loans with timely repayment or arrears not exceeding 31 days, both with respect to principal and interest. In addition, a client classified under category 2, having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 10% of principal.
2. Low Risk	Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days. A client classified under category 3 having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 10% of principal.
3. Medium Risk	Some inability to make payments, with arrears of more than 91 days and up to 180 days. A client classified under category 4 having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 15% of principal.
4. High Risk	

Judicial proceedings seeking collection have been initiated or arrears of more than 180 days and up to one year. A client classified under category 5 having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 20% 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 .

**Table of Contents***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 category and by whether the loans are secured or not. The percentages apply to the customer's total obligations, considering both principal and interest. The allowance for loan losses on the normal portfolio is unallocated, while the allowances for the other categories are individually allocated. The regulations suspend accrual of interest or require allowances equivalent to 100% of interest for customers classified as With Problems or Medium Risk or lower. The allowances required are as follows:

**Minimum Allowances for Loan Losses**

<b>Category</b>	<b>Secured</b>	<b>Unsecured</b>
1. Normal Situation	1.0%	1.0%
2. (a) Under Observation and Low Risk	3.0%	5.0%
2. (b) Under Negotiation or Agreements to Refinance	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%

Pursuant to Argentine Central Bank regulations, these minimum provisions are not required for interbank financial transactions of less than thirty days, or loans to Argentine provincial governments or to financial institutions majority-owned by the Argentine national, provincial or city governments with governmental guarantees.

Credits covered by preferred A guarantees must be provisioned at 1.0% regardless of the customer's 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 1.0% 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, 2008, December 31, 2007 and December 31, 2006, we maintained a general loan loss allowance of Ps. 298.4 million, Ps. 188.0 million and, Ps. 101.0 million, respectively, which exceeded by Ps. 200.0 million, Ps. 88.5 million and, Ps. 35.2 million, respectively, the 1.0% minimum general allowance required by the Argentine Central Bank. The excess over the minimum requirement of fiscal years 2006 and 2007 was maintained in connection with commercial loans under a restructuring process which was not completed as of each date, and which were the remaining of the cases stemming from the 2001-2002 crisis. The increase in these amounts in fiscal year 2008 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.

**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.

	<b>As of December 31, 2008</b>					
	<b>Amounts Not Yet Due</b>		<b>Amounts Past Due</b>		<b>Total Loans</b>	
	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
<i>(in millions of Pesos, except percentages)</i>						
<b>Loan Portfolio Classification</b>						
1. Normal and Normal Performance	11,430.6	96.09			11,430.6	93.33
2. With Special Follow-up Under observation and Low	388.8	3.27			388.8	3.18

Risk						
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
				&nbsp;		