GRUPO FINANCIERO GALICIA SA
Form 20-F
June 29, 2011

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

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

or

þ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2010

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from __________ to __________

or

o **Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of event requiring this Shell Company Report

Commission File Number 000-30852

GRUPO FINANCIERO GALICIA S.A.
(Exact name of Registrant as specified in its charter)
GALICIA FINANCIAL GROUP
(Translation of Registrant s name into English)
REPUBLIC OF ARGENTINA
(Jurisdiction of incorporation or organization)
Grupo Financiero Galicia S.A.
Tte. Gral. Juan D. Perón 456
C1038 AAJ-Buenos Aires, Argentina
(Address of principal executive offices)
Pedro Richards, Chief Executive Officer
Tel: 54 11 4 343 7528 / Fax: 54 11 4 331 9183, prichards@gfgsa.com
Perón 456, 2° Piso C1038AAJ Buenos Aires ARGENTINA
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:
American Depositary Shares, each representing ten Class B ordinary Shares
Name of each exchange on which registered
Nasdaq Capital Market
Title of each class
Class B Ordinary Shares, Ps.1.00 par value, (not for trading but only in connection with the listing of the American Depositary Shares on the Nasdaq Capital Market)

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

None

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

None

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

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

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

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 o No þ

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 þ No o

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 þ No o

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 o   Accelerated filer þ   Non-accelerated filer o

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

U.S. GAAP o   International Financial Reporting Standards As issued by the International Accounting Standards Board o   Other þ

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

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 o No þ

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PRESENTATION OF FINANCIAL INFORMATION

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

Grupo Financiero Galicia;

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

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

Compañía Financiera Argentina S.A. (Compañía Financiera Argentina or CFA), Cobranzas y Servicios S.A. and Procesadora Regional S.A. (collectively the CFA Group)

Sudamericana Holding S.A., and its subsidiaries;

Galicia Warrants S.A. (Galicia Warrants);

Net Investment S.A. (Net Investment),

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

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

We maintain our financial books and records in Argentine Pesos and prepare our financial statements in conformity with the accounting rules of the Argentine Central Bank, which entity prescribes the generally accepted accounting principles for all financial institutions in Argentina. This annual report refers to those accounting principles as Argentine Banking GAAP . Argentine Banking GAAP differs in certain relevant respects from generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP . Argentine Banking GAAP also differs in certain significant respects from the generally accepted accounting principles in the United States, which we refer to as U.S. GAAP . See Note 33 to our audited consolidated financial statements included in this annual report for a description of the differences between Argentine GAAP and Argentine Banking GAAP, and Note 35 to our audited consolidated financial statements for a reconciliation of the principal differences between Argentine Banking GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of our net income and total shareholders equity for the three fiscal years ended December 31, 2010 and Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation .

In this annual report, references to US$, US Dollars , and Dollars are to United States Dollars and references to Ps. or Pesos are to Argentine Pesos. The exchange rate used in translating Pesos into 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.3.9758, Ps.3.7967 and Ps.3.4537 per US$1.00 as of December 31, 2010, December 31, 2009 and December 31, 2008, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into US Dollars at the rates indicated or at any other rate.

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

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

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

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

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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 Banco Galicia (as well as to other financial institutions), as compensation for the negative effects of the Asymmetric Pesification on Banco Galicia 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 . The remaining effects of the 2001-2002 crisis were settled during 2010.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve substantial risks and uncertainties, including, in particular, statements about our plans, strategies and prospects under the captions Item 4. Information on the Company-Capital Investments and Divestitures , Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-Principal Trends and Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources . All statements other than statements of historical facts contained in this annual report (including statements regarding our future financial position, business strategy, budgets, projected costs and management s plans and objectives for future operations) are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of such words as may , will , expect , intend , estimate , anticipat 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 Government regulations applicable to financial institutions, including tax regulations and changes in or failures to comply with banking or other regulations;
- changes in general political, legal, social or other conditions in Argentina, Latin America or abroad;
- fluctuations in the Argentine rate of inflation;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies, including expected or unexpected turbulence or volatility in domestic or international financial markets;
- changes in the macroeconomic situation at the regional, national or international levels, and the influence of these changes on the microeconomic conditions of the financial markets in Argentina;
- increased competition in the banking, financial services, credit card services, insurance, asset management and related industries;
- changes in interest rates which may, among other things, adversely affect margins;
- a loss of market share by any of Banco Galicia s main businesses;
- a change in the credit cycle and increased borrower defaults;
- Banco Galicia s inability to sustain or improve its performance;
- Banco Galicia s inability to obtain additional debt or equity financing on attractive conditions or at all, which may limit its ability to fund existing operations and to finance new activities;
- technological changes and changes in Banco Galicia s ability to implement new technologies;
- changes in the saving and consumption habits of its customers and other structural changes in the general demand for financial products, such as those offered by Banco Galicia;
- possible financial difficulties of the Government;
- volatility of the Peso and the exchange rates between the Peso and foreign currencies; and

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

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Item 3.A. Selected Financial Data

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

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

The selected consolidated financial information as of December 31, 2010 and December 31, 2009 and for the fiscal years ended December 31, 2010, 2009 and 2008 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2008, December 31, 2007 and December 31, 2006 and for the fiscal years ended December 31, 2007 and December 31, 2006 has been derived from our audited consolidated financial statements not included in this annual report.

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

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	Fiscal Year Ended December 31,					
	2010	2010	2009	2008	2007	2006
	(in millions of US Dollars, except as noted)(1) *Unaudited*	*(in millions of Pesos, except as noted)*(1)				
Consolidated Income Statement in Accordance with Argentine Banking GAAP						
Financial Income	909.5	3,616.1	3,005.6	2,559.3	1,997.9	2,229.8
Financial Expenses	355.3	1,412.7	1,460.5	1,421.0	1,246.7	1,851.6
Net Financial Income (2)	554.2	2,203.4	1,545.1	1,138.3	751.2	378.2
Provision for Losses on Loans and Other Receivables	138.7	551.5	639.5	395.4	255.5	110.9
Income before Taxes	167.8	667.1	385.3	250.8	117.5	75.3
Income Tax	(65.0)	(258.2)	(156.0)	(74.0)	(71.5)	(94.2)
Net Income / (Loss)	102.8	408.9	229.3	176.8	46.0	(18.9)
Earnings / (Loss) per Share (in Pesos)	0.083	0.329	0.185	0.142	0.037	(0.015)
Cash Dividends per Share (in Pesos)						
Stock Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.500	1.989	1.653	1.487	1.333	1.296
Amounts in Accordance with U.S. GAAP						
Net Income / (Loss)	576.9	2,293.6	770.2	(1,171.0)	592.9	3,524.9
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	0.465	1.848	0.620	(0.943)	0.478	2.841
Book Value / (Deficit) per Share (in Pesos)	0.607	2.414	0.996	(0.608)	0.192	0.117
Financial Income	1,202.1	4,779.2	3,374.8	1,201.7	2,433.2	5,456.4
Financial Expenses	337.9	1,343.4	1,434.4	1,391.3	1,160.1	1,863.6
Net Financial Income / (Loss)	864.2	3,435.8	1,940.4	(189.6)	1,273.1	3,592.8
Provision for Losses on Loans and Other Receivables	138.3	549.7	527.3	450.1	203.4	160.3
Income Tax	127.8	508.1	(54.5)	50.9	(92.5)	(277.1)
Consolidated Balance Sheet in Accordance with Argentine Banking GAAP						
Cash and Due from Banks	1,420.0	5,645.6	3,696.3	3,405.1	2,960.0	2,294.8

Government Securities, Net	570.4	2,267.7	3,907.2	1,531.8	1,693.0	3,188.3
Loans, Net	5,370.9	21,353.8	13,477.9	11,774.6	11,601.0	10,525.0
Total Assets	8,981.4	35,708.1	27,602.4	24,735.8	22,828.7	23,615.4
Deposits	5,589.5	22,222.8	17,039.4	14,056.1	13,165.6	10,779.4
Other Funds (3)	2,770.8	11,015.8	8,510.5	8,834.0	8,008.6	11,227.5
Total Shareholders Equity	621.1	2,469.5	2,052.5	1,845.7	1,654.5	1,608.5
Average Total Assets (4)	7,323.9	29,118.4	24,685.3	23,412.5	21,332.4	24,614.5
Percentage of Period-end Balance Sheet Items Denominated in Dollars:						
Loans, Net of Allowances	14.53	14.53	17.78	16.97	15.13	16.66
Total Assets	18.98	18.98	24.95	28.85	27.60	28.94
Deposits	18.08	18.08	18.16	16.98	15.53	14.13
Total Liabilities	23.01	23.01	27.73	32.47	32.84	30.41
Amounts in Accordance with U.S. GAAP						
Trading Securities	679.2	2,700.4	2,011.9	989.6	476.2	208.2
Available-for-Sale Securities	599.9	2,384.9	3,916.9	2,050.0	3,717.3	5,214.6
Total Assets	10,210.2	40,593.9	30,377.6	25,159.7	24,429.1	24,107.0
Total Liabilities	9,456.4	37,596.9	29,141.3	25,914.1	24,191.0	23,961.2
Shareholders Equity (Deficit)	753.8	2,997.1	1,236.3	(754.4)	238.1	145.8

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	Fiscal Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions of Pesos, except as noted)[1]				
Selected Ratios in Accordance with Argentine Banking GAAP					
Profitability and Efficiency					
Net Yield on Interest Earning Assets [5]	11.38%	9.10%	5.72%	4.13%	1.21%
Financial Margin [6]	10.02	8.41	5.72	4.12	1.74
Return on Average Assets [7]	1.76	1.12	0.91	0.37	0.00
Return on Average Shareholders Equity [8]	18.63	11.69	10.13	2.86	(1.15)
Net Income from Services as a Percentage of Operating Income [9]	44.71	45.90	51.07	54.86	63.99
Efficiency ratio [10]	71.39	71.05	76.57	77.29	92.80
Capital					
Shareholders Equity as a Percentage of Total Assets	6.92%	7.44%	7.46%	7.25%	6.81%
Total Liabilities as a Multiple of Shareholders Equity	13.46x	12.45x	12.40x	12.80x	13.68x
Total Capital Ratio	15.19%	14.35%	13.92%	15.54%	15.03%
Liquidity					
Cash and Due from Banks as a Percentage of Total Deposits	25.40%	21.69%	24.23%	22.48%	21.29%
Loans, Net as a Percentage of Total Assets	59.80	48.83	47.60	50.82	44.57
Credit Quality					
Past Due Loans [11] as a Percentage of Total Loans	2.57%	3.95%	2.87%	2.77%	2.38%
Non-Accrual Loans [12] as a Percentage of Total Loans	3.37	4.77	3.49	3.14	2.58
Allowance for Loan Losses as a Percentage of Non-accrual Loans[12]	137.57	118.64	123.11	114.05	117.16
Net Charge-Offs [13] as a Percentage of Average Loans	2.37	2.84	1.83	0.65	1.42
Ratios in Accordance with U.S. GAAP					
Capital					
Shareholders Equity (deficit) as a Percentage of Total Assets	7.38%	4.07%	(3.00)%	0.97%	0.60%
Total Liabilities as a Multiple of Total Shareholders Equity	12.54x	23.57x	(34.35)x	101.61x	164.33x
Liquidity					
Loans, Net as a Percentage of Total Assets	52.56%	45.55%	49.59%	49.36%	40.10%
Credit Quality					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	163.37	108.37	141.34	132.13	168.58
Inflation and Exchange Rate					
Wholesale Inflation [14]	14.56%	10.04%	8.82%	14.56%	7.14%
Consumer Inflation [15]	10.92	7.69	7.24	8.47	9.84
Exchange Rate Variation [16] (%)	4.72	9.93	9.61	2.66	1.25
CER [17]	11.04	6.95	7.97	8.50	10.08

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

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(1) *The exchange rate used to convert the December 31, 2010 amounts into US Dollars was Ps.3.9758 per US$1.00. All amounts are stated in millions of Pesos, except inflation and exchange rates, percentages, ratios, multiples and per-share data.*

(2) *Net financial income primarily represents income from interest on loans and other receivables resulting from financial brokerage plus net income from government and corporate debt securities, including gains and losses, minus interest on deposits and other liabilities from financial intermediation. It also includes the CER adjustment.*

(3) *Includes primarily liabilities with other banks and international entities. Until December 31, 2006, debt with the Argentine Central Bank was also included.*

(4) *The average balances of assets, including the related interest that is due are calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales S.A consolidated with its operating subsidiaries, and on a monthly basis for Grupo Financiero Galicia and its non-banking subsidiaries.*

(5) *Net interest earned divided by interest-earning assets. For a description of net interest earned, see Item 4. Information on the Company-Selected Statistical Information-Interest-Earning Assets-Net Yield on Interest-Earning Assets .*

(6) *Financial margin represents net financial income divided by average interest-earning assets.*

(7) *Net income excluding minority interest as a percentage of average total assets.*

(8) *Net income as a percentage of average shareholders equity.*

(9) *Operating income is defined as net financial income plus net income from services.*

(10) *Administrative expenses as a percentage of operating income as defined above.*

(11) *Past-due loans are defined as the aggregate principal amount of a loan plus any accrued interest that is due and payable for which either the principal or any interest payment is 91 days or more past due.*

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

(13) *Charge-offs plus direct charge-offs minus bad debts recovered.*

(14) *As measured by the annual change in the end-of-period Wholesale Price Index (WPI), published by INDEC.*

(15) *As measured by the annual change in the end-of-period Consumer Price Index (CPI), published by INDEC.*

(16) *Annual change in the end-of-period exchange rate expressed in Pesos per US Dollar.*

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

Exchange Rate Information

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

	Exchange Rate(1)			
	High	**Low**	**Average(2) (3)**	**Period-End**
	(in Pesos per US Dollar)			
2006	3.1072	3.0305	3.0784(3)	3.0695
2007	3.1797	3.0553	3.1196(3)	3.1510
2008	3.4537	3.0128	3.1797(3)	3.4537
2009	3.8545	3.4497	3.7478(3)	3.7967
2010	3.9857	3.7942	3.9226(3)	3.9758
December 2010	3.9857	3.9732	3.9776	3.9758
January 2011	4.0008	3.9715	3.9813	4.0008
February 2011	4.0305	4.0088	4.0220	4.0305
March 2011	4.0520	4.0288	4.0372	4.0520
April 2011	4.0837	4.0495	4.0655	4.0805
May 2011	4.0887	4.0788	4.0839	4.0887

(1) Using closing reference exchange rates as published by the Argentine Central Bank.

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

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

As of June 15, 2011, the exchange rate was Ps.4.0932 for US$1.00.

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Item 3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

Item 3.D. Risk Factors

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

Risk Factors Relating to Argentina

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

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

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

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

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

Although general economic conditions in Argentina have recovered significantly during the years since the 2001-2002 economic crisis, there is uncertainty as to whether this growth is sustainable. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine Peso, a high excess production capacity resulting from a long period of deep recession and high commodity prices. The global economic crisis of 2008 led to a sudden economic decline in Argentina during 2009, accompanied by political and social unrest, inflationary and Peso depreciation pressures and lack of consumer and investor confidence. According to the Argentine Statistics and Census Agency (*Instituto Nacional de Estadísticas y Censos*, INDEC), Argentina s Gross Domestic Product (GDP), in real terms, grew by 6.8% in 2008, 0.9% in 2009 and 9.2% in 2010, and there is uncertainty as to whether Argentina will be able to maintain the current level of economic growth.

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The economic and financial crises in certain European countries, a decline in the international demand for Argentine products, a lack of stability and competitiveness of the Peso against foreign currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties (including the upcoming presidential and parliamentary elections during 2011 and the uncertainty regarding the economic policy to be carried out by the new government), among other factors, may affect the development of the Argentine economy and cause volatility in the local securities markets, which could have a material adverse effect on the financial condition and the results of operations of Grupo Financiero Galicia and its subsidiaries.

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

- the recovery has depended to some extent on high commodity prices, which are volatile and beyond the control of the Government;
- inflation has risen and threatens to accelerate;
- the current fiscal situation is at risk of deterioration;
- the regulatory environment continues to be uncertain and has been subject to frequent change;
- Argentina s international financing is limited;
- the availability of long-term fixed rate credit is scarce; and
- investment as a percentage of GDP remains low.

We cannot provide any assurance that a decline in economic growth or increased economic instability, developments over which we have no control, would not have an adverse effect on our business and financial condition or results of operations.

Domestic and international uncertainty concerning the current political and social environment in Argentina may have an impact on capital flows.

Domestic, as well as international uncertainty, may adversely impact Argentina s ability to attract capital. During the first half of 2009, capital outflows increased abruptly (influenced by domestic and international uncertainty), although this increase began to level off during the second half of 2009. In 2010 until now, the process of capital flight has not been reversed completely.

An abrupt change in the economic policies of developed economies, or changes in domestic policy, may adversly impact the flow of capital towards Argentina. Such changes would likely negatively impact the liquidity of the local market and the operations of Grupo Financiero Galicia and its subsidiaries.

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

Following the Government s decision in January 2002 to abandon the fixed exchange rate regime set forth in the Argentine Convertibility Act, the corresponding devaluation of the Peso created pressure on the domestic pricing system and caused inflation in 2002 after several years of price stability. In 2003, inflation decreased significantly and stabilized. However, according to INDEC, the consumer price index increased by 7.2% in 2008, 7.7% in 2009 and 10.9% in 2010; while the wholesale price index went up 8.8% in 2008, 10.0% in 2009 and 14.6% in 2010. The accuracy of the measurements of the INDEC is in doubt, and the actual consumer price index and wholesale price index could be substantially higher than those indicated by the INDEC. For example, according to private estimates, the consumer price index increased by 19.4% (rather than 7.2%) in 2008, 16.3% (rather than 7.7%) in 2009 and 22.9% (rather than 10.9%) in 2010. In the past, inflation has materially undermined the Argentine economy and the Government s ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same would materially and adversely affect the business volume of the financial system and prevent the growth of intermediation activity levels. This result, in turn, would adversely affect the level of economic activity and employment.

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High inflation would also undermine Argentina s foreign competitiveness and adversely affect economic activity, employment, real salaries, consumption and interest rates. A high level of uncertainty with respect to these economic variables, and a general lack of stability with respect to inflation would shorten contract terms and affect the ability of businesses to plan and make decisions, thereby materially and adversely affecting economic activity, and lowering consumers income and their purchasing power, all of which would have a material adverse effect on the financial position and business of Grupo Financiero Galicia and its subsidiaries.

Argentina s ongoing litigation in relation to its default on its indebtedness in 2001 may limit its ability, and that of private sector companies in Argentina, to obtain financing and to attract direct foreign investment, and may have material adverse effects on the economy and the financial performance of Grupo Financiero Galicia.

Argentina has very limited access to foreign financing. As of December 31, 2001, Argentina s total public debt amounted to US$144.5 billion. In December of 2001, Argentina defaulted on over US$81.8 billion in external debt to bondholders. In addition, since 2002, Argentina suspended payments on over US$15.7 billion in debt to multilateral financial institutions (e.g. the IMF and the Paris Club) and other financial institutions. In 2006, Argentina cancelled all of its outstanding debt with the IMF totaling approximately US$9.5 billion, and through various exchange offers made to bondholders between 2004 and 2010, restructured over US$74 billion of its defaulted debt. Although on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club, a decision which was accepted by the Paris Club, negotiations related to such repayment remain open. As of December 31, 2010, the Government was still in default with respect to over US$7 billion of debt to bondholders. As of such date, Argentina s total public debt amounted to US$156.7 billion (excluding the debt in default to bondholders).

In addition, the foreign shareholders of several Argentine companies, including public utilities and bondholders that did not participate in the exchange offers described above, have filed claims that exceed US$20 billion with the International Centre for Settlement of Investment Disputes (ICSID) alleging that the emergency measures adopted by the Government differ from the just and equal treatment dispositions set forth in several bilateral investment treaties to which Argentina is a party. The ICSID has ruled that the Government must pay an amount equal to US$1 billion, plus interest and incurred expenses, in respect of such claims. Additionally, on October 7, 2008, an ICSID tribunal, in a case in which it had already awarded compensation to the claimants, issued a decision ordering Argentina to pay the compensation previously awarded to the claimants within 60 days. In its decision, the ICSID tribunal stated that, based on the interpretation of the Bilateral Treaty on Protection and Reciprocal Promotion of Investments (IBT) executed between the United States and Argentina, (i) to the extent the compensation orders are not revoked, the compensation payments ordered to be made by the ICSID should be made immediately and claimants do not need to file subsequent actions or execution proceedings seeking payment of the awarded compensation and (ii) Argentina s position of waiting for the claimants to file execution proceedings to seek collection of already awarded amounts is in flagrant breach of the international law obligations undertaken by Argentina under the IBT.

Furthermore, under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules, arbitration tribunals ordered Argentina (i) in December 2007, to pay US$185 million to British Gas (shareholder of Argentine gas company Metrogas); and (ii) in November 2008, to pay US$53.5 million to National Grid PLC (shareholder of Argentine electricity transportation company Transener). Argentina filed a petition with the U.S. District Court for the District of Columbia to vacate both awards. The annulment of the National Grid PLC award was rejected by the U.S. District Court for the District of Columbia, whereas the British Gas annulment suit is still pending as of the date of this annual report.

Litigation, as well as ICSID and UNCITRAL claims against the Government have resulted in material judgments and may result in new material judgments against the government, which could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have all the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country s economy, and consequently, our financial condition. In August, 2010, the U.S. Second Circuit Court of Appeals in New York upheld a ruling issued by District Judge Thomas Griesa, which allows for the attachment of certain assets held in trust by the Government that will be stayed until a final ruling on the matter. The trust is administered by U.S. Bank Trust N.A., and was established in 1999 to hold American Depositary Shares

(ADSs) issued by Banco Hipotecario S.A., a state-owned lender bank that was being privatized at the time. Such depositary shares corresponded to class D shares of Banco Hipotecario S.A., which were to be used to satisfy investor redemptions of options. The rulings have been issued in connection with a request from EM Ltd. and NML Capital, Ltd., two of Argentina s largest sovereign debt holders. Pursuant to such rulings, government assets amounting to approximately US$90 million held in such trust have been attached for the benefit of outstanding government creditors.

On March 1, 2010, the executive branch of the Government issued Executive Decree 298/2010, which created the Fund for the Repayment of Argentine Debt (*Fondo de Desendeudamiento Argentino*) for an amount of US$4,382 million, to be used for the payment of Argentine public debt. In addition, the executive branch of the Government abrogated Executive Decree 2010/09 which had created the Bicentennial Fund for Stability and Repayment of Debt (*Fondo del Bicentenario para el Desendeudamiento y la Estabilidad*). Decree 298/2010 was judicially attacked by the opposing political parties and its application was suspended temporarily by an Argentine court. The suspension was subsequently lifted. The Argentine Court of Appeals allowed the use of Argentine Central Bank reserves by the above-mentioned fund for the repayment of Argentine debt; subsequently, the executive branch of the Government proceeded to pay public debt on April 4, 2010, with its first payment in the amount of US$204 million going towards the repayment of Government bonds in Dollars at 7%, due in 2015 (Boden 2015 Bonds). Subsequent repayments of Argentine public debt have been made, and it is estimated that the Fund for the Repayment of Argentine Debt has been used in its entirety for such repayments.

Argentina s default with respect to the payment of its foreign debt, and the aforementioned complaints filed against Argentina could prevent the Government and private sector companies in Argentina from accessing the international capital markets and receiving direct foreign investment. Accordingly, the Government may not have sufficient financial resources to foster economic growth. Moreover, investment in the private sector, which is also necessary to promote economic growth, may not occur at the necessary levels due to a lack of financing.

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

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

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

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

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

In response to the economic crisis mentioned above, the Government enacted numerous laws and mandated extensive regulation which adversely affected the economy in general, and economic activity in particular. The Government continues to exert significant control over the economy. Political and social pressures could inhibit the implementation by the Government of policies designed to maintain price stability, generate growth and enhance consumer and investor confidence.

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

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

As of the date of this annual report, three different bills to amend Law No. 21,526 as amended (*Ley de Entidades Financieras,* the Financial Institutions Law) have been presented for review in the Argentine Congress by congressmen Heller, Pinedo and Millman, respectively, seeking to amend different aspects of the Financial Institutions Law. If any such bill is passed, or any other amendment to the Financial Institutions Law is made, no assurances can be provided about what effects the subsequent changes in banking regulations could have on financial institutions in general, and on its business, financial conditions and/or results of operations.

There is a material risk that future enactments of governmental regulation by Argentine authorities affect the assets or the operating results of companies in the private sector, including Grupo Financiero Galicia and its subsidiaries, the rights of the holders of securities issued by such entities, or the value of such securities.

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

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

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

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

In addition, at the end of 2007 and in early 2008, the U.S. economy started to show signs of weakness caused by the uncertainty in the world economy. The subprime mortgage market crisis in the U.S. quickly spread into other regions such as Europe, Asia, and Latin America.

The number of defaults with respect to the repayment of mortgage loans in the U.S. subprime mortgage market increased dramatically due to the steep fall in real property prices and higher interest rates. The considerable decrease in the value of financial products related to these subprime mortgage market loans initially led to the closing and bankruptcy of certain banks, which later turned into a general confidence and liquidity crisis in the international financial sector.

Due to these events, long-term interest rates began to decrease in the second half of 2008. At the beginning of the international financial markets crisis, central banks mainly focused on the potential adverse effects on their economies. However, the Dollar began to weaken, reaching historic lows during 2007, especially as compared to the strong Euro, which reached exchange rates of almost US$1.6 per Euro (this trend has since reversed as a result of the spread of the lack of confidence of the U.S. in the European markets). During this crisis, the principal world financial institutions suffered significant losses, further increasing the lack of confidence in the international financial system. At the same time, various financial institutions have become insolvent, filed for bankruptcy, been rescued by their country s regulators, or merged with other institutions. In addition to, and as a consequence of, the historic fluctuations in the world s principal stock exchanges during 2008 and 2009, there have been strong fluctuations in the price of oil and an abrupt fall in the price of other commodities.

In 2010, although the world economic recovery continued at a solid pace, fears of a sovereign debt crisis developed concerning some European countries. This, in turn, led to a crisis of confidence as well as the widening of bond yield spreads and risk insurance on credit default swaps between these countries and other European Union members, including Germany. Concerns around rising government deficits and debt levels across the globe, together with a wave of downgrades with respect to European sovereign debt, created alarm in financial markets.

During 2011 Greece, and to a lesser extent other European countries like Portugal and Ireland, remain a high stake problem and the risk of contagion is still an issue. The problems of the European Union periphery, stemming from the combined interactions of low growth, fiscal woes, and financial pressures, are particularly acute. Reestablishing fiscal and financial sustainability in the face of low or negative growth and high interest rates is a substantial challenge.

From the beginning of 2011 fears have turned to commodity prices which have increased more than expected, reflecting a combination of strong demand growth and supply shocks. In turn inflation has been on the rise all over the world even in many advanced economies where output is still far from potential. However the challenge is stronger in emerging and developing economies, where the consumption share of food and fuel is larger and the credibility of monetary policy is often weaker.

In addition growth concerns around developed countries have gained momentum in recent months. While a double dip recession is not the most likely scenario, it still cannot be completely ruled out.

The Argentine economy is vulnerable to the evolution of the aforementioned developments. Both inflation and growth concerns, if materialized, could prove to be a turning point in the current favorable external conditions. It is difficult to predict the manner and the extent to which these events may materially and adversely affect Argentina.

This could create an unfavorable international economic environment for Argentina, which could require government-driven adjustments to Argentine economic policy and result in lower economic growth and consequently may affect the business of Grupo Financiero Galicia and its subsidiaries, including Banco Galicia, which could adversely affect their results.

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

After several years of price stability in Argentina, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002, and had a broad adverse effect on the Argentine economy, the financial situation of Argentine companies, and the general population. The devaluation had an adverse effect on the ability of Argentine companies to fulfill their foreign currency denominated obligations, generated high inflation throughout 2002, significantly reduced real salaries, and had an adverse effect on companies that were focused on the domestic market, such as public services companies and financial companies. It also adversely affected the ability of the Government to honor its foreign debt obligations.

If the Peso were to devalue significantly in the future, the aforementioned adverse effects on the Argentine economy could occur again, which could materially and adversely affect Grupo Financiero Galicia s businesses and impair its ability to honor its obligations denominated in a foreign currency.

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

Decree No. 1570/01, which became effective on December 3, 2001, imposed certain restrictions on the transfer of foreign currency abroad by prohibiting usual transfer transactions of funds to accounts outside of Argentina. The same restriction was maintained by Decree No. 1606/01, which also included certain additional exceptions for the transfer of funds into Argentina after December 3, 2001.

Additionally, pursuant to Decree N° 616/05 (and related provisions), the Government has regulated incoming and outgoing flows of funds. Generally, this rule provides that, subject to certain exceptions, certain funds transferred into Argentina by residents or non-residents are subject to the creation of a mandatory deposit called an *encaje* equal to 30% of the amount transferred, which is to be deposited in Dollars, for one year, in a non-transferable, non-interest-bearing account at a local financial institution. This rule establishes that, subject to certain exceptions, in order to transfer currency from Argentina to foreign accounts, the approval of the Argentine Central Bank must be obtained, and it further establishes certain maximum amounts that individuals may acquire in the foreign exchange market. For a further description of these and other foreign exchange control actions, see Item 10. Additional Information-Exchange Controls . No assurance can be provided that the above-mentioned regulations will not be amended, or that new regulations (or implementation measures) will not be enacted in the future that operate to further limit foreign exchange flows into and out of Argentina. Any such measures, as well as any additional controls and/or restrictions, could materially and adversely affect Grupo Financiero Galicia s ability to access international capital markets, make payments of principal and/or interest on its liabilities denominated in a foreign currency or transfer abroad (totally or partially) funds and adversely affect the financial condition and results of Grupo Financiero Galicia s operations. Therefore, non-resident investors and Argentine residents with assets located outside of Argentina should particularly take into account the regulation (and its amendments) that govern access to the foreign exchange market. Grupo Financiero Galicia may be unable to make payments in Dollars and/or to make payments outside of Argentina due to the exchange market restrictions currently in place and/or due to restrictions on the ability of companies to transfer funds abroad.

Foreign judgments may not be enforceable in Argentina.

Grupo Financiero Galicia and most of its subsidiaries are companies incorporated under the laws of Argentina. Most of its shareholders, directors, members of the audit and executive committees, officers and some experts named herein reside in Argentina, and a substantial portion of the assets of Grupo Financiero Galicia are located in Argentina. Pursuant to Argentine law, a foreign judgment will be enforced in Argentina, provided that the requirements set forth in Sections 517 through 519 of the Argentine Code of Civil and Commercial Procedure are met; if it is a matter of provincial law, the requirements in the local codes of procedure must be met. In both instances, the foreign judgment must not infringe the principles of Argentine public policy, as determined by the competent courts of Argentina. Grupo Financiero Galicia cannot assure you that the enforcement of a foreign judgment that orders an Argentine entity to make payments pursuant to foreign-currency denominated debt instruments, outside of Argentina would not be held by an Argentine court to be contrary to the principles of Argentine public policy.

The Reform of the Retirement and Pension Integrated System materially and adversely affected the local capital markets and may materially and adversely affect Grupo Financiero Galicia s ability to obtain liquidity for its operations.

The Argentine Congress approved, through its enactment of Law No. 26,425 on November 20, 2008, the elimination of the private retirement system led by the Retirement and Pension Fund Administrators (the AFJPs), which was merged into, and replaced by, a single public regime, referred to as the Integrated Social Security System (*Sistema Integrado Previsional Argentino*). The law provided that, among other measures: (i) funds accumulated in the private retirement system over the previous fourteen years would be administered by the National Social Security Administration (*Administración Nacional de la Seguridad Social*, the ANSES) going forward and (ii) the retirement system would be public and citizens would be required to make their social security payments to this new system.

The elimination of this system created a significant change in the operations of the local capital markets, as the AFJPs were, historically, significant institutional investors in respect of local issuances of debt. The elimination of these investors from the local market could also materially and adversely affect Grupo Financiero Galicia s future ability to access liquidity through the domestic capital markets to fund its operations. Any of these scenarios could materially and adversely affect Grupo Financiero Galicia s financial position and ability to undertake financing transactions domestically.

The Government may order salary increases to be paid to employees in the private sector, which would increase Grupo Financiero Galicia s operating costs.

In the past, the Government has passed laws, regulations and decrees requiring companies in the private sector to increase wages and provide specified benefits to employees, and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations are demanding significant wage increases. It is possible that the Government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on Grupo Financiero Galicia s expenses and business, results of operations and financial condition.

Risk Factors Relating to the Argentine Financial System

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine banks. This massive withdrawal of deposits was mainly due to the loss of depositor confidence in the ability of the Government to pay its debts and to maintain the Peso-Dollar parity in the context of its solvency crisis.

If depositors once again withdraw significant holdings from banks, there may be a substantial negative impact on the manner in which financial institutions, including Banco Galicia, conduct their business, and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect the sensibility of Argentine depositors.

To prevent the run on the Dollar reserves of local banks, the Government restricted the amount of money that account holders could withdraw from the banks and introduced exchange controls to restrict the flow of capital out of institutions.

While conditions have improved in the financial system, an adverse economic situation, even if not related to the financial system, could result in a transfer of capital from local financial institutions, as depositors seek to protect their assets from a new crisis. Any massive withdrawal of deposits could cause liquidity problems for financial institutions, and as a result, a contraction in credit supply.

In the case of a future shock such as the insolvency of one or more banks, or a crisis in confidence of depositors, the Government could impose new controls on foreign exchange market or transfers to foreign markets, or take other measures that could lead to new social and political tensions and undermine the financial progress of the government, which would adversely affect Argentina s economy and growth prospects.

This could impact Grupo Financiero Galicia s and its subsidiaries results.

If the volume of financial intermediation is not restored to significant levels, the capacity of financial institutions, including Banco Galicia, to generate profits will be negatively affected.

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity in Argentina decreased dramatically: private sector credit fell from 24% of GDP in December 2000 to 7.7% in June 2004 and total deposits as a percentage of GDP fell from 31% to 23.2% during the same period. The depth of the crisis and the effect of the crisis on depositors confidence in the financial system created significant uncertainties as to the likelihood that the financial system would fully recover its ability to act as an intermediary between savings and credit. Further, the ratio of total private sector deposits and loans to gross domestic product in Argentina are low when compared to international levels and lower than the periods prior to the crisis, especially in the case of loans to the private sector, which represented approximately 13% of Argentine GDP as of December 31, 2010, as compared to a maximum of approximately 23% at the end of 1999.

There are no assurances that the necessary steps will be taken to restore financial intermediation activities to levels that allow for an adequate income generation capacity by Argentine financial institutions, including Banco Galicia, or that such actions will be sufficient to prevent Argentine financial institutions, such as Banco Galicia, from having to assume excessive risks in terms of maturity mismatches. Under these circumstances and for an undetermined period of time, the scale of operations of financial institutions that operate in Argentina, including Banco Galicia, their business volume, the size of their assets and liabilities or their ability to generate results could be lower than before the crisis which, in turn, may impact the results of its operations.

The limited availability of medium- and long-term funding sources in Argentina may limit the capacity of Argentine financial institutions, including Banco Galicia, to generate profits.

Since the 2001-2002 economic crisis, most deposits in the Argentine financial system are either demand or short-term time deposits. The sources of medium- and long-term funding for financial institutions are currently limited, and have consisted, to a large extent, primarily since 2004, in the securitization of loan portfolios. Such securities were negatively affected by the replacement of the retirement and pension system of the AFJPs, which invested in loan securitization, by the Integrated Social Security System. The limited availability of medium- and long-term funding for Argentine financial institutions has caused such institutions to depend on the Argentine Central Bank as a liquidity backstop or on other liquidity sources which may or may not be available or which may be very costly. To the extent that Argentine financial institutions, such as Banco Galicia, are unable to access adequate funding sources or are required to pay high costs in order to obtain the same, their results of operations may be negatively impacted which, in the case of Banco Galicia, may adversely impact its ability to repay its debt.

Argentine financial institutions continue to have exposure to the public sector and its repayment capacity which, in periods of economic downturn, may negatively impact their results of operations.

As a result of certain measures taken by the Government during the 2001-2002 economic crisis, Argentine financial institutions continue to have exposure to the public sector and its repayment capacity. The Government s ability to honor its financial obligations is dependent on, among other things, its ability to establish economic policies that succeed in fostering sustainable economic growth in the long-term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

With respect to Banco Galicia, in particular, as of December 31, 2010, its net position in the Argentine public sector reached Ps.3,861 million, representing approximately 11% of its total assets and 1.5 times its shareholders equity. Of this total, Ps.1,468 million corresponded to Government securities while the remaining Ps.2,393 million were Argentine Central Bank debt instruments. As a result, Banco Galicia s income generating capacity may be materially impacted, or may be particularly impacted by the Argentine public sector s repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia s ability to honor its financial obligations could be adversely affected by the Government s payment capacity or its failure to meet its obligations in regard to Government obligations owed to Banco Galicia.

The Government may once again impose limitations on the enforcement of creditor rights in Argentina which could adversely affect the businesses of financial institutions, including Banco Galicia s.

To protect debtors affected by the 2001-2002 economic crisis, beginning in 2002 the Government adopted measures that temporarily suspended proceedings for the enforcement of creditors rights, including mortgage foreclosures and bankruptcy petitions. Most of these measures have been rescinded. The Government, however, could adopt additional measures that could adversely affect the businesses of financial institutions, including those of Banco Galicia.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by Grupo Financiero Galicia and its subsidiaries.

Argentine Law No. 24,240 (the Consumer Protection Law) sets forth certain rules and principles designed to protect consumers, which include Banco Galicia s customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26.361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the Credit Card Law) sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event that Grupo Financiero Galicia and its subsidiaries are found to be in violation of any provision of the Consumer Protection Law or the Credit Card Law, the penalties and remedies outlined above could prevent or limit the collection of payments due from services and financing provided by Grupo Financiero Galicia and its subsidiaries and materially and adversely affect their financial results. Grupo Financiero Galicia cannot provide any assurance that judicial and administrative rulings based on the newly enacted regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system and Banco Galicia s business and financial condition.

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities (including Banco Galicia) related to collective interests such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and, consecuently, Banco Galicia s business and financial condition.

Risk Factors Relating to Us

Increased competition and reduced spreads without a corresponding increase in lending volumes could adversely affect Banco Galicia s operations and profits.

We expect competition in the financial market to increase and a continued consolidation among the number of market participants. Such consolidation and increased competition could require Banco Galicia to expend significant resources to defend its current market share in the agricultural and livestock sector, small and medium sized companies (SMEs) business sector and consumer finance operations. Banco Galicia and other subsidiaries of Grupo Financiero Galicia could experience reduced prices and margins and/or decreased volume of operations and market share, and therefore, the results of their operations could be adversely affected.

Similarly, we expect that competition to gain market share in the SMEs business segments is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect the results of Banco Galicia s operations by decreasing the margins it is able to generate from this sector of clients.

Tax audits or disputes, or changes in the tax laws applicable to Grupo Financiero Galicia, could materially increase its tax payments, and certain administrative proceedings started by tax authorities against financial institutions such as Banco Galicia could generate losses to such institutions.

Certain tax authorities in the provinces and in the City of Buenos Aires initiated administrative proceedings against certain financial institutions in order to collect higher gross income taxes from such financial institutions from year-end 2002 onwards. Provincial tax authorities claim a substantial amount in connection with gross income generated by financial institutions in 2002, as such authorities include the income related to the Compensatory Bond (as defined below), into the income subject of the tax. The purpose of the Compensatory Bond was to compensate financial institutions for the losses that they would otherwise incur as a result of the measures implemented to face the 2001-2002 economic crisis, in particular, the Asymmetric Pesification. Although the final decision of these proceedings is uncertain, financial institutions, including Banco Galicia, could suffer material losses.

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

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

Adverse conditions in the credit and capital markets and in the exchange rates may have a material adverse effect on Grupo Financiero Galicia s financial condition and results of operations and adversely impact some of Grupo Financiero Galicia s important funding sources, therefore limiting its ability to access funding from such sources in a cost effective and/or timely manner.

Grupo Financiero Galicia may sustain losses relating to its investment in fixed or variable income securities in capital stock, and in its monetary position due to, among other reasons, changes in market prices, defaults and fluctuations in interest rates and in the exchange rate. A deterioration in the capital markets may cause Grupo Financiero Galicia to record net losses due to a decrease in the value of its investment portfolios, in addition to the losses from trading positions caused by volatility in the prices of the financial markets, even if the economy does not suffer overall. Any of these losses could have a material adverse effect on our results of operations.

Some of Banco Galicia s liquidity is derived from domestic banking institutions and/or the domestic capital markets. As of December 31, 2010, Banco Galicia s liquidity ratio was 33.98%, as measured by liquid assets as a percentage of total deposits (liquid assets include cash and due from banks, holdings of securities issued by the Argentine Central Bank (Lebac and Nobac), net interbank loans, short-term placements with correspondent banks and reverse repurchase agreement transactions in the local market). Any disruptions in the local capital markets or in the local banking market, as have been experienced in Argentina in the past from time to time, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia s ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia s financial condition and/or results of operations.

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

Grupo Financiero Galicia estimates and establishes reserves for potential credit risk and credit losses related to changes in levels of income of borrowers, increased rates of inflation or an increase in interest rates. This process requires complex and subjective analysis, including economic projections and assumptions regarding the ability of debtors to repay their loans.

Therefore, if in the future Grupo Financiero Galicia is unable to effectively control the level of quality of its loan portfolio, if loss reserves for loans are inadequate to cover future losses on loans, or if it is required to increase its loss reserves due to an increase in the amount of its non-performing portfolio loans, the financial condition of Grupo Financiero Galicia and its results of operations could be materially and adversely affected.

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

Grupo Financiero Galicia is directly and indirectly affected by changes in market conditions. Market risk, or risk in the valuation of assets, liabilities or revenues may be adversely affected by a change in market conditions. This risk is inherent in the products and instruments associated with our operations, including long-term loans and short-term deposits, securities and bonds. Changes in market conditions could materially and adversely affect our financial condition and results of operations, including fluctuations in interest and currency exchange rates, stock prices, changes in the volatility of interest rates and foreign currency exchange, among others.

Grupo Financiero Galicia s main subsidiary, Banco Galicia, could fail to fully or timely detect money laundering and other illegal or inappropriate activities which could result in Banco Galicia incurring additional liability and could harm its business and reputation.

Banco Galicia must be in compliance with all applicable laws against money laundering, terrorism financing and other regulations in Argentina. These laws and regulations require, among other things, that Banco Galicia adopt and implement policies and procedures which involve getting to know the client and reporting suspicious and material transactions to the applicable regulatory authorities. While Banco Galicia has adopted policies and procedures intended to detect and prevent the use of its bank network for money laundering activities and by terrorists, terrorist organizations and other general individual organizations, such policies and procedures may fail to fully eliminate the risk that Banco Galicia has been or is currently being used by other parties, without it s knowledge, to engage in activities related to money laundering or other illegal or inappropriate activities. To the extent that Banco Galicia has not detected or does not detect such illegal activities, the relevant Governmental agencies to which it reports have the power and authority to impose fines and other penalties on Banco Galicia. In addition, its business and reputation could be adversely affected if clients use it for money laundering activities or illegal or inappropriate purposes.

Interruption or failure in Banco Galicia s information technology systems could adversely affect its operations and financial position.

As a financial institution, Banco Galicia s success is dependent upon the efficient and uninterrupted operation of its communications and computer hardware systems, including those systems related to the operation of its ATMs and website. Banco Galicia s communications and computer hardware systems and transactions could be harmed or interrupted by fire, flood, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or interruptions. Any of the foregoing events could cause system interruptions, delays and the loss of critical data and could prevent the Bank from operating at optimal levels or at all. In addition, disaster recovery planning may not be sufficient to cover all of these events and Banco Galicia could have inadequate insurance coverage or limits which could prevent it from receiving full compensation for its losses from a principal interruption. If any of these events occur, it could damage its reputation, be costly to cure and adversely affect its transactions as well as its results of operations and financial position.

Payment defaults by customers may materially and adversely affect the financial and operating results of Banco Galicia s credit card subsidiaries, and in turn, those of the Bank.

Certain of Banco Galicia s subsidiaries are credit card companies that create, develop, direct, manage, market and operate credit card and/or related consumer credit programs in Argentina. This type of business can be materially and adversely affected by cardholders failure to make payments on their credit cards or personal loans when due, difficulties in enforcing payment in court, the existence of installments that are unlikely to be collected, and bad debts. Current default levels, collection efforts and bad debts may vary and be affected by a number of factors beyond these credit card subsidiaries control, including, without limitation: (i) adverse changes in the general Argentine economy and/or local economies, (ii) political instability, (iii) increasing unemployment rates and (iv) depreciation of real and/or nominal wages. These and other factors may have a material adverse effect on current default levels, enforcement proceedings and losses; any one or more of these consequences could have a material adverse effect on the results of the business of Banco Galicia s credit card subsidiaries.

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A decrease in the interest rates charged to clients of Banco Galicia s credit card subsidiaries and related fees charged to merchants could materially and adversely affect the financial results of its credit card subsidiaries, and therefore its ability to make payments.

The rules that govern the credit card business provide for certain caps on the interest rates that clients may be charged and the fees that merchants may be charged by companies such as Banco Galicia s credit card subsidiaries. Furthermore, general legal provisions exist pursuant to which courts could decrease the interest rates and/or fees agreed upon by the parties on the grounds that they are excessively high. A change in applicable law or the existence of court decisions that lower the cap on interest rates that clients may be charged and fees that merchants may be charged would reduce the revenues of the credit card companies, which could materially and adversely affect Grupo Financiero Galicia s results.

Grupo Financiero Galicia could be unable to invest in its business developments and/or to repay its financial obligations due to a lack of liquidity caused by it being a holding company.

Grupo Financiero Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate nor hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo Financiero Galicia s ability to invest in its business developments and/or to repay obligations is subject to the funds generated by its subsidiaries and their ability to pay cash dividends. In the absence of such funds, Grupo Financiero Galicia could have to resort to financing options at unappealing prices, rates and conditions. Additionally, such financing could be unavailable when Grupo Financiero Galicia may need it.

Grupo Financiero Galicia s subsidiaries are under no obligation to pay any amount to enable Grupo Financiero Galicia to carry out investment activities and/or to cancel its liabilities, or to give Grupo Financiero Galicia funds for such purposes. Each of the subsidiaries is a legal entity separate from Grupo Financiero Galicia, and due to certain circumstances, legal or contractual restrictions, as well as to the subsidiaries financial condition and operating requirements, Grupo Financiero Galicia s ability to receive dividends could be limited and, its ability to develop its business and/or to comply with its payment obligations could be limited.

In addition, under certain regulations, Banco Galicia has certain restrictions related to dividend distribution. Notwithstanding the fact that investments in its business developments and the repayment of Grupo Financiero Galicia s obligations could be afforded through means other than dividends, such as bank loans or new issuances in the capital market, investors should take such restrictions into account when analyzing Grupo Financiero Galicia s investment developments and/or its ability to cancel its obligations. For further information on dividend distribution restrictions, see Item 8. Financial Information-Dividend Policy and Dividends .

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 Banco Galicia, and Compañía Financiera Argentina (95% Banco Galicia, 5% Tarjetas regionales S.A.), 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.35,708 million as of December 31, 2010.

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.

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Our domicile is in Buenos Aires, Argentina. Under our bylaws, our corporate duration is until June 30, 2100. Our duration can be extended by a resolution passed at a general extraordinary shareholders meeting. Our principal executive offices are located at Teniente General Juan D. Perón 456, Second Floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

Our agent for service of process in the United States is C T Corporation System, presently located at 111 Eighth Avenue, New York, New York 10011.

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2010. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

- Galicia Uruguay, incorporated in Uruguay and currently not an operating financial institution;
- Galval, incorporated in Uruguay;
- Galicia Cayman, incorporated in the Cayman Islands;
- Tarjeta Naranja Dominicana S.A., incorporated in the Dominican Republic.

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History

Grupo Financiero Galicia

Grupo Financiero Galicia was formed on September 14, 1999 as a financial services holding company to hold all of the shares of the capital stock of Banco Galicia held by members of the Escasany, Ayerza and Braun families. Its initial nominal capital amounted to 24,000 common shares, 12,516 of which were designated as class A ordinary (common) shares (the class A shares) and 11,484 of which were designated as class B ordinary (common) shares (the class B shares).

Following Grupo Financiero Galicia s formation, the holding companies that held the shares in Banco Galicia on behalf of the Escasany, Ayerza and Braun families were merged into Grupo Financiero Galicia. Following the merger, Grupo Financiero Galicia held 46.34% of the outstanding shares of Banco Galicia. In addition, and due to the merger, Grupo Financiero Galicia s capital increased from 24,000 to 543,000,000 common shares, 281,221,650 of which were designated as class A shares and 261,778,350 of which were designated as class B shares. Following this capital increase, all of our class A shares were held by EBA Holding S.A., an Argentine corporation that is 100% owned by our controlling shareholders, and our class B shares were held directly by our controlling shareholders in an amount equal to their ownership interests in the holding companies that were merged into Grupo Financiero Galicia.

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On May 16, 2000, our shareholders held an extraordinary shareholders meeting during which they unanimously approved a capital increase of up to Ps.628,704,540 and the public offering and listings of our class B shares. All of the new common shares were designated as class B shares, with a par value of Ps.1.00. During this extraordinary shareholders meeting, all of our existing shareholders waived their preemptive rights. In addition, the shareholders determined that the exchange ratio for the exchange offer would be one class B share of Banco Galicia for 2.5 of our class B shares and one ADS of Banco Galicia for one of our ADSs. The exchange offer was completed in July 2000 and the resulting capital increase was of Ps.549,407,017. At date of completion of the exchange offer, our only significant asset was our 93.23% interest in Banco Galicia.

On January 2, 2004, our shareholders held an extraordinary shareholders meeting during which they approved a capital increase of up to 149,000,000 preferred shares, each of them mandatorily convertible into one of our class B shares on the first anniversary of the date of issuance, to be subscribed for in up to US$100.0 million of face value of subordinated notes to be issued by Banco Galicia to its creditors in the restructuring of the foreign debt of its head office in Argentina (the Head Office) and its Cayman Branch, or cash. This capital increase was carried out in connection with the restructuring of Banco Galicia s foreign debt. On May 13, 2004, we issued 149,000,000 preferred non-voting shares, with preference over the ordinary shares in the event of liquidation, each with a face value of Ps.1.00. The preferred shares were converted into class B shares on May 13, 2005. With this capital increase, our capital increased to Ps.1,241,407,017. For more information on Banco Galicia s debt restructuring, please see below.

In January 2005, we created Galval, a securities broker based in Uruguay, with the purpose of providing trading and custody services. We own 100% of the capital and voting rights of this subsidiary.

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

As of December 31, 2009, the controlling percentage held by Grupo Financiero Galicia in Banco Galicia was 94.71%, while as of December 31, 2010, such controlling percentage reached 94.84%.

Banco Galicia

Banco de Galicia y Buenos Aires S.A. is a banking corporation organized as a stock corporation under Argentine law and supervised and licensed to operate as a commercial bank by the *Superintendencia de Entidades Financieras y Cambiarias* (Superintendency of Financial Institutions and Exchange Bureaus or the Superintendency).

Banco Galicia was founded in September 1905 by a group of businessmen from the Spanish community in Argentina and initiated its activities in November of that year. Two years later, in 1907, Banco Galicia s stock was listed on the Buenos Aires Stock Exchange (BASE). Banco Galicia s business and branch network increased significantly by the late 1950s and continued expanding in the following decades, after regulatory changes allowed Banco Galicia to exercise its potential and gain a reputation for innovation, thereby achieving a leading role within the domestic banking industry.

In the late 1950s, Banco Galicia launched the equity fund FIMA Acciones and founded the predecessor of the asset manager Galicia Administradora de Fondos S.A., Sociedad Gerente de Fondos Comunes de Inversión (Galicia Administradora de Fondos). Beginning in the late 1960s Banco Galicia began to establish an international network mainly comprised of branches in New York and in the Cayman Islands, a bank in Uruguay and several representative offices.

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.

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During the 1990s, Banco Galicia implemented a growth and modernization strategy directed at achieving economies of scale and increasing productivity and, therefore, heavily invested in developing new businesses, acquiring new customers, widening its product offering, developing its IT and human resources capabilities, and expanding its distribution capacity. This was comprised of traditional channels (branches) and, especially, alternative channels, including new types of branches (in-store for example), ATMs, banking centers, phone banking and internet banking.
As part of its growth strategy, in 1995, Banco Galicia began a new expansion drive into the *Interior* of Argentina where high growth potential was believed to exist. Argentines refer to the *Interior* as that part of the country s territory different from the federal capital and the areas surrounding the city of Buenos Aires (Greater Buenos Aires), i.e., the provinces, including the Buenos Aires Province but excluding the city of Buenos Aires and its surroundings. Typically the Interior is underserved relative to the city of Buenos Aires and its surroundings with respect to access to financial services and its population tends to use fewer banking services. As such, mainly between 1995 and 1999, Banco Galicia acquired equity interests in entities or formed several non-banking companies providing financial services to individuals in the Interior through the issuance of proprietary brand credit cards. See -Regional Credit Card Companies below. In addition, in 1997, Banco Galicia acquired a regional bank that was merged into it, with branches located mainly in Santa Fe and Córdoba, two of the wealthiest and more populated Argentine provinces.
In order to fund its strategy, during the 1990s, Banco Galicia tapped the international capital markets for both equity and debt. In June 1993, Banco Galicia carried out its initial international public offering in the United States and Europe and, as a result, began to list its American Depositary Receipts (ADRs) on the Nasdaq Stock Market until 2000, when Banco Galicia s shares were exchanged for our shares. In 1991, it was the first Argentine bank to issue debt in the European capital markets and, in 1994, it was the first Latin American issuer of a convertible bond. In 1996, Banco Galicia raised equity again through a local and international public offering.
In 1996, Banco Galicia entered the bank-assurance business through an agreement with ITT Hartford Life Insurance Co. for the joint development of initiatives in the life insurance business. In this same year, Banco Galicia initiated its internet presence, which evolved into a full e-banking service for both companies and individuals.
At the end of 2000, Banco Galicia was the largest private-sector bank in the Argentine market with a 9.8% deposit market share.
In 2001 and 2002 Argentina experienced a severe political and financial crisis, which had a material adverse effect on the financial system, 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 Banco Galicia. The provision of services continued to develop, even further than prior to the crisis, and financial intermediation resumed progressively.
Beginning in May 2002, Banco Galicia began to implement a series of initiatives to deal with the liquidity shortage caused by the systemic deposit run, the unavailability of funding and other adverse effects of the 2001-2002 crisis on the financial system as a whole. Banco Galicia significantly streamlined its operations and reduced its administrative expenses and, immediately after launching such initiatives, restored its liquidity. Also, in late 2002 and early 2003, Banco Galicia closed all of its operating units abroad or began to wind them down. In addition, Banco Galicia:
(i) restructured most of its commercial loan portfolio, a process that was substantially completed in 2005,
(ii) restructured its foreign debt, a process that began in 2002 and that was completed in May 2004, and resulted in an increase in its capitalization, and (iii) in February 2004, finalized the restructuring of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis.

Together with the launching of the above-mentioned initiatives, Banco Galicia began to normalize its activities, progressively restoring its customer relations and growing its business with the private sector. Banco Galicia 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, Banco Galicia 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, Banco Galicia 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, Banco Galicia 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, Banco Galicia repaid in full the negotiable obligations that it had issued to restructure the debt of its New York Branch and undertook a share offering to increase its capitalization, in order to be able to support the increase in regulatory capital requirements on a bank s exposure to the public sector and the growth of its business with the private sector. For more information, see -Banco Galicia s 2007 Capital Increase below.

On June 1, 2009, Banco Galicia entered into a stock purchase agreement with AIG and with AIG Consumer Finance Group Inc. for the purchase of the shares of the CFA Group, Argentine companies that are involved in financial and related activities.

Pursuant to Resolution No. 124, dated June 7, 2010, the Argentine Central Bank authorized the purchase of the shares of the CFA Group by Banco Galicia and Tarjetas Regionales S.A. and on August 31, 2010, through Resolution No. 299, the National Commission for the Defense of Competition (*Comisión Nacional de Defensa de la Competencia*) approved the transaction. The purchase of the shares of CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales S.A. (5%) on June 24, 2010. The fair market value of the price to acquire the shares of these companies was Ps.333.9 million. This purchase was financed with Banco Galicia s available cash, within its ordinary course of business. See Compañía Financiera Argentina below.

Restructuring of the Foreign Debt of Banco Galicia s Head Office in Argentina and its Cayman Branch

On May 18, 2004, Banco Galicia successfully completed the restructuring of US$1,320.9 million of the debt of Banco Galicia s Head Office and its Cayman Branch, consisting of bank debt (including debt with multilateral credit agencies) and bonds. This amount represented 98.2% of the foreign debt eligible for restructuring. As of December 31, 2010, the principal amount of old debt, the holders of which did not participate in the exchange offer was US$1.7 million.

Based on the final amounts validly tendered, on May 18, 2004, Banco Galicia paid creditors who elected to participate in the cash offer and the Boden offer and issued the following new debt instruments:

- US$648.5 million of long-term Dollar-denominated debt instruments, of which US$464.8 million were Dollar-denominated negotiable obligations due 2014 (referred to as the Step Up Notes Due 2014 or the 2014 Notes) issued under an indenture.
- US$399.8 million of medium-term Dollar-denominated debt instruments, of which US$352.8 million were Dollar-denominated negotiable obligations due 2010 (referred to as the Floating Rate Notes Due 2010 or the 2010 Notes) issued under an indenture.
- US$230.0 million of subordinated Dollar-denominated debt instruments, of which US$218.2 million were Dollar-denominated negotiable obligations due 2019 (referred to as the Subordinated Notes Due 2019 or the 2019 Notes) issued under an indenture.

As of December 31, 2010, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US$317.1 million, US$239.2 million lower than as of December 31, 2009 and US$371.4 million lower than as of December 31, 2008, due to amortization, prepayments and advance cancellations. For more information see Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-Contractual Obligations , and Funding .

Banco Galicia s 2007 Capital Increase

On October 11, 2006, Banco Galicia s shareholders resolved to increase Banco Galicia s capital stock by up to 100 million ordinary (common) book-entry, class B shares, with one vote per share and a nominal value of Ps.1.0 each. The new shares could be purchased, at the option of the purchaser, in cash or in 2010 Notes, 2014 Notes and/or 2019 Notes. The offer was made only to shareholders. The purpose of the capital increase was to guarantee Banco Galicia s compliance with the Argentine Central Bank s capital adequacy rules, in light of the increase in such requirements. This increase was expected because of the current and projected growth of Banco Galicia s business volume with the private sector and the Argentine Central Bank s regulations establishing increasing capital requirements in respect of public-sector assets. See Item 4. Information on the Company-Selected Statistical Information-Regulatory Capital-Banco Galicia .

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On July 27, 2007, we purchased 93,604,637 new shares through the exercise of our preemptive rights. During August 2007, Banco Galicia issued 93,664,806 new shares through the exercise of its shareholders preemptive and accretion rights. In total, the transaction led to a net increase in Banco Galicia s shareholders equity of Ps.493 million, of which Ps.466 million was an aggregate increase in Banco Galicia s shareholders equity items capital stock and issuance premiums, net of issuance costs, and Ps.27 million was a profit in connection with the portion paid for in 2014 Notes, given that these notes were received by Banco Galicia at a value lower than their book value.

Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.

In 1983, Galicia Uruguay was established as a *Casa Bancaria* , a license that granted an offshore status, as an alternative service location for Banco Galicia s customers. In September and October 1999, the Uruguayan government s executive branch and the Uruguayan Central Bank, respectively, approved Galicia Uruguay s status as a full service domestic bank. Due to the effects of the 2001-2002 crisis on Galicia Uruguay, in early 2002, the Central Bank of Uruguay suspended its activities and assumed control and management of Galicia Uruguay. In December 2002, Galicia Uruguay restructured its deposits into debt maturing in 2011. On June 1, 2004, Galicia Uruguay s license to operate as a domestic commercial bank was revoked by the Central Bank of Uruguay, but it retained the license from the Uruguayan government s executive branch. Control and management of Galicia Uruguay by the Central Bank of Uruguay ended on February 22, 2007. On May 15, 2009, Galicia Uruguay made available to its clients in advance US$27.3 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011. At the date of this annual report, Galicia Uruguay was in the process of being liquidated and therefore was not engaged in any active business and its restructured debt (time deposits and negotiable obligations), has been repaid in full.

On May 29, 2009, the Special General Meeting of Galicia Uruguay approved the voluntary reduction of capital by redemption of shares. Following such capital reduction, Banco Galicia held 100% of the capital stock of Galicia Cayman, of which formerly 65.34% was controlled by Galicia Uruguay and the remaining 34.66% by Banco Galicia. As of the closing of fiscal year 2010 the shareholders equity of Galicia Uruguay amounted to Ps.46.0 million.

Galicia Cayman was established in 1988 in the Cayman Islands as another alternative service location for Banco Galicia s customers. Galicia Uruguay s situation adversely affected its subsidiary Galicia Cayman, which commenced voluntary liquidation and surrendered its banking license effective as of December 31, 2002. In May 2003, Galicia Cayman together with the provisional liquidators designated by the Grand Court of the Cayman Islands completed a debt restructuring plan and, with the authorization of such Court, presented it to all creditors for their consideration. The plan was approved, in whole, by the vote of 99.7% of creditors, exceeding the legal majority required, on July 10, 2003, and became effective and mandatory for all creditors. On February 2, 2006, the Grand Court of the Cayman Islands declared the plan as terminated and ended the involvement of any third parties in the company s management beginning on February 23, 2006.

Regional Credit Card Companies

In the mid 90s, Banco Galicia made the strategic decision to target the non-banked individuals market, which, in Argentina, typically includes the low and medium-low income segments of the population which typically live in the Interior of the country, in addition to certain locations of the Greater Buenos Aires. To implement this strategic decision, among others, in 1995, Banco Galicia began investing in non-bank companies operating in certain regions of the Interior, providing financial services to individuals through the issuance of credit cards with proprietary brands and extending credit to its customers through such cards. We refer to these companies in aggregate as the Regional Credit Card Companies .

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In 1995, Banco Galicia made the first investment in this business by acquiring a minority stake in Tarjeta Naranja S.A. The remaining stake remained in the hands of the founders of the company, who currently retain a minority interest. This company had begun operations in 1985 in the city of Córdoba, the second largest city in Argentina, by marketing Tarjeta Naranja , its proprietary brand credit card, in this city and had enjoyed local growth.

In 1996, Banco Galicia formed Tarjetas Cuyanas S.A., to operate in the Cuyo Region (the provinces of Mendoza, San Juan and San Luis) in partnership with local businessmen, 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, Banco Galicia formed a new company, Tarjetas del Mar S.A., to operate in the city of Mar del Plata and its area of influence. Tarjetas del Mar S.A. began marketing the Mira card in March 1997.

In early 1997, Banco Galicia purchased an interest in Comfiar S.A., a consumer finance company operating in the provinces of Santa Fe and Entre Ríos, which was merged into Tarjeta Naranja S.A. in January 2004.

In 1999, Banco Galicia reorganized its participation in this business through Tarjetas Regionales S.A., a holding company wholly owned by Banco Galicia and Galicia Cayman, which achieved control of Tarjeta Naranja S.A., Comfiar S.A., Tarjetas Cuyanas S.A., and Tarjetas del Mar S.A. In addition, in 1999, Tarjetas Regionales 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, 2010, 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, Banco Galicia held 80.0% of Tarjeta Naranja S.A., 60.0% of Tarjetas Cuyanas S.A., and 99.999% 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, 2010, the Regional Credit Card Companies had more than 5.6 million- cards outstanding in the aggregate and were the largest proprietary brand credit card operation in Argentina.

In terms of funding, the Regional Credit Card Companies have no currency or maturity mismatches and are determined to maintain the most diversified sources of funding. These companies strengthen their cash position with commitments contracts carried out with different banks, share the sales efforts and customer financing with the merchants, carry out a permanent reinvestment of their profits and plan their financial decisions giving priority to liquidity and funds reserve.

The above-mentioned is translated into a conservative financial policy aiming to maintain the business in the long term, providing services according to their customer s needs and minimizing risks during periods of liquidity problems.

Compañía Financiera Argentina

CFA is a financial company which operates under the Financial Institutions Law and other regulations set forth by the Argentine Central Bank.

CFA is a leading financial company in Argentina in the personal loans business, providing consumer personal loans through different products. Within this framework, CFA grants unsecured personal loans within the Argentine territory, mainly through its *Efectivo Sí* offices, intermediary entities (mutuals, unions, cooperatives, etc.) and the financing of purchases through its affiliated merchants. It also issues credit cards, but on a small scale.

CFA had different names before adopting its current name. It was originally set up under the name Río de la Plata Sociedad Anónima Comercial y de Financiaciones on August 16, 1960, and in 1977 the name was changed to Burofinanz S.A. Compañía Financiera (authorized by Resolution No. 424 of the Argentine Central Bank, dated December 29, 1977).

In 1992, CFA carried out its commercial activities under the name Interbonos Compañía Financiera S.A. (authorized by Resolution No. 284 of the Argentine Central Bank, dated June 17, 1992), as agent of the *Mercado Abierto* (fixed income brokerage) and later it shifted its activities to personal financing, providing small loans through retail merchants for the acquisition of different consumer goods. In 1994, it created *Efectivo Sí*", which is a product aimed at satisfying the financial needs of the non-bankarized population sector, or that segment of the population characterized by limited interaction with traditional banks.

In 1995, Banco de Crédito Argentino acquired an interest in the company s capital stock and later Banco de Crédito Argentino was acquired by BBVA Banco Francés S.A., which became the major shareholder of CFA. Subsequently, the *División Convenios* (Agreements Division) was created, which allowed CFA to enter the market of agreements with mutuals, unions, cooperatives and other intermediary organizations, and grant loans to its associates.

The Argentine Central Bank, through its Resolution No. 85 dated February 7, 1996, registered CFA s change of denomination to Compañía Financiera Argentina S.A. and authorized it to operate as a financial company under the Financial Institutions Law, thus allowing CFA to initiate its activities since February 27, 1996.

In 1998, most of CFA s capital stock was acquired by AIG Consumer Finance Group Inc., a company controlled by AIG American International Group Inc. Six years later, in 2004, the *Cuota Sí* product was designed, aimed at financing purchases through affiliated merchants.

Finally, in June 2010, Compañía Financiera Argentina was acquired by Banco Galicia and Tarjetas Regionales S.A., which hold an interest in CFA s capital stock of 95% and 5%, respectively

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, Banco Galicia sold its interest in this company and purchased 12.5% of Sudamericana, a subsidiary of Hartford Life International. As a result of various acquisitions, Grupo Financiero Galicia owns 87.5% of Sudamericana (with the remaining 12.5% being held by Banco Galicia) which offers life, retirement and property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property and casualty and life insurance, Galicia Retiro Compañía de Seguros S.A. (Galicia Retiro), which provides retirement insurance and Sudamericana Asesores de Seguros S.A. (insurance broker).

Net Investment S.A.

Net Investment was established in February 2000 as a holding company (87.5% owned by Grupo Financiero Galicia and 12.5% owned by Banco Galicia) whose initial purpose was to invest in and develop businesses related to technology, communications, internet connectivity and web contents. Net Investment has performed its activities in the areas of business to business e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia s business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during this fiscal year Net Investment subscribed shares of a company that carries out activities related to business development through the internet. The equity investment held by Net Investment is equivalent to 0.23% of said company s net worth.

The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

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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 deposits of goods and warrants under the provisions of Law N° 9,643.

Galicia Warrants is a leading company in the deposit certificates and warrants issuance market and its main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. Its main objective is to enable its customers to access credit and financing, which are secured by the property kept under custody. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake, and Banco Galicia, with the remaining 12.5%

Galval

Galval was formed in January 2005 under the laws of República Oriental del Uruguay and gradually started to operate in September 2005. Galval is a company that indirectly makes use of the free trade zone of Montevideo and renders brokerage services in República Oriental del Uruguay. Grupo Financiero Galicia owns the 100% of this company s capital stock and voting rights.

GV Mandataria

In March 2008, GV Mandataria was incorporated with the purpose of carrying out securities related representations, mandates and commissions of all types, whether involving domestic or international companies. Grupo Financiero Galicia holds 90% of GV Mandataria s stock, and the remaining 10% is held by Galval.

Business

Banking

Banco Galicia is our largest subsidiary. Banco Galicia operates in Argentina and substantially all of its customers, operations and assets are located in Argentina. Banco Galicia is a bank that provides, directly or through its subsidiaries, a wide variety of financial products and services to large corporations, SMEs , and individuals.

Banco Galicia is one of the main banks within the Argentine financial system, and is a leading provider of financial services in Argentina. As per the information published by the Argentine Central Bank, as of December 31, 2010, Banco Galicia ranked third in terms of assets and deposits and second in terms of its loan portfolio within private-sector banks. As of the same date, Banco Galicia was also ranked first among private-sector domestic banks in terms of loans and deposits. Its market share of private sector deposits and of loans to the private sector was of 8.14% and 8.28% respectively, as of the end of 2010. On a consolidated basis, as of the end of fiscal year 2010, Banco Galicia had total assets of Ps.35,299 million, total loans of Ps.21,334 million, total deposits of Ps.22,243 million, and its shareholders equity amounted to Ps.2,596 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 239 full service banking branches, located throughout the country, 1,472 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. Banco Galicia s customer base reaches more than 2.1 million customers, who were comprised of mostly individuals but who also included more than 53,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, it is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sectors.

For a breakdown of Banco Galicia s revenues by category of activity for the last three financial years, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results-Results by Segments-Banking.

Wholesale Banking

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

Banco Galicia is firmly committed to Argentina s economic growth, which is reflected in their over 53,000 corporate customers and in the composition of Banco Galicia s total loan portfolio (without consolidation with Tarjetas Regionales S.A. and CFA), 57% of which corresponds to credit provided to the manufacturing sector (40% to SMEs and to the agriculture and livestock sector and 17% to credit provided to large companies and corporations).

During the fiscal year ended December 31, 2010, Banco Galicia maintained its leading position in the SMEs and agriculture and livestock sectors, as well as a strong presence in the corporate sector. Throughout its history of over 100 years, Banco Galicia has demonstrated its commitment to the agriculture and livestock sector, building a direct and close relationship with producers and collectives of producers, developing tailor-made products and services and providing the professional and customized advisory services that such customers need.

Banco Galicia has a strong presence in the corporate sector, which has strengthened year after year due in part to the development of value-added solutions to meet its customers needs and the advisory services that Banco Galicia s experienced team of professionals can provide.

An indicator of the efforts being undertaken by Banco Galicia in order to provide better quality products and services is the receipt by Banco Galicia of the ISO 9001 Certification, a recognition which is very valuable for Banco Galicia s businesses, as it allows it to optimize its collection systems.

Banco Galicia offers several different collection and payment services, which are designed to reduce costs. During the fiscal year ended December 31, 2010, *Cobranza Integrada Galicia* (Galicia Integrated Collections), *Pago a Proveedores* (Payment to Suppliers) and *Pago de Haberes* (Payroll Payments) experienced large increases in transaction volume.

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

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

Galicia Rural, the leading credit card within the agriculture and livestock sector, continued to offer financing options for the purchase of agricultural supplies and services on the following favorable terms: 0% interest rate and terms from 90 to 180 days for the purchase of seeds, agrochemicals, fertilizers, bulk liquefied gas, machines and services, among others.

Galicia Office is Banco Galicia s corporate e-banking service, which companies use, without any cost, to make inquiries and requests about their banking products (accounts, loans, investments, Visa and Galicia Rural liquidations), as well as gain access to a wide range of information about their check portfolio and returned checks, request and ratify checkbooks, make transfers between their accounts and third party accounts, make investments, consult Banco Galicia regarding their foreign trade transaction balance, make payments to their employees with maximum security, renew their digital signature online and make payments to their suppliers. The volume of queries and transactions made through Galicia Office continues to grow year after year as well as the volume of companies currently subscribed to the service; currently more than 40,000 companies are using Galicia Office. During the fiscal year ended December 31, 2010, over 66 million queries and 2.7 million transactions were recorded.

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With respect to direct payroll deposits, the volume of transactions during the fiscal year ended December 31, 2010 exceeded the figure recorded in 2009 by 57%. With respect to foreign trade, the annual volume of transactions exceeded the figure recorded the previous fiscal year by 38%.

Capital Markets and Investment Banking

Banco Galicia s capital market activity is focused on corporate debt transactions and, to a lesser extent, on securitization transactions. In addition, Banco Galicia contributes to the optimization of its affiliated companies financing strategies.

Non-Financial Public Sector

During the fiscal year ended December 31, 2010, Banco Galicia continued improving its position as a service provider for the public sector, by visiting and offering services to several municipalities and national universities. As a result of these actions, new agreements were entered into and additional services were offered to the municipal sector. Furthermore, Banco Galicia continued taking part in different public bids on direct payroll deposits. The interest in such offered services shown by the municipal sector places Banco Galicia in a good position to continue doing business in this sector in fiscal year 2011.

Foreign Trade

During 2010, import and export operations conducted through Banco Galicia totaled US$10,410 million, thus increasing its market share from 8% in 2009 to 8.3% in 2010.

Galicia Comex, the first internet portal specializing in foreign trade in the Argentine financial system, is increasingly being used by customers as a source of information and consultation. Through Galicia Comex, customers may access valuable information for their business, such as tools, key news, sector-specific reports, analyses on external markets and interpretation of regulations and articles written by specialists, among others, in order to provide a comprehensive review of the international markets, combining both operational and commercial aspects.

Retail Banking

The Retail Banking Division manages Banco Galicia s business with individuals from all income brackets, micro and smaller businesses (i.e., those businesses with revenues below Ps.20,000,000 annually) and small retailers and professionals. Retail Banking provides a wide range of financial products and services, encompassing transactions, loans, and investments. On the transactions side, Banco Galicia offers its customers checking and savings accounts, credit and debit cards, and payroll direct deposit, among other services. Banco Galicia s customers have access to its services through its branch network as well as through its electronic distribution channels. See Sales and Marketing.

In 2010, communication efforts were focused on reinforcing the *Cada día más* (More Every Day) concept. Banco Galicia focused on communicating with its customers on a more regular basis, rendering better services to its customers based on their daily needs, and on providing attractive offers and savings.

Ten commercials were aired throughout the year. Based on surveys conducted, high awareness and strong brand recognition were achieved. This campaign mainly aired on TV, but also included strong online and radio advertising.

In 2010, Banco Galicia launched the *Zona Galicia* (Galicia Zone) application for cellular phones. *Zona Galicia* is a unique application that allows customers to access all the special offers from neighboring stores that are available to them. Banco Galicia is the first and only bank in Argentina to offer its customers the ability to access savings, branch and special offer information from their cellular phones, in an easy and cost-free manner.

Banco Galicia divides its customer base in respect of customer activity and income level in order to better meet the needs of each customer segment. For example, Galicia Prefer is a comprehensive financial package that was created for higher-income customers through which Banco Galicia renders distinctive services and financial products according to the needs of this customer segment. As part of this financial package, during 2009, Banco Galicia launched Galicia Prefer Platinum, a new service that includes exclusive features such as personal concierge, broad insurance coverage, preferential rates both for assets and investments, and higher financing limits, among others.

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Banco Galicia provides direct payroll deposit services to over 17,500 companies, which is comprised of accounts for approximately 590,000 customers. As of December 2010, Banco Galicia has more than 35,000 customers in the micro and small business segment, and more than 1.6 million individual clients.

Private Banking offers services to individuals with medium to high net incomes through management of their investment portfolios and provision of financial advisory services. Private Banking offers its customers a wide range of domestic financial investment alternatives, giving priority to Banco Galicia s products (deposits and FIMA mutual funds, among others) and to trusts and securities for which Banco Galicia acts as an arranger. In addition, Private Banking offers broad geographic coverage, with 13 service centers throughout Argentina.

Banco Galicia s retail banking customer service model received the ISO 9001 Certification and the ISO 9001:2008 Certification, which further establishes Private Banking s commitment to the ongoing improvement of its customer service quality.

Banco Galicia issues Visa, Visa Débito, American Express and MasterCard credit cards, and currently has 1.35 million active accounts, in addition to the proprietary credit cards issued by the Regional Credit Card Companies.

Banco Galicia has placed special emphasis on its personal loan customer base and has aimed at sustaining growth while maintaining its excellent risk levels. With this goal in mind, Banco Galicia has continued to simplify credit screening measures (through an automatic credit rating process) for those customers whose salaries are directly deposited in Banco Galicia or those who already have an outstanding loan.

Banco Galicia is focused on offering tailored lines of credit with characteristics that are in line with the different needs and income segments of its customers. Such focus has allowed Banco Galicia to increase the amount of lines of credit it offers, while also achieving increasing profitability levels.

Banco Galicia s extensive branch network is one of the key components of its distribution network, and is one of its most important competitive advantages. Banco Galicia s distribution network is supported by the use of its intranet (Banco Galicia s system of branch-to-branch communication), the use of its information technology systems, the customer incentives that it consistently offers and the constant monitoring of its customer service quality.

As of December 31, 2010, Banco Galicia s branch network s geographical distribution was as follows:

Geographical Area	*Number of Branches*
City of Buenos Aires	77
Greater Buenos Aires	62
Rest of the Province of Buenos Aires	28
Santa Fe	15
Córdoba	15
Mendoza	9
Entre Ríos and Chubut	4 each
Río Negro	3
Corrientes, La Pampa, Misiones, San Luis, Tierra del Fuego and Tucumán	2 each
Catamarca, Chaco, Formosa, Jujuy, La Rioja, Neuquén, Salta, Santa Cruz, Santiago del Estero and San Juan	1 each
Total	**239**

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Apart from its branches, Banco Galicia uses Red Galicia 24, the bancogalicia.com portal, Galicia Servicios Móviles and its Retail Sales Division, which are service, transactional and sales channels focused on individual and corporate customers.

Banco Galicia s ATMs and self-service terminals provide its customers with a means of solving their transactional needs in a simple, safe and affordable way, on a 24/7 basis. They are distributed all over the country in the branch network and other locations, such as gas stations, supermarkets and shopping malls.

During the first quarter of the fiscal year ended December 31, 2009, Banco Galicia completed the replacement of all of the ATMs in its branches and other locations. In addition, toward the end of 2009, Banco Galicia was the first bank in Argentina to provide an ATM that allows customers to deposit funds without using an envelope. This technology immediately authorizes deposits in Issuer accounts and the money is immediately credited online. This technology provides additional speed and sophistication for deposits, thus eliminating the use of envelopes, the only way to deposit money in Argentina prior to the use of this type of ATM technology. During the fiscal year ended December 31, 2010, Banco Galicia installed 18 ATMs with such technology.

The bancogalicia.com website makes it possible for customers to request products according to their needs with the assistance of an interactive advisor, obtain information on promotions in the innovative benefits catalogue, and get information about all the products and services offered by Banco Galicia. It also facilitates access to Banco Galicia s specific web pages for both individuals (Galicia Home Banking) and companies (Galicia Office), allowing customers to access Banco Galicia s products and services from any location, 365 days a year.

Galicia Servicios Móviles is a suite of services for cell phones (SMS, WAP, and Java and iPhone applications), allowing customers to inquire about their accounts, pay balances, subscribe to alerts and obtain information regarding their credit cards.

Regional Credit Card Companies

The companies devoted to the issuance of regional credit cards and the provision of financing transactions to consumers are subsidiaries of Banco Galicia through Tarjetas Regionales S.A. (Tarjeta Naranja S.A., Tarjetas Cuyanas S.A. and Tarjetas del Mar S.A.).

These Regional Credit Card Companies are estimated to comprise the largest operations of their kind in Argentina. These companies issue proprietary brand credit cards (the Naranja, Nevada and Mira cards) to their customers that are primarily located in the interior (i.e. outside of the Greater Buenos Aires area), which allow their holders to charge purchases of goods or services in a network of more than 100,000 retailers that have agreed to accept the cards. These companies accept and process from each participating retailer the charges arising from cardholder purchases. The cards can be used as charge cards or purchases can be financed through different optional payment schedules, which vary from merchant to merchant. These Regional Credit Card Companies also extend personal loans to their cardholders to be repaid in up to 24 fixed installments. Through these cards, customers also have access to the ATM networks throughout Argentina (Banelco and Link), through which customers can make cash withdrawals and access automatic debit services, among other services. These Regional Credit Card Companies also issue Visa, American Express and MasterCard cards to holders of their proprietary brand cards. All customer products are managed through a single statement.

As of December 31, 2010, the Regional Credit Card Companies branch network was composed of 231 service centers and the staff of all of the Regional Credit Card Companies was comprised of almost 5,000 employees.

As of December 31, 2010, the number of statements issued and the number of cards managed by the Regional Credit Card Companies exceeded 2.1 million and 5.4 million, respectively. With respect to business volume, aggregate annual purchases made by cardholders exceeded Ps.13,052 million during the fiscal year ended December 31, 2010, representing an increase of 44% from the fiscal year ended December 31, 2009, and the loan portfolio of the Regional Credit Card Companies (before allowances for loan losses and including securitized loans) for the fiscal year ended December 31, 2010 amounted to Ps.5,598 million, representing a 53.7% increase from the end of 2009. In 2010, the total number of transactions (purchase coupons plus loan and advance operations) amounted to 99.2 million, representing a 29.2% increase from the end of the fiscal year ended December 31, 2009.

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During the fiscal year ended December 31, 2009, aggregate annual purchases made by cardholders were more than Ps.9,061 million, representing an increase of almost 20% from the fiscal year ended December 31, 2008, and the loan portfolio of the Regional Credit Card Companies (before allowances for loan losses and including securitized loans) for the fiscal year ended December 31, 2009 amounted to Ps.3,641 million, representing a 12.1% increase from the end of the fiscal year ended December 31, 2008. In the fiscal year ended December 31, 2009, the total number of transactions (purchase coupons plus loan and advance operations) amounted to approximately 77 million.

For a breakdown of the Regional Credit Card Companies revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results-Results by Segments-Regional Credit Cards .

CFA

CFA is the leading financial company in Argentina in the personal loan business. As of December 31, 2010, CFA s assets were over Ps.1,728 million and its shareholders equity was Ps.768.7 million. CFA Group employed 1,160 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 470,000 customers, who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

Main products:

- *Efectivo Sí:* Unsecured personal loans payable in installments.
- *Cuota Sí:* Product to finance purchases of goods through merchants associated with CFA, without using any cash or credit cards. Such goods include home appliances, household goods and construction materials.
- *Loans to Public Sector Employees:* Loans targeted to public sector employees on the national level, which are deducted directly from their salary.
- *Loans to Financial Brokerage Firms and Employees.* Payroll loans to affiliates or associate members of brokerage firms (mutuals, cooperatives, unions, etc.) and to company employees.
- *Credit Cards:* Issued by Visa and MasterCard, both at domestic and international level.
- *Pagos Jubilatorios de la ANSES* (Retirement and pension payment National Social Security Administration): Aimed at retired people and pensioners collecting their payments at CFA.
- *Microfinance:* Credit lines for small ventures in specific geographic areas across the country.
- *Insurance:* CFA sells different types of insurance policies from leading companies of the market to meet customers needs.

For a breakdown of CFA s revenues for the last financial year, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results-Results by Segments-CFA Personal Loans .

Financial Division

The Financial Division of Banco Galicia includes the Treasury, Banking Relations and Management of Assets and Liabilities departments. In addition, this division is also involved in the mutual funds business and in the brokerage business through Galicia Valores S.A. Sociedad de Bolsa (Galicia Valores).

The Treasury Department is responsible for, among other things, managing liquidity and the different financial risks of Banco Galicia, based on the parameters determined by Banco Galicia s board of directors. It manages positions in foreign currency and government securities, and it also acts as an intermediary and distributes financial instruments for its own customers (institutional investors) and corporate customers and individuals. The Treasury Department participates in different markets in its capacity as agent of the *Mercado Abierto Electrónico* (MAE) and member of the Rosario Futures Exchange, Financial Products Division. Through Galicia Valores, this department offers customers the ability to buy and sell securities on the BASE.

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In 2010, Banco Galicia was ranked 4th in the MAE s annual ranking for transactions of fixed-income instruments. In the wholesale foreign exchange market, the total amount corresponding to transactions made by Banco Galicia through the MAE totaled US$9,023 million, which represented a 61% increase from 2009.

During 2010, Banco Galicia increased its operations in the interest rate derivatives market within the MAE, and ranked 3rd place in swaps and in futures contracts, in terms of volume.

The Banking Relations Department is responsible, at the international level, for managing Banco Galicia s business relationships with banks, international credit agencies, official credit agencies and international mutual funds and, since the fourth quarter of the fiscal year ended December 31, 2009, with financial institutions and exchange houses within the domestic sector.

The Management of Assets and Liabilities Department is in charge of preparing and analyzing information aimed at managing the mismatches to which Banco Galicia s activities are subject, and maintaining the exposure within the policies determined by Banco Galicia s board of directors. This department s responsibilities include the provision of support to the Assets and Liabilities Committee (ALCO) through the analysis, quantification and control of the risks associated with different business strategies and market scenarios, as well as the follow-up and control of liquidity policies and currency mismatches, whether due to regulations of the Argentine Central Bank or Banco Galicia s operations.

Banco Galicia distributes the FIMA mutual funds through its broad distribution network (branches, electronic banking and telephone banking) to different customer segments (institutions, companies and individuals), while it acts as custodian of the assets that make up the funds in its role as depository. Galicia Administradora de Fondos is the company that manages investments and determines the value of the mutual fund units on a daily basis. The total value of the FIMA mutual funds was Ps.1,417 million as of December 31, 2010, with a market share of 6.9%.

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

Insurance

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 provides annuity products, and Sudamericana Asesores de Seguros S.A. is an insurance broker. These companies operations are all located in Argentina.

Total insurance production of the aforementioned insurance companies amounted to Ps.417.5 million during 2010, 28% higher than the volume of premiums of the previous year (Ps.325.5 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.92.1 million more premiums written than in the same period of the previous fiscal year. As regards Galicia Seguros business transactions, the focus was placed on continuing to increase the company s turnover and sales, which in 2010 amounted to Ps.151.7 million of annualized premiums. This represented a 60% growth when compared to the previous year, thus increasing the insurance policy laps ratio and extending the types of coverage offered.

The coming into force of Law N° 26,425 that creates the Argentine Integrated Social Security System (SIPA as per its initials in Spanish) meant the end of pension-linked life annuities, the main product marketed by Galicia Retiro. Consequently, the company is analyzing whether or not to re-launch new voluntary retirement products, both individual and group.

Within the current economic framework, measures aimed at complying with the goals established in the Business Plan will continue during 2011.

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Other Businesses

Galicia Warrants: this company is a leading company in the deposit certificates and warrants issuance market. It has been continuously conducting transactions since 1994, supporting medium and large companies in regard to the custody of stocks. Galicia Warrants main objective is to enable its customers access to credit and financing, which are secured by the property kept under custody. Galicia Warrants main customers belong to the agricultural, industrial and agro-industrial sectors, and also include exporters and retailers. Within the framework of growth the Argentine economy has been experiencing, industrial and agro-industrial higher activity levels, resulted in higher demand for credit and, therefore, an increase in financing-related activities. This trend is expected to continue during the next fiscal year. During 2010 the company recorded income from services for Ps.10.5 million, with a net income amounting to Ps.2.1 million at the fiscal year-end.

Net Investment: this company has performed its activities in the areas of intercompany e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia s business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during this fiscal year Net Investment subscribed for shares of a company that carries out activities related to business development through the internet. The equity investment held by Net Investment is equivalent to 0.23% of said company s net worth.

The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

Galval: this company mainly generates fee income from brokerage and custodial services. As of December 31, 2010; it had customers securities held in custody for US$121.95 million, of which US$14.3 million corresponded to the holding of securities of Grupo Financiero Galicia.

GV Mandataria: The company s main purpose is to represent, act as agent and carry out brokerage activities of any sort, both for domestic and foreign companies. During 2010, income from services amounted to Ps.3.3 million, with a pretax net income of Ps.0.2 million.

For a breakdown of the other businesses revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results-Results by Segments-Other Grupo Businesses .

Competition

Due to our financial holding structure, competition is experienced at the level of our operating subsidiaries. We face strong competition in most of the areas in which our subsidiaries are active. For a breakdown of our total revenues, for each of the past three fiscal years, for the activities discussed below (i.e., banking, regional credit cards, CFA personal loans and insurance), see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results-Results by Segments .

Banking

Banco Galicia faces significant competition in all of its principal areas of operation. Banco Galicia faces competition from foreign banks operating in Argentina, mainly large retail banks which are subsidiaries or branches of banks with global operations, Argentine national and provincial government-owned banks, private-sector domestic banks and cooperative banks, as well as non-bank financial institutions.

With respect to private-sector customers, the principal segment for Banco Galicia, the main competitors are large foreign banks and certain domestically-owned private-sector banks, which, prior to the crisis, operated in commercial or private banking and that, after the 2001-2002 crisis, acquired the retail operations of banks that left the business as a result of such crisis. Competition from public-sector banks has decreased since the immediate post-crisis period, as the public initially attracted to such institutions as a safe harbor began to search for better service with private-sector financial institutions. However, the three largest government-owned banks are of a significant size and also compete with Banco Galicia.

Banco Galicia s estimated deposit market share of private-sector deposits in the Argentine financial system was 8.14% as of December 31, 2010, compared to 7.73% as of December 31, 2009 and 7.5% as of December 31, 2008.

According to information published by the Argentine Central Bank, as of December 31, 2010, Banco Galicia was the third largest private-sector bank as measured by its assets and by its deposits, the second largest bank measured by its loan portfolio, and ranked sixth in terms of net worth.

Banco Galicia believes that it has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, Banco Galicia believes it is one of the primary providers of financial services to individuals, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sector.

Argentine Banking System

As of December 31, 2010, the Argentine financial system consisted of 80 financial institutions, of which 64 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 64 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 52 private-sector banks, 31 were private-sector domestically-owned banks; 20 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks); and 1 was a cooperative bank, also domestically-owned.

As of the same date, the largest private-sector banks, in terms of total deposits, were: Banco Santander Río, BBVA Banco Francés, Banco Galicia, Banco Macro, HSBC Bank, Credicoop and Banco Patagonia. 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, 2010, private-sector banks accounted for 52.8% of total deposits and 62.2% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise significant entry or exit barriers, nor do they make any differentiation between locally or foreign-owned institutions. The only cooperative bank is active principally in consumer and middle-market banking, with a special emphasis on the lower end of the market. As of December 31, 2010, financial institutions (other than banks) accounted for approximately 0.3% of deposits and 2.8% of net loans in the Argentine financial system.

As of December 31, 2010, the largest Argentine national and provincial government-owned or related banks, in terms of total deposits, were Banco Nación and Banco de la Provincia de Buenos Aires. Under the provisions the Financial Institutions Law, public-sector banks have comparable rights and obligations to private banks, except that public-sector banks are usually chosen as depositaries for public-sector revenues and promote regional development and certain public-sector banks have preferential tax treatment. The bylaws of some public-sector banks provide that the governments that own them (both national and provincial governments) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires is not subject to any taxes, levies or assessments that the Government may impose. According to information published by the Argentine Central Bank, as of December 31, 2010, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 46.9% of deposits and 35% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 80 at December 31, 2010, with the ten largest banks holding 76.96% of the system s deposits and 71.6% of the system s loans as of December 31, 2010.

Foreign banks continue to have significant presence, despite the fact that the number of foreign banks decreased by 19 through December 2010, 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.

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Regional Credit Cards

No official data is available about the credit card market and the consumer of financial services market in the Interior, where the Regional Credit Card Companies operate. However, the Regional Credit Card Companies operation is estimated to be the largest of its kind in Argentina and Tarjeta Naranja S.A. is estimated to be the largest proprietary-brand credit card issuer in Argentina among approximately 150 existing companies.

Compañía Financiera Argentina

CFA markets all of its financial products mainly to C1, C2, C3 and D1 segments (medium and low income segments). CFA s main competitors are: Banco Cetelem, Banco Columbia (which acquired the branch network of GE Money), Banco de Servicios y Transacciones (formerly Credilogros), Provencred (acquired by Banco Comafi to Citibank), Cooperativa la Capital del Plata, Caja de Crédito Cuenca, Banco de Servicios Financieros (Grupo Carrefour), Banco Supervielle and Banco Sáenz (Grupo Frávega). It s worth mentioning that CFA is ranked 8th within national personal loans market, over entities such as Citibank, HSBC, Banco Patagonia, Banco Credicoop and Banco Hipotecario.

CFA also faces competition with certain entities which render non-regulated services, or small chains, located in less populated cities. Some big chains also offer their own financing, such as Garbarino, Frávega, Megatone and Riveiro, through the issuance of financial trusts.

Insurance

Sudamericana s subsidiaries face significant competition since, as of December 2010, the Argentine insurance industry was comprised of approximately 181 insurance companies, 38 of which were dedicated exclusively to life insurance and 21 to annuities. Subsidiaries of foreign insurance companies and the world s largest insurance companies with global operations are among these companies. In addition, as of that date, the number of brokers amounted to approximately 22,900 individuals and 450 companies.

During 2010, the insurance industry continued growing. Production amounted to Ps.41,202.9 million, 15.8% higher than the level recorded for 2009 at constant values.

Out of the total insurance production, 81% relates to property insurance, 17% relates to life and personal insurance, and 2% relates to retirement insurance.

Within the 81% corresponding to property insurance, the automotive insurance segment continues to be the most significant one (45%), followed by the workers compensation segment (29%).

Within the life insurance business, the group life insurance segment is the most significant, representing 65%, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.

As of December 2010, Galicia Seguros ranked seventh in terms of net premium of life insurance policies underwritten and first in terms of net premium of home insurance policies underwritten.

Sales and Marketing

Banco Galicia s, the Regional Credit Card Companies and CFA s distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices of the Regional Credit Card Companies mainly serves the medium and low income segments of the population, which generally make less use of bank services, through offices located all across the Interior of the country. CFA s network serves the low income segment of the population, mainly in Buenos Aires and its outskirts. Through Banco Galicia, we operate a nationwide distribution network, which is one of the most extensive and diversified distribution networks among private-sector financial institutions in Argentina.

	March 2011
Branches *(number)*	
Bank Branches	240
Regional Credit Card Cos. Branches	175
CFA Branches	95
Business Centers and In-House Facilities	21
Private-Banking Centers	13
Electronic Banking Terminals *(number)*	

ATMs	701
Self-Service Terminals	786
Electronic Banking Transactions *(thousands per month)*	
ATMs + Self-Service Terminals	14,134
Phone-Banking	331
e-banking	23,561

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Banco Galicia markets all of its financial products and services to high-, medium- and medium- to low-income individuals, including loans, insurance and FIMA family of mutual funds, among others, through its branch network, which operates on-line in real time. Within the branches, the sales force is specialized by type of customer and by customer segment. Banco Galicia s sales policy encourages tellers to perform sales functions as well. Wealthy individuals who are private banking customers are served by specialized officers and a specialized network of service centers, including a head office facility.

Commercial and investment banking services to large corporations and other entities are provided in a centralized manner. Branch officers are responsible for Banco Galicia s relationship with middle-market and small businesses and most of the agriculture and livestock sector customers. Banco Galicia also has established specialized centers that concentrate on providing service to businesses, which are distributed across the country and located in main cities of the Interior and certain customer companies facilities.

All of Banco Galicia s individual and corporate customers have access to Banco Galicia s electronic distribution channels, including the ATM and self-service terminals network and self-service terminals (Red Galicia 24), a multifunction call center (the CCC), an e-banking website (bancogalicia.com) and a banking service through cell phones (Galicia Móvil).

Banco Galicia is client service oriented and assigns great importance to its service model and seeks to improve it constantly.

Banco Galicia has a segmented marketing approach and designs marketing campaigns focused on specific segments of Banco Galicia s customer base. Banco Galicia s marketing strategy is also focused on the development of long-term relationships with customers based on a deep and increasing knowledge of those customers. As part of this client-oriented strategy, Banco Galicia implemented a customer relationship management technology. Banco Galicia s investment in advertising has increased in the last years, in line with the general market s trend and particularly, the Argentine financial system s increase in investment and number of advertisers. These actions, along with massive events in shopping centers across the country and many direct-marketing programs have reinforced the perception of Banco Galicia as a close and friendly bank and have strengthened the brand image, allowing Banco Galicia to regain the top of mind (immediate brand recollection) leadership in its category.

Banco Galicia considers quality of service as the main element capable of distinguishing it from competitors. In order to measure this indicator, Banco Galicia periodically performs surveys, with positive results in recent years, showing high customer satisfaction. The Regional Credit Card Companies market their products and services through a network of branches and service centers, the size of which depends on the size of the locations in which they operate. The companies culture is strongly client service oriented and assigns great importance to quality of service. Sales officials receive intensive training in personalized sale of the companies products and quality of service, given that the bulk of sales is conducted on a one-on-one basis. Quality of service at the branches is permanently monitored by third parties and availability is enhanced through extended business hours. In addition, each of the companies has a web site through which they conduct sales, receive customers requests (such as requests for statements, loans or increases in the credit limits assigned and new cards, among others), provide information on and promote products. These sites include a link that allows payments to be made. In addition, each company has a call center, through which sales, post-sales and collection functions are performed. CFA markets its products through a network of 59 branches and 36 points of sales, located throughout Argentina. The company leads the personal loan business among financial institutions in Argentina and offers its products to customers who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. As such, CFA offers its product "Cuota SI in approximately 4,800 merchants, of which 800 are active, while the agreements are offered out of the branches through different channels. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

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To market its products, Sudamericana s subsidiaries mainly use Banco Galicia s 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 property assets, as of December 31, 2010:

Property	Address	Square Meters (approx.)	Main Uses
Grupo Financiero Galicia			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
Banco de Galicia y Buenos Aires S.A.			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	17,300	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	42,000	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,300	Administrative activities
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3,600	Administrative activities
Banco Galicia Uruguay S.A. (in liquidation)			
- Rented	-Montevideo, Uruguay	580	Storage
	-Dr. Americo Ricaldoni 2468, Montevideo, Uruguay	400	Administrative activities
Tarjeta Naranja S.A.			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,307	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,883	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,249	Storage
	-Río Grande, Tierra del Fuego, Argentina	309	Administrative activities
	-San Jerónimo 2348 and 2350, Santa Fe, Argentina	1,475	Administrative activities
- Rented	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	Administrative activities and printing centre
Tarjetas Cuyanas S.A.			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,160	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Belgrano 1478, Mendoza, Argentina	175	Printing centre
Tarjetas del Mar S.A.			
- Rented	-Luro 3001, Mar del Plata, Buenos Aires, Argentina	100	Administrative Activities
	-Luro 2943, Mar del Plata, Buenos Aires, Argentina	980	Administrative Activities
	-Catamarca 1586, Mar del Plata, Buenos Aires, Argentina	170	
Compañía Financiera Argentina			
- Rented	-Florida 238, Buenos Aires, Argentina	4,500	Administrative Activities
	-Azopardo 467, Buenos Aires, Argentina	3,700	Administrative Activities
Galicia Seguros S.A.			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities

Galicia Warrants S.A.			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
Galval Agente de Valores S.A.			
- Rented	-Zona Franca, Montevideo, Uruguay	300	Administrative activities
GV Mandataria de Valores S.A.			
- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina (1)	336	Administrative activities

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

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As of December 31, 2010, our distribution network consisted of:

- Banco Galicia: 239 branches located in Argentina, 137 of which were owned and 102 of which were rented by Banco Galicia, located in all of Argentina s 23 provinces.
- Tarjeta Naranja S.A.: 122 sales points located in 21 of the 23 Argentine provinces, 120 of which were rented by the company.
- Tarjetas Cuyanas S.A.: 42 sales points in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Rio Negro, Salta, Jujuy and Tucumán. All of them were rented.
- Tarjetas del Mar S.A.: 12 sales points located in the Province of Buenos Aires, all of which were rented. In addition, it owns 11 client assistance centers located in the Province of Buenos Aires and 48 sales stands located in premises that belong to La Anónima supermarket chain, in the provinces of Buenos Aires, La Pampa, Neuquén, Río Negro, Chubut and Tierra del Fuego.
- CFA: 41 branches, 38 mini-branches and 16 payment centers, all of which were rented, located in all of Argentina s provinces, with at least one branch located in each province.

Capital Investments and Divestitures

During 2010, our capital expenditures amounted to Ps.330.5 million, distributed as follows:

- Ps.105.7 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);
- Ps.13.1 million in construction in progress; and
- Ps.211.7 million in organizational and IT system development expenses.

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

- Ps.56.6 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);
- Ps.4.7 million in construction in progress; and
- Ps.118.2 million in organizational and IT system development expenses.

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

- Ps.103.4 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings);
- Ps.44 million in construction in progress; and
- Ps.132.5 million in organizational and IT system development expenses.

These capital expenditures were made mainly in Argentina.

In June, 2009, Banco Galicia entered into an agreement with American International Inc. (AIG) and AIG Consumer Finance Group Inc. to purchase the outstanding shares of the CFA Group, a group of Argentine companies devoted to financial and complementary activities.

During fiscal year 2010, Banco Galicia purchased 95% of the shares of CFA and Tarjetas Regionales S.A. purchased the remaining 5% of the shares of CFA. The total cost for the shares was Ps.333.9 million (including acquisition costs), generating a negative goodwill of Ps.517.4 million resulting from the difference between the amount paid as acquisition cost and the book value of the net assets received.

During July, 2009, Galicia Warrants sold its Silos plant in San Salvador, province of Entre Ríos, generating a profit before tax of Ps.10.6 million.

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

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We have budgeted capital expenditures for the fiscal year ending December 31, 2011, for the following purposes and amounts:

		(In millions of Pesos)
Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones, etc.)	Ps.	226.8
Fixed Assets		102.3
Organizational and IT System Development		294.4
Total	**Ps.**	**623.5**

These capital expenditures will be made mainly in Argentina.
Management considers that internal funds will be sufficient to finance fiscal year 2011 capital expenditures.

Selected Statistical Information

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

The exchange rate used in translating Pesos into 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.3.9758, Ps.3.7967 and Ps.3.4537 per US$1.00 as of December 31, 2010, December 31, 2009 and December 31, 2008, 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, Tarjetas Regionales S.A. and CFA on a consolidated basis. CFA was consolidated since the third quarter of fiscal year 2010. The average balances of interest-earning assets and interest bearing liabilities are calculated on a monthly basis for Grupo Financiero Galicia and its other non-banking subsidiaries.

Average balances have been separated between those denominated in Pesos and those denominated in Dollars. The average yield/rate is the amount of interest earned or paid during the period divided by the related average balance. Net gains/losses on government securities and related differences in quoted market prices are included in interest earned. We manage our trading activities in government securities as an integral part of our business. We do not distinguish between interest income and market gains or losses on our government securities portfolio. The non-accrual loans balance is included in the average loan balance calculation.

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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, 2010.

	Fiscal Year Ended December 31, 2010 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/ Rate	Average Balance	Accrued Interest	Average Yield/ Rate	Average Balance	Accrued Interest	Average Yield/ Rate
	(in millions of Pesos, except rates)								
Assets									
Government Securities	2,770.6	567.6	20.49	573.5	(181.0)	(31.56)	3,344.1	386.6	11.56
Loans									
Private Sector	14,191.4	3,002.5	21.16	2,609.0	116.1	4.45	16,800.4	3,118.6	18.56
Banco Galicia and Regional Credit Card Companies	13,551.0	2,683.1	19.80	2,609.0	116.1	4.45	16,160.0	2,799.2	17.32
CFA	640.4	319.4	49.88				640.4	319.4	49.88
Public Sector	0.4		0.20				0.4		0.20
Total Loans (1)	14,191.8	3,002.5	21.16	2,609.0	116.1	4.45	16,800.8	3,118.6	18.56
Other	1,571.8	85.3	5.43	266.6	3.9	1.46	1,838.4	89.2	4.85
Total Interest-Earning Assets	**18,534.2**	**3,655.4**	**19.72**	**3,449.1**	**(61.0)**	**(1.77)**	**21,983.3**	**3,594.4**	**16.35**
Cash and Gold	2,084.8			2,233.0			4,317.8		
Equity in Other Companies	702.5			147.7			850.2		
Other Assets	2,735.0			183.6			2,918.6		
Allowances	(901.1)			(50.4)			(951.5)		
Total Assets	**23,155.4**			**5,963.0**			**29,118.4**		
Liabilities and Equity									
Deposits									
Current Accounts	328.1	5.5	1.67	180.0			508.1	5.5	1.08
Savings Accounts	2,717.5	7.7	0.28	1,298.7			4,016.2	7.7	0.19
Time Deposits	7,083.8	741.8	10.47	1,470.5	11.7	0.79	8,554.3	753.5	8.81
Total Interest-Bearing Deposits	10,129.4	755.0	7.45	2,949.2	11.7	0.40	13,078.6	766.7	5.86
Argentine Central Bank				0.7			0.7		
Other Financial Entities	335.2	61.3	18.29	281.2	7.1	2.53	616.4	68.4	11.10
Debt Securities	256.7	32.3	12.58	2,019.4	196.2	9.72	2,276.1	228.5	10.04
Other	147.5	10.7	7.25	543.2	18.9	3.48	690.7	29.6	4.29
	10,868.8	**859.3**	**7.91**	**5,793.7**	**233.9**	**4.04**	**16,662.5**	**1,093.2**	**6.56**

Total Interest-Bearing Liabilities						
Demand Deposits	4,746.0		390.7		5,136.7	
Other Liabilities	3,995.8		786.5		4,782.3	
Minority Interests	341.9				341.9	
Shareholders Equity	2,195.0				2,195.0	
Total Liabilities and Equity	**22,147.5**		**6,970.9**		**29,118.4**	
Spread and Net Yield						
Interest Rate Spread		11.81		(5.81)		9.79
Cost of Funds Supporting Interest-Earning Assets		4.64		6.78		4.97
Net Yield on Interest-Earning Assets		15.09		(8.55)		11.38

(*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

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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, 2009.

	Fiscal Year Ended December 31, 2009 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/ Rate	Average Balance	Accrued Interest	Average Yield/ Rate	Average Balance	Accrued Interest	Average Yield/ Rate
	(in millions of Pesos, except rates)								
Assets									
Government Securities	2,500.7	505.0	20.19	2,185.8	50.1	2.29	4,686.5	555.1	11.84
Loans									
Private Sector	9,431.6	2,049.8	21.73	1,912.0	140.3	7.34	11,343.6	2,190.1	19.31
Public Sector	120.0	27.0	22.50				120.0	27.0	22.50
Total Loans(1)	9,551.6	2,076.8	21.74	1,912.0	140.3	7.34	11,463.6	2,217.1	19.34
Other	1,717.9	111.2	6.47	510.0	4.0	0.78	2,227.9	115.2	5.17
Total Interest-Earning Assets	**13,770.2**	**2,693.0**	**19.56**	**4,607.8**	**194.4**	**4.22**	**18,378.0**	**2,887.4**	**15.71**
Cash and Gold	1,515.2			1,913.5			3,428.7		
Equity in Other Companies	843.2			157.2			1,000.4		
Other Assets	2,482.3			162.9			2,645.2		
Allowances	(724.8)			(42.2)			(767.0)		
Total Assets	**17,886.1**			**6,799.2**			**24,685.3**		
Liabilities and Equity									
Deposits									
Current Accounts	790.0	12.9	1.63	497.3			1,287.3	12.9	1.00
Savings Accounts	1,988.4	5.7	0.29	1,026.1			3,014.5	5.7	0.19
Time Deposits	6,073.9	843.2	13.88	1,318.0	19.1	1.45	7,391.9	862.3	11.67
Total Interest-Bearing Deposits	8,852.3	861.8	9.74	2,841.4	19.1	0.67	11,693.7	880.9	7.53
Argentine Central Bank				0.6			0.6		
Other Financial Entities	236.5	44.8	18.94	167.9	9.0	5.36	404.4	53.8	13.30
Debt Securities	325.8	59.7	18.32	2,404.1	164.6	6.85	2,729.9	224.3	8.22
Other	162.9	12.2	7.49	931.9	44.1	4.73	1,094.8	56.3	5.14
Total Interest-Bearing Liabilities	**9,577.5**	**978.5**	**10.22**	**6,345.9**	**236.8**	**3.73**	**15,923.4**	**1,215.3**	**7.63**
Demand Deposits	3,058.8			6.2			3,065.0		
Other Liabilities	2,816.3			669.5			3,485.8		

Minority Interests	249.9				249.9	
Shareholders Equity	1,961.2				1,961.2	
Total Liabilities and Equity	**17,663.7**		**7,021.6**		**24,685.3**	
Spread and Net Yield						
Interest Rate Spread		9.34		0.49		8.08
Cost of Funds Supporting Interest-Earning Assets		7.11		5.14		6.61
Net Yield on Interest-Earning Assets		12.45		(0.92)		9.10

(*) *Rates include the CER adjustment.*

(1) *Non accruing loans have been included in average loans.*

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

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

(*) *Rates include the CER adjustment.*

(1) *Non accruing loans have been included in average loans. (2) Includes, among other amounts, the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.*

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Changes in Net Interest Income-Volume and Rate Analysis

The following table allocates, by currency of the underlying asset or liability, changes in our consolidated interest income and interest expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective average yield/rate for (i) the fiscal year ended December 31, 2010 compared with the fiscal year ended December 31, 2009; and (ii) the fiscal year ended December 31, 2009, compared with the fiscal year ended December 31, 2008. Differences related to rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2010/ Fiscal Year 2009, Increase (Decrease) due to changes in			Fiscal Year 2009/ Fiscal Year 2008, Increase (Decrease) due to changes in		
	Volume	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**
	(in millions of Pesos)					
Interest Earning Assets						
Government Securities						
Pesos	55.2	7.4	62.6	146.6	286.2	432.8
Dollars	(11.0)	(220.1)	(231.1)	(8.4)	(17.8)	(26.2)
Total	44.2	(212.7)	(168.5)	138.2	268.4	406.6
Loans						
Private Sector						
Banco Galicia and Regional Credit Card Companies						
Pesos	795.3	(162.0)	633.3	120.4	172.8	293.2
Dollars	303.1	(327.3)	(24.2)	(3.4)	11.1	7.7
Total	1,098.4	(489.3)	609.1	117.0	183.9	300.9
CFA						
Pesos	319.4	(*)	319.4			
Dollars						
Total	319.4		319.4			
Public Sector						
Pesos	(14.1)	(12.9)	(27.0)	(668.4)	529.7	(138.7)
Dollars						
Total	(14.1)	(12.9)	(27.0)	(668.4)	529.7	(138.7)
Other						
Pesos	(8.9)	(17.0)	(25.9)	(77.4)	(8.4)	(85.8)
Dollars	0.1	(0.2)	(0.1)	(7.0)	(4.2)	(11.2)
Total	(8.8)	(17.2)	(26.0)	(84.4)	(12.6)	(97.0)
Total Interest-Earning Assets						
Pesos	1,146.9	(184.5)	962.4	(478.8)	980.3	501.5
Dollars	292.2	(547.6)	(255.4)	(18.8)	(10.9)	(29.7)
Total	**1,439.1**	**(732.1)**	**707.0**	**(497.6)**	**969.4**	**471.8**

Interest Bearing Liabilities						
Demand Account						
Pesos	(7.7)	0.3	(7.4)	3.4	(12.1)	(8.7)
Dollars						
Total	(7.7)	0.3	(7.4)	3.4	(12.1)	(8.7)
Savings Account						
Pesos	2.0		2.0	0.4	0.6	1.0
Dollars						
Total	2.0		2.0	0.4	0.6	1.0
Time Deposits						
Pesos	212.3	(313.7)	(101.4)	36.8	56.5	93.3
Dollars	2.6	(10.0)	(7.4)	3.2	(1.9)	1.3
Total	214.9	(323.7)	(108.8)	40.0	54.6	94.6
With Other Financial Entities						
Pesos	18.0	(1.5)	16.5	(11.8)	2.8	(9.0)
Dollars	4.2	(6.1)	(1.9)	(33.9)	3.6	(30.3)
Total	22.2	(7.6)	14.6	(45.7)	6.4	(39.3)
Negotiable Obligations						
Pesos	(11.1)	(16.3)	(27.4)	(55.5)	44.7	(10.8)
Dollars	(19.5)	51.1	31.6	8.7	(53.7)	(45.0)
Total	(30.6)	34.8	4.2	(46.8)	(9.0)	(55.8)
Other liabilities						
Pesos	(1.1)	(0.4)	(1.5)	(5.2)	(4.2)	(9.4)
Dollars	(15.4)	(9.8)	(25.2)	(20.2)	(24.6)	(44.8)
Total	(16.5)	(10.2)	(26.7)	(25.4)	(28.8)	(54.2)
Total Interest Bearing Liabilities						
Pesos	212.4	(331.6)	(119.2)	(31.9)	88.3	56.4
Dollars	(28.1)	25.2	(2.9)	(42.2)	(76.6)	(118.8)
Total	**184.3**	**(306.4)**	**(122.1)**	**(74.1)**	**11.7**	**(62.4)**

(*) Regarding CFA s loans and comparative disclosures for the year ended December 31, 2010, the information related to changes in volumes and rates is not presented, due to the fact that average balances or interest amounts did not exist for these activities for the above-mentioned periods in 2009. CFA s loans were included in 2010 information since its acquisition in June 2010.

The increase of Ps.707.0 million in interest income for the fiscal year ended December 31, 2010, as compared to the previous year, is explained by the Ps.1,439.1 million benefit from the increase in total interest-earning assets, partially offset by the Ps.732.1 million decrease in interest rates.

In particular, the Ps.962.4 million benefit from Peso-denominated assets was mainly due to the increase in the volume of loans to the private sector, while the decrease from Dollar-denominated assets reflects the decline in the interest rate payable on government securities, primarily as a consequence of the establishment of a valuation allowance on the Government bonds denominated in Dollars at a Libor interest rate, due in 2012 (Boden 2012 Bonds), equivalent to the estimated difference between the book value and the realizable value that we consider reasonable. During the fiscal year ended December 31, 2010, these securities were sold.

In terms of interest expenses, the Ps.122.1 million decrease was mainly due to the increase in the volume of time deposits, partially offset by the reduction in interest rates.

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

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

	Fiscal Year Ended December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos, except percentages)		
Total Average Interest-Earning Assets			
Pesos	18,534.2	13,770.2	14,182.4
Dollars	3,449.1	4,607.8	5,710.1
Total	**21,983.3**	**18,378.0**	**19,892.5**
Net Interest Earned (1)			
Pesos	2,796.1	1,714.5	1,269.4
Dollars	(294.9)	(42.4)	(131.5)
Total	**2,501.2**	**1,672.1**	**1,137.9**
Net Yield on Interest-Earning Assets (2) (%)			
Pesos	15.09	12.45	8.95
Dollars	(8.55)	(0.92)	(2.30)
Weighted-Average Yield	**11.38**	**9.10**	**5.72**
Interest Spread, Nominal Basis (3) (%)			
Pesos	11.81	9.34	5.59
Dollars	(5.81)	0.49	(1.69)
Weighted-Average Yield	**9.79**	**8.08**	**4.00**
Credit Related Fees Included in Net Interest Earned			
Pesos	109.5	84.2	69.9
Dollars			
Total	**109.5**	**84.2**	**69.9**

(1) Net interest earned corresponds to the net financial income (Financial Income minus Financial Expenses , as set forth in the Income Statement), plus (i) financial fees included in Income from Services In Relation to Lending Transactions in the Income Statement,(ii) contributions to the Deposits Insurance Fund included in the item with the same denomination that is part of the Financial Expenses caption in the Income Statement, and (iii) contributions and taxes on financial income included in the Income Statement under Financial Expenses Others ; minus (i) net income from corporate securities, included under Financial Income/Expenses Interest Income and Gains/Losses from Holdings of Government and Corporate Securities , in the Income Statement,(ii) differences in quotation of gold and foreign currency included in the item with the same denomination that is part of the Financial Expenses/Income caption in the Income Statement, and (iii) the premiums and adjustments on forward transactions in foreign currency, included in the item Financial Income-Others in the Income Statement. Net interest earned also includes income from government securities used as security margins in

repurchase agreement transactions. This income/loss is included in Miscellaneous Income/Loss Others in the Income Statement. Net income from government securities includes both interest and gains/losses due to the variation of market quotations.

(2) *Net interest earned, divided by average interest-earning assets.*

(3) *Interest spread, nominal basis is the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing deposits.*

Government and Corporate Securities

The following table shows our holdings of government and corporate securities at the balance sheet dates stated below, and the breakdown of the portfolio in accordance with the Argentine Central Bank classification system and by the currency of denomination of the relevant securities. Our holdings of government securities represent mainly holdings of Banco Galicia.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in millions of Pesos)		
Government Securities			
Pesos			
Investment	**133.7**	**43.3**	**22.8**
Issued by Argentine Central Bank Lebac and Nobac		43.3	22.8
Bonar Bonds	133.7		
Trading	**38.4**	**100.7**	**233.7**
Bonar Bonds	13.3	42.7	
Bogar Bonds			1.6
Others	25.1	58.0	232.1
Issued by Argentine Central Bank	**2,065.7**	**1,615.1**	**550.2**
Lebac Unquoted	257.5	934.6	
Lebac Quoted	359.1	633.9	
Nobac Unquoted	1,265.0	29.5	520.2
Nobac Quoted	3.9	17.1	30.0
Lebac Repurchase Agreement Transactions	180.2		
Without Quotation		**945.7**	**69.8**
Bonar Bonds		323.7	
Discount Bonds in Pesos		622.0	69.8
Total Government Securities in Pesos	**2,237.8**	**2,704.8**	**876.5**
Dollars			
Investment			**527.4**
Boden 2012 Bonds			**525.9**
Boden 2013 Bonds			**1.5**
Trading	**29.9**	**13.5**	**0.4**
Boden 2012 Bonds			
Others	**29.9**	**13.5**	**0.4**
Government Securities for Repurchase Agreement Transactions with the Argentinte Central Bank		**152.7**	**127.5**
Boden 2013 2015 Bonds			**127.5**
Bonar Bonds		**152.7**	
Without Quotation		**1,036.2**	
Boden 2012 Bonds		**1,032.4**	
Others		**3.8**	
Total Government Securities in Dollars	**29.9**	**1,202.4**	**655.3**
Total Government Securities	**2,267.7**	**3,907.2**	**1,531.8**

Corporate Securities	**10.3**	**13.2**	**0.1**
Corporate Equity Securities (Quoted) in Pesos	**10.3**	**0.1**	**0.1**
Corporate Equity Securities (Quoted) in Dollars		**13.1**	
Total Government and Corporate Securities	**2,278.0**	**3,920.4**	**1,531.9**

The decrease in our holdings of government securities in 2010 can mainly be attributed to the sale of Boden 2012 Bonds, bonds issued by the Government due in 2015 (Bonar 2015 Bonds), Government discount bonds (Discount Bonds) and Argentine GDP-linked negotiable securities (GDP-Linked Negotiable Securities). The investment portfolio in Pesos reflects Banco Galicia s holdings of Bonar 2015 Bonds for Ps.133.7 million.

The increase in Banco Galicia s holdings of government securities in 2009 mainly reflects an increase in its without quotation holdings of Boden 2012 Bonds, Bonar 2015 Bonds and Discount Bonds (Ps.1,912.1 million), and in its holdings of notes issued by the Argentine Central Bank (Ps.1,064.9 million). It also includes a decrease in investment securities (Ps.527.4 million).

The increase of Bonar Bonds was due to the swap made by Banco Galicia in which it exchanged Government bonds in Pesos at 2%, due in 2014 (Boden 2014 Bonds) with a face value of Ps.683.6 million (recorded in Banco Galicia s books in February 2009, within the scope of an exchange transaction of national secured loans at market price) for Bonar 2015 Bonds with a face value of Ps.912.7 million.

All government securities, except for the Lebac and Nobac, which are issued by the Argentine Central Bank, were issued by the Government.

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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, 2010					
	Holdings	Forward Purchases	Forward Sales	Spot purchases to be settled	Spot sales to be settled	Net Position
	(in millions of Pesos)					
Government Securities Investment Portfolio						
Pesos	**133.7**	**508.4**				**642.1**
Trading or Financial Brokerage Portfolio						
Pesos	38.4			0.2	7.7	30.9
Dollars	29.9			11.8	14.4	27.3
Securities issued by the Argentine Central Bank						
Pesos	2,065.7	399.4	180.2	32.2	24.0	2,293.1
Dollars						
Other Provided as Collateral		118.3				118.3
Total Government Securities	**2,267.7**	**1,026.1**	**180.2**	**44.2**	**46.1**	**3,111.7**
Corporate Equity Securities (Quoted)	**10.3**					**10.3**
Total Government and Corporate Securities	**2,278.0**	**1,026.1**	**180.2**	**44.2**	**46.1**	**3,122.0**

The net position of government securities as of December 31, 2010 amounted to Ps.3,111.7 million.

The investment portfolio in Pesos reflects the holding of Bonar 2015 Bonds. The net position of trading securities in Pesos mainly corresponds to bonds issued by Argentina (Bonar Bonds, Discount Bonds and Boden Bonds).

During the fiscal year ended December 31, 2010, Banco Galicia sold its holdings recorded under Government Securities without Quotation, which corresponded to Government discount bonds (Discount Bonds) in Pesos and GDP-Linked Negotiable Securities, Bonar 2015 Bonds and Boden 2012 Bonds.

The securities issued by the Argentine Central Bank in Pesos consist of Argentine Central Bank Bills (Lebac) and Nobac totaling Ps.2,465.1 million, as of December 31, 2010.

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, 2010. Our government securities portfolio yields do not contain any tax equivalency adjustments.

Maturity Yield

	Maturing after 1	Maturing after 5

	Total Book Value	Maturing within 1 year Book Value	Yield(1)	year but within 5 years Book Value	Yield(1)	years but within 10 years Book Value	Yield(1)	Maturing after 10 years Book Value	Yield(1)
	(in millions of Pesos, except percentages)								
Government Securities Held for Trading and Brokerage Purposes (carried at market value)									
Pesos	38.4	2.0	6.7%	27.5	10.1%	1.0	11.4%	7.9	10.8%
Dollars	29.9	5.6	3.1%	24.3	4.3%				10.1%
Held for Investment (carried at amortized cost)									
Pesos	133.7		17.3%	133.7	17.3%				
Instruments Issued by the Argentine Central Bank									
Pesos	2,065.7	2,065.7	10.5%						
Securities Without Quotation									
Pesos									
Dollars									
Total Government Securities	**2,267.7**	**2,073.3**	**10.5%**	**185.5**	**14.5%**	**1.0**	**10.4%**	**7.9**	**10.8%**
Corporate Debt Securities	**10.3**	**10.3**	**8.0%**						
Total Portfolio	**2,278.0**	**2,083.6**	**10.5%**	**185.5**	**14.5%**	**1.0**	**10.4%**	**7.9**	**10.8%**

(1) Effective yield based on December 31, 2010 quoted market values.

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As of December 31, 2010, we had the following investments in securities of issuers that exceeded 10% of our shareholders equity.

December 31, 2010			
In millions of Pesos	**Issuer**	**Book Value**	**Market Value**
Securities issued by the Argentine Central Bank	Argentine Central Bank	2,411.4	2,405.6
Total		**2,411.4**	**2,405.6**

Loan Portfolio

Our total loans reflect Banco Galicia s, the Regional Credit Card Companies and the CFA s loan portfolios including past due principal amounts. Personal loans and credit-card loans are typically loans to individuals granted by Banco Galicia or the Regional Credit Card Companies. The Regional Credit Card Companies loans are included under Credit card loans . Also, certain amounts related to advances, promissory notes, mortgage loans and pledge loans are extended to individuals. However, advances and promissory notes mostly represent loans to companies. The following table analyzes our loan portfolio, i.e., Banco Galicia s loan portfolio consolidated with the Regional Credit Card Companies and the CFA s loan portfolio, by type of loan and total loans with guarantees.

	As of December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(in millions of Pesos)				
Principal and Interest					
Non-Financial Public Sector	3.2	5.0	1,319.6	1,210.5	2,690.6
Local Financial Sector	80.6	25.4	148.1	110.0	311.6
Non-Financial Private Sector and Residents Abroad [(1)]					
Advances	979.2	630.1	594.4	792.1	346.3
Promissory Notes	4,534.3	3,205.4	2,116.3	2,911.2	2,143.7
Mortgage Loans	950.2	964.3	1,026.8	945.1	688.0
Pledge Loans	119.2	64.8	81.0	94.5	67.1
Personal Loans [(2)]	4,093.6	1,724.4	1,217.6	977.9	563.2
Credit Card Loans	9,120.1	5,691.3	4,378.4	3,630.1	2,458.6
Placements in Banks Abroad	215.3	440.7	334.5	158.0	608.0
Other Loans	2,081.2	1,387.9	883.3	1,010.8	794.8
Accrued Interest, Adjustment and Quotation Differences Receivable	277.1	178.8	185.8	177.0	155.0
Documented Interest	(81.8)	(54.2)	(38.5)	(42.5)	(23.3)
Total Non-Financial Private-Sector and Residents Abroad	22,288.4	14,233.5	10,779.6	10,654.2	7,801.4
Total Gross Loans	**22,372.2**	**14,263.9**	**12,247.3**	**11,974.7**	**10,803.6**
Allowance for Loan Losses	(1,038.5)	(806.4)	(526.8)	(428.6)	(327.0)
Total Loans	**21,333.7**	**13,457.5**	**11,720.5**	**11,546.1**	**10,476.6**

Loans with Guarantees

With Preferred Guarantees [3]	1,257.1	1,142.2	1,332.8	1,289.8	1,076.2
Other Guarantees	3,694.5	2,453.9	2,971.1	3,180.2	4,103.6
Total Loans with Guarantees	**4,951.6**	**3,596.1**	**4,303.9**	**4,470.0**	**5,179.8**

(1) Categories of loans include:

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

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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) As of December 31, 2010 includes loans incorporated as a consequence of the acquisition of CFA.

(3) Preferred guarantees include mortgages on real estate property or pledges on movable property, such as cars or machinery, where Banco Galicia has priority, endorsements of the Federal Office of the Secretary of Finance, pledges of Government securities, or gold or cash as collateral.

As of December 31, 2010, Banco Galicia s loan portfolio before allowances for loan losses amounted to Ps.22,372.2 million, as compared to Ps.14,263.9 million as of December 31, 2009. This change is due to a significant increase in the portfolio of loans to the private sector, in line with the increase experienced by the Argentine market in general, together with the acquisition of CFA whose loan portfolio before allowances for loan losses amounted to Ps.1,378.4 million.

Loans to the financial and non-financial public sector as of the end of the fiscal year ended December 31, 2010 were Ps.3.2 million, 36% lower than the Ps.5.0 million outstanding as of the close of the previous fiscal year.

As of December 31, 2010, the loans to the private sector before the allowance for loan losses were Ps.22,369.0 million, a 56.88% increase (47.21% without CFA s portfolio), as compared to the Ps.14,258.9 million at the end of the previous fiscal year, and a share in the total loan portfolio of 99.99%, compared to 99.96% the previous fiscal year. Loans to corporations and individuals in the total loan portfolio increased from 96.67% at the end of the fiscal year ended December 31, 2009 to 98.56% at the end of the fiscal year ended December 31, 2010.

In fiscal year 2009, our loan portfolio before the allowance for loan losses increased 16.47% compared to the previous fiscal year end, due to a significant increase in the portfolio of loans of the private sector and a decrease in the public non-financial sector. Loans to the financial and non-financial public sector as of fiscal year end 2009 amounted to Ps.5.0 million, with a 99.65% decrease in comparison with the Ps.1,426.7 million outstanding as of the close of the previous fiscal year.

Loans by Type of Borrower

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2010, 2009 and 2008. The middle-market companies category includes Banco Galicia s loans to SMEs and the agricultural and livestock sectors while the individuals category includes loans granted by Banco Galicia, the Regional Credit Card Companies and CFA. Loans to individuals comprise both consumer loans and commercial loans extended to individuals with a commercial activity.

As of December 31,

	2010		2009		2008	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(in millions of Pesos, except percentages)					
Corporate	2,768.1	12.37	1,801.1	12.63	1,148.6	9.38
Middle-Market Companies	6,641.9	29.69	4,844.5	33.96	3,716.8	30.35
- Agribusiness	2,458.2	10.99	1,962.9	13.76	1,461.4	11.93
- SMEs	4,183.8	18.70	2,881.6	20.20	2,255.4	18.42
Commercial Loans	9,410.0	42.06	6,645.6	46.59	4,865.4	39.73
Individuals	12,640.9	56.51	7,142.8	50.07	5,578.3	45.55
- Bank	6,807.0	30.43	4,296.4	30.12	3,232.0	26.39
- Regional Credit Card Companies	4,455.9	19.92	2,846.4	19.95	2,346.3	19.16
- CFA	1,378.0	6.16				
Financial Sector (1)	318.0	1.42	470.5	3.30	484.0	3.95
Non-Financial Public Sector	3.2	0.01	5.0	0.04	1,319.6	10.77

(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.

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Consumer loans continue to be the most significant category in the loan portfolio, representing 54.68% of the total portfolio as of December 31, 2010, higher than in the end of the previous fiscal year, where the portion of the loan portfolio consisting of consumer loans was 47.54%. The share portion of the loan portfolio consisting of consumer loans as of December 31, 2008 was 43.23%.

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.

	As of December 31,					
	2010		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)					
Financial Sector (1)	**318.0**	**1.42**	**470.5**	**3.30**	**484.0**	**3.95**
Services						
Non-Financial Public Sector	3.2	0.01	5.0	0.04	1,319.6	10.77
Communications, Transportation Health and Others	1,315.3	5.88	1,020.2	7.15	838.3	6.84
Electricity, Gas, Water Supply and Sewage Services	111.2	0.50	43.7	0.31	30.7	0.25
Other Financial Services	54.0	0.24	12.8	0.09	44.5	0.37
Total	**1,483.7**	**6.63**	**1,081.7**	**7.59**	**2,233.1**	**18.23**
Primary Products						
Agriculture and Livestock	2,268.0	10.14	1,803.8	12.65	1,274.5	10.41
Fishing, Forestry and Mining	199.3	0.89	177.8	1.25	60.9	0.49
Total	**2,467.3**	**11.03**	**1,981.6**	**13.90**	**1,335.4**	**10.90**
Consumer	**12,232.7**	**54.68**	**6,781.5**	**47.54**	**5,294.9**	**43.23**
Retail Trade	**906.2**	**4.05**	**719.5**	**5.04**	**537.2**	**4.39**
Wholesale Trade	**1,532.8**	**6.85**	**931.4**	**6.53**	**647.0**	**5.28**
Construction	**318.1**	**1.42**	**177.0**	**1.24**	**82.2**	**0.67**
Manufacturing						
Foodstuffs	1,098.4	4.91	773.2	5.42	533.6	4.36
Transportation Materials	70.9	0.32	41.9	0.29	81.5	0.67
Chemicals and Oil	454.3	2.03	378.3	2.65	293.2	2.39
Manufacturing Industries	1,388.7	6.21	891.5	6.25	682.6	5.57
Total	**3,012.3**	**13.47**	**2,084.9**	**14.61**	**1,590.9**	**12.99**
Other Loans	**101.1**	**0.45**	**35.8**	**0.25**	**42.6**	**0.36**

Total (2)	**22,372.2**	**100.00**	**14,263.9**	**100.00**	**12,247.3**	**100.00**

(1) Includes local and international financial sectors.

(2) Before the allowance for loan losses.

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By economic sector, the most significant categories during the fiscal year ended December 31, 2010 were consumer loans, loans to the manufacturing industry, the primary production sector and trade (wholesale and retail) with a participation in the total loan portfolio of 54.68%, 13.46%, 11.03% and 10.9%, respectively.

The most significant growth was reflected in the consumer sector, particularly given the size of this portfolio, with increases of 80.38%, as compared to the end of 2009; such increase was caused mainly by Banco Galicia s acquisition of CFA. The services sector registered a decline in respect of the total loan portfolio, from 7.58% at the end of 2009 to 6.63% at the end of 2010.

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, 2010.

	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, 2010
				(in millions of Pesos)			
Non-Financial Public Sector (1)	**3.2**						**3.2**
Financial Sector (1)	**80.6**						**80.6**
Private Sector and Residents Abroad	**11,620.2**	**5,264.4**	**1,969.3**	**2,485.3**	**771.4**	**177.8**	**22,288.4**
- Advances	685.7	280.0	12.8	0.8			**979.2**
- Promissory Notes	1,847.3	1,905.9	369.1	338.6	67.2	6.2	**4,534.3**
- Mortgage Loans	30.6	91.9	94.6	340.0	243.7	149.4	**950.2**
- Pledge Loans	8.1	21.5	22.1	59.8	6.7	0.9	**119.1**
- Personal Loans	247.0	957.9	866.8	1,546.8	453.8	21.3	**4,093.6**
- Credit-Card Loans	6,620.4	1,811.8	569.1	118.7			**9,120.1**
- Other Loans	1,986.8	195.4	34.8	80.6			**2,297.6**
- Accrued Interest and Quotation Differences Receivable (1)	277.1						**277.1**
- (Documented Interest)	(81.8)						**(81.8)**
- (Unallocated Collections)	(1.0)						**(1.0)**
Allowance for Loan Losses (2)	**(1,038.5)**						**(1,038.5)**
Total Loans, Net	**10,665.5**	**5,264.4**	**1,969.3**	**2,485.3**	**771.4**	**177.8**	**21,333.7**

(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 by denomination as of December 31, 2010.

	In millions of Pesos	**As a % of Total Loans**
Variable Rate (1)(2)		
Pesos	922.7	26.87%
Dollars	202.0	5.88%
Total	**1,124.7**	**32.75%**
Fixed Rate (2)(3)		
Pesos	2,203.5	64.15%
Dollars	106.3	3.10%
Total	**2,309.8**	**67.25%**
Past Due Loans		
Pesos		
Dollars		
Total		

(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.

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Credit Review Process

Credit risk is the potential for financial loss resulting from the failure of a borrower to honor its financial contractual obligations. Our credit risk arises mainly from Banco Galicia s, the Regional Credit Card Companies and CFA s lending activities, and from the fact that, in the normal course of business, these subsidiaries are parties to certain transactions with off-balance sheet treatment and associated risk, mainly commitments to extend credit and guarantees granted. See also Item 5. Operating and Finance Review and Prospects Item 5.A. Operating Results-Off-Balance Sheet Arrangements .

Our credit approval and credit risk analysis is a centralized process based on the concept of opposition of interests . This is achieved through the existing division among the risk management, the credit and the origination functions both in retail and wholesale businesses, thus enabling us to achieve an ongoing and efficient control of asset quality, a proactive management of loans with problems, aggressive write-offs of uncollectible loans, and adequate loan loss provisioning. Apart from that, it includes the follow-up of the models for measuring the portfolio risk at the operation and customer levels, facilitating the detection of loans with problems and the losses associated thereto, what in turn allows the early detection of situations that could entail some degree of portfolio deterioration and provides appropriate protection of our assets.

Banco Galicia

The Credit Risk Management and Insurance Division approves credit risk policies and procedures, verifies the compliance thereof and assesses credit risk on a continuous basis.

The credit granting policy for retail banking focuses on the use of an automatic loan granting process. This is based on behavior analysis models. Banco Galicia is focused on obtaining portfolios with direct payroll deposits, which statistically have a better loan compliance behavior when compared to other types of portfolios.

As for the wholesale banking, credit granting is based on analyses conducted on credit, cash-flow, balance sheet, capacity of the applicant. These are supported by statistical rating models.

During fiscal year 2010, the review-by-sector policy was implemented, which determines the levels of review for the economic activities belonging to the private-sector portfolio according to the concentration they show with regard to total credit and/or computable regulatory capital (RPC , as per its initials in Spanish).

The Credit Risk Management and Insurance Division also constantly monitors its portfolio through different indicators (asset quality of the loan portfolio, provisioning of the non-accrual portfolio, non-performance, roll rates, credit quality indicators, etc), as well as the classification and concentration thereof (through maximum ratios between the exposure to each client, its own RPC or regulatory capital, and that of each customer). The loan portfolio classification as well as its concentration control, are carried out following the regulations provided for by the Argentine Central Bank.

Credit

The Credit Division s mission is to assure quality of loan portfolio through the origination of businesses and the optimization of loan recovery strategies in accordance with standards of best practices.

This division performs the following functions: credit granting, preventive management, tracking down and classification of customers, together with recovery of past-due loans. In order to provide timely information and with a flexible and efficient structure that helps respond and adjust to the current macro and microeconomic variables, the above-mentioned functions have been split, not only for companies but also for individuals, and sectors were created that report directly to the Division, thus looking for a more efficient decision-making process.

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This division has specific areas to service large businesses and/or fast-growing companies in the Argentine economy over the last years: banks, capital markets and the agriculture and livestock businesses. In addition, there is an area for the revision and analysis of sectors by activity and environmental risk.

The analysis and granting in relation to the retail portfolio is made on a centralized basis by the Individuals Credit Department.

Applications for products, such as credit cards, current account overdrafts and secured or unsecured personal loans, are automatically assessed through computerized credit scoring systems that take into account different criteria to determine the customer s credit background and repayment capacity, as well as through granting guidelines based on the customer s credit history within the financial system (which is verified against the information provided by a company that provides credit information) or with Banco Galicia (credit screening).

Credit approval of corporate loan portfolio is carried out through two specialized teams: The Corporate Credit Department responsible for credit granting and the Credit Analysis Department, in charge of the analysis of large amount transactions.

Before approving a loan, Banco Galicia performs an assessment of the potential borrower and his/her financial condition. For credit exceeding certain amounts, an analysis of each credit line and of each customer is carried out. For credits lower to certain amounts, Banco Galicia uses automated risk assessment systems that provide financial and non-financial information on the borrower, and that perform projections on the financial statements and generate automatic warnings about situations that may indicate an increase in the risk.

Banco Galicia performs its risk assessment based on the following factors:

Qualitative Analysis	Assessment of the corporate borrower s creditworthiness performed by the officer in charge of the account based on personal knowledge.
Economic and Financial Risk	Quantitative analysis of the borrower s balance sheet amounts.
Economic Risk of the Sector	Measurement of the general risk of the financial sector where the borrower operates (based on statistical information, internal and external).
Environmental Risk	Environmental impact analysis (required for all investment projects of significant amounts).

Loans are approved by the Corporate Approval Department, pursuant to authorization levels previously granted, except loans exceeding certain amount and loans granted to (domestic or foreign) financial institutions and to related customers; these loans are approved by the Credit Committee.

The Information and Management Division provides information for the decision-making process, for the compliance with internal credit policies and regulations from regulating authorities, and for the ongoing review of processes by establishing efficiency ratios and suggesting proposals for continuous improvement.

The Policy and Strategy Department is responsible for reviewing and proposing changes to Banco Galicia s internal policies, both as regards credit granting and recovery of past-due loans. This area constantly interfaces with Risk Management Division.

The Preventive Management and Analysis Division is in charge of the primary reorganization of Banco Galicia s portfolio through strategic models of behavior, as well as sector, environmental, economic and financial analysis that help anticipate non-performing credit customers.

The Customer Credit Recovery Division is responsible for reducing the deterioration of the portfolio under management and pursuing customers reinsertion in the commercial line; whereas the Portfolio Recovery area covers the court and out-of-court proceedings of customers within the individuals and companies portfolio.

Regional Credit Card Companies

Each of the Regional Credit Card Companies maintains its own credit products and limits; however, their credit approval and credit risk analysis procedures are basically the same. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the companies, as well as on information on customers credit records obtained from credit bureaus and other entities. Once the information is verified, the credit card is issued. There are certain requirements such as age, minimum levels of income (depending on the type of customer, i.e. employee, self-employed, etc.) and domicile area that must be fulfilled in order to qualify for a credit card. Credit limits are defined based on customers income. Credit limits may be raised for a particular customer, either at the customer s request or based on the customer s past payment profile, at the companies discretion or for all customers, due to, among other factors, macroeconomic conditions such as inflation, salary trends or interest rates.

Credit risk assessment, credit approval (the extension of a credit card and the assignment of a limit) and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by each company on a centralized basis by a unit that is separate from the sales units. The credit process is described in manuals and Tarjeta Naranja S.A., the largest regional credit card company, has certified all of its processes under the ISO 9001/2000 standard. Credit limits and policies are defined by the board of directors of each regional credit card company.

With regards to recovery of past due loans, the Regional Credit Card Companies 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 could be initiated by other specialized 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.

CFA

CFA maintains its own credit products and limits. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the company, as well as on information on customers credit records obtained from credit bureaus and other entities

Credit risk assessment, credit approval and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by the company on a centralized basis by a unit that is separate from the sales units.

Main Argentine Central Bank s Rules on Loan Classification and Loan Loss Provisions

General

Regardless of the internal policies and procedures designed to minimize risks undertaken, Banco Galicia complies with the Argentine Central Bank regulations.

In 1994, the Argentine Central Bank introduced the current loan classification system and the corresponding minimum loan-loss provision requirements applicable to loans and other types of credit (together referred to as loans in this section) to private sector borrowers.

The current loan classification system applies certain criteria to classify loans in a bank s consumer portfolio, and another set of criteria to classify loans in its commercial portfolio. The classification system is independent of the currency in which the loan is denominated.

The loan classification criteria applied to loans in the consumer portfolio is based on objective guidelines related to the borrower s degree of fulfillment of its obligations or its legal status, the information provided by the Financial System s Debtors System-whenever debtors reflect lower quality levels than the rating assigned by the Bank-, by the Non-Performing Debtors database from former financial institutions and the status resulting from the enforcement of the refinance guidelines. In the event of any disagreement, the guidelines indicating the greater risk level of loan losses should be considered.

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For the purposes of the Argentine Central Bank s regulations, consumer loans are defined as mortgage loans, pledge loans, credit card loans and other types of loans in installments granted to individuals. All other loans are considered commercial loans. In addition, in accordance with an option set forth in these regulations, Banco Galicia applies the consumer portfolio classification criteria to commercial loans of up to Ps.750,000 (until August 2009, said amount was up to Ps.500,000). This classification is based on the level of fulfillment and the situation thereof.

The main classification criterion for loans in the commercial portfolio is each borrower s ability to pay, mainly in terms of such borrower s future cash flows. If a customer has both commercial and consumer loans, all these loans will be considered as a whole to determine eligibility for classification in the corresponding portfolio. Loans backed with preferred guarantees will be considered at 50% of their face value.

By applying the Argentine Central Bank s classification to commercial loans, banks must assess the following factors: the current and projected financial situation of the borrower, the customer s exposure to currency risk, the customer s managerial and operating background, the borrower s ability to provide accurate and timely financial information, as well as the overall risk of the sector in which the borrower operates and the borrower s relative position within that sector.

The Argentine Central Bank s regulations also establish that a team independent from the departments in charge of credit origination must carry out a periodic review of the commercial portfolio. Banco Galicia s Credit Division, which is independent from the business units that generate transactions, is in charge of these reviews.

The review must be carried out on each borrower with debt pending payment equal to the lesser of the following amounts: Ps.2 million (until August 2009 said figure was Ps.1 million) or 1% of the bank s RPC (computable capital) but, in any case, the review shall cover at least 20% of the total loan portfolio. The frequency of the review of each borrower depends on the bank s exposure to that borrower. The Argentine Central Bank requires that the larger the exposure is, the more frequent the review should be. This review must be conducted every calendar quarter when credit exposure to that borrower is equal to or in excess of 5% of the bank s RPC, or every six months when exposure equals or exceeds the lesser of the following amounts: Ps.2 million or 1% of the bank s RPC. In all cases, at least 50% of Banco Galicia s commercial portfolio must be reviewed once every six months; and all other borrowers in Banco Galicia s commercial portfolio must be reviewed during the fiscal year, so that the entire commercial portfolio is reviewed every fiscal year.

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

Communiqué A 4738 issued by the Argentine Central Bank on November 26, 2007, introduced certain amendments to the classification rules applicable to debtors pertaining to the consumer portfolio, with the purpose of reflecting the customer s total risk more accurately. Consequently, the rule establishes a new identification of the consumer portfolio categories. Said Communiqué also establishes that, in order to determine the degree of timely fulfillment of obligations, it will be necessary to analyze the customer s arrears, legal situation and the classification assigned by the rest of the financial institutions whether currently operating or under liquidation, and whether the fulfillment of obligations depends on any kind of refinancing.

Pursuant to this Communiqué, those customers having received any kind of refinancing may achieve a better credit status than the one they had at the time of such refinancing, by previously repaying a certain number of installments for monthly or bimonthly amortization loans or a percentage of the debt for any other type of loans, without incurring any arrears exceeding 31 days.

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In August 2009, the Argentine Central Bank amended these requirements as per Communiqué A 4975 (effective since January 2010):

	Refinancing			Judicial Agreements	
	Monthly or Bimonthly	Others Previous %	Others Com. A 4975	Previous %	Com. A 4975
Category change from 5 to 4	3 installments	20%	15%		
Category change from 4 to 3	3 installments	15%	10%		
Category change from 3 to 2	2 installments	10%	5%	20%	15%
Category change from 2 to 1	1 installment	10%	5%	20%	15%

In addition: (i) to achieve this better quality status, the customer must comply with the rest of the requirements for the new category; (ii) in case the customer has refinanced and non-refinanced transactions, the resulting classification shall be the lowest from the individual analysis of each transaction; (iii) if a customer with a refinanced loan received or had received additional financial assistance, it will remain within the category for 180 days after the refinancing or the granting of additional credit, whichever is more recent; and (iv) debtors with arrears of over 31 days must be classified within the category resulting from adding the number of days in arrears corresponding to the refinanced debt s first unpaid installment and those of the minimum arrears set forth for the category in which the debtor is classified at the time of default.

For customers in a normal situation, the additional financial assistance granted shall not be deemed refinancing as long as it leads to an increase in principal owed and the customer s ability to pay the obligation resulting from said expansion is assessed. The rest of the cases where no debt increase is recorded will be deemed refinancing and only those customers who have not exceeded two refinancing instances within 12 months since the last refinancing will be kept within category 1.

To comply with the commercial obligations included in this portfolio, the following cases shall not be deemed refinancing: (i) any additional credit facilities granted with respect to already agreed limits to the extent said facilities imply additional funds and they do not exceed 10% of the original limits set; and (ii) a higher financial assistance to fund working capital increases or additional investments arisen from business expansion to the extent they are in agreement with the borrower s ordinary course of business and provided that there exists the ability to honor payments of the remaining financial obligations.

Loan Classification

The following tables contain the six loan classification categories corresponding to the different risk levels set forth by the Argentine Central Bank. Banco Galicia s total exposure to a private sector customer must be classified according to the riskier classification corresponding to any part of said exposure.

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Commercial Portfolio.

Loan Classification	Description
1. Normal Situation	The debtor is widely able to meet its financial obligations, demonstrating significant cash flows, a liquid financial situation, an adequate financial structure, a timely payment record, competent management, available information in a timely, accurate manner and satisfactory internal controls. The debtor is in the upper 50% of a sector of activity that is operating properly and has good prospects.
2. With Special Follow-up	Cash flow analysis reflects that the debt may be repaid even though it is possible that the customer s future payment ability may deteriorate without a proper follow-up. This category is divided into two subcategories: (2.a). Under Observation; (2.b). Under Negotiation or Refinancing Agreements.
3. With Problems	Cash flow analysis evidences problems to repay the debt, and therefore, if these problems are not solved, there may be some losses.
4. High Risk of Insolvency	Cash flow analysis evidences that repayment of the full debt is highly unlikely.
5. Uncollectible	The amounts in this category are deemed total losses. Even though these assets may be recovered under certain future circumstances, inability to make payments is evident at the date of the analysis. It includes loans to insolvent or bankrupt borrowers.
6. Uncollectible due to Technical Reasons	Loans to borrowers indicated by the Argentine Central Bank to be in non-accrual status with financial institutions that have been liquidated or are being liquidated, or whose authorization to operate has been revoked. It also includes loans to foreign banks and other institutions that are not: (i) classified as normal ; (ii) subject to the supervision of the Argentine Central Bank or other similar authority of the country of origin; (iii) classified as investment grade by any of the rating agencies admitted pursuant to Communiqué A 2729 of the Argentine Central Bank.

Consumer Portfolio.

Loan Classification	Description
1. Normal Situation	Loans with timely repayment or arrears not exceeding 31 days, both of principal and interest.
2. Low Risk	Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days. A customer classified as Normal having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 5% of principal.
3. Medium Risk	

	Some inability to make payments, with arrears of more than 91 days and up to 180 days. A customer classified as Low Risk having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 5% of principal.
4. High Risk	Judicial proceedings demanding payment have been initiated or arrears of more than 180 days and up to one year. A customer classified as Medium Risk having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 10% of principal.
5. Uncollectible	Loans to insolvent or bankrupt borrowers, or subject to judicial proceedings, with little or no possibility of collection, or with arrears in excess of one year.
6. Uncollectible due to Technical Reasons	Loans to borrowers who fall within the conditions described above under Commercial Portfolio-Uncollectible due to Technical Reasons

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Loan Loss Provision Requirements

Allocated Provisions. Minimum allowances for loan losses are required for the different categories in which loans are classified. The rates vary by classification and by whether the loans are secured. The percentages apply to total customer obligations, both principal and interest. The allowance for loan losses on the performing portfolio is unallocated, while the allowances for the other classifications are individually allocated. Regulations provide for the suspension of interests accrual or the requirement of allowances equivalent to 100% of the interests for customers classified as With Problems and Medium Risk , or lower. The allowances are set forth as follows:

Minimum Allowances for Loan Losses

Category	**Secured**	**Unsecured**
1. Normal Situation	1.0%	1.0%
2. (a) Under Observation and Low Risk	3.0%	5.0%
2. (b) Under Negotiation or Refinancing Agreements	6.0%	12.0%
3. With Problems and Medium Risk	12.0%	25.0%
4. High Risk of Insolvency and High Risk	25.0%	50.0%
5. Uncollectible	50.0%	100.0%
6. Uncollectible Due to Technical Reasons	100.0%	100.0%

Loans backed with preferred guarantees A (loans assigned or pledged in such a way that a financial institution may be assured of its full repayment due to the existence of a solvent third party or secondary markets available for the sale of the assets) require a 1% provision independently of the customer category.

General Provisions. In addition to the specific loan loss allowances described above, the Argentine Central Bank requires the establishment of a general allowance of 1% for all loans in its Normal Situation category. This general allowance is not required for interbank financial transactions of less than thirty days, or loans to the non-financial public sector or to financial institutions majority-owned by the Argentine national, provincial or city governments with governmental guarantees. Besides these general provisions, Banco Galicia may establish additional provisions, determined based on Banco Galicia s judgment of the entire loan portfolio risk at each reporting period.

As of fiscal year ended December 31, 2010, Banco Galicia decided to implement a counter-cyclical provisioning policy, which requires it to provision for an amount that is higher than that required by the Argentine Central Bank during periods of macroeconomic expansion in Argentina, so that during periods of macroeconomic contraction, Banco Galicia has excess liquidity that it can use to account for any increases in its non-performing portfolio.

As of December 31, 2010, 2009 and 2008, we maintained a general loan loss allowance of Ps.614.2 million, Ps.439.8 million and Ps.298.4 million, respectively, which exceeded by Ps.393 million, Ps.303.4 million and Ps.200.0 million, respectively, the 1% minimum general allowance required by the Argentine Central Bank. The increase in these amounts in fiscal years 2008 and 2009 was related to the seasoning of the individuals loan portfolio and to the possible occurrence of certain cases of default in the commercial loan portfolio, as a consequence of the worsening of certain macroeconomic variables. The increase in the amount in the fiscal year ended December 31, 2010 was related to the counter-cyclical policy mentioned above.

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Classification of the Loan Portfolio based on Argentine Central Bank Regulations

The following tables set forth the amounts of our loans past due and the amounts not yet due of the loan portfolio, including the loan portfolios of Banco Galicia, the Regional Credit Card Companies and CFA, applying the Argentine Central Bank s loan classification criteria in effect at the dates indicated.

	As of December 31, 2010					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	(in millions of Pesos, except percentages)					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	21,230.1	97.40			21,230.1	94.90
2. With Special Follow-up Under observation and Low Risk	387.2	1.78			387.2	1.73
3. With Problems and Medium Risk	114.2	0.52	144.6	25.11	258.8	1.15
4. High Risk of Insolvency and High Risk	64.8	0.30	251.7	43.71	316.5	1.41
5. Uncollectible			178.4	30.98	178.4	0.80
6. Uncollectible Due to Technical Reasons			1.2	0.20	1.2	0.01
Total	**21,796.3**	**100.00**	**575.9**	**100.00**	**22,372.2**	**100.00**

	As of December 31, 2009					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	(in millions of Pesos, except percentages)					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	13,273.6	96.89			13,273.6	93.06
2. With Special Follow-up Under observation and Low Risk	310.6	2.27			310.6	2.18
3. With Problems and Medium Risk	85.1	0.62	146.2	25.92	231.3	1.62
4. High Risk of Insolvency and High Risk	30.5	0.22	308.1	54.62	338.6	2.37
5. Uncollectible			109.0	19.32	109.0	0.76
6. Uncollectible Due to Technical Reasons			0.8	0.14	0.8	0.01
Total	**13,699.8**	**100.00**	**564.1**	**100.00**	**14,263.9**	**100.00**

	As of December 31, 2008		
	Amounts Not Yet Due	Amounts Past Due	Total Loans

	(in millions of Pesos, except percentages)					
	Amounts	**%**	**Amounts**	**%**	**Amounts**	**%**
Loan Portfolio Classification						
1. Normal and Normal Performance	11,430.6	96.09			11,430.6	93.33
2. With Special Follow-up Under observation and Low Risk	388.8	3.27			388.8	3.18
3. With Problems and Medium Risk	54.1	0.46	103.1	29.29	157.2	1.28
4. High Risk of Insolvency and High Risk	21.8	0.18	185.4	52.67	207.2	1.69
5. Uncollectible			62.0	17.61	62.0	0.51
6. Uncollectible Due to Technical Reasons			1.5	0.43	1.5	0.01
Total	**11,895.3**	**100.00**	**352.0**	**100.00**	**12,247.3**	**100.00**

	As of December 31, 2007					
	Amounts Not Yet Due		**Amounts Past Due**		**Total Loans**	
	(in millions of Pesos, except percentages)					
	Amounts	**%**	**Amounts**	**%**	**Amounts**	**%**
Loan Portfolio Classification						
1. Normal and Normal Performance	11,242.7	96.57			11,242.7	93.89
2. With Special Follow-up Under observation and Low Risk	356.2	3.06			356.2	2.97
3. With Problems and Medium Risk	31.7	0.27	56.0	16.87	87.7	0.73
4. High Risk of Insolvency and High Risk	12.1	0.10	221.0	66.57	233.1	1.95
5. Uncollectible			48.1	14.49	48.1	0.40
6. Uncollectible Due to Technical Reasons			6.9	2.07	6.9	0.06
Total	**11,642.7**	**100.00**	**332.0**	**100.00**	**11,974.7**	**100.00**

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

Amounts Past Due and Non-Accrual Loans

The following table analyzes amounts past due by 90 days or more in our loan portfolio, by type of loan and by type of guarantee as of the dates indicated, as well as our non-accrual loan portfolio, by type of guarantee, our allowance for loan losses and the main asset quality ratios as of the dates indicated.

	As of December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(in millions of Pesos, except ratios)				
Total Loans (1)	**22,372.2**	**14,263.9**	**12,247.3**	**11,974.7**	**10,803.6**
Non-Accrual Loans (2)					
With Preferred Guarantees	27.9	33.7	42.0	43.5	40.2
With Other Guarantees	37.4	97.9	10.3	5.0	5.1
Without Guarantees	689.6	548.1	375.6	327.3	233.8
Total Non-Accrual Loans (2)	**754.9**	**679.7**	**427.9**	**375.8**	**279.1**
Past Due Loan Portfolio					
Non-Financial Public Sector					
Local Financial Sector					
Non-Financial Private Sector and Residents Abroad					
Advances	94.3	64.4	25.9	23.0	20.9
Promissory Notes	53.1	90.5	24.5	134.5	135.2
Mortgage Loans	16.0	16.8	24.9	30.0	28.4
Pledge Loans	6.8	2.7	1.1	0.8	0.3
Personal Loans	131.2	69.8	45.7	17.6	4.1
Credit-Card Loans	237.8	285.9	215.0	115.4	62.7

Placements with Correspondent Banks					
Other Loans	36.7	34.0	14.9	10.7	5.1
Total Past Due Loans	**575.9**	**564.1**	**352.0**	**332.0**	**256.7**
Past Due Loans					
With Preferred Guarantees	19.1	19.8	26.0	30.8	28.9
With Other Guarantees	35.1	66.9	9.0	4.2	4.3
Without Guarantees	521.7	477.4	317.0	297.0	223.5
Total Past Due Loans	575.9	564.1	352.0	332.0	256.7
Allowance for Loan Losses	**1,038.5**	**806.4**	**526.8**	**428.6**	**327.0**
Ratios (%)					
As a % of Total Loans:					
- Total Past Due Loans	2.57	3.95	2.87	2.77	2.38
- Past Due Loans with Preferred Guarantees	0.09	0.14	0.21	0.26	0.27
- Past Due Loans with Other Guarantees	0.16	0.47	0.07	0.03	0.04
- Past Due Unsecured Amounts	2.32	3.34	2.59	2.48	2.07
- Non-Accrual Loans (2)	3.37	4.77	3.49	3.14	2.58
- Non-Accrual Loans (2) (Excluding Interbank Loans)	3.42	4.93	3.60	3.18	2.79
Non-Accrual Loans (2) as a Percentage of Loans to the Private Sector	3.37	4.77	3.95	3.53	3.49
Allowance for Loan Losses as a % of:					
- Total Loans	4.64	5.65	4.30	3.58	3.03
- Total Loans Excluding Interbank Loans	4.70	5.84	4.44	3.63	3.27
- Total Non-Accrual Loans (2)	137.57	118.64	123.11	114.05	117.16
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans (2)	8.65	19.36	12.22	12.91	16.23
Non-Accrual Loans as a Percentage of Total Past Due Loans	131.08	120.49	121.56	113.20	108.73

(1) Before the allowance for loan losses.

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

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At the end of the fiscal year ended December 31, 2010, our non-accrual loans to the private sector ratio was 3.37%, lower than the 4.77% recorded at the end of the fiscal year ended December 31, 2009, mainly due to the improvement in the commercial loan portfolio, together with the growth experienced in the total loan portfolio.

As of December 31, 2009, due to the seasoning of the individuals portfolio and increased defaults on the commercial portfolio as a consequence of deteriorating macroeconomic conditions, the non-accrual loans to the private sector ratio rose from 3.95% as of December 31, 2008 to 4.77% as of December 31, 2009.

The Bank has entered into certain troubled debt restructuring agreements with customers. The Bank has eliminated any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge against the allowance for loan losses. Loans under such agreements are included within past due and accruing loans, which amounted to Ps.123.5 million, Ps.197.5 million and Ps.240.9 million as of December 31, 2010, 2009 and 2008, respectively.

For the past three fiscal years, Banco Galicia s coverage of non-accrual loans with allowances for loan losses has exceeded 100%.

Under Argentine Central Bank rules, we are required to cease the accrual of interest or to establish provisions equal to 100% of the interest accrued on all loans pertaining to the non-accrual loan portfolio, that is, all loans to borrowers in the categories of:

- in the consumer portfolio: Medium Risk , High Risk , Uncollectible and Uncollectible Due to Technical Reasons .
- in the commercial portfolio: With Problems , High Risk of Insolvency , Uncollectible and Uncollectible Due to Technical Reasons .

The table below shows the interest income that would have been recorded on non-accrual loans on which the accrual of interest was discontinued and the recoveries of interest on loans classified as non-accrual on which the accrual of interest had been discontinued:

	As of December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(in millions of Pesos)				
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	56.0	52.0	35.4	35.9	23.7
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued (1)	2.8	2.6	1.8	1.8	1.2

(1) Recorded under Miscellaneous Income .

Loan Loss Experience

The following table presents an analysis of our allowance for loan losses and of our credit losses as of and for the periods indicated. Certain loans are charged off directly to the income statement and, therefore, are not reflected in the allowance.

	Fiscal Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(in millions of Pesos, except ratios)				
Total Loans, Average [(1)]	**16,800.8**	**11,481.9**	**12,077.3**	**10,528.9**	**10,851.0**
Allowance for Loan Losses at Beginning of Period [(2)]	806.4	526.8	428.6	327.0	427.9
Changes in the Allowance for Loan Losses During the Period [(2)]					
Provisions Charged to Income	523.6	625.9	384.6	248.4	105.3
Prior Allowances Reversed		(5.4)	(6.5)	(21.5)	(32.5)
Charge-Offs (A)	(487.3)	(354.5)	(289.2)	(125.4)	(200.8)
Inflation and Foreign Exchange Effect and Other Adjustments [(3)]	195.8	13.6	9.3	0.1	27.1
Allowance for Loan Losses at End of Period	**1,038.5**	**806.4**	**526.8**	**428.6**	**327.0**
Charge to the Income Statement during the Period					
Provisions Charged to Income [(2)]	523.6	625.9	384.6	248.4	105.3
Direct Charge-Offs, Net of Recoveries (B)	(88.6)	(27.9)	(68.4)	(57.2)	(46.4)
Recoveries of Provisions		(5.4)	(6.5)	(21.5)	(32.5)
Net Charge (Benefit) to the Income Statement	**435.0**	**592.6**	**309.7**	**169.7**	**26.4**
Ratios (%)					
Charge-Offs Net of Recoveries (A+B) to Average Loans [(4)]	2.37	2.84	1.83	0.65	1.42
Net Charge to the Income Statement to Average Loans[(4)]	2.59	5.16	2.56	1.61	0.24

(1) Before the allowance for loan losses.

(2) Includes quotation differences for Galicia Uruguay and Cayman Branch.

(3) Includes Ps.185.4 million corresponding to the allowance for loan losses of CFA as of the date of its acquisition.(4) Charge-offs plus direct charge-offs minus bad debts recovered.

The increase in allowance for loan losses in fiscal year 2010 is mainly attributable to the seasoning of the individuals loan portfolio.

Allocation of the Allowance for Loan Losses

The following table presents the allocation of our allowance for loan losses among the various loan categories and shows such allowances as a percentage of our total loan portfolio before deducting the allowance for loan losses, in each case for the periods indicated. The table also shows each loan category as a percentage of our total loan portfolio before deducting the allowance for loan losses at the dates indicated.

	As of December 31,								
	2010			2009			2008		
	Amount	**% of Loans**	**Loan Category %**	**Amount**	**% of Loans**	**Loan Category %**	**Amount**	**% of Loans**	**Loan Category %**
	(in millions of Pesos, except percentages)								
Non-Financial Public Sector									10.77
Local Financial Sector			0.36			0.18			1.21
Non-Financial Private Sector and Residents Abroad									
Advances	55.1	0.25	4.38	31.7	0.22	4.42	14.5	0.12	4.85
Promissory Notes	43.3	0.19	20.27	80.3	0.56	22.47	34.9	0.28	17.28
Mortgage Loans	10.6	0.05	4.25	11.8	0.08	6.76	21.9	0.18	8.38
Pledge Loans	2.6		0.53	1.5		0.45	0.5		0.66
Personal Loans	139.2	0.62	18.30	63.9	0.45	12.09	37.8	0.31	9.94
Credit-Card Loans	166.8	0.75	40.77	168.3	1.18	39.90	111.4	0.91	35.75
Placements in Correspondent Banks			0.96			3.09			2.73
Other	16.9	0.08	10.17	16.0	0.11	10.60	7.4	0.06	8.43
Unallocated (1)	604.0	2.69		432.9	3.04		298.4	2.44	
Total	**1,038.5**	**4.64**	**100.00**	**806.4**	**5.65**	**100.00**	**526.8**	**4.30**	**100.00**

	As of December 31,					
	2007			2006		
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
	(in millions of Pesos, except percentages)					
Non-Financial Public Sector			10.11			24.90
Local Financial Sector			0.92			2.88
Non-Financial Private Sector and Residents Abroad						
Advances	16.2	0.13	6.61	16.3	0.15	3.21
Promissory Notes	119.8	1.00	24.31	151.1	1.40	19.84
Mortgage Loans	26.5	0.22	7.89	25.0	0.23	6.37
Pledge Loans	0.3		0.79	0.4		0.62
Personal Loans	14.0	0.12	8.17	3.7	0.03	5.21
Credit-Card Loans	56.0	0.47	30.31	28.5	0.26	22.76
Placements in Correspondent Banks			1.32			5.63
Other	7.9	0.07	9.57	1.0	0.01	8.58
Unallocated (1)	187.9	1.57		101.0	0.95	
Total	**428.6**	**3.58**	**100.00**	**327.0**	**3.03**	**100.00**

(1) The unallocated reserve consists of the allowances established on the portfolio classified in the normal situation category and includes additional reserves in excess of Argentine Central Bank minimum requirements.

Charge-Offs

The following table sets forth the allocation of the main charge-offs made by Banco Galicia, the Regional Credit Card Companies and CFA during the years ended December 31, 2010, 2009 and 2008.

	Fiscal Year Ended December 31,		
	2010	2009	2008
	(in millions of Pesos)		
Charge-offs by Type			
Advances	18.5	21.3	17.3
Promissory Notes	82.5	20.3	92.3
Mortgage Loans	1.5	9.9	7.9
Pledge Loans	0.9	0.3	0.1
Personal Loans	106.8	60.8	27.5
Credit-Card Loans			
Banco Galicia	52.4	54.9	31.6
Regional Credit Card Companies	217.9	178.6	107.7
Other Loans	6.8	8.4	4.8
Total	**487.3**	**354.5**	**289.2**

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During fiscal year 2010, Ps.487.3 million were written off against allowance for loan losses, including the Regional Credit Card Companies and CFA s portfolios. The increased amount as compared to the prior year was attributable to the seasoning of the individuals loan portfolio, which represented more than 50% of charge-offs.

During fiscal year 2009, Ps.354.5 million were written off against allowance for loan losses in connection with loans to individuals, including the Regional Credit Card Companies and CFA s portfolios, and the increased amount as compared to the prior year was attributable to the seasoning of the individuals loan portfolio.

Foreign Outstandings

Cross-border or foreign outstandings for a particular country are defined as the sum of all claims against third parties domiciled in that country and comprise loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets that are denominated in Dollars or other non-local currency. The following were our foreign outstandings as of the dates indicated representing 1.00% or more of our total assets:

	Fiscal Year Ended December 31,		
Country	**2010**	**2009**	**2008**
	(in millions of Pesos)		
United Kingdom			
Demand Deposits	1.4	5.5	6.0
Forward Purchases of Boden 2012 Bonds			829.0
Forward Purchases of Discount Bonds in Pesos			603.2
Forward Purchases of Bonar 2015 Bonds	544.8		
Other	0.1		
Total	**546.3**	**5.5**	**1,438.2**
United States			
Demand Deposits	191.5	178.6	353.4
Overnight Placements	215.3	440.5	317.3
Other	44.4	21.6	0.7
Total	**451.2**	**640.7**	**671.4**
Germany			
Demand Deposits	0.3	2.1	3.0
Forward Purchases of Boden 2012 Bonds		803.4	1,087.9
Other	1.3		
Total	**1.6**	**805.5**	**1,090.9**

As of December 31, 2010, we had the following foreign outstandings:

Ps.546.3 million (1.5% of our total assets) with United Kingdom financial institutions, of which Ps.544.8 million represented two forward purchases of Bonar 2015 Bonds in connection with repurchase agreement transactions with the applicable financial institution, and Ps.1.4 million corresponded to demand deposits with such institution.

Ps.451.2 million (1.3% of our total assets) representing liquid placements with United States financial institutions, of which Ps.191.5 million corresponded to demand deposits and Ps.215.3 million represented overnight placements.

Ps.1.6 million with German financial institutions, of which Ps.0.3 million corresponded to demand deposits.

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Deposits

The following table sets out the composition of our deposits as of December 31, 2010, 2009 and 2008. Our deposits represent deposits with Banco Galicia.

	As of December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos)		
Current Accounts and Other Demand Deposits	5,565.7	3,719.2	3,105.4
Savings Accounts	6,362.0	4,994.7	4,035.0
Time Deposits	9,724.9	7,954.7	6,548.0
Other Deposits [(1)]	463.2	248.8	263.2
Plus: Accrued Interest, Quotation Differences and CER Adjustment	107.0	122.0	104.5
Total Deposits	**22,222.8**	**17,039.4**	**14,056.1**

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

In 2010, our consolidated deposits increased 30.4% mainly as a result of a Ps.3,213.9 million increase in deposits in current and savings accounts and a Ps.1,770.2 million increase in time deposits. As in prior years, these increases were due to deposits received by Banco Galicia s Argentine operation.

In 2009, our consolidated deposits increased 21.2% mainly as a result of a Ps.1,573.4 million increase in deposits in current and savings accounts and Ps.1,406.7 million increase in time deposits. As in prior years, these increases were due to deposits received by Banco Galicia s Argentine operation. As of December 31, 2009, time deposits included Ps.14.9 million of CER-adjusted time deposits.

In 2008, our consolidated deposits increased 6.8% mainly as a result of a Ps.1,084.9 million increase in deposits in current and savings accounts. As in prior years, these increases were due to deposits received by Banco Galicia s Argentine operation. As of December 31, 2008, time deposits included Ps.47.3 million of CER-adjusted time deposits. For more information, see Item 5.A. Operating Results-Funding .

The following table provides a breakdown of our consolidated deposits as of December 31, 2010, by contractual term and currency of denomination.

	Peso-Denominated		Dollar-Denominated		Total	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(in millions of Pesos, except percentages)					
Current Accounts and Demand Deposits	Ps. 5,565.7	30.8%		%	Ps. 5,565.7	25.2%
Savings Accounts	4,186.6	23.1	Ps. 2,175.4	54.2	6,362.0	28.8
Time Deposits	8,028.1	44.4	1,696.8	42.3	9,724.9	44.0
Maturing Within 30 Days	1,584.3	8.8	407.6	10.2	1,991.9	9.0
Maturing After 31 Days but Within 59 Days	2,982.4	16.5	391.4	9.8	3,373.8	15.3
Maturing After 60 Days but Within 89 Days	1,243.6	6.9	213.0	5.3	1,456.6	6.6
Maturing After 90 Days but Within 179 Days	1,420.6	7.9	428.4	10.7	1,849.0	8.4
Maturing After 180 Days but Within 365 Days	490.8	2.7	207.8	5.2	698.6	3.2
Maturing After 365 Days	306.4	1.6	48.6	1.1	355.0	1.5
Other Deposits	319.9	1.8	143.3	3.6	463.2	2.1

Maturing Within 30 Days	158.9	0.9	116.4	2.9	275.3	1.2
Maturing After 31 Days but Within 59 Days						
Maturing After 60 Days but Within 89 Days						
Maturing After 90 Days but Within 179 Days						
Maturing After 180 Days but Within 365 Days	123.0	0.7			123.0	0.6
Maturing After 365 Days	38.0	0.2	26.9	0.7	64.9	0.3
Total Deposits (1)	**Ps. 18,100.3**	**100.0%**	**4,015.5**	**100.0%**	**Ps. 22,115.8**	**100.0%**

(1) Only principal. Excludes the CER adjustment

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The categories with the highest concentration of maturities per original term are those within the segments within 30 days and after 31 days but within 59 days (Pesos and Dollars), which accounted for 25.3% of the total and mainly corresponded to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2010, the average original term of non-adjusted Peso and US Dollar-denominated time deposits was approximately 81 days. Dollar-denominated deposits, for Ps.4,015.5 million (only principal), represented 18.2% of total deposits.

The following table provides information about the maturity of our outstanding time deposits exceeding Ps.100,000, based on to whether they were made at our domestic or foreign branches, as of December 31, 2010.

	Domestic Offices	Foreign Offices
	(in millions of Pesos)	
Time Deposits		
Within 30 Days	1,206.3	
After 31 Days but Within 59 Days	2,467.7	
After 60 Days but Within 89 Days	972.8	
After 90 Days but Within 179 Days	1,233.8	
After 180 Days but Within 365 Days	708.2	
After 365 Days	333.4	
Total Time Deposits	**6,922.2**	
Other Deposits		
Total Deposits (1)	**6,922.2**	

(1) *Only principal.*

Return on Equity and Assets

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

	Fiscal Year Ended December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos, except percentages)		
Net Income / (Loss)	408.9	229.3	176.8
Average Total Assets	29,118.4	24,685.3	23,412.5
Average Shareholders Equity	2,195.0	1,961.2	1,745.0
Shareholders Equity at End of the Period	2,469.5	2,052.5	1,845.7
Net Income as a Percentage of:			
Average Total Assets	1.76	1.12	0.91
Average Shareholders Equity	18.63	11.69	10.13
Declared Cash Dividends			
Dividend Payout Ratio			
Average Shareholders Equity as a Percentage of Average Total Assets	7.54	7.94	7.45
Shareholders Equity at the End of the Period as a Percentage of Average Total Assets	8.48	8.31	7.88

Short-term Borrowings

Our short-term borrowings include all of our borrowings (including repurchase agreement transactions, debt securities and negotiable obligations) with a contractual maturity of less than one year, owed to foreign or domestic financial institutions or holders of negotiable obligations.

	As of December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos)		
Short-Term Borrowings			
Argentine Central Bank	0.7	2.1	1.7
Other Banks and International Entities			
Credit Lines from Domestic Banks	155.4	86.9	43.6
Credit Lines from Foreign Banks	409.0	180.0	354.6
Repurchases with Domestic Banks	359.1	278.1	34.7
Negotiable Obligations	155.4	125.8	108.9
Total	**1,079.6**	**672.9**	**543.5**

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As of the end of fiscal year 2010, our short-term borrowings consisted mainly of credit lines from foreign banks and repurchase agreements transactions with domestic banks.
The Bank also borrows funds under different credit arrangements from local and foreign banks and international lending agencies as follows:

	As of December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos)		
Banks and International Entities			
Contractual Short-term Liabilities			
Other Lines from Foreign Banks	409.0	180.0	354.6
Total Short-term Liabilities	409.0	180.0	354.6
Total Banks and International Entities	**409.0**	**180.0**	**354.6**
Domestic and Financial Institutions			
Contractual Short-term Liabilities:			
Other Lines from Credit from Domestic Banks	155.4	86.9	43.6
Total Short-term Liabilities	155.4	86.9	43.6
Total Domestic and Financial Institutions	**155.4**	**86.9**	**43.6**
Total	**564.4**	**266.9**	**398.2**

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

(in millions of Pesos)	**Maturity**	**Annual Interest Rate**	**As of December 31, 2010**	**2009**	**2008**
Negotiable Obligations(*)					
Tarjeta Naranja Class X *(Quarterly interest, principal payable at maturity)*	2011	Badlar + 275 basis points (b.p.)	48.2		
Tarjeta Naranja Class XI *(Quarterly interest, principal payable at maturity)*	2011	Badlar + 295 b.p.	40.9		
Tarjetas Cuyanas Class I *(Quarterly interest, principal payable at maturity)*	2011	Badlar + 300 b.p.	28.8		
Tarjetas Cuyanas Class II *(Quarterly interest, principal payable at maturity)*	2011	9.95%	37.5		
Grupo Financiero Galicia Series I	2010			125.8	

(Discounted base, principal payable at maturity)					
Tarjeta Naranja Class VIII	2009	11.00%			69.1
(Fixed interest, principal payable at maturity)					
Tarjetas Cuyanas Series XIX	2009	14.00%			39.8
(Fixed interest, principal payable at maturity)					
Total			**155.4**	**125.8**	**108.9**

(*) Only principal.

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The following table shows for our significant short-term borrowings for the fiscal years ended December 31, 2010, 2009 and 2008:

the weighted-average interest rate at year-end,
the maximum balance recorded at the monthly closing dates of the periods,
the average balances for each period, and
the weighted-average interest rate for each period.

	As of December 31,					
	2010		2009		2008	
	(in millions of Pesos, except percentages)					
Argentine Central Bank						
Weighted-average Interest Rate at End of Period						
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	1.9	Ps.	2.8	Ps.	1.7
Average Balances for Each Period	Ps.	0.7	Ps.	1.3	Ps.	1.1
Weighted-average Interest Rate for the Period						
Credit Lines from Domestic Banks						
Weighted-average Interest Rate at End of Period		16.1%		10.9%		24.7%
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	343.0	Ps.	86.9	Ps.	261.5
Average Balances for Each Period	Ps.	150.7	Ps.	45.6	Ps.	72.9
Weighted-average Interest Rate for the Period		11.0%		12.2%		13.7%
Credit Lines from Foreign Banks						
Weighted-average Interest Rate at End of Period		1.4%		2.5%		5.4%
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	409.0	Ps.	257.2	Ps.	457.4
Average Balances for Each Period	Ps.	266.8	Ps.	153.1	Ps.	373.6
Weighted-average Interest Rate for the Period		1.9%		5.1%		4.5%
Repurchases with Domestic Banks						
Weighted-average Interest Rate at End of Period		10.4%		9.8%		10.5%
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	359.1	Ps.	278.1	Ps.	400.6
Average Balances for Each Period	Ps.	39.3	Ps.	25.9	Ps.	132.8
Weighted-average Interest Rate for the Period		9.8%		9.6%		10.5%
Repurchases with Foreign Banks						
Weighted-average Interest Rate at End of Period						
Maximum Balance Recorded at the Monthly Closing Dates						
Average Balances for Each Period						
Weighted-average Interest Rate for the Period						
Negotiable Obligations						
Weighted-average Interest Rate at End of Period		13.6%		%		12.1%
Maximum Balance Recorded at the Monthly Closing Dates	Ps.	176.8	Ps.	247.7	Ps.	108.9
Average Balances for Each Period	Ps.	69.3	Ps.	139.8	Ps.	49.8
Weighted-average Interest Rate for the Period		9.0%		5.5%		9.9%

Regulatory Capital

Grupo Financiero Galicia

The capital adequacy of Grupo Financiero Galicia is not under the supervision of the Argentine Central Bank. Grupo Financiero Galicia has to comply with the minimum capital requirement established by Law No. 19,550, as amended, (*Ley de Sociedades Comerciales*, the Corporations Law), which, is required to be Ps.0.012 million.

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Banco Galicia

Banco Galicia is subject to the capital adequacy rules of the Argentine Central Bank. Banks have to comply with capital requirements both on an individual basis and on a consolidated basis with their significant subsidiaries. For the purposes of Argentine Central Bank capital adequacy rules, Banco Galicia s significant subsidiaries that it is consolidated with are Tarjetas Regionales S.A. (consolidated) and CFA. Through its Communiqués A 3959 and A 3986, respectively, the Argentine Central Bank established a new capital adequacy rule effective as of January 1, 2004. The new capital adequacy rule is based on the Basel Committee methodology, similar to the previous rule, and establishes the minimum capital a financial institution is required to maintain in order to cover the different risks inherent in its business activity and thus incorporated into its assets. Such risks include mainly: credit risk, generated both by exposure to the private sector and to the public sector; market risk, generated by foreign-currency, securities and CER positions; and interest-rate risk, generated by the mismatches between assets and liabilities in terms of interest rate repricing. The minimum capital requirement stated by the new rule is 8% of an entity s risk-weighted assets, with a 100% risk weighting for public-sector assets (within the previous rule, this risk-weighting was 0%) and private-sector assets; with said requirement being lower depending on the existence of certain guarantees in the case of private-sector assets and for certain liquid assets.

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

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

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

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

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The table below shows information on Banco Galicia s consolidated computable regulatory capital, or RPC or adjusted shareholders equity, and minimum capital requirements as of the dates indicated.

	As of December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos, except percentages)		
Shareholders Equity	2,595.7	2,126.5	1,954.7
Argentine Central Bank Minimum Capital Requirements (1)			
Allocated to Financial Assets	1,618.4	1,064.1	1,014.1
Allocated to Fixed Assets, Intangible and Unquoted Equity Investments	165.2	168.7	169.5
Allocated to Market Risk	5.8	14.3	5.4
Allocated to Interest-Rate Risk	70.1	20.7	50.7
Lending to the Non-Financial Public Sector	147.6	343.7	324.8
Total (A)	**2,007.1**	**1,611.5**	**1,564.5**
Computable Regulatory Capital Calculated Under Argentine Banking GAAP			
Core Capital	2,192.4	1,991.2	1,789.1
Supplemental Capital	1,333.3	1,070.2	994.7
Deductions			
Investments in Financial Entities	(2.0)	(1.9)	(1.7)
Organization Expenses	(394.6)	(274.9)	(191.3)
Goodwill Recorded from June 30, 1997	(11.5)	(17.5)	(28.5)
Negative Goodwill CFA	467.2		
Real Estate Properties for Banco Galicia s Own Use and Miscellaneous, for which No Title Deed has been Made	(2.6)	(8.4)	(6.3)
Other	(8.2)	(9.9)	(17.0)
Total	48.3	(312.6)	(244.8)
Additional Capital Market Variation	19.9	40.4	13.3
Total (B)	**3,593.9**	**2,789.2**	**2,552.3**
Excess Capital			
Excess Over Required Capital (B)-(A)	1,586.8	1,177.7	987.8
Excess Over Required Capital as a % of Required Capital	79.06	73.08	63.14
Total Capital Ratio	**15.19**	**14.35**	**13.92**

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

As of December 31, 2010, Banco Galicia s computable capital amounted to Ps.3,593.9 million, exceeding the minimum capital requirement by Ps.1,586.8 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date. This excess amount was Ps.1,177.7 million as of December 31, 2009. The increase of Ps.409.1 million in the excess was due to integration of principal by Ps.804.7 million, offset by the rise in the

minimum capital requirement of Ps.395.6 million.
The greater minimum capital requirement was mainly the result of the Ps.542 million higher requirements in connection with financing to the private sector, due to the growth of this portfolio, partially offset by the Ps.196 million decrease related to the non-financial public sector, mainly due to the sale of government securities during the last twelve months.
The Ps.395.6 million increase in computable capital when compared to December 31, 2009 was mainly attributable to higher core capital of Ps.201.2 million, mainly due to 2009 fiscal year s net income, higher supplemental capital of Ps.263.1 million, due to the increase in the balance of Banco Galicia s subordinated debt, attributable to the increase in the quotation of the Dollar and of fiscal year s net income, and (iii) the negative goodwill stemming from the acquisition of CFA (included in Deductions).
Regional Credit Card Companies
Since the Regional Credit Card Companies are not financial institutions, their capital adequacy is not regulated by the Argentine Central Bank. The Regional Credit Card Companies have to comply with the minimum capital requirement established by the Corporations Law, which was required to be Ps.0.012 million. However, as noted above, Banco Galicia has to comply with the Argentine Central Bank s capital adequacy rules on a consolidated basis, which includes the Regional Credit Card Companies.

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Compañía Financiera Argentina

Since CFA is a financial institution, its capital adequacy is subject to rules of the Argentine Central Bank, the same as Banco Galicia.

Minimum Capital Requirements of Insurance Companies

The insurance companies controlled by Sudamericana must meet the minimum capital requirements set by General Resolution No. 31,134 of the National Insurance Superintendency. This resolution requires insurance companies to maintain a minimum capital level equivalent to the highest of the amounts calculated as follows:

(a) By line of insurance: this method establishes a fixed amount by line of insurance. For life insurance companies, it is Ps.4 million, increasing to Ps.5 million for companies that offer pension-linked life insurance. For providers of retirement insurance that do not offer pension-linked annuities, the requirement is Ps.3 million (increasing to Ps.5 million for companies that offer pension-linked annuities). For companies that offer property insurance that includes damage coverage (excluding those related to vehicles) the requirement is Ps.1.5 million (increasing to Ps.8 million for companies that offer all P&C products).

(b) By premiums and additional fees: to use this method, the company must calculate the sum of the premiums written and additional fees earned in the last 12 months. Based on the total, the company must calculate 16%. Finally, it must adjust the total by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.

(c) By claims: to use this method, the company must calculate the sum of gross claims paid during the 36 months prior to the end of the period under analysis. To that amount, it must add the difference between the balance of unpaid claims as of the end of the period under analysis and the balance of unpaid claims as of the 36th month prior to the end of the period under analysis. The resulting figure must be divided by three. Then the company must calculate 23%. The resulting figure must be adjusted by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.

(d) For life insurance companies that offer policies with an investment component, the figures obtained in b) and c) must be increased by an amount equal to 4% of the technical reserves adjusted by the ratio of net technical reserves to gross technical reserves (at least 85%), plus 0.3% of at-risk capital adjusted by the ratio of retained at-risk capital to total at-risk capital (at least 50%).

The minimum required capital must then be compared to computable capital, defined as shareholders equity less non-computable assets. Non-computable assets consist mainly of deferred charges, pending capital contributions, and excess investments in authorized instruments. As of December 31, 2010, the computable capital of the companies controlled by Sudamericana Holding S.A. exceeded the minimum requirement of Ps.64.2 million by Ps.21.0 million. Sudamericana also holds Sudamericana Asesores de Seguros S.A., a company dedicated to brokerage in different lines of insurance that is regulated by the guidelines of the Corporations Law, which provided for a minimum capital requirement of Ps.0.012 million.

Government Regulation

General

All companies operating in Argentina must be registered with the Argentine Superintendency of Companies whose regulations are applicable to all companies in Argentina but may be superseded by other regulatory entities rules, depending on the matter, such as the CNV or the Argentine Central Bank. All companies operating in Argentina are regulated by the Corporations Law.

In their capacity as companies listed in Argentina, Grupo Financiero Galicia and Banco Galicia must comply with the disclosure, reporting, governance and other rules applicable to such companies issued by the markets in which they are listed and their regulators, including Law No. 17,811, as amended, Law No. 20,643 and Decrees No. 659/74 and No. 2,220/80, as well as Decree No. 677/01 otherwise known as the Decree for Transparency in the Public Offering (*Régimen de la Transparencia de la Oferta Pública*). In their capacity as public issuers of securities these companies are subject to the above-mentioned rules. As Grupo Financiero Galicia has publicly listed ADSs in the United States, it is also subject to the reporting requirements of the Securities and Exchange Act of 1934 of the United States (the Exchange Act) for foreign private issuers and to the provisions applicable to foreign private issuers under the Sarbanes Oxley Act. See Item 9. The Offer and Listing-Market Regulations .

Our operating subsidiaries are also subject to the following laws: Law No. 25,156 (the Competition Defense Law, *Ley de Defensa de la Competencia*), Law No. 22,820 (Fair Business Practice Law, *Ley de Lealtad Comercial*) and the Consumer Protection Law.

As a financial services holding company, we do not have a specific institution that regulates our activities. Our banking and insurance subsidiaries are regulated by different regulatory entities. In the case of Banco Galicia, the Argentine Central Bank is the main regulatory and supervising entity.

The banking industry is highly regulated in Argentina. Banking activities in Argentina are regulated by the Financial Institutions Law, which places the supervision and control of the Argentine banking system in the hands of the Argentine Central Bank. The Argentine Central Bank regulates all aspects of financial activity. See -Argentine Banking Regulation below.

Banco Galicia and our insurance subsidiaries are subject to Law No. 25,246, which was passed on April 13, 2000, as amended, which provides for an anti-money laundering framework in Argentina, including Law No. 26,268, which amends the latter to include within the scope of criminal activities those associated with terrorism and its financing.

Sudamericana s insurance subsidiaries are regulated by the National Insurance Superintendency and Laws No. 17,418 and No. 20,091. Sudamericana Asesores de Seguros S.A. is regulated by the National Insurance Superintendency, through Law No. 22,400.

The activity of the Regional Credit Card Companiesand the credit card activities of Banco Galicia are regulated by Law No. 25,065, as amended, or the Credit Cards Law (*Ley de Tarjetas de Crédito*). Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations to, among other things, enforce public disclosure of companies pricing (fees and interest rates) in order to assure consumer awareness of such pricing. See -Credit Cards Regulation .

Net Investment and GV Mandataria are regulated by the Corporations Law, as previously noted, and are not regulated by any specific regulatory agency. Galicia Warrants is regulated by Law No. 9,643.

On January 6, 2002, the Argentine Congress enacted Law No. 25,561, or the Public Emergency Law, which together with various decrees and Argentine Central Bank rules, provided for the principal measures in order to deal with the 2001 and 2002 crisis, including Asymmetric Pesification, among others. The period of effectiveness of the Public Emergency Law was extended again until December 31, 2011.

Galval is located in Uruguay and is regulated by the local legal framework according to the following detail: Corporation s Law No. 16,060, legal framework related to exchange markets issued by the Banco Central del Uruguay (B.C.U.), Law No. 15,921 -Zona Franca and Law No. 17,835 -Anti-money laundering.

Foreign Exchange Market

In late 2001 and early 2002, restrictions were imposed on access to the Argentine foreign exchange market and on capital movements, which were tightened by the middle of 2002. The Public Emergency Law granted the executive branch of the Government the power to regulate the local foreign exchange market.

Since its creation this regime was subject to various modifications. Only the principal features currently in force are detailed below.

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On June 9, 2005, the executive branch of the Government issued Decree No. 616/05, which established certain major amendments to the rules for capital movements into and from Argentina:

(a) Foreign exchange flows into and from the local foreign exchange market and all resident new debt transactions that may imply future foreign exchange payments to nonresidents must be registered with the Argentine Central Bank.

(b) All new debt of the private sector with non-residents must be for a minimum term of 365 days, except for international trade financing and primary issuances of debt securities, if such securities public offering and listing on self-regulated markets in Argentina has been duly authorized.

(c) All inflows of foreign exchange resulting from such indebtedness, with the exceptions mentioned in the previous item and those regulated by the Argentine Central Bank which are detailed below, and all inflows of foreign exchange by non-residents, excluding direct foreign investments and certain portfolio investments (subscriptions of primary issuances of debt and equity securities, which public offering and listing in self-regulated markets in Argentina has been duly authorized, and government securities acquired in the secondary market), must be kept in Argentina for a term of at least 365 days and will be subject to a 30% deposit requirement.

(d) Such deposit requirement will be held in a local financial institution as an unremunerated, no-transferable Dollar-denominated time deposit maturing in at least 365 days; such funds will not be available as a guarantee for any kind of debt and, upon the deposit maturity date, such funds will become available within the country and, therefore, will be subject to the applicable restrictions on foreign exchange transfers abroad.

(e) The 30% deposit is not required for, among other things, inflows of foreign currency resulting from:

  (i) loans granted to residents by local financial institutions in foreign currency;

  (ii) direct investment contributions in Argentina capital contributions to local institutions, when the contributor owns, previously or as a result of such contributions, 10% or more of the company s capital or votes, subject to compliance with certain requirements;

  (iii) sales of ownership interests in local entities to direct investors, to the extent certain documentation;

  (iv) to be applied to real estate acquisitions;

  (v) an indebtedness with multilateral and bilateral credit agencies either directly or through their related agencies, in so far as such funds pertain to transactions conducted in full compliance with their purposes; however, when such inflows are related to the integration (or acquisition) of securities issued by financial trusts, it is necessary to comply with other requirements to avoid the 30% deposit. other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years (including principal and interest), the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);

  (vi) other foreign indebtedness with no resident creditor of the financial sector and of the private, non-financial sector, to extent the proceeds from the foreign exchange settlement are simultaneously applied, net of taxes an expenses to (i) the acquisition of foreign currency to repay external debts service and/or (ii) the formation of long-term off-shore assets;

  (vii) that will be utilized within 10 business days from their liquidation in the local foreign exchange market for purposes listed as current transactions within the international accounts (as defined by the Argentine Central Bank), among others, within such purposes are the payment by non-Argentine residents of certain local taxes; or

  (viii) resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the Government; and

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(f) The proceeds of sales of foreign assets brought into the country by residents (capital repatriation) will be subject to the 30% deposit requirement noted in (c) above, which will apply to any amounts exceeding US$2.0 million per month if certain other operative requirements are met.

The Argentine Ministry of Economy is entitled to modify the percentages and terms detailed above, when a change in the macroeconomic situation so requires. It is also entitled to modify the rest of the requirements established by Decree No. 616/05, and/or establish new ones, and/or increase the types of foreign currency inflows included. The Argentine Central Bank is entitled to regulate and control compliance with the regime established by Decree No. 616/05, and to enforce the applicable penalties.

In addition to Decree No. 616/05, the Argentine Ministry of Economy issued Resolution No. 637/05, dated November 16, 2005, which established that, the restrictions established in said Decree are also applicable to all inflows of funds to the local foreign exchange market for the subscription of primary issuances of debt securities or certificates of participation by financial trusts, if such restrictions were applicable to capital inflows to be used to acquire any of the trusts assets. The corresponding criminal regime will be applicable in the case that any of these rules are violated.

In addition, currently, access to the local foreign exchange market by non-residents (both individuals and entities) to transfer funds abroad is permitted:

(a) With no limit in the case of: (i) proceeds from the principal amortization of government debt securities and guarantee loans in local currency; (ii) recoveries from local bankruptcies; (iii) proceeds from the sale of direct investments (as it is defined by the Argentina Central Bank) in the non-financial private sector in Argentina if they were made with foreign currency that entered the local foreign exchange market no less than 365 days before; and (iv) certain other specific cases.

(b) With a US$500,000 monthly limit in the case of the aggregate proceeds of the sale of portfolio investments made with foreign currency that entered the local foreign exchange market no less than 365 days before.

(c) With a US$5,000 monthly limit in the aggregated of the entities authorized to deal with foreign exchange, in cases not contemplated above, unless authorization from the Argentine Central Bank is obtained.

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

Access to the foreign exchange local market for the transfer of profits and dividends abroad is permitted when corresponding to audited and final balance sheets.

Pursuant to Decree No. 260/02, all foreign exchange transactions in Argentina must be executed only through the mercado libre y único de cambios (free and single foreign exchange market) on which the Argentine Central Bank buys and sells currency.

Compensation to Financial Institutions

For the Asymmetric Pesification and its Consequences

Decree No. 214/02 provided for compensation to financial institutions, for:

- the losses caused by the mandatory conversion into Pesos of certain liabilities at the Ps.1.4 per US$1.0 exchange rate, which exchange rate was greater than the Ps.1.0 per US$1.0 exchange rate established for the conversion into Pesos of certain Dollar-denominated assets. This was to be achieved through the delivery of a Peso-denominated compensatory bond issued by the Government.
- the currency mismatch left on financial institutions balance sheets after the compulsory pesification of certain of their assets and liabilities after the conversion of the Peso-denominated compensatory bond into a Dollar-denominated compensatory bond. This would be achieved by the purchase by financial institutions of a Dollar-denominated hedge bond. For such purpose, the Government established the issuance of a Dollar-denominated bond bearing Libor and maturing in 2012 (Boden 2012 Bonds).

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Among others, Decree No. 905/02 established the methodology for calculating the compensation to be received by financial institutions. We recorded the compensation for the amounts we had determined according to the regulations. The Argentine Central Bank had to confirm the amounts after a review.

In March 2005, we agreed to receive US$2,178.0 million of face value of Boden 2012 Bonds, comprised of US$906.3 million of face value of Boden 2012 Bonds corresponding to the Compensatory Bond (fully delivered to us in November 2005) and US$1,271.7 million of face value of Boden 2012 Bonds corresponding to the Hedge Bond (fully delivered to us in April 2007).

For Differences Related to Amparo Claims

As a result of the provisions of Decree No. 1,570/01, the Public Emergency Law, Decree No. 214/02 and concurrent regulations, and as a result of the restrictions on cash withdrawals and of the issuance of measures that established the pesification and restructuring of foreign-currency deposits, since December 2001, a significant number of claims have been filed against the Government and/or financial institutions, formally challenging the emergency regulations and requesting prompt payment of deposits in their original currency. Most lower and upper courts have declared the emergency regulations unconstitutional.

Through Communication A 3916, dated April 3, 2003, the Argentine Central Bank allowed for the recording of an intangible asset on account of the difference between the amount paid by financial institutions pursuant to legal actions, and the amount resulting from the conversion into Pesos of the balance of the Dollar deposits reimbursed, at the exchange rate of Ps.1.4 per US Dollar (adjusted by the CER plus accrued interest as of the payment date). In addition, it established that the corresponding amount must be amortized in 60 monthly equal and consecutive installments beginning in April 2003.

On November 17, 2005, through Communication A 4439, the Argentine Central Bank established that, beginning in December 2005, financial institutions having provided, as from that date, new commercial loans with an average life of more than two years could defer the losses related to the amortization of *amparo claims*. The maximum deferrable amount is 10% of a financial institution s RPC or 50% of the new commercial loans. Likewise, financial institutions are not able to reduce the remainder of their commercial loan portfolio. This methodology was applied until December 2008, when the balances recorded as of that date began to be amortized in up to 36 monthly equal and consecutive installments.

With respect to judicial deposits that have been subject to pesification, the Argentine Central Bank established that, beginning in July 2007, financial institutions must establish a provision in an amount equal to the difference that results from comparing such deposits balances at each month s end, considered in their original currency, and the corresponding Peso balances actually recorded on the books. Such provision, established as of December 31, 2010 and charged to income, amounted to Ps.1.8 million.

As of December 31, 2010, Banco Galicia s amortization of all deferred losses related to *amparo claims* during 2010 amounted to Ps.281.0 million. During fiscal years 2009 and 2008, Banco Galicia recorded losses of Ps.109.3 million and Ps.39.5 million in connection with *amparo claims*, respectively.

Banco Galicia has complied with Argentine Central Bank regulations concerning the amortization of *amparo claims*. However, Banco Galicia reserves the right to make claims in view of the negative effect on its financial condition caused by compliance with court orders, in excess of the provisions of the above-mentioned regulations. On December 30, 2003, Banco Galicia formally requested of the executive branch of the Government, with a copy of such request sent to the Argentine Ministry of Economy and to the Argentine Central Bank, the payment of due compensation for the losses incurred in connection with Asymmetric Pesification.

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Argentine Banking Regulation

The following is a summary of certain matters relating to the Argentine banking system, including provisions of Argentine law and regulations applicable to financial institutions in Argentina. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Argentina.

General

Since 1977, banking activities in Argentina have been regulated by the Financial Institution s Law, which places the supervision and control of the Argentine banking system in the hands of the autonomous Argentine Central Bank. The Argentine Central Bank enforces the Financial Institution s Law and grants authorization to banks to operate in Argentina. The Financial Institution s Law confers numerous powers to the Argentine Central Bank, including the ability to grant and revoke bank licenses, authorize the establishment of branches of Argentine banks outside of Argentina, approve bank mergers, capital increases and certain transfers of stock, set minimum capital, liquidity and solvency requirements and lending limits, grant certain credit facilities to financial institutions in cases of temporary liquidity problems and promulgate other regulations that further the intent of the Financial Institution s Law. The Argentine Central Bank has vested the Superintendency with most of the Argentine Central Bank s supervisory powers. In this section, unless otherwise stated, references to the Argentine Central Bank should be understood to be references to the Argentine Central Bank acting through the Superintendency. The Financial Institution s Law grants to the Argentine Central Bank broad access to the accounting systems, books, correspondence, and other documents belonging to banking institutions. The Argentine Central Bank regulates the supply of credit and monitors the liquidity of, and generally supervises the operation of, the Argentine banking system.

Current regulations equally regulate Argentine and foreign owned banks.

Principal Regulatory Changes since 2002

On January 6, 2002, the Government enacted the Emergency Law (*Ley de Emergencia*) to address the 2001-2002 economic crisis. The principal measures taken by the Government during 2002, both through the enactment of the Emergency Law and a series of decrees and other regulations, include the following: (i) the ratification of the suspension of payments on most of the public debt, with the exception of debts owed to multilateral lending agencies; (ii) the repeal of sections of the Convertibility Law (*Ley de Convertibilidad*) that established, since 1991, a 1 to 1 parity between the Peso and the Dollar, the devaluation of the Peso, and the establishment of an exchange rate fluctuation regime, which resulted in an increase in the value of the Peso against the Dollar of around 240% during 2002; (iii) the amplification of exchange controls and restrictions on transfers abroad, measures which began to be eased towards the end of 2002; (iv) the ratification and extension of the restrictions on cash withdrawals from bank deposits that were established in December 2001 (the *corralito*), and later lifted in December 2002; (v) Asymmetric Pesification, the specific details of which are as follows: (a) the Dollar-denominated debts of individuals and companies with financial institutions were converted into debt denominated in Pesos at an exchange rate of Ps.1.00 per US$1.00 (1:1), (b) Dollar-denominated public sector debt to the financial sector were converted into Peso-denominated debt instruments at an exchange rate of Ps.1.40 per US$1.00 (1.40:1), and (c) the Dollar-denominated bank deposits were converted into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US$1.00 (1.40:1), while foreign regulated public sector debt held by banks and companies remained Dollar-denominated; (vi) the modification of the return on assets and cost of liabilities pesified at the rate of Ps.1.40 per US$1.00 through the establishment of maximum and minimum interest rates and capital adjustments in accordance with retail price or wage change indices; (vii) the extension of the maturities of Peso-denominated time deposits and deposits originally denominated in Dollars, above a certain amount, which established a payment schedule with maturities in 2003 or 2005, depending on whether the deposits were originally made in Pesos or Dollars (the *corralón*); (viii) the voluntary exchange of *corralito* or *corralón* deposits for Government bonds (through Decree No. 739/03, dated April 1, 2003, the *corralón* was eliminated); (ix) the amendment of the charter of the Argentine Central Bank (see -General above); and (x) the compensation to financial institutions, through bonds issued by the Government for the losses caused by Asymmetric Pesification. The executive branch of the Government and the Argentine Central Bank have provided a set of rules for determining the amount of compensation for losses related to Asymmetric Pesification, although certain financial entities claim that the compensation established by such rules is not adequate to cover the losses that they have experienced.

The Argentine Congress recently extended the validity of the Emergency Law until December 31, 2011.

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Supervision

As the regulator of the Argentine financial system, the Argentine Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semiannual and annual basis. These reports, which include balance sheets and income statements, information relating to reserve funds, use of deposits, portfolio quality (including details on debtors and any established loan loss provisions) and other pertinent information, allow the Argentine Central Bank to monitor financial institutions financial condition and business practices.

The Argentine Central Bank periodically carries out formal inspections of all banking institutions for the purpose of monitoring compliance by banks with legal and regulatory requirements. If the Argentine Central Bank rules are breached, it may impose various sanctions depending on the gravity of the violation. These sanctions range from calling attention to the infraction, to the imposition of fines or even the revocation of the financial institution s operating license. Moreover, non-compliance with certain rules may result in the obligatory presentation to the Argentine Central Bank of specific adequacy or regularization plans. The Argentine Central Bank must approve these plans in order for the financial institution to remain operational.

Financial institutions operating in Argentina have been subject to the supervision of the Argentine Central Bank on a consolidated basis since 1994. Information set out in -Limitations on Types of Business, -Capital Adequacy Requirements, -Lending Limits, and -Loan Classification System and Loan Loss Provisions below, relating to a bank s loan portfolio, is calculated on a consolidated basis. However, regulations relating to a bank s deposits are not based on consolidated information, but on such bank s deposits in Argentina (for example, liquidity requirements and contributions to the deposit insurance system).

Examination by the Argentine Central Bank

The Argentine Central Bank began to rate financial institutions based on the CAMEL quality rating system in 1994. Each letter of the CAMEL system corresponds to an area of the operations of each bank being rated, with: C standing for capital, A for assets, M for management, E for earnings, and L for liquidity. Each factor is evaluated and rated o scale from 1 to 5, with 1 being the highest rating an entity can receive. The Argentine Central Bank modified the supervision system in September of 2000. The objective and basic methodology of the new system, referred to as CAMELBIG, do not differ substantially from the CAMEL system. The components were redefined in order to evaluate business risks separately from management risks. The components used to rate the business risks are: capital, assets, market, earnings, liquidity and business. The components to rate management risks are: internal control and the quality of management. By combining the individual factors that are under evaluation, a combined index can be populated that represents the final rating for the financial institution.

After temporarily halting such examinations as a result of the 2001-2002 economic crisis, the Argentine Central Bank resumed the examination process, which continues to be in effect today. In Banco Galicia s case, the first examination after the 2001-2002 economic crisis was based on the information as of June 30, 2005. New examinations have been conducted, the last one of which was based on information as of September 30, 2010.

Minimum Capital Requirements

Banco Galicia, as a commercial bank, must maintain capital equal to or greater than the value calculated by comparing the minimum capital requirements applicable to a bank with similar characteristics and the capital requirement amounts related to credit risk, market risk and interest rate risk.

The minimum capital requirements applicable to a commercial bank with headquarters in the Autonomous City of Buenos Aires, such as Banco Galicia, amount to Ps.25,000,000. The minimum capital requirements related to credit or counterparty risk, which are calculated using a formula created by the Argentine Central Bank, aim to estimate the minimum capital required to counteract the risk associated with counterparties to the assets under review. The minimum capital requirements related to interest rate risk aim to counteract the risk associated with mismatches between lending and deposit rates earned on assets and liabilities held by Banco Galicia. Finally, the minimum capital requirements related to market risk not only aim to counteract the risk associated with the counterparty to each asset, but the change in its market price.

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BASIC System

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

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

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

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

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

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

Legal Reserve

The Argentine Central Bank requires that every year banks allocate to a legal reserve a percentage of their net profits established by the Argentine Central Bank, which currently amounts to 20.0%. Such reserve may only be used during periods of bank losses and after using up every allowance and other reserves. Distribution of dividends will not be allowed if the legal reserve has been impaired. See Item 8. Financial Information-Dividend Policy and Dividends .

Limitations on Types of Business

In accordance with the provisions of the Financial Institutions Law, commercial banks are authorized to carry out all those activities and operations which are not strictly prohibited by law or by the Argentine Central Bank regulations. Permitted activities include the capacity to: grant and receive loans; receive deposits from the general public in local and foreign currency; secure its customers debts; acquire, place and trade with shares and debt securities in the Argentine over-the-counter market, subject to the prior approval of the CNV; carry out operations in foreign currencies; act as trustee; and issue credit cards.

Financial institutions are not allowed to own commercial, industrial, agricultural or any other type of company, unless they are authorized by the Argentine Central Bank. Pursuant to the rules of the Argentine Central Bank, a commercial bank s total equity investments (including interest in local mutual funds) may not exceed 50% of the bank s adjusted shareholders equity or its RPC. Also, the following investments may not exceed 15%, in the aggregate, of the bank s adjusted shareholders equity: (i) shares not listed on stock exchanges except for (a) shares in companies providing services supplementary to the ones offered by the bank, and (b) certain equity interests requiring the provision of utility services, if applicable; (ii) listed shares and participation certificates in mutual funds not included for the purposes of determining capital requirements associated with market risk; and (iii) listed shares that don t have a largely publicly available market price (when there are daily quotations of relevant operations, which should not be substantially affected by the provision of ownership by the bank of such shares).

In order to carry out the calculation of limits described above, it is not necessary to deduct the capital stock allocated to foreign branches from a bank shareholders equity.

Pursuant to the Argentine Central Bank s regulations, financial institutions are not allowed to engage directly in insurance activities or hold more than a 12.5% interest (or more than a specific percentage of the financial institution s adjusted shareholders equity) in the outstanding capital of a company which does not provide services supplementary to those offered by financial institutions. The Argentine Central Bank determines which services are complementary to those provided by financial institutions; it has been determined that such services include those offered in connection with stock brokerage, the issuance of credit, debit or similar cards, financial intermediation in leasing and factoring transactions.

As regards non-banking financial institutions (such as CFA), they are not allowed to provide certain services and activities, such as current accounts, foreign trade transactions, etc.

Computable Regulatory Capital

Pursuant to the Argentine Central Bank s regulations, a bank s RPC is calculated as: (a) the minimum core capital, including capital contributions, capital adjustments, reserves, irrevocable capital contributions pending capitalization, unassigned unaudited results (of past fiscal years) and, as of October 1, 2006, long-term debt securities complying with certain prerequisites (including a maturity not exceeding 30 years and that the amounts payable thereunder do not exceed the net accounting revenue of the Bank and should provide for non-cumulative defaults so as to allow payments to be deferred and paid at the stated maturity in a lump sum), so long as they do not exceed the predetermined percentage of net worth (generally 30% with periodic reductions until reaching the international standard of 15% on January 1, 2013); plus (b) the supplementary capital, which may not exceed the minimum core capital and includes (i) with respect to results of past fiscal years: 100% of the results (plus or minus depending on whether they are positive or negative) registered on the latest audited quarterly financials, in the event the yearly financials are not audited; (ii) for the current fiscal year, the entire results (plus or minus depending on whether they are positive or negative) registered at the close of the fiscal year once the results are audited; (iii) 50% of the revenues and 100% of the losses from the latest available audited quarterly or yearly statements; (iv) 50% of the reserves required by the Argentine Central Bank for current and in current situation loans; (v) subordinated-debt not exceeding 50% of the minimum core capital with a 5 year maturity minimum, and as of October 1, 2006, including debt instruments that comply with the prerequisites to be considered minimum core capital and that exceed the limits set forth in the above clause, debt instruments with a residual term equal to or shorter than 10 years and those that set forth non-cumulative defaults (the limit for such calculations is set at 50% of the minimum core capital), and (vi) breakdowns not included in financial statements or the corresponding auditors report and the accounts payable or collectable of the net worth accounts with uncollected valuation disparities; minus (c) the sum of (i) participation in other financial entities, (ii) securities deposited with custodians that are not registered, (iii) securities issued by foreign countries with ratings under the Government s rating, (iv) demand securities placed with foreign financial institutions with ratings below investment grade, (v) unregistered ownership over real property, (vi) goodwill, (vii) incorporation and development expenses and (viii) provisioning deficiencies as determined by the Superintendency.

Financial institutions must comply with capital adequacy requirements both on an individual and consolidated basis.

Capital Adequacy Requirements

See -Selected Statistical Information-Regulatory Capital .

Capitalization of Debt Instruments

Through Communiqué A 4652, dated April 25, 2007, the Argentine Central Bank modified Item 7.3 Capital Contributions of Chapter VI. Capital Adequacy- Section 7. Regulatory Capital of its LISOL 1 rule. Through such Communiqué, the Argentine Central Bank broadened the set of financial instruments different from cash that it expressly allows to be contributed as capital for the purposes of all regulations related to capital, capital calculations and capital increases. Besides cash, in which case no special authorization from the Argentine Central Bank is required, the regulation establishes that subject to the prior authorization by the Superintendency, the following instruments are allowed as capital contributions: (i) securities issued by the Government, (ii) debt instruments issued by the Argentine Central Bank, and (iii) a financial institution s deposits and other liabilities resulting from financial brokerage, including subordinated obligations. In cases (i) and (ii), the contributions must be recorded at market value. It is understood that an instrument has a market value when it has regular quotations in stock markets and regulated local and foreign markets. In case (iii), contributions must be recorded at market value, as defined in the previous sentence or, in the case of financial institutions that publicly offer their stock, at the price determined by the regulatory authority. When the previous situation is not verified, contributions will be admitted at their accounting value, pursuant to Argentine Central Bank rules.

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Profit Distribution

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

Legal Reserve Requirements for Liquidity Purposes

The minimum cash requirements that banks are required to carry are established as a percentage of the balances of the different types of bank deposits and, for time deposits, the percentage varies with the remaining maturity. The deposit amount minus the minimum cash requirement is such deposits lending capacity .

The Argentine Central Bank modifies from time to time the percentages of the minimum cash requirements depending on monetary policy considerations. Compliance with the minimum cash requirements must be accomplished with certain assets (see below), in the same currency as the deposit that triggers such requirement. Compliance with the minimum cash requirements is determined in averages, for monthly periods. The Argentine Central Bank can modify this practice, depending on monetary policy considerations.

Through Communiqué A 3486, dated March 22, 2002, and Communiqué A 3528, dated March 25, 2002, the Argentine Central Bank established that foreign currency denominated deposits lending capacity must only be applied to US Dollar-denominated international trade financing, interbank loans and Lebac, and that any such lending capacity not applied to the aforementioned purposes will constitute a greater cash minimum requirement in Pesos, for the same amount. Subsequently, other purposes were added, allowing for the financing of activities that do not directly generate cash flows in foreign currency, such as the granting of loans to finance the importing of capital goods to be used to increase the production for the local market.

Pursuant to Communiqué A 4449, dated December 2, 2005, the Argentine Central Bank established that, effective December 2005, the minimum cash requirement in Pesos is to be applied over the monthly average of the daily balances of the obligations comprised, except for the period from December to February of the following year, for which the quarterly average was used.

At the end of fiscal year 2010, the percentages of minimum cash requirements applicable in accordance with Argentine Central Bank rules, were as follows:

- Demand deposits:
  - Peso-denominated current accounts and savings accounts: 19%.
  - Dollar-denominated savings accounts: 20%.
- Time deposits, including those adjusted by CER (by remaining maturity):
  - Peso-denominated: up to 29 days: 14%; from 30 to 59 days: 11%; from 60 to 89 days: 7%; from 90 to 179 days: 2%; from 180 to 365 days: 0%.
  - Dollar-denominated: up to 29 days: 20%; from 30 to 59 days: 15%; from 60 to 89 days: 10%; from 90 to 179 days: 5%; from 180 to 365 days: 2%; and more than 365 days: 0%.

The assets computable for compliance with this requirement are the technical cash, which includes cash (bills and coins in vaults, in ATMs and branches, and in transportation and in armored truck companies, up to a 67% maximum beginning on October 1, 2006, as established by the Argentine Central Bank s Communiqué A 4580), the balances of the Peso- and Dollar-denominated accounts at the Argentine Central Bank and that of the escrow accounts held at the Argentine Central Bank in favor of clearing houses.

As of December 31, 2010, Banco Galicia was in compliance with its legal reserve requirements, and has continued to be up to the date of this annual report.

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Lending Limits

The total equity stake and credit, including collateral, a bank is allowed to grant to a customer at any time is based on the bank s adjusted shareholders equity as of the last day of the immediately preceding month and on the customer s shareholders equity.

In accordance with the Argentine Central Bank s regulations, a commercial bank shall not lend or provide credit (financial assistance) in favor of, nor hold shares in the capital stock of only one unrelated customer (together with its affiliates) for amounts higher than 15% of Banco Galicia s adjusted shareholders equity or 100% of the customer s shareholders equity. Nevertheless, a bank may provide additional financial assistance to such customer up to a sum equivalent to 10% of the bank s adjusted shareholders equity, if the additional financial assistance is secured by certain liquid assets, including government or private debt securities.

The total amount of financial assistance a bank is authorized to provide to a borrower and its affiliates is also limited based on the borrower s shareholders equity. The total amount of financial assistance granted to a borrower and its affiliates shall not be higher than, in the aggregate, 100% of such borrower s shareholders equity, although such limit may be increased an additional 200% of the borrower s shareholders equity if the sum does not exceed 2.5% of the bank s adjusted shareholders equity.

Since October 1, 1995, the Argentine Central Bank has required that the granting of any kind of loans exceeding 2.5% of a bank s adjusted shareholders equity be approved by the branch s manager, the regional manager, the senior administrative officer of the credit division, the general manager and the credit committee, if any, and it must also have the approval by the board of directors, management board or another similar board.

With regards to the assistance to non-financial public sector, Communiqué A 3911, dated March 28, 2003, established certain limits, effective as from April 1, 2003. These limits do not include the banks current exposure as of March 31, 2003 or bonds received as compensation pursuant to Decree No 905/02 or to be received pursuant to other rules, nor the extension of amortization payments. The same treatment is given to bonds issued pursuant to the conditions established by Decree 1735/04 (through which the debt exchange offer was made official), received as part of the Argentine debt restructuring, in exchange for preexisting eligible securities as of March 31, 2003. Global exposure to the public sector (national, provincial and municipal public sector) shall not be higher than 75% of an institution s adjusted shareholders equity. Additionally, section 12 of the aforementioned Communiqué establishes that, since January 2006, the average financial assistance to non-financial public sector, in the aggregate, shall not be higher than 40% of the bank s total assets as of the end of the previous month. Later, through Communiqué A 4546, this limit was reduced to 35%, to be effective as from July 1, 2007 to present.

The Argentine Central Bank also regulates the level of total financial exposure (defined as financial assistance or credit plus equity participations) of bank to a related party (defined as a bank s affiliates and related individuals). For purposes of these limits, affiliate means any entity over which a bank, directly or indirectly, has control, is controlled by, or is under common control with, or any entity over which a bank has, directly or indirectly, significant influence with respect to such entity s corporate decisions. Related individuals mean a bank s directors, senior management, syndics and such persons direct relatives.

The Argentine Central Bank limits the level of total financial exposure that a bank can have outstanding to related parties, depending on the rating granted to each bank by the Superintendency. Banks rated 4 or 5 are forbidden to extend financial assistance to related parties. For banks ranked between 1 and 3, the financial assistance without guarantees to related parties cannot exceed, together with any equity participation held by the bank in its affiliates, 5% of such bank s RPC. The bank may increase its financing to such related parties up to an amount equal to 10% of such bank s RPC if the financial assistance is secured.

However, a bank may grant additional financial assistance to such related parties up to the following limits:

- Financial institutions rated 1, 2 or 3, subject to consolidation with the lender or the borrower:
  - If the affiliate is a financial institution rated 1, the amount of total financial exposure can reach 100% of a bank s RPC, and 50% for additional financial assistance.
  - If the receiving affiliate financial institution is rated 2, the amount of total financial exposure can reach 20% and an additional 105% can be included.

If the affiliate is a financial institution rated 3, the amount of total financial exposure can reach 10%, and additional financial assistance can reach 40%.

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Financial institutions not subject to consolidation with the lender or the borrower: 10%

Domestic companies with complementary services associated with brokerage of shares, financial brokerage in leasing and factoring operations, and temporary acquisition of shares in companies to facilitate their development in order to sell such shares afterwards.

Controlling company rated 1: General assistance: 100%

Controlling company rated 2: General assistance 10% / Additional assistance 90%

Domestic companies with complementary services related to the issuance of credit cards, debit cards or other cards:

Controlling company rated 1: General assistance: 100% / Additional assistance 50%

Controlling company rated 2: General assistance 20% / Additional assistance 105%

Controlling company rated 3: General assistance 10% / Additional assistance 40%

Domestic companies with complementary services, not subject to consolidation with the lender or the borrower : 10%

Foreign financial entities:

Investment grade: 10%

No Investment grade: Unsecured 5%; Secured 10%

In addition, the aggregate amount of a bank s total financial exposure to its related parties, plus non-exempt financial assistance may not exceed 20% of such bank s RPC.

Notwithstanding the limitations described above, financial assistance is also limited in order to prevent risk concentration. To that end, a bank s aggregate amount of non-exempt total financial exposure (including equity interests) independently of whether customers qualify as such bank s related parties or not, in the case in which such exposure exceeds 10% of such bank s RPC, may not exceed three times the bank s RPC excluding total financial exposure to domestic financial institutions, or five times the bank s RPC, including such exposure.

For a second floor financial institution (i.e. a financial institution which only provides financial products to other banks and not to the public) the latter limit is 10 times the bank s RPC.

Banco Galicia has historically complied with such rules.

Loan Classification System and Loan Loss Provisions

For a description of the Argentine Central Bank s loan classification system and the Argentine Central Bank s minimum loan loss provisions requirements, see -Selected Statistical Information-Main Argentine Central Bank s Rules on Loan Classification and Loan Loss Provisions .

Valuation of Public Sector Assets

Since March 1, 2011, the Argentine Central Bank amended the valuation criterion applicable to holdings of public sector debt according to the probable allocation of the assets:

(a) Reasonable market value: the debt instruments are registered at the corresponding market closing price or at present value; it is applicable to debt instruments included in the list of volatilities or present values published by the Argentine Central Bank.

(b) Cost plus yield: the debt instruments not included in the list mentioned in a) above, are registered at incorporation value increased on an exponential basis according to their internal rate of return (IRR). The monthly accrual shall be recorded in the income statement or in a contra asset account according to the debt instrument:

(i) Debt instruments stemming from sovereign debt exchanges: as long as the market value is lower than the book value, 50% of the yield will be allocated to income and the remaining 50% will be recorded with a counterpart under contra asset accounts, which will be reversed by means of an allocation to income as long as their balance exceeds the positive difference between the market value and the book value of said account.

(ii) Argentine Central Bank instruments: the yield will be allocated to income.

(iii) Debt instruments not stemming from sovereign debt exchanges and not included in the list mentioned in a) above: registered at present value, discounting the cash flows at a discount rate equal to the yield of debt instruments with volatility published by the Argentine Central Bank with similar duration. As long as the present value is lower than the book value, the monthly accrual shall be recorded with a counterpart under contra asset account.

It is also allowed to register debt instruments subject to market prices under cost plus yield, up to certain amounts, if the objective is to hold the debt instrument till maturity.

Financial Assistance from the Argentine Central Bank

Financial Assistance for Liquidity Support Granted After March 10, 2003

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

Financial Assistance for Liquidity Support Granted Before April 1, 2003

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

Foreign Currency Position

Through Communiqué A 4350, dated May 12, 2005, the Argentine Central Bank suspended, effective May 1, 2005, the limit on the positive Global Foreign Currency Net Position (defined as assets and liabilities from financial brokerage and securities denominated in foreign currencies) established at the lowest of 30% of a bank s RPC or a bank s liquid shareholders equity as of the end of the previous month. Although, at that moment the Argentine Central Bank kept the limit on the negative foreign currency net position at 30% of a bank s RPC, through Communiqué A 4577, issued on September 28, 2006, and effective January 1, 2007, it established that this position should not exceed 15% of the RPC of the preceding month. Subsequently, through Communiqué A 4598, dated November 17, 2006, the Argentine Central Bank allowed, in certain cases, the limit to increase by 15%. Communiqué A 4577 also clarified that participation certificates or debt securities issued by financial trusts and credit rights on ordinary trusts, in the corresponding proportion, should be calculated when the trust s underlying assets are denominated in foreign currency.

Deposit Insurance System

In 1995, Law No. 24,485 and Decree No. 540/95, as amended, created a deposit insurance system for bank deposits and delegated to the Argentine Central Bank the organization and start-up of the deposit insurance system. The deposit insurance system was implemented through the creation of a fund named *Fondo de Garantía de los Depósitos* (FGD), which is administered by Seguros de Depósitos S.A. (Sedesa). The shareholders of Sedesa are the Government, through the Argentine Central Bank, which holds at least one share, and a trust constituted by the financial institutions which participate in the fund. The Argentine Central Bank establishes the extent of participation by each institution in proportion to the resources contributed by each such institution to the FGD. Banks must contribute to the FGD on a monthly basis in an amount that is currently equal to 0.015% of the monthly average of daily balances of a financial institution s deposits (both Pesos and foreign currency denominated). The deposit insurance system covers all Peso and foreign currency deposits held in demand deposit accounts, savings accounts and time deposits for an amount up to Ps.30,000. Deposits made after July 1, 1995, with an interest rate 200 b.p. s above the interest rate quoted by Banco Nación for deposits with equivalent maturities are not covered by this system. The guarantee provided by the deposit insurance system must be made effective within 30 days from the revocation of the license of a financial institution, subject to the outcome of the exercise by depositors of their priority rights described under -Priority Rights of Depositors below. The Argentine Central Bank may modify, at any time, and with general scope, the amount of the mandatory deposit guarantee insurance. As from January 2011, the Argentine Central Bank decided to increase the limit of the deposit insurance to Ps.120,000.

Decree No. 1292/96, enhanced Sedesa s functions to allow it to provide equity capital or make loans to Argentine financial institutions experiencing difficulties and to institutions that buy such financial institutions or their deposits. As a result of such decree, Sedesa has the flexibility to intervene in the restructuring of a financial institution experiencing difficulties prior to bankruptcy.

Priority Rights of Depositors

According to section 49 e) of the Financial Institutions Law, in the event of a judicial liquidation or the bankruptcy of a financial entity, the holders of deposits in Pesos and foreign currency benefit from a general priority right to obtain repayment of their deposits up to the amount set forth below, with priority over all other creditors, with the exception of the following: (i) credits secured by a mortgage or pledge, (ii) rediscounts and overdrafts granted to financial entities by the Argentine Central Bank, according to section 17 subsections b), c) and f) of the Argentine Central Bank Charter, (iii) credits granted by the Banking Liquidity Fund created by Decree No. 32 of December 26, 2001, secured by a mortgage and pledge and (iv) certain labor credits, including accrued interest until their total cancellation.

The holders of the following deposits are entitled to the general preferential right established by the Financial Institutions Law (following this order of preference),

- deposits of individuals or entities up to Ps.50,000 or the equivalent thereof in foreign currency, with only one person per deposit being able to use this preference. For the determination of this preference, all deposits of the same person registered by the entity shall be computed;
- deposits in excess of Ps.50,000 or the equivalent thereof in foreign currency, referred to above;
- liabilities originated on commercial credit lines granted to the financial entity, which are directly related with international trade.

According to the Financial Institutions Law, the preferences set forth in previous paragraphs (i) and (ii)above, are not applicable to deposits held by persons who are affiliates of the financial entity, either directly or indirectly as determined by the Argentine Central Bank.

In addition, under section 53 of the Financial Institutions Law, the Argentine Central Bank has an absolute priority over all other creditors of the entity except as provided by the Financial Institutions Law.

Financial Institutions with Economic Difficulties

The Financial Institutions Law establishes that financial institutions, including commercial banks such as Banco Galicia, which evidence a deficiency in their cash reserves, have not complied with certain required technical standards, including minimum capital requirements, or whose solvency or liquidity is deemed to be impaired by the Argentine Central Bank must submit a restructuring plan to the Argentine Central Bank. Such restructuring plan must be presented to the Argentine Central Bank on the date specified by the Argentine Central Bank, which should not be later than 30 calendar days from the date on which the request is made by the Argentine Central Bank. In order to facilitate the implementation of a restructuring plan, the Argentine Central Bank is authorized to provide a temporary exemption from compliance with technical regulations and/or the payment of charges and fines that arise from such non-compliance.

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The Argentine Central Bank may also, in relation to a restructuring plan presented by a financial institution, require such financial institution to provide guarantees or limit the distribution of profits, and appoint a supervisor, to oversee such financial institutions management, with the power to veto decisions taken by the financial institution s corporate authorities.

In addition, the Argentine Central Bank s charter authorizes the Superintendency, subject only to the prior approval of the president of the Argentine Central Bank, to suspend for up to 30 days, in whole or in part, the operations of a financial institution if its liquidity or solvency have been adversely affected. Notice of this decision must be given to the board of directors of the Argentine Central Bank. If at the end of such suspension period the Superintendency considers it is necessary to renew it, it can only be authorized by the board of directors of the Argentine Central Bank, for an additional period not to exceed 90 days. During the suspension period: (i) there is an automatic stay of claims, enforcement actions and precautionary measures; (ii) any commitment increasing the financial institution s liabilities is void, and (iii) acceleration of indebtedness and interest accrual is suspended.

If, in the judgment of the Argentine Central Bank, a financial institution is in a situation which, under the Financial Institutions Law, would authorize the Argentine Central Bank to revoke the financial institution s license to operate as such, the Argentine Central Bank may, prior to considering such revocation, order a variety of measures, including (1) taking steps to reduce, increase or sell the financial institution s capital; (2) revoking the approval granted to the shareholders of the financial institution to own an interest therein, giving a term for the transfer of such shares; (3) excluding and transferring assets and liabilities; (4) constituting trusts with part or all the financial institution s assets; (5) granting of temporary exemptions to comply with technical regulations and/or pay charges and fines arising from such defective compliance; or (6) appointing a bankruptcy trustee and removing statutory authorities.

Furthermore, any actions authorized, commissioned or decided by the Argentine Central Bank under section 35 bis of the Financial Institutions Law, involving the transfer of assets and liabilities, or complementing it, or necessary to execute the restructuring of a financial institution, as well as those related to the reduction, increase and sale of equity, are not subject to any court authorization and cannot be deemed inefficient in respect of the creditors of the financial institution which was the owner of the excluded assets, even though its insolvency preceded any of such actions.

Dissolution and Liquidation of Financial Institutions

The Argentine Central Bank must be notified of any decision to dissolve a financial institution pursuant to the Financial Institutions Law. The Argentine Central Bank, in turn, must then notify a court of competent jurisdiction which will determine who will liquidate the entity (the corporate authorities or an appointed, independent liquidator). This determination is based on whether or not sufficient assurances exist regarding the ability of such corporate authorities to carry out the liquidation properly.

Pursuant to the Financial Institutions Law, the Argentine Central Bank no longer acts as liquidator of financial institutions. However, when a restructuring plan has failed or is not considered viable, local and regulatory violations exist, or substantial changes have occurred in the financial institution s condition since the original authorization was granted, the Argentine Central Bank may decide to revoke the license of the financial institution to operate as such. In this case, the law allows judicial or extrajudicial liquidation as in the case of voluntary liquidation described in the preceding paragraph.

The bankruptcy of a financial institution cannot be adjudicated until the license is revoked by the Argentine Central Bank. No creditor, with the exception of the Argentine Central Bank, may request the bankruptcy of the former financial institution before 60 days have elapsed since the revocation of its license.

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Credit Cards Regulation

The Credit Cards Law establishes the general framework for credit card activities. Among other regulations, this law:

- sets a 3% cap on the rate a credit card company can charge merchants for processing customer card holders transactions with such merchants, calculated as a percentage of the customers purchases. With respect to debit cards, the cap is set at 1.5% and the amounts relating to the customers purchases should be processed in a maximum of 3 business days;
- establishes that credit card companies must provide the Argentine Central Bank with the information on their loan portfolio that such entity requires; and
- sets a cap on the interest rate a credit card company can charge a card holder, which cannot exceed by more than 25% the average interest rate charged by the issuer on personal loans and, for non-bank issuers, it cannot exceed by more than 25% the financial system s average interest rate on personal loans (published by the Argentine Central Bank).

Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations, among others, to enforce public disclosure of companies pricing (fees and interest rates) to ensure consumer awareness of such pricing.

Concealment and Laundering of Assets of a Criminal Origin

Law No. 25,246 (as amended by Laws No. 26,087, No. 26,119 and No. 26,268) incorporates money laundering as a crime under the Argentine Criminal Code. Additionally, with the goal of preventing and stopping money laundering, the UIF was created under the jurisdiction of the Argentine Ministry of Justice, Security and Human Rights. Regulations in force establish, among other things, that:

i) Any person who converts, transfers, administers, sells, encumbers or uses money or any other asset derived from any crime in which he was not involved, with the possible result of giving those original or secondary assets the appearance of having a legal origin and as long as their value is greater than Ps.50,000, whether through a single act or through a series of related events, will be imprisoned for two to ten years and will be fined an amount that will be between two and ten times the amount of the transaction.

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

The minimum and maximum of the criminal scale will be doubled when (a) the foregoing acts were crimes that are particularly serious, meaning those crimes with a punishment that is greater than three years of imprisonment; (b) the perpetrator committed the crime for profit; and (c) the perpetrator regularly performs concealment activities. The criminal scale will only be increased once, even when more than one of the above-mentioned acts occurs. In such a case the court may take into consideration the multiple acts when individualizing the punishment.

In addition, regulations establish that: (a) within the framework of a review of reported suspicious activity, the persons that are obligated to provide information may not withhold information required by the UIF because such information is a banking, stock market or professional secret nor because it is legally or contractually confidential; (b) if after having completed its analysis of the reported activity, the UIF has found sufficient elements to suspect that the activity is a money laundering operation pursuant to the law, then the UIF shall notify the Public Ministry in order to determine if a criminal prosecution should begin; and (c) those persons who have acted for their spouse, any relative that is related by blood up to the fourth degree or by marriage up to the second degree or a close friend or a person to whom they owe special gratitude, shall be exempted from criminal responsibility.

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Notwithstanding the foregoing, pursuant to the Argentine Criminal Code, the exemption shall not be effective in the following cases: (i) with respect to a person who secures or helps the perpetrator of or a participant in a crime to secure the product or profit of the crime; (ii) with respect to a perpetrator that committed the crime for profit; (iii) with respect to a perpetrator that regularly performs concealment activities; or (iv) with respect to a person that converts, transfers, administers, sells, encumbers or uses money or any other asset derived from any crime in which he was not involved, with the possible result of giving those original or secondary assets the appearance of having a legal origin and as long as their value is greater than Ps.50,000, whether through a single act or through a series of related events.
The law lists the parties that are obligated to report to the UIF; these parties include, among others: financial institutions, agents and stock companies, insurance companies, notary publics and those registered professionals whose activities are governed by the *Consejo de Profesionales de Ciencias Económica* (Economic Sciences Professional Council). Such reporting obligation generally consists of performing due diligence in order to get to know the client and in order to understand the corresponding transaction and, if applicable, in order to report any irregular or suspicious activity to the UIF, pursuant to the terms and conditions established by the regulation applicable to such obligated party.
Likewise, Law No. 26,119 modified the composition and the structure of the UIF, which is now comprised of a President and a Vice-president that are appointed by the executive branch based on a proposal made by the Argentine Ministry of Justice and an advisory council comprised of representatives of the Argentine Central Bank, the Argentine Revenue Service (AFIP), the CNV, the SEDRONAR (the Government s secretary for the prevention of drug use and dealing), the Argentine Ministry of Justice, Security and Human Rights, the Argentine Ministry of Economy and the Argentine Ministry of Interior.
On June 13, 2007 Law No. 26,268 was enacted. Such law establishes the punishments and sanctions applicable to those individuals that are part of an unlawful association the purpose of which is, through the execution of crimes, the terrorizing of a population and the forcing of a government or an international organization to commit an act or refrain from committing an act, as long as the following characteristics are fulfilled: (a) there is a plan to spread hate regarding specific ethnic, religious or political groups; (b) the association has an international operational network; and (c) the association has at its disposal war weapons, explosives, chemical or bacterial agents or any other instruments that can put the life or safety of an uncertain number of people in danger.
In light of the above described framework, in 2000, Banco Galicia formed a Board Committee, the Committee for the Control and Prevention of Money Laundering , the name of which was changed in 2005 to the Committee for the Control and Prevention of Money Laundering and Funding of Terrorist Activities , which is in charge of establishing the general guidelines for Banco Galicia s strategy to control and prevent money laundering and the financing of terrorism. For more information, see Item 6. Directors, Senior Management and Employees-Functions of the Board of Directors of Banco Galicia . In addition, a unit specializing in this area was created, the Anti-Money Laundering Unit, which is responsible for the execution of the policies passed by the committee and for the monitoring of control systems and procedures in order to ensure that they are adequate. CFA also has a Committee for the Control and Prevention of Money Laundering.
The guide for unusual or suspicious transactions within the scope of the financial and foreign exchange system (passed by Resolution No. 2/02 of the UIF) establishes the obligation to report the following investment related transactions: (a) investments related to purchases of government or corporate securities given in custody to the financial institution if such securities value appears to be inappropriate due to the type of business of the client; (b) deposits or back to back loan transactions with branches, subsidiaries or affiliates of the bank in places known to be tax havens or countries or territories considered by the Financial Action Task Force as non-cooperative, (c) client requests for investment management services (whether in foreign currency, shares or trusts) where the source of the funds is not clear or is not consistent with its business; (d) significant and unusual movements in custodial accounts; (e) frequent use by infrequent clients of special investment accounts whose owner is the financial entity; and (f) regular securities transactions, through purchases and sales on the same day and for identical volumes and nominal values, taking advantage of quotation differences, when such transactions are not consistent with the client s profile and regular activity.

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Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Item 5.A. Operating Results

The following discussion and analysis is intended to help you understand and assess the significant changes and trends in our historical results of operations and the factors affecting our resources. You should read this section in conjunction with our audited consolidated financial statements and their related notes included elsewhere in this annual report.

Overview

In the last three years, in order to increase our recurrent earnings generation capacity, we have undertaken to:

- Expand the volume of our business with the private sector;
- Progressively strengthen our balance sheet by consistently reducing Banco Galicia s high exposure to the public sector, as well as those liabilities incurred by Banco Galicia as a consequence of the 2001-2002 crisis, and
- Capitalize Banco Galicia.

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

Our strategy for reducing Banco Galicia s liabilities has been to use Banco Galicia s public-sector exposure to repay them, through the proceeds of sales at market conditions in order to minimize the impact on our shareholders equity. We reduced our exposure to the public sector from Ps.6,054.3 million to Ps.3,944.5 million between December 31, 2008 and December 31, 2010, representing a reduction of Ps.2,109.8 million or 34.8% of the former amount.

We have increased our regulatory capital through the purchase of CFA and through internal origination (positive results).

We have expanded our operations significantly since mid 2002, increasing our customer base and our fee based and financial intermediation activities with the private sector, strengthening our position as a leading domestic private-sector financial institution. In addition, our total deposits (which began to increase in the second half of 2002) and loan origination (which began to increase gradually in 2003) increased, both at the level of Banco Galicia and at the level of the Regional Credit Card Companies, and since June 2010 also at the level of CFA.

The increase in our overall level of activity, which led to the above-mentioned increase in the volume of our fee based business and financial intermediation with the private sector, has had a positive impact on our net financial income and on our net income from services. At the beginning of the recovery of the Argentine economy, the decreasing risk profile of the loan portfolio reduced the need to establish loan loss reserves and the improvement in the quality of the loan portfolio allowed for the reversal of provisions and strong loan recoveries, which reduced the impact of net credit losses on our bottom line. Nevertheless this effect decreased progressively, and loan loss provisions increased due to the seasoning of individuals loan portfolios and to the incorporation of CFA s loan portfolio since June 2010.

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

During 2008, and the first half of 2009, the international financial crisis and certain preexisting domestic problems and the Government s decision to nationalize the private pension funds system dampened domestic confidence and raised uncertainty regarding future economic policies. The uncertainty triggered a strong dollarization of portfolios, with a reduction of private sector Peso deposits, and, in turn, a deceleration in growth rates of the loans to the private sector and a deterioration of asset quality. In spite of the adverse international and local financial condition, Banco Galicia managed to expand its business with the private sector and to improve its income generation, while strengthening its financial condition, the coverage of its credit risks in a scenario of deterioration of asset quality, and the provisioning for other contingencies.

The second half of 2009 showed a recovery of the world economy and of the local economy, which favorably impacted deposits and loan growth with an improvement in asset quality that extended throughout 2010.

In summary, in recent years, our results of operations were still influenced by the negative effect on our net financial income of certain consequences of the 2001-2002 crisis and the 2008 and beginning of 2009 financial crisis. However, our operating profitability was positively impacted by the strengthening of our balance sheet, including the progressive reduction of public-sector assets and liabilities and the growth of our business with the private sector, both the financial intermediation and fee based businesses, in a still low credit risk environment, but within a context of growing inflation.

Banco Galicia has finished with most of the negative effects of the 2001-2002 crisis during 2010 (i.e. amortization of *amparo claims*) and profitability should continue to increase during 2011.

The Argentine Economy

During 2010, the global economy continued to experience the economic recovery that began in 2009. However, 2010 was not without fears of a recessionary relapse. In particular, doubts in the U.S. began to surface mid-year relating to the strength of its recovery, which influenced the U.S. Federal Reserve to maintain a highly expansionary monetary policy. In Europe, although gradual improvements in economic performance were evident, doubts about the financial health of some countries created uncertainty and impacted negatively the international financial markets. In order to calm nervousness and defend the Euro, the European Central Bank intervened through purchases of troubled sovereign debt and aid packages in conjunction with the IMF. Relaxed monetary policy in advanced economies generated an environment of low rates and abundant liquidity, from which emerging economies benefited, receiving much of the international flow of funds seeking higher yields.

Within this favorable economic environment, accompanied by increased Argentine export prices, the Argentine economy began to experience the economic recovery that had begun worldwide during the second half of 2009. A significant recovery took place in the agricultural sector, after the drought during 2008 and 2009, which contributed extensively to the recent overall Argentine economic recovery. The financial sector benefited from the favorable international economic climate and the relatively low level of domestic political and social volatility. Growth of over 9% was achieved by the Argentine economy from the fiscal year ended December 31, 2009 to the fiscal year ended December 31, 2010. According to the General Activity Index prepared by Orlando J. Ferreres y asociados Consulting Firm (IGA-OJF), the Argentine economy experienced an 8.2% expansion in 2010. The Argentine economy was expanding at a seasonally adjusted quarterly average rate of 3.2% during the first half of 2010, driven in large part by the contribution of the agricultural sector. By the second half of 2010, a slight slowdown occurred in the pace of economic growth, with average quarterly growth of 0.9% (seasonally adjusted).

The highest performing production sector of the Argentine economy was agriculture, with an annual expansion of 19.7%, followed by manufacturing (10.5% expansion) and trade (9.4% expansion). After the severe drought of 2009, crops recovered significantly and showed an increase of 55% over the previous year. In addition, during 2010, certain service sectors experienced growth, such as health services (2.2% expansion), public administration (3.2% expansion) and electricity, gas and water supply (3.4% expansion). These sectors were the least affected by the economic crisis of 2008/2009.

The industrial sector, as determined by the Industrial Production Index prepared by FIEL (IPI-FIEL), experienced an 8.8% increase in 2010, making a strong recovery. Among the highest performing sectors of the economy was the automotive sector, with a 43.1% increase in 2010, and the iron and steel industry, with a 23.1% increase during the same period. These sectors experienced the highest levels of contraction during the economic crisis of 2008/2009. The industrial sector benefited from increased demand generated by the global recovery, in particular in Brazil, the largest buyer of the Argentine automotive sector, for example.

The unemployment rate for the fiscal year ended December 31, 2010 fell to 7.5% of the economically active population in Argentina, or the segment of the Argentine population that is employed, or unemployed and actively seeking employment, from 8.4% for fiscal year ended December 31, 2009, reflecting a moderate increase in the performance of the labor market.

In the monetary sector, the primary indicators experienced increases during the fiscal year ended December 31, 2010. The monetary base ended the fiscal year ended December 31, 2010 with an expansion of 31.6%, as compared to 15.7% for the fiscal year ended December 31, 2009. The Ps.38,100 million expansion experienced during the fiscal year ended December 31, 2010 was mainly attributable to the intervention of the Argentine Central Bank in the foreign exchange market in the amount of Ps.46,300 million, and was partially offset by the contraction of the availability of domestic credit in the amount of Ps.8,200 million. The expansion was also attributable in large part to the issuance by the Argentine Central Bank of various securities in the aggregate amount of Ps.20,300 million. Due to transactions carried out with the government, the monetary base expanded by Ps.19,500 million, mainly as a result of the transfer of the Argentine Central Bank s 2009 profits to the Argentine Treasury Department.

This trend was also reflected in the performance of the private M2 (money in circulation and deposits in savings and checking accounts, in Pesos, that belong to the private sector), which grew by 33.1% in the fiscal year ended December 31, 2010, as compared to the fiscal year ended December 31, 2009, an increase of more than 3 percentage points above the target set by the monetary program, which was updated during the second half of 2010. As of December 31, 2010, the total M2 (i.e., a money supply indicator that is an aggregate of all publicly held money in circulation plus public and private sector savings and checking account deposits denominated in Pesos) experienced an expansion of 28.1%.

Interest rates remained relatively stable throughout 2010, although during the last months they have exhibited a slight upward trend, which could be explained by the strong growth in credit and the consequent reduction of liquidity in the financial system.

The reference exchange rate established by the Argentine Central Bank increased from Ps.3.797 to Ps.3.976 per Dollar between December 31, 2009 and December 31, 2010 (equivalent to a 4.7% depreciation), while the average exchange rate increased from Ps.3.731 per Dollar in 2009 to Ps.3.913 per Dollar in 2010.

Inflation for 2010 amounted to 10.9%, as measured by the CPI of the INDEC, higher than the 7.7% recorded in 2009. The WPI experienced a 14.6% increase.

According to private sector estimates, consumer prices increased 22.9% in 2010. Food and beverage prices experienced an increase that was 10 percentage points above a normal annual increase. Increases in beef prices contributed 4.5 percentage points to the overall 22.9% increase in consumer prices.

In the fiscal area, the recovery in activity levels and the upward trend in prices, coupled with the excellent performance of the external sector (mainly in volume, but prices did rebound by the end of the year), resulted in a 35.2% increase in tax revenue (including social security) for 2010. Growth in spending was 33.9% in 2010, reaching a growth rate of almost 40% by the end of the fiscal year. The Argentine public sector achieved a surplus of Ps.25,115 million in 2010, equivalent to 1.7% of GDP, in line with that observed in 2009. After the payment of interest of Ps.22,047 million, the financial surplus amounted to Ps.3,068 million, equivalent to 0.2% of GDP. See *Risk Factors-Risk Factors Relating to Argentina-Inflation could increase from current levels, and materially and adversely affect the Argentine economy and Grupo Financiero Galicia s financial position and business* .

The balance of payments on current accounts maintained a surplus as a result of the high excess in the country s trade balance. However, in terms of GDP, Argentina would have experienced a significant decrease, from 3.6% in the fiscal year ended December 31, 2009, to 0.9% in the fiscal year ended December 31, 2010. The trade balance showed a US$12,057 million surplus in 2010, lower than the US$16,980 million of the previous year.

Exports showed a significant recovery, expanding 23% from the previous year, which was mainly attributable to the increase of 18% in export volumes. Commodities, which included increased demand for Argentina s crops, displayed an increase of 63% (almost all by volume). Prices began to trend upwards towards year-end 2010, which indicates healthy economic growth for fiscal year 2011. The global recovery generally, and the recovery of Brazil s economy specifically, impacted positively the performance of Argentina s industrial goods, which expanded 28% in 2010. Imports in the fiscal year ended December 31, 2010 also grew by nearly 46% when compared to the fiscal year ended December 31, 2009.

Within a framework of a gradual improvement in the international economy, private sector capital experienced a net foreign currency outflow of US$844 million during the first nine months of 2010, sharply below the outflow of US$8,963 million during the same period in 2009. In fact, the third quarter of 2010 exhibited a net income of US$974 million and it is estimated that when these figures are released, the fourth quarter of 2010 will be in line with the third quarter. Thus, the fiscal year ended December 31, 2010 ended with an almost neutral capital outflow, following an outflow of more than US$8,000 million for the fiscal year ended December 31, 2009. As of December 31, 2010, the Argentine Central Bank s international reserves amounted to US$52,190 million, US$4,222 million above the amount held as of December 31, 2009.

The Argentine Financial System

The situation described above with respect to the general Argentine economy had a positive impact on the Argentine financial system, resulting in an increase in the levels of private sector intermediation, while still far from the levels reached by Argentina prior to the 2001-2002 Argentine economic crisis and those reached by neighboring countries such as Chile and Brazil.

The financial system s total deposits grew by 38.7% during the fiscal year ended December 31, 2010, reaching Ps.373,862 million; deposits from the non-financial private sector increased 29.7%, amounting to Ps.256,028 million; and public sector deposits were Ps.115,841 million, an increase of 67.9% over the fiscal year ended December 31, 2009. Total deposits from the private sector, as of December 31, 2010, were composed of savings and current account deposits in the amount of Ps.138,036 million and time deposits in the amount of Ps.107,401 million, which represented increases of 34.3% and 25.4%, respectively.

Total loans to the private sector grew by 37.8% from the fiscal year ended December 31, 2009 to the fiscal year ended December 31, 2010, reaching Ps.197,279 million. The fastest growing category was that of short-term commercial loans, consisting of cash advances in current accounts and promissory notes, which experienced an increase of 45.8%, and were Ps.61,780 million as of December 31, 2010. Consumer loans for the fiscal year ended December 31, 2010, which include credit cards and personal loans, were Ps.68,894 million, a 37.2% increase over the fiscal year ended December 31, 2009. Secured loans rose by 34.5%, with a balance as of December 31, 2010 of Ps.9,841 million, while mortgage loans were Ps.21,093 million for the fiscal year ended December 31, 2010, an increase of 13.3% over the fiscal year ended December 31, 2009. Loans to the public sector accounted for 12.2% of total assets, declining 2.3 percentage points during the fiscal year ended December 31, 2010, far from the 48.9% decrease in 2002.

The average interest rate paid by private banks in December 2010 (deposits for up to 59 days) was 10.29%, an increase of 58 b.p. s from December 2009. The average interest rate applicable to time deposits in Pesos over Ps.1 million was 11.11% for the fiscal year ended December 31, 2010, an increase of 130 b.p. from the fiscal year ended December 31, 2009. As of December 31, 2010, the interest rates applicable to cash advances reached 19.23%, which represented a decrease of 205 b.p. from the fiscal year ended December 31, 2009, even though interest rates applicable to cash advances in amounts over Ps.10 million experienced a rise of 40 b.p. and were at 11.1% as of December 31, 2010.

During the fiscal year ended December 31, 2010, financial institutions, such as Banco Galicia, increased their levels of liquidity relative to total deposits, further contributing to financial stability. The average liquidity ratio decreased from an average of 28.6% in December 2009 to 28% in December 2010.

The Argentine Central Bank placed debt securities, Lebac and Nobac, in the amount of Ps.26,598 million during the fiscal year ended December 31, 2010, which grew a combined 60.5% as compared to 2009, reaching Ps.70,578 million as of December 31, 2010. In addition to this growth, the private M2 exceeded by 3.2% the maximum limit established by the Argentine Central Banks monetary program, a tool that it uses to make projections relating to the performance of monetary policy instruments, reaching an average balance of Ps.220,534 million, equivalent to a growth of 33.1%. Purchases of foreign currency by the Argentine Central Bank in the foreign exchange market and loans by entities in the Argentine financial system to the private sector were major factors in the growth of the overall monetary supply in Argentina during the period, which monetary supply is measured by the Argentine Central Bank using the following indicators: M1, or publicly held money in circulation and public and private sector checking accounts in Pesos, M2 (described above) and M3, or publicly held money in circulation and total public and private sector deposits in Pesos.

The Argentine financial system s net worth increased by Ps.9,247 million during the fiscal year ended December 31, 2010, which represents a 19.1% improvement from the fiscal year ended December 31, 2009. The system s profitability in 2010 was equivalent to 2.8% of total assets, while return on shareholders equity was 24.3%, higher than the 19.2% recorded in 2009 and the 13.4% recorded in 2008. Income from interests and services represented 4.3% and 3.8% of total assets, respectively. The increase in the listed prices of government securities led to an improvement in income from holding such securities, representing 3.3% of total assets.

Administrative expenses increased slightly, from 6.7% of total assets in the fiscal year ended December 31, 2009 to 6.8% of total assets in the fiscal year ended December 31, 2010. Provisions for loan losses decreased from 1.1% of total assets in 2009 to 0.8% of total assets in 2010, reflecting an improvement in portfolio quality. In line with such performance, the non-accrual loan portfolio to the non-financial private sector decreased from 3.5% in December 2009 to 2.3% in November 2010, representing the latest data available. Within the context of conservative monetary policy, coverage of the private sector non-accrual loan portfolio (with allowances) continued to grow, reaching the record levels of 157.1% in December 2010, a 126.2% increase over December 2009.

As of December 31, 2010, 80 financial institutions were in operation, taking into account both banking and non-banking institutions. Of these 80, 64 were banks, 52 of which were private-sector banks (accounting for 52.8% of total deposits in the financial system). In turn, 32 were domestic banks, one of which was a cooperative bank (accounting for 28.8% of total deposits) and 20 were foreign-owned banks (which represented 23.99% of total deposits). There were 12 government-owned banks (which represented 46.9% of total deposits), and there were 16 non-banking financial institutions, with only a 0.3% share of total deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 76.96% as of December 31, 2010. This percentage was 0.86 percentage points higher than the market share recorded as of December 31, 2009.

Based on information as of December 2010, the financial system employed a total of 99,739 people, 62.2% of which were employed by the private sector, representing a 2.33% increase since the beginning of 2010.

The Argentine Insurance Industry

During 2010, the insurance industry continued to experience growth. Production amounted to Ps.41,202.9 million, 15.8% higher than the level recorded for 2009, at constant values. Out of the total insurance production, 81% related to property insurance, 17% related to life and personal insurance, and 2% related to retirement insurance. Within the 81% corresponding to property insurance, the automotive insurance segment continues to be the most significant one (45%), followed by the workers compensation segment (29%).

Within the life insurance business, the group life insurance segment is the most significant, representing 65%, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.

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Inflation

Historically, inflation in Argentina has played a significant role in influencing, often negatively, the economic conditions in Argentina and, in turn, the operations and financial results of companies operating in Argentina, such as Grupo Financiero Galicia.

The chart below presents a comparison of inflation rates published by INDEC, measured by the wholesale price index and the consumer price index, for the fiscal years 2010, 2009 and 2008. In addition, the chart below presents the evolution of the CER index, published by the Argentine Central Bank, used to adjust the principal of certain of our assets and liabilities, for the periods indicated.

	For the 12-month period ended December 31,		
(in percentages)	**2010**	**2009**	**2008**
Price Indices (1) (2)			
Wholesale Price Index (WPI)	14.56	10.27	8.82
Consumer Price Index (CPI)	10.92	7.69	7.24
Adjustment Indices			
CER	11.04	6.95	7.97

(1) Data for December of each year as compared to December of the immediately preceding year. Source: INDEC/the Argentine Central Bank.

(2) The accuracy of the measurements of the INDEC is in doubt, and the actual consumer price index and wholesale price index could be substantially higher than those indicated by the INDEC. For example, according to private sector estimates, the consumer price index increased by 19.4% (rather than 7.2%) in 2008, 16.3% (rather than 7.7%) in 2009 and 22.9% (rather than 10.9%) in 2010.

In the first five months of 2011, the WPI increased 5.02% and the CPI increased 3.94%. Over the same period, the CER increased 4.03%.

Currency Composition of Our Balance Sheet

The following table sets forth our assets and liabilities denominated in foreign currency, in Pesos and adjustable by the CER, at the dates indicated.

	As of December 31,		
	2010	**2009**	**2008**
	(In millions of Pesos)		
Assets			
In Pesos, Unadjusted	28,319.4	19,791.0	15,165.1
In Pesos, Adjusted by the CER	610.8	926.3	2,439.2
In Foreign Currency (1)	6,777.9	6,885.1	7,131.5
Total Assets	**35,708.1**	**27,602.4**	**24,735.8**
Liabilities and Shareholders Equity			
In Pesos, Unadjusted, Including Shareholders Equity	28,059.5	20,513.1	17,262.1
In Pesos, Adjusted by the CER	13.6	14.9	50.3
In Foreign Currency (1)	7,635.0	7,074.3	7,423.4
Total Liabilities and Shareholders Equity	**35,708.1**	**27,602.3**	**24,735.8**

(1) If adjusted to reflect forward sales and purchases of foreign exchange made by Banco Galicia and recorded off-balance sheet, assets amounted to Ps.10,186.3 million and liabilities to Ps.10,210.2 million.

Funding of our long position in CER-adjusted assets through Peso-denominated liabilities bearing a market interest rate (and no principal adjustment linked to inflation) exposes us to differential fluctuations in the inflation rate and in market interest rates, with a significant increase in market interest rates vis-à-vis the inflation rate (which is reflected in the CER variation) having a negative impact on our net financial income.

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Results of Operations for the Fiscal Years Ended December 31, 2010, December 31, 2009 and December 31, 2008

We discuss below our results of operations for the fiscal year ended December 31, 2010 as compared with our results of operations for the fiscal year ended December 31, 2009, and our results of operations for the fiscal year ended December 31, 2009 as compared with our results of operations for the fiscal year ended December 31, 2008.

Net Income/Loss

	Fiscal Year Ended December 31,			Change December 31,	
	2010	**2009**	**2008**	**2010/2009**	**2009/2008**
	(in millions of Pesos, except percentages)				
Consolidated Income Statement					
Financial Income	3,616.1	3,005.6	2,559.3	610.5	446.3
Financial Expenses	1,412.7	1,460.5	1,421.0	(47.8)	39.5
Net financial Income	2,203.4	1,545.1	1,138.3	658.3	406.8
Provision for Losses on Loans and Other Receivables	551.5	639.5	395.4	(88.0)	244.1
Net income from Services	1,781.9	1,310.9	1,187.9	471.0	123.0
Administrative Expenses	2,845.3	2,029.1	1,781.1	816.2	248.0
Minority Interest	(104.3)	(46.5)	(35.8)	(57.8)	(10.7)
Income / (Loss) from Equity Investments	62.1	11.3	56.8	50.8	(45.5)
Miscellaneous Income / (Loss), Net	120.8	233.1	80.1	(112.3)	153.0
Income Tax	(258.2)	(156.0)	(74.0)	(102.2)	(82.0)
Net income / (Loss)	**408.9**	**229.3**	**176.8**	**179.6**	**52.5**
Return on Average Assets (1)	1.8	1.1	0.9	0.6	0.2
Return on Average Shareholders Equity	18.6	11.7	10.1	6.9	1.6

(1) For the calculation of the return on average assets, profits or losses corresponding to minority interests are excluded from net income.

Net income for the fiscal year ended December 31, 2010 was Ps.408.9 million, as compared to Ps.229.3 million for the fiscal year ended December 31, 2009 and Ps.176.8 million for the fiscal year ended December 31, 2008.

Net earnings per share for the fiscal year ended December 31, 2010 were Ps.0.329, as compared to Ps.0.185 for the fiscal year ended December 31, 2009. The return on average assets and the return on average shareholders equity for the fiscal year ended December 31, 2010 were 1.8% and 18.6%, respectively, as compared to 1.1% and 11.7%, respectively, for the fiscal year ended December 31, 2009. For the fiscal year ended December 31, 2008, net income per share was Ps.0.142, the return on average assets was 0.9% and the return on average shareholders equity was 10.1%.

Fiscal Year 2010 Compared to Fiscal Year 2009

Net income for the fiscal year ended December 31, 2010 was Ps.408.9 million, as compared to Ps.229.3 million for the fiscal year ended December 31, 2009, a Ps.179.6 million increase, or 78.3%. Such increase was primarily attributable to:

- a Ps.610.5 million increase in financial income, from Ps.3,005.6 million to Ps.3,616.1 million,
- a Ps.471.0 million increase in net income from services, from Ps.1,310.9 million to Ps.1,781.9 million,
- a Ps.88.0 million decrease in provisions for loan losses, from Ps.639.5 million to Ps.551.5 million,

- a Ps.47.8 million decrease in financial expenses, from Ps.1,460.5 million to Ps.1,412.7 million,
- an increase of Ps.50.8 million in income from equity investments, from Ps.11.3 million to Ps.62.1 million.

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Such changes were partially offset by:

a Ps.816.2 million increase in administrative expenses, from Ps.2,029.1 million to Ps.2,845.3 million,

a Ps.112.3 million decrease in miscellaneous net loss, from Ps.233.1 million to Ps.120.8 million, and

an increase in income tax of Ps.102.2 million, from Ps.156.0 million to Ps.258.2 million.

The operating income for the fiscal year ended December 31, 2010 was Ps.3,985.3 million, as compared to Ps.2,856.0 million for the fiscal year ended December 31, 2009. Such increase was primarily attributable both to a Ps.658.3 million higher net financial income (Ps.282.2 million of which corresponded to CFA) and a Ps.471.0 million higher net income from services (Ps.14.7 million of which corresponded to CFA).

Fiscal Year 2009 Compared to Fiscal Year 2008

During fiscal year 2009, net income amounted to Ps.229.3 million, a Ps.52.5 million increase compared to the previous fiscal year. This increase was mainly attributable to:

a Ps.446.3 million increase in financial income, from Ps.2,559.3 million to Ps.3,005.6 million,

a Ps.153.0 million increase in miscellaneous net income, from Ps.80.1 million to Ps.233.1 million, and

a Ps.123.0 million increase in net income from services, from Ps.1,187.9 million to Ps.1,310.9 million.

These factors were partially offset by:

a Ps.244.1 million increase in provisions for loan losses from Ps.395.4 million to Ps.639.5 million,

a Ps.248.0 million increase in administrative expenses, from Ps.1,781.1 million to Ps.2,029.1 million,

an increase in income tax of Ps.82.0 million, from Ps.74.0 million to Ps.156.0 million, and

a decrease of Ps.45.5 million in income from equity investments, from Ps.56.8 million to Ps.11.3 million.

Financial Income

Our financial income was composed of the following:

	Fiscal Year Ended December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos)		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	3,061.3	2,207.7	1,930.3
Income from Government and Corporate Securities, Net	409.2	559.1	238.1
CER Adjustment	5.3	24.4	123.9
Other (1)	140.3	214.4	267.0
Total	3,616.1	3,005.6	2,559.3

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

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

	As of December 31,					
	2010		2009		2008	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
	(in millions of Pesos, except rates)					
Interest-Earning Assets	**21,983.3**	**16.35**	**18,378.0**	**15.71**	**19,892.5**	**12.14**
Government Securities	3,344.1	11.56	4,686.5	11.84	3,642.2	4.08
Loans	16,800.8	18.56	11,463.6	19.34	12,077.3	17.01
Other	1,838.4	4.85	2,227.9	5.17	4,173.0	5.09
Interest-Bearing Liabilities	**16,662.5**	**6.56**	**15,923.4**	**7.63**	**15,694.5**	**8.14**
Current Accounts	508.1	1.08	1,287.3	1.00	948.1	2.28
Savings Accounts	4,016.2	0.19	3,014.5	0.19	2,587.7	0.18
Time Deposits (1)	8,554.3	8.81	7,391.9	11.67	6,769.4	11.34
Argentine Central Bank	0.7		0.6		0.4	
Debt Securities	2,276.1	10.04	2,729.9	8.22	2,799.8	10.00
Other Interest-bearing Liabilities	1,307.1	7.50	1,499.2	7.34	2,589.1	7.86
Spread and Net Yield						
Interest Spread, Nominal Basis (2)		9.79		8.08		4.00
Net Yield on Interest-earning Assets (3)		11.38		9.10		5.72
Financial Margin (4)		10.02		8.41		5.72

(1) *Includes restructured deposits certificates and restructured deposits with amparo claims.*

(2) *Reflects the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities. Interest rates include the CER adjustment.*

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

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

Fiscal Year 2010 Compared to Fiscal Year 2009

Financial income for the fiscal year ended December 31, 2010 was Ps.3,616.1 million, as compared to Ps.3,005.6 million for the fiscal year ended December 31, 2009, a 20.3% increase. Such increase was the result of a higher average volume of interest-earning assets together with higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2010 was 16.35%, as compared to 15.71% for the fiscal year ended December 31, 2009, a 64 b.p. increase. Such increase was primarily attributable to a change in the mix of interest earning assets, for example, loan participations grew from 62.4% to 76.4% of total interest-earning assets, while the remaining individual components of Interest-Earning Assets (Government Securities and Other Interest-Earning Assets) experienced decreases. See the table Yield on Interest-Earning Assets and Cost of Funds above.

The average interest-earning assets for the fiscal year ended December 31, 2010 was Ps.21,983.3 million, as compared to Ps.18,378.0 million for the fiscal year ended December 31, 2009, a 19.6% increase, which was primarily attributable to the 46.6% growth in the average loan portfolio. Such increase was partially offset by the 28.6% decrease in the average balance of the net position in government securities.

The average loan portfolio balance for the fiscal year ended December 31, 2010 was Ps.16,800.8 million, as compared to Ps.11,463.6 million for the fiscal year ended December 31, 2009, a 46.6% increase, which was primarily attributable to the growth of both loans to individuals and to companies. Excluding CFA s average loans of Ps.640.4 million, such increase was 41.0%. Taking into account fiscal year end balances of loans to the private sector, such increase was 56.9% or Ps.8,110.1 million. Excluding the CFA portion of loans, such increase was 47.2%. These increases are net of charge-offs against allowances for loan losses during the fiscal year ended December 31, 2010. The estimated market share of loans to the private sector, without considering those granted by the regional credit card companies and by CFA, was 8.28% as of December 31, 2010, as compared to 7.67% as of December 31, 2009, a 61 b.p. increase. Including loans granted by CFA, such market share reached 8.95% as of December 31, 2010.

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The average balance of loans to the public sector for the fiscal year ended December 31, 2010 was Ps.0.4 million, as compared to Ps.120.0 million for the fiscal year ended December 31, 2009, a Ps.119.6 million decrease, which was mainly attributable to the exchange transaction of *préstamos garantizados nacionales*, or secured loans (PGN), for Argentine government securities carried out in January 2009. Loans to the private sector for the fiscal year ended December 31, 2010 were Ps.16,800.4 million, as compared to Ps.11,343.6 million for the fiscal year ended December 31, 2009, a Ps.5,456.8 million or 48.1% increase, in line with the increase experienced by the Argentine market in general. Taking into account fiscal year end balances of loans to the private sector, such increase amounted to Ps.8,110.1 million, a 56.9% increase. These increases are net of charge-offs against allowances for loan losses for the fiscal year ended December 31, 2010.

The average interest rate on total loans, including the CER adjustment, was 18.56% for the fiscal year ended December 31, 2010, as compared to 19.34% for the fiscal year ended December 31, 2009, a decrease of 78 b.p. Such decrease was mainly attributable to the factors discussed below. The portfolio of loans to the private sector accrued at an 18.56% average interest rate and the public-sector loan portfolio accrued at a 0.20% average interest rate, including the CER adjustment, for the fiscal year ended December 31, 2010, as compared to 19.31% and 22.50%, respectively, for the fiscal year ended December 31, 2009. Such decreases were mainly attributable to the factors discussed below.

The average interest rate for the fiscal year ended December 31, 2010 on Peso-denominated loans to the private sector was 21.16%, as compared to 21.73% for the fiscal year ended December 31, 2009, a 57 b.p. decrease. The average interest rate on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2010 was 4.45%, as compared to 7.34% for the fiscal year ended December 31, 2009, a 289 b.p. decrease. Such decreases were mainly attributable to changes in the mix of loans and the fluctuation of interest rates in Argentina.

The average position in government securities for the fiscal year ended December 31, 2010 was Ps.3,344.1 million, as compared to Ps.4,686.5 million for the fiscal year ended December 31, 2009, a 28.6% decrease, which was mainly attributable to the sale of Boden 2012 Bonds and Discount Bonds.

The average yield on government securities for the fiscal year ended December 31, 2010 was 11.56%, as compared to 11.84% for the fiscal year ended December 31, 2009, a 28 b.p. decrease, which was mainly attributable to changes in the bond portfolio.

The average interest rate on government securities denominated in Dollars for the fiscal year ended December 31, 2010 was -31.56%, as compared to 2.29% in the fiscal year ended December 31, 2009, a decrease of 3,385 b.p. In 2010, the negative rate was the consequence of valuation allowances made during the year that allowed Banco Galicia to sell all of its Boden 2012 Bonds.

The average Other Interest-Earning Assets for the fiscal year ended December 31, 2010 were Ps.1,838.4 million, as compared to Ps.2,227.9 million for the fiscal year ended December 31, 2009, a decrease of Ps.389.5 million or 17.5%. Such decrease was primarily attributable to a reduction in the holding of certain residual interests in financial trusts in connection with securitizations.

The average rate of Other Interest-Earning Assets for the fiscal year ended December 31, 2010 was 4.85%, as compared to 5.17% for the fiscal year ended December 31, 2009, a 32 b.p. decrease. Such decrease was attributable to the concentration of transactions in Pesos rather than other currencies, since the average rate of other interest-earning assets in Pesos decreased by 104 b.p., from 6.47% to 5.43%, while the average rate in foreign currency increased 68 b.p., from 0.78% to 1.46%.

The financial income for the fiscal year ended December 31, 2010 included a Ps.27.7 million profit from fluctuations in foreign currency exchange rates, including the result of forward transactions in foreign currency. This financial income also includes a Ps.138.4 million gain from foreign exchange brokerage activities and a Ps.110.7 million loss from the valuation of the net position in foreign currency. The financial income for the fiscal year ended December 31, 2009 included a Ps.85.1 million profit from fluctuations in foreign currency exchange rates, including the result of forward transactions in foreign currency, a Ps.127.1 million gain from foreign exchange brokerage activities and a Ps.42.0 million loss from the valuation of the net position in foreign currency.

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The following table shows our market shares:

(in percentages)	**Fiscal Year Ended December 31,** 2010	2009	2008
Total Deposits	5.94	6.29	5.93
Private-Sector Deposits			
Total	8.33	7.81	7.61
Deposits in Current and Savings Accounts and Non-Restructured Time Deposits	8.59	8.07	7.87
Total Loans	7.95	6.91	6.16
Private-Sector Loans	8.95	7.67	6.12

Exclusively Banco Galicia. within the Argentine market, based on daily information on deposits and loans prepared by the Argentine Central Bank. Beginning in June 30, 2010, these figures include deposits and loans corresponding to CFA. End-of-month balances are used. Deposits and loans include only principal. The Regional Credit Card Companies data is not included.

Fiscal Year 2009 Compared to Fiscal Year 2008

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

The average yield on interest-earning assets was 15.71%, a 357 b.p. increase, which can be explained by increases of 776 b.p. and 233 b.p. in the average lending interest rate on government securities and on loans, respectively.

Average interest-earning assets decreased 7.6%, from Ps.19,892.5 million to Ps.18,378.0 million. This was a result of the 46.6% drop in the average balance of other interest-earning assets, and 5.1% in the average balance of total loan portfolio. This effect was partially offset by a 28.7% increase in the average balance of the net position in government securities.

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

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

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

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

The average position in government securities amounted to Ps.4,686.5 million, an increase of Ps1,044.3 million (28.7%), compared to Ps.3,642.2 million in fiscal year 2008. This variation is mainly due to the increase of Ps.1,339.3 million in the average balance of the position in government securities in Pesos, as a result of the government securities received as part of the Secured Loans exchange transaction carried out by the end of

January 2009. This increase was partially offset by the decrease of Ps.295.0 million in the average balance of government securities in Dollars due, mainly, to the sale in June 2009 of the 15^{th} interest and amortization coupon of Boden 2012 Bonds due in August 2009. This decrease was partially offset by the increase in the price of the Dollar during the year 2009 (December 2008: Ps.3.45   December 2009: Ps.3.80).

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

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

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

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

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

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

Financial Expenses

Our financial expenses were composed of the following:

	Fiscal Year Ended December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos)		
Interest on Deposits	765.5	877.9	786.1
Negotiable Obligations	230.8	284.5	288.8
Contributions and Taxes	268.6	161.7	135.9
CER Adjustment	0.1	0.3	9.2
Other [(1)]	147.6	136.1	201.0
Total	**1,412.6**	**1,460.5**	**1,421.0**

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

Fiscal Year 2010 Compared to Fiscal Year 2009

The financial expenses for the fiscal year ended December 31, 2010 were Ps.1,412.6 million, as compared to Ps.1,460.5 million for the fiscal year ended December 31, 2009, a 3.3% decrease. Such decrease was mainly attributable to a 107 b.p. decrease in the average cost of funds, partially offset by a 4.6% increase in the average balance of interest-bearing liabilities.

The average interest-bearing liabilities for the fiscal year ended December 31, 2010 were Ps.16,662.5 million, as compared to Ps.15,923.4 million for the fiscal year ended December 31, 2009, a 4.6% increase. Such increase was attributable to the Ps.1,384.9 million increase in total interest-bearing deposits, which rose from Ps.11,693.7 million to Ps.13,078.6 million, partially offset by a Ps.453.8 million decrease in the average balance of debt securities from Ps.2.729,9 million to Ps.2.276.1 million and a decrease in Other Interest-Bearing Liabilities from Ps.1,499.2 million to Ps.1,307.1 million.

The increase in the average balance of interest-bearing deposits was mainly attributable to the increase of the deposits in Argentina in savings accounts and time deposits. The decrease in the average balance of interest-bearing checking accounts was due to the elimination of such accounts by the Argentine Central Bank. Taking into consideration the final balances of total deposits in Argentina, such increases totaled Ps.5,214.3 million or 30.5% for the fiscal year ended December 31, 2010 as compared to an increase of Ps.3,074.5 million for the fiscal year ended December 31, 2009.

Average savings and checking account deposits increased 31.1% for the fiscal year ended December 31, 2010, as compared to 14.7% for the fiscal year ended December 31, 2009, while time deposits increased 15.7% and 9.2% during such time periods, respectively, which allowed for an improvement in the structure of interest-bearing deposits. Excluding those from CFA, said deposits amounted to Ps.21,975.9 million, as compared to Ps.17,083.3 million for the fiscal year ended December 31, 2009, a 28.6% increase.

Regarding the total average interest-bearing deposits for the fiscal year ended December 31, 2010, Ps.2,949.2 million were Dollar-denominated deposits and Ps.10,129.4 million were Peso-denominated deposits, as compared to Ps.2,841.4 million and Ps.8,852.3 million, respectively, for the fiscal year ended December 31, 2009.

Considering only deposits from the private sector in checking and savings accounts and time deposits, Banco Galicia s estimated deposit market share in the Argentine financial system was 8.44% for the fiscal year ended December 31, 2010, as compared to 8.07% for the fiscal year ended December 31, 2009, a 37 b.p. increase. Including CFA s deposits, the market share reached 8.59% as of December 31, 2010.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2010 was 5.86%, as compared to 7.53% for the fiscal year ended December 31, 2009, a 168 b.p. decrease. Peso-denominated deposits (including those adjusted by CER) for the fiscal year ended December 31, 2010 accrued at a 7.45% average interest rate, as compared to 9.74% for the fiscal year ended December 31, 2009, a 229 b.p. decrease. This decrease was experienced by the Argentine market as a whole in 2010. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2010 was 0.40%, as compared to 0.67% for the fiscal year ended December 31, 2009, a 27 b.p. decrease. This decrease was mainly attributable to the fluctuations in international interest rates.

The average balance of debt securities for the fiscal year ended December 31, 2010 was Ps.2,276.1 million, as compared to Ps.2,729.9 million for the fiscal year ended December 31, 2009, a 16.6% decrease. This decrease was mainly attributable to a net reduction in the year end balance of Banco Galicia s outstanding negotiable obligations. Such reduction resulted from amortizations and the redemption of negotiable obligations due 2014 for an outstanding principal amount of US$102.3 million and the capitalization of the subordinated negotiable obligations due 2019 owned by Grupo. Such reduction was partially offset by the increase in the Dollar exchange rate from December 31, 2009 to December 31, 2010.

The average rate for debt securities for the fiscal year ended December 31, 2010 was 10.04%, as compared to 8.22% for the fiscal year ended December 31, 2009, a 182 b.p. increase. Such increase was mainly attributable to changes in the bond portfolio, which are set forth in detail below.

The average interest rate for the fiscal year ended December 31, 2009 was favorably affected by a Ps.68.6 million profit derived from the repurchase of Banco Galicia s negotiable obligations due 2014 for a face value of US$82.4 million. Had we not repurchased such negotiable obligations, the average interest rate for debt securities would have increased to 10.73%.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2010 was Ps.1,307.1 million, with an average rate of 7.50%, as compared to Ps.1,499.2 million for the fiscal year ended December 31, 2009, with an average rate of 7.34%, a 12.8% decrease in average balance and a 16 b.p. increase in average rate, respectively. This item includes mainly Dollar-denominated debt with international banks and credit entities, and Dollar-denominated obligations in connection with repurchase agreement transactions of government securities. The Ps.192.1 million decrease in the average balance was mainly attributable to the lower average balance of repurchase agreement transactions.

The average rate increase was related to transactions in Pesos, since the average rate increased 65 b.p., from 14.27% for the fiscal year ended December 31, 2009 to 14.92% for the fiscal year ended December 31, 2010, while the average rate in Dollars decreased 168 b.p., from 4.83% for the fiscal year ended December 31, 2009 to 3.15% for the fiscal year ended December 31, 2010.

Fiscal Year 2009 Compared to Fiscal Year 2008

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

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

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

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

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

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

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

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

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

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

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

Net Financial Income

Fiscal Year 2010 compared to Fiscal Year 2009

Net financial income for the fiscal year ended December 31, 2010 was Ps.2,203.4 million (including Ps.282.2 million from CFA), with a corresponding financial margin of 10.02%, as compared to Ps.1,545.1 million for the fiscal year ended December 31, 2009, with a corresponding financial margin of 8.41%, a Ps.658.3 million increase and a 161 b.p. increase, respectively. Including financial income from security margins of repurchase agreement transactions, net financial income amounted to Ps.2,219.3 million and Ps.1,564.0 million, respectively, before the adjustment to the valuation of public sector assets (a Ps.4.1 million gain in the fiscal year ended December 31, 2009).

The increase in net financial income for the fiscal year ended December 31, 2010 was mainly attributable to a significant increase in the volume of activity with the private sector, a higher average spread and the increase recorded in non interest-bearing liabilities, together with the incorporation of net financial income from CFA.

Fiscal Year 2009 compared to Fiscal Year 2008

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

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

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

The improvement in the adjusted net financial margin is mainly attributable to: (i) a decrease in the average cost of liabilities resulting from the change in their structure as a consequence of the change in the composition of deposits, with an increase in transactional deposits, and the reduction of foreign debt; (ii) an increase in income from intermediation with the private sector, with an increase in the volume of average loans and an increase in the average interest rate on such loans; and (iii) an increase in income related to the government securities portfolio.

Provision for Losses on Loans and Other Receivables

Fiscal Year 2010 compared to Fiscal Year 2009

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2010 were Ps.551.5 million, as compared to Ps.639.5 million for the fiscal year ended December 31, 2009, a Ps.88.0 million decrease. Such decrease was mainly attributable to the improvement in the credit quality of the loan portfolio due to favorable economic conditions. This figure included Ps.44.8 million corresponding to CFA.

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

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

For more information on asset quality, see Item 4. Information on the Company-Selected Statistical Information-Amounts Past Due and Non-Accrual Loans and -Selected Statistical Information-Loan Loss Experience .

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Net Income from Services

Our net income from services consisted of:

	Fiscal Year Ended December 31,			% Change December 31,	
	2010	2009	2008	2010/2009	2009/2008
	(in millions of Pesos)			*(in percentages)*	
Income From					
Credit Cards	1,576.6	1,148.2	952.6	37.3	20.5
CFA	32.9				
Deposits Accounts	325.5	252.9	201.7	28.7	25.4
Cash Management	24.7	18.6	17.8	32.8	4.5
Safe Deposit Box	51.2	30.2	18.0	69.5	67.8
Services for Shipments	18.1	14.9	11.1	21.5	34.2
Product Package	23.5	14.3	11.4	64.3	25.4
Financial Fees	56.7	50.1	42.0	13.2	19.3
Credit-related Fees	150.7	96.5	95.7	56.2	0.8
Check Collection	44.9	33.0	33.9	36.1	(2.7)
Collection Services (Taxes and Utility Bills)	36.9	25.7	19.5	43.6	31.8
International Trade	67.2	51.8	46.1	29.7	12.4
Other (1)	106.0	90.6	122.3	17.0	(25.9)
Total Income	**2,514.9**	**1,826.8**	**1,572.1**	**37.7**	**16.2**
Total Expenses	**733.0**	**515.9**	**384.2**	**42.1**	**34.3**
Net Income from Services	**1,781.9**	**1,310.9**	**1,187.9**	**35.9**	**10.4**

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

Fiscal Year 2010 Compared to Fiscal Year 2009

Net income from services for the fiscal year ended December 31, 2010 was Ps.1,781.9 million, including Ps.14.7 million from CFA, as compared to Ps.1,310.9 million for the fiscal year ended December 31, 2009, a 35.9% increase. Excluding net income from services from CFA, the increase would have been 34.8%. All items under net income from services recorded a significant increase, which was mainly attributable to the increase in the volume of transactions, within a framework of business expansion, together with an increase in the price of certain services, in line with general financial market trends.

Banco Galicia s income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2010 was Ps.664.7 million, as compared to Ps.465.3 million for the fiscal year ended December 31, 2009, a 42.9% increase. Such increase was mainly attributable not only to the greater number of credit cards managed, but also to the greater average number of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those managed by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2010 was 1,576.4 thousand, as compared to 1,356.2 thousand for the fiscal year ended December 31, 2009, a 16.2% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2010 was Ps.911.9 million, as compared to Ps.682.9 million for the fiscal year ended December 31, 2009, a 33.5% increase. Such increase was mainly attributable to the increase in the purchases made during the fiscal year together with a greater number of credit cards. These Regional Credit Card Companies managed 5,365.6 thousand credit cards for the fiscal year ended December 31, 2010, as compared to 4,618.2 thousand credit cards for the fiscal year ended December 31, 2009, a 16.2% increase.

Total deposit accounts for the fiscal year ended December 31, 2010 were 1,969.0 thousand, as compared to 1,734.1 thousand for the fiscal year ended December 31, 2009, a 13.5% increase.

Significant growth levels were achieved by Banco Galicia for the fiscal year ended December 31, 2010, particularly safe deposit box (69.5%), credit-related fees (56.2%), collection services (43.6%), check collection (36.1%), international trade (29.7%), deposits accounts (28.7%) and financial fees (13.2%) as compared to the growth levels achieved mainly in safe deposit box (67.8%), collection services (31.8%), deposit accounts (25.4)%, financial fees (19.3%) and international trade (12.4%) for the fiscal year ended December 31, 2009.

Expenses from services for the fiscal year ended December 31, 2010 were Ps.733.0 million, as compared to Ps.515.9 million for the fiscal year ended December 31, 2009, a 42.1% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

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Fiscal Year 2009 Compared to Fiscal Year 2008

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

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

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

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

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

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

The following table sets forth the number of credit cards outstanding as of the dates indicated:

				% Change	
		December 31,		December 31,	
Credit Cards	**2010**	**2009**	**2008**	**2010/2009**	**2009/2008**
	(number of credit cards, except otherwise noted)			*(percentages)*	
Visa	**1,102,730**	**982,866**	**936,267**	**12.20**	**4.98**
Gold	292,400	262,388	203,464	11.44	28.96
International	504,687	471,766	470,709	6.98	0.22
Domestic	164,120	189,626	227,785	(13.45)	(16.75)
Business	36,878	28,430	20,976	29.72	35.54
Corporate	1,718	1,130	960	52.04	17.71
Platinum	102,927	29,526	12,373	248.60	138.63
Galicia Rural	**8,716**	**7,157**	**6,215**	**21.78**	**15.16**
American Express	**392,247**	**308,942**	**241,145**	**26.96**	**28.11**
Gold	168,899	143,899	99,970	17.37	43.94
International	153,526	145,111	133,644	5.80	8.58
Platinum	69,822	19,932	7,531	250.30	164.67
MasterCard	**72,738**	**57,276**	**54,916**	**27.00**	**4.30**
Gold	24,613	19,452	16,790	26.53	15.85
MasterCard	47,186	36,670	36,531	28.68	0.38
Argencard	939	1,154	1,595	(18.63)	(27.65)
Regional Credit Card Companies	**5,365,638**	**4,618,199**	**4,742,816**	**16.18**	**(2.63)**
Local Brands	3,324,826	2,944,544	2,864,709	12.91	2.79
Visa	1,699,240	1,424,453	1,628,185	19.29	(12.51)
MasterCard	317,759	221,575	217,090	43.41	2.07

American Express		23,813		27,627		32,832	(13.81)	(15.85)
CFA		**53,369**						
Visa		38,834						
MasterCard		14,535						
Total		**6,995,438**		**5,974,440**		**5,981,359**	**17.09**	**(0.12)**
Total Amount of Purchases *(in millions of Pesos)*	**Ps.**	**26,880**	**Ps.**	**18,142**	**Ps.**	**14,949**	**48.16**	**21.36**

Administrative Expenses

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

	Fiscal Year Ended December 31,			% Change December 31,	
	2010	2009	2008	2010/2009	2009/2008
	(in millions of Pesos)			(in percentages)	
Salaries and Social Security Contributions	1,408.0	975.8	805.2	44.3	21.2
Property-related Expenses	162.5	136.1	113.2	19.4	20.2
Personnel Services	89.3	76.8	90.8	16.3	(15.4)
Advertising and Publicity	189.6	127.8	146.5	48.4	(12.8)
Amount Accrued in Relation to Directors and Syndics Compensation	11.4	8.6	8.2	32.6	4.9
Electricity and Communications	106.4	85.9	72.7	23.9	18.2
Taxes	190.7	139.3	104.0	36.9	33.9
Other	687.4	478.8	440.5	43.6	8.7
Total	**2,845.3**	**2,029.1**	**1,781.1**	**40.2**	**13.9**

Fiscal Year 2010 Compared to Fiscal Year 2009

Administrative expenses for the fiscal year ended December 31, 2010 were Ps.2,845.3 million, including Ps.148.5 million from CFA, as compared to Ps.2,029.1 million for the fiscal year ended December 31, 2009, a 40.2% increase. Such increase was mainly attributable to the increase in personnel expenses related to salary increases, a 10.2% staff increase and the incorporation of CFA. The remaining administrative expenses increased following the trend of the financial system within an inflationary context.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2010 were Ps.1,497.3 million, as compared to Ps.1,052.6 million for the fiscal year ended December 31, 2009, a 42.2% increase. Such increase was mainly attributable to the incorporation of CFA and Ps.66.9 million in expenses associated with such acquisition, the salary increase agreement with the national bank employee union in force since January 2010 and the 10.2% increase in number of employees. The remaining administrative expenses for the fiscal year ended December 31, 2010 were Ps.1,348.0 million, as compared to Ps.976.5 million for the fiscal year ended December 31, 2009, a 38.0% increase. Ps.81.6 million of this increase corresponded to CFA. Such increase was mainly attributable to a higher level of activity, to the geographical expansion of Banco Galicia and the Regional Credit Card Companies and to increased inflation during the period.

Fiscal Year 2009 Compared to Fiscal Year 2008

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

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

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

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Income/(Loss) from Equity Investments

Fiscal Year 2010 compared to Fiscal Year 2009

Income from equity investments for the fiscal year ended December 31, 2010 was Ps.62.1 million, as compared to Ps.11.3 million for the fiscal year ended December 31, 2009, a Ps.50.8 million increase. Such increase was mainly attributable to the Ps.51.7 million amortization of the negative goodwill stemming from the acquisition of the CFA Group, which is required to be amortized in 60 months using the straight-line method, in accordance with regulations of the Argentine Central Bank.

Fiscal Year 2009 compared to Fiscal Year 2008

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

Miscellaneous Income/(Loss), Net

Fiscal Year 2010 compared to Fiscal Year 2009

Miscellaneous net income for the fiscal year ended December 31, 2010 was Ps.120.8 million, including a gain of Ps.37.0 million from CFA, as compared to Ps.233.1 million for the fiscal year ended December 31, 2009, a Ps.112.3 million decrease.

Excluding profits from security margins of repurchase agreement transactions of Ps.15.9 million, which are of a financial nature, net miscellaneous income for the fiscal year ended December 31, 2010 was Ps.104.9 million, as compared to Ps.210.1 million, also excluding the above-mentioned financial income of Ps.23.0 million, for the fiscal year ended December 31, 2009, a Ps.105.2 million decrease. The variation in results between the two periods was mainly due to: i) the decision to accelerate amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million in comparison to the year 2009 (Ps.109.3 million), and ii) the revenue, in fiscal year 2010, of Ps.85.5 million resulting from the early cancellation of the foreign denominated financial loan and the absence of the Ps.12.7 million profit from the sale by Galicia Warrants of its Silos plant in San Salvador, in the province of Entre Rios recorded in 2009. These results were offset by : i) the lower net provisions for Ps.45.1 million in comparison to the year 2009, ii) the higher recovered loans of Ps.67.3 million and iii) the higher punitive interest of Ps.19.0 million.

Fiscal Year 2009 compared to Fiscal Year 2008

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

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

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Income Tax

Fiscal Year 2010 compared to Fiscal Year 2009

The income tax charge for the fiscal year ended December 31, 2010 was Ps.258.2 million, as compared to Ps.156.0 million for the fiscal year ended December 31, 2009, a Ps.102.2 million increase. Such increase was mainly attributable to the increase in the profit before tax of Tarjetas Regionales S.A. and to the incorporation of CFA. Such tax charges for the fiscal year ended December 31, 2010 mainly corresponded to Tarjetas Regionales S.A. consolidated with its operating subsidiaries in the amount of Ps.188.9 million, to CFA in the amount of Ps.51.2 million, to Sudamericana in the amount of Ps.16.3 million and Ps.1.2 million, Ps.0.8 million and Ps.0.6 million to Galicia Warrants, Galicia Administradora de Fondos and Galicia Valores, respectively.

Fiscal Year 2009 compared to Fiscal Year 2008

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

U.S. GAAP and Argentine Banking GAAP Reconciliation

General

We prepare our financial statements in accordance with Argentine Banking GAAP. The more significant differences between Argentine Banking GAAP and U.S. GAAP relate to the determination of the allowance for loan losses, the carrying value of certain government securities and receivables for government securities, the accounting of Banco Galicia s foreign debt restructuring and recognition of deferred income taxes. For more detail on differences in accounting treatment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2010, see Note 35 to our consolidated financial statements.

Allowances for Loan Losses

With respect to the determination of the allowance for loan losses, we follow the rules of the Argentine Central Bank. Under these rules, reserves are based on minimum reserve requirements established by the Argentine Central Bank. U.S. GAAP requires that an impaired loan be generally valued at the present value of expected future cash flows discounted at the loan s effective rate or at the fair value of the collateral if the loan is collateral dependent. For the purposes of analyzing our loan loss reserve under U.S. GAAP, we divide our loan portfolio into performing and non-performing commercial and consumer loans.

The following table shows the allowance for loan losses for the periods indicated under Argentine Banking GAAP and U.S. GAAP and the corresponding shareholders equity adjustment under U.S. GAAP:

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
		(in millions of Pesos)	
Argentine Banking GAAP	870.2(1)	815.9	526.8
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	61.6	64.8	93.6
ASC 450	743.1	687.5	481.7
U.S. GAAP Shareholders Equity Adjustment(2)	65.5	63.6	(48.5)

(1) The balance does not include Ps.185,381 of CFA allowances for loan losses as of the acquisition date.

(2) Including qualitative and quantitative adjustments.

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ASC 310 Analysis

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

- With Problems
- High Risk of Insolvency
- Uncollectible

The following table shows our loan loss reserve under ASC 310 for our non-performing commercial loan portfolio as of the dates indicated.

	December 31, 2010	December 31, 2009	December 31, 2008
		(in millions of Pesos)	
Loan Loss Reserve Under U.S. GAAP ASC 310 Analysis	61.6	64.8	93.6

For such non-performing commercial loans, we applied the procedures required by ASC 310. For loans that were not collateral dependent, the expected future cash flows to be received from the loans were discounted using the interest rate at each balance sheet date for variable loans. Loans that were collateral dependent, and for which there was an expectation that the loan balance would be recovered via the exercise of collateral, were valued using the fair value of the collateral. In addition, in order to assess the fair value of collateral, we discounted collateral valuations due to the extended period of time that it can take to foreclose on assets in Argentina.

ASC 450 Analysis

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified.

Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Many factors can affect Banco Galicia s estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

The increase in the allowances recorded under ASC 450 is mostly due to a higher volume of credit card and personal loans granted during 2010 and 2009 and the rise of the loan loss reserves migration ratios. The table below shows our loan loss reserve under ASC 450 for consumer and performing commercial loans as of the dates indicated.

	December 31, 2010	December 31, 2009	December 31, 2008
		(in millions of Pesos)	
Loan Loss Reserve Under U.S. GAAP ASC 450 Analysis	743.1	687.5	481.7

In addition to assessing the reasonableness of the loan loss reserve as described above, Banco Galicia makes an overall determination of the adequacy of each period s reserve based on such ratios as:

- Loan loss reserves as a percentage of non-accrual loans,
- Loan loss reserves as a percentage of total amounts past due, and
- Loan loss reserves as a percentage of past-due unsecured amounts.

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The table below shows the above-mentioned ratios as of the dates indicated.

	December 31, 2010	December 31, 2009	December 31, 2008
Loan Loss Reserves as a Percentage of Non-accrual Loans	163.37%	108.37%	141.34%
Loan Loss Reserves as a Percentage of Total Amounts Past Due	116.04%	130.58%	171.81%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	189.79%	154.29%	190.78%

The allowance for loan losses has increased approximately 7% during 2010 under US GAAP. This variation is due to an increase in the portfolio of loans to the private sector and to the qualitative approach reflecting current economic conditions, industry performance trends, geographic or obligor concentrations, within each portfolio segment required for smaller-balance impaired and unimpaired.

Carrying Value of Certain Government Securities and Receivables for Government Securities

As of December 31, 2010, our holding of Bonar 2015 Bonds have been recorded at their acquisition cost increased according to the accrual of their IRR under Argentine Banking GAAP.

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

Under U.S. GAAP, all of these assets are carried at fair value as fully explained in Note 35 to our financial statements and -U.S. GAAP Critical Accounting Policies .

Government securities under investment accounts are classified as holdings of investment account securities under Argentine Central Bank rules.

As of December 31, 2009 under Argentine Banking GAAP, our holdings of Boden 2012 Bonds, Bonar 2015 Bonds, securities issued by the Argentine Central Bank and Discount Bonds in Pesos were recorded in accordance with Argentine Central Bank valuation rules for public-sector assets. During 2010, the position of these bonds, as a whole, has been realized.

Under U.S. GAAP, all of these assets were carried at fair value.

Government securities under investment accounts were classified as government securities without quotation under Argentine Central Bank rules (Boden 2012 Bonds corresponding to the Compensatory Bond or Hedge Bond received, Bonar 2015 Bonds, securities issued by the Argentine Central Bank and Discount Bonds in Pesos), were considered as available for sale under U.S. GAAP. As of December 31, 2009, unrealized gains or losses on these securities were reflected in other comprehensive income. During the year ended December 31, 2010, Boden 2012 Bonds corresponding to the Compensatory Bond or Hedge Bond received and Discount Bonds in Pesos were sold. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the 2009 shareholders equity adjustment previously recorded through other comprehensive income that are being realized and reversed through the income statement.

As of December 31, 2008, the amortized cost exceeded the fair value of these securities by Ps.711.1 million. For U.S. GAAP purposes, we have recorded an other-than-temporary impairment of these securities, based on a variety of factors, including the length of time and extent to which the market value has been less than cost, and our intent and ability to hold these securities to recovery. The fair value of these securities was determined on the balance sheet date, based on their quoted market price, and constitutes the new cost basis for this investment.

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The table below shows the book value, market value and amortized cost of Bonar 2015 Bonds and Boden 2012 Bonds, Discount Bonds and Bonar 2015 Bonds as of December 31, 2010 and 2009, respectively.

	December 31, 2010					**December 31, 2009**				
(In millions of Pesos)	Amortized Cost US GAAP	Book Value Argentine Banking GAAP	Market Value	Unrealized (Loss)/Gain	Shareholders Equity Adjustment	Amortized Cost US GAAP	Book Value Argentine Banking GAAP	Market Value	Unrealized (Loss)/Gain	Shareholders Equity Adjustment
Boden 2012 Bonds						901.0	1,906.9	1,731.1	830.1	(175.8)
Discount Bonds						169.9	622.0	337.9	132.2	(284.1)
Bonar 2015 Bonds	527.9	642.1	726.6	198.7	84.5	591.5	359.0	676.6	85.0	(317.6)

Foreign Debt Restructuring

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

For U.S. GAAP purposes, the restructuring is accounted for in each of two steps. The first step of the restructuring required the holders of our debt to exchange its old debt for new debt in two tranches. Pursuant to Determining Whether a Debtor s Modification or Exchange of Debt Instruments is within the scope of ASC 470 (ASC 820), we did not receive any concession from the holders of the debt and therefore, the first step of the restructuring was not considered a trouble debt restructuring. Pursuant to Debtors Accounting for a Modification or Exchange of Debt Instruments ASC 470-50, the first step of the restructuring was accounted for as a modification of the old debt and therefore we did not recognize any gain or loss. The second step of the restructuring offers the holders of our debt issued in the first step explained above the option to exchange it for new securities including cash, Boden 2012 Bonds and our equity shares. Pursuant to U.S. GAAP, this second step of the restructuring was accounted for in accordance with Accounting by Debtors and Creditors for Trouble Debt Restructurings ASC 310-40, as a partial settlement of the debt through the transfer of certain assets and equity at its fair value. After deducting the considerations used to repay the debt, ASC 310-40 requires the comparison of the future cash outflows of the restructured debt and the carrying of the debt at the restructuring date.

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

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

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

We repurchased part of the debt maturing in 2010 and 2014. In addition, negotiable obligations were repaid in advance. For U.S. GAAP purposes, these transactions were considered as an extinguishment of debt. Therefore, the U.S. GAAP adjustment recorded in previous years related to the debt extinguished was reversed in 2008, 2009 and 2010 respectively, generating a gain of approximately Ps.34.5 million, Ps.20.5 million and Ps.8.7 million included in 2010, 2009 and 2008 U.S. GAAP net income reconciliation.

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Securitizations

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2010 and 2009:

	As of December 31,					
	2010			2009		
	(In millions of Pesos)					
	Book Value Argentine Banking GAAP	Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment	Book Value Argentine Banking GAAP	Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment
Galtrust I [1]	521.9	521.9		584.1	211.6	(372.5)
Financial Trust Galicia [2]	96.3	36.2	(60.1)	80.0	28.7	(51.3)
Others	13.5	19.5	6.0	56.5	51.0	(5.5)
Total	**631.7**	**577.6**	**(54.1)**	**720.6**	**291.3**	**(429.3)**

(1) Financial Trust Galtrust I

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

During 2002, the portfolio of loans included and the related retained interest in Galtrust I were subject to the pesification. As a result, the retained interest in the trust was converted into Pesos at an exchange rate of Ps.1.40 to US$1.00 and the interest rate for their debt securities changed to CER plus 10%. During 2003, Galtrust I had swapped its provincial loans for Bogar Bonds.

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

The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage , and its balance as of December 31, 2010 and 2009, was Ps.521.9 million and Ps.584.1 million, respectively.

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

December 31, 2009 and 2008

As of December 31, 2009 and 2008, Banco Galicia considered this transaction as a sale under U.S. GAAP, in accordance with ASC 860. Galtrust I certificate of participation retained by us was considered as available for sale securities under U.S. GAAP and the unrealized gains on this security was reported as an adjustment to shareholders equity through Other Comprehensive Income.

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

As of December 31, 2009, we have determined that unrealized losses on these investments are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery and the results of its review conducted to identify and evaluate investments that have indications of possible impairments.

As of December 31, 2008 we have recorded an other-than-temporary impairment of these securities for an amount of Ps.357.7 million, based on a variety of factors, mostly including the length of time and extent to which the market value has been less than cost, and the weakening of the global and local markets condition in which the e operate, with no immediate prospect of recovery.

December 31, 2010

Effective January 1, 2010, we implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for transfers of financial assets and consolidation of variable interest entities (VIEs).

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

- Insufficient equity investment at risk
- Equity lacks decision-making rights
- Equity with non-substantive voting rights
- Lacking the obligation to absorb an entity s expected losses
- Lacking the right to receive an entity s expected residual returns

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

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

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

For U.S. GAAP purposes, as of December 31, 2010 the trust, a formerly qualified QSPE, was considered a variable interest entity. In accordance with ASC 810, we were deemed to be the primary beneficiary of this trust and, therefore, Banco Galicia reconsolidated the assets and liabilities of the mentioned trust. Upon consolidation, the Bogar Bonds were classified as available-for-sale securities and measured at fair value with changes recorded in other comprehensive income. Since the fair value of the residual interest in the trust recorded under Argentine Central Bank rules was determined based on the fair value of the Bogar Bonds, recorded as an asset in the trust, there is no difference in the measurement basis of the net assets held and recorded under Argentine Central Bank rules and U.S. GAAP. The only difference between both standards is that under U.S. GAAP, changes in the fair value of the Bogar Bonds are recorded in other comprehensive income, while under Argentine Banking GAAP, changes are recorded in the consolidated income statement.

(2) Financial Trust Galicia

Under this trust, Government promissory notes in Pesos at 2% due 2014 for Ps.108.0 million were transferred and a certificate of participation and debt securities were received in exchange. Those Government promissory notes were previously received in exchange of national secured loans held by us.

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

This transfer was not considered a true sale for U.S. GAAP purposes, and therefore, it was recorded as a secured borrowing according to ASC 860. Therefore, we reconsolidated the promissory notes transferred to the financial trust.

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

BG Financial Trust

During 2005, we entered into a securitization transaction of commercial and consumer non-performing loans. For Argentine Banking GAAP, no assets are recognized as of December 31, 2010 and 2009 as all the debt securities and certificates of participations were subscribed by third parties. Under U.S. GAAP, this transaction was not considered a true sale and therefore it was recorded as a secured borrowing according with ASC 860.

Additional information required by U.S. GAAP

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

	As of December 31,			
(In millions of Pesos)	**2010**		**2009**	
Cash and Due from Banks	Ps.	11.6	Ps.	15.2
Government Securities		1,009.2		
Loans (Net of Allowances)				463.8
Other Assets		1.1		8.8
Total Assets	**Ps.**	**1,021.9**	**Ps.**	**487.8**
Debt Securities	Ps.	414.5	Ps.	279.6
Certificates of Participation		604.7		193.3
Other Liabilities		2.7		14.9
Total Liabilities	**Ps.**	**1,021.9**	**Ps.**	**487.8**

Our maximum loss exposure, which amounted to Ps.1,021.9 million and Ps.487.8 million as of December 31, 2010 and 2009, respectively, is based on the unlikely events that all of the assets in the VIE s become worthless and incorporates potential losses associated with assets recorded on our balance sheet.

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

As of December 31, 2009 and 2008, Banco Galicia has entered into different securitizations as described in Note 30 to the attached financial statements that were accounted for as sales under Argentine Banking GAAP. The transfers of financial assets related to the creation of certain trusts were considered sales for U.S. GAAP purposes under ASC 860 and for that reason debt securities and certificates retained by Banco Galicia are considered to be available for sale securities under U.S. GAAP.

The retained interests were initially recorded at an amount equal to a portion of the previous aggregate carrying amount of assets sold and retained. The portion is determinate based on the relative fair values of the assets sold and assets retained as of the date of the transfer based on their allocated book value using the relative fair value allocation method.

Subsequently, the unrealized gains (losses) on these securities are reported as an adjustment to shareholders equity, unless unrealized losses are deemed to be other than temporary in accordance with ASC 325-40.

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The fair value of these retained interests in the trusts is determined based upon an estimate of cash flows to be collected by us as holder of the retained interests, discounted at an estimated market rate and will constitute the new cost basis of these securities.

The U.S. GAAP shareholders equity adjustment for all the transfers of financial assets described above amounted to Ps.(5.4) million and Ps.(19.6) million as of December 31, 2009 and 2008, respectively.

Additionally, we have analyzed servicing assets and/or liabilities concluding that the benefits of servicing are not expected to be adequate compensation. As of December 31, 2009 and 2008, servicing liabilities of Ps.0.1 million and Ps.1.4 million has been recorded for U.S. GAAP purposes, respectively.

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

There were no restrictions on assets reported by the entity in its statement of financial position related to any transferred financial asset.

Negative Goodwill Compañía Financiera Argentina and subsidiaries

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

On August 31, 2010, through Resolution No.299, the Argentine Commission of Competence Defense *(Comisión Nacional de Defensa de la Competencia)* authorized the above-mentioned purchase and sale transaction, of which Banco Galicia was informed on September 1, 2010.

The total purchase price paid amounted to Ps.328.3 million for Compañía Financiera Argentina, Ps.0.8 million for Cobranzas y Servicios S.A. and Ps.4.8 million for Procesadora Regional S.A. (former Universal Processing Center S.A.).

The transaction will enable Banco Galicia to serve a greater number of customers with our current structure, to complement lines of business and to achieve greater economies of scale by additionally providing Compañía Financiera Argentina and the above-mentioned companies with a more efficient financing structure and permitting its clients access to a network with a greater geographical coverage. Nevertheless, CFA is still a separated segment considering how the business is analyzed by the management.

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of June 30, 2010, a negative goodwill amounting to Ps.500.6 million was recorded by Compañía Financiera Argentina and a negative goodwill of Ps.16.8 million was recorded by Cobranzas y Servicios S.A., both of which were recorded under Liabilities-Provisions. With regard to Procesadora Regional S.A. (former Universal Processing Center S.A.), a goodwill amounting to Ps.4.0 million was recorded under Intangible Assets Goodwill. The negative goodwill is subsequently charged to Income on a straight-line basis during 60 months.

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As of December 31, 2010 we had a balance of Ps.465.6 million related to the negative goodwill.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of Compañía Financiera Argentina, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.) to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value. We applied the following guidance:

If the consideration transferred exceeds the fair value of assets acquired and liabilities assumed, the acquirer shall recognize goodwill as of the acquisition date, or,

If the consideration transferred is lower than the fair value of assets acquired and liabilities assumed, the acquirer shall recognize the resulting gain in earnings on the acquisition date.

No intangible assets were identified as part of the acquisition considering the type of assets acquired (mainly consumer loans) and the profile of the deposits in these companies.

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

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

Income Tax

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and, therefore, income taxes for Banco Galicia are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, we and our non-bank subsidiaries apply the deferred income tax method.

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

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

As of December 31, 2009, based on the analysis performed, we believe that it is more likely than not that it will recover only the net operating tax loss carryforward and the temporary differences, with future taxable income. Therefore, presumed minimum income tax was not more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this amount as of December 31, 2009.

As of December 31, 2010 based on the analysis performed, we believe that is more likely than not that it will recover the net operating tax loss carryforward, the temporary differences and the presumed minimum income tax, with future taxable income. Among other factors, we considered that as of the date of the issuance of the attached financial statements, the taxable income mainly due to the sales of Government bonds has been consumed the total tax loss carryforward. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2011 and 2012. Therefore, no valuation allowance was provided against presumed minimum income tax.

Accounting for Uncertainty in Income Taxes , ASC 740-10 was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards ASC 740-10. ASC 740-10 became effective for us on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

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

Summary

As a result of the above and other differences, our net income and shareholders equity under Argentine Banking GAAP and U.S. GAAP for the periods indicated were as follows:

	Net Income (Loss)		**Shareholders Equity (Deficit)**	
	Argentine Banking GAAP	**U.S. GAAP**	**Argentine Banking GAAP**	**U.S. GAAP**
	(in millions of Pesos)			
Fiscal Year 2010	408.9	2,293.6	2,469.5	2,997.1
Fiscal Year 2009	229.3	770.2	2,052.5	1,236.3
Fiscal Year 2008	176.8	(1,171.0)	1,845.7	(754.4)

The significant differences that result between shareholders equity under U.S. GAAP and shareholders equity under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

Bonar 2015 Bonds are reflected at market values, with changes from market values at the time of exchange being recognized as other comprehensive income. With the improvement in the Argentine economy, market values have increased, with a favorable influence on our financial position.

The difference between the consideration transferred for the acquisition of Compañía Financiera Argentna S.A. and Cobranzas y Servicicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, such difference was recorded under Liabilities-Provisions.

Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

The recognition of the Deffered Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will recover the net operating tax loss carryforward, the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2011 and 2012. Therefore, no valuation allowance was provided against presumed minimum income tax. As of December 31, 2009 we have recorded a valuation allowance against the presumed minimum income tax.

The significant differences that result between net income under U.S. GAAP and net income under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

The sale of Boden 2012 Bonds and Discount Bonds generated a significant income for U.S. GAAP due to as of December 31, 2009 an unrealized gain was recorded under Other Comprehensive Income.

The difference between the consideration transferred for the acquisition of Compañía Financiera Argentina and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, the negative goodwill is charged to Income on a straight-line basis during 60 months.

The recognition of the Deffered Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will recover the net operating tax loss carryforward, the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2011 and 2012. Therefore, no valuation allowance was provided against presumed minimum income tax. As of December 31, 2009 we have recorded a valuation allowance against the presumed minimum income tax.

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Results by Segments

Our segment disclosures for the years ended December 31, 2010, 2009 and 2008 are presented on a basis that corresponds with our internal reporting structure, considering the banking business as one single segment that is evaluated regularly by the board of directors of Grupo Financiero Galicia (the Board of Directors) in deciding how to allocate resources and in assessing performance of our business.

We measure the performance of each of our business segments primarily in terms of Net income , in accordance with the regulatory reporting requirements of the Argentine Central Bank. Net income and other information by segment are based on Argentine Banking GAAP and are consistent with the presentation of our consolidated financial statements.

Our segments are the following:

- Banking: our banking business segment represents Banco Galicia consolidated line by line with Galicia Uruguay, Galicia Cayman and its subsidiaries and the results of other small banking-related subsidiaries.
- Regional Credit Cards: our regional credit cards business segment represents the accounts of Tarjetas Regionales S.A. consolidated with its subsidiaries.
- CFA Personal Loans: the CFA Group s business segment primarily extends unsecured personal loans to low and middle-income segments of the Argentine population, with Cobranzas & Servicios S.A. and Procesadora Regional S.A. primarily providing processing services to CFA.
- Insurance: our insurance business segment represents the accounts of Sudamericana and its subsidiaries.
- Other Grupo Businesses: this segment includes the results of Net Investment, Galicia Warrants, GV Mandataria and Galval.

Our results by segments are shown in Note 31 to our audited consolidated financial statements. Below is a discussion of our results of operations by segments for the years ended December 31, 2010, December 31, 2009 and December 31, 2008.

Banking

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

	As of December 31,		
In millions of Pesos, except percentages	**2010**	**2009**	**2008**
Net Financial Income	1,428.0	1,144.2	847.3
Net Income from Services	880.6	727.9	655.0
Net Operating Revenue	**2,308.6**	**1,872.1**	**1,502.3**
Provisions for Loan Losses	307.2	388.7	214.9
Administrative Expenses	1,693.1	1,321.8	1,166.5
Net Operating Income	**308.3**	**161.6**	**120.9**
Income from Equity Investments			
Tarjetas Regionales SA	270.5	133.0	76.4
Compañía Financiera Argentina S.A.(*)	133.3		
Sudamericana	4.0	3.4	2.9
Others	13.7	13.1	58.1
Income from Equity Investments	**421.5**	**149.5**	**137.4**
Other Income (Loss)	**(260.6)**	**(139.3)**	**(63.0)**
Net Income	**469.1**	**171.8**	**195.3**

Net Income as a % of Grupo Financiero Galicia s Net Income	115%	75%	110%
Average Loans	12,818.6	8,959.4	8,707.5
Average Deposits	18,112.0	14,765.9	13,199.0

(*) Includes negative amortization of goodwill.

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This segment recorded Ps.469.1 million net income for the fiscal year ended December 31, 2010, as compared to Ps.171.8 million for the fiscal year ended December 31, 2009, a Ps.297.3 million increase, which in turn was Ps.23.5 million lower than the Ps.195.3 million for the fiscal year ended December 31, 2008.

The increase in the net income for the fiscal year ended December 31, 2010 was mainly attributable to the increase of Ps.436.5 million in its net operating revenue, the Ps.271.9 million increase in income from equity investments and the decrease in provisions for loan losses of Ps.81.5 million, as compared to that of the fiscal year ended December 31, 2009. This increase was partially offset by an increase from the fiscal year ended December 31, 2009 to the fiscal year ended December 31, 2010 in both administrative expenses in the amount of Ps.371.3 million and other losses in the amount of Ps.121.3 million.

Since the third quarter of 2010, 95% of the results of operations of CFA (net of results from transactions not involving third parties) were consolidated with those of the Bank, which during the second half of the fiscal year ended December 31, 2010, amounted to Ps.83.7 million, as well as the Ps.49.6 million profit from the amortization of the negative goodwill stemming from its acquisition. Such negative goodwill amounted to Ps.446.1 million as of December 31, 2010.

Net income from services was Ps.880.6 million for the fiscal year ended December 31, 2010, as compared to Ps.727.9 million for the fiscal year ended December 31, 2009, a 21% increase, which was in turn 11.1% higher than the Ps.655.0 million for the fiscal year ended December 31, 2008. These increases, which were in line with the growth exhibited by the general Argentine financial market, can mainly be attributed to an increase in the volume of transactions together with an increase in the price of certain services.

Provisions for loan losses and other receivables were Ps.307.2 million for the fiscal year ended December 31, 2010, as compared to Ps.388.7 million for the fiscal year ended December 31, 2009, a decrease of Ps.81.5 million. Such provisions for the fiscal year ended December 31, 2009 were Ps.173.8 million higher than those for the fiscal year ended December 31, 2008. The decrease during the fiscal year ended December 31, 2010 was due to the improvement experienced by the loan portfolio within a favorable economic environment, while the increase during the fiscal year ended December 31, 2009 was mainly attributable to the seasoning of the loan portfolio, within an environment of economic deterioration.

Administrative expenses were Ps.1,693.1 million for the fiscal year ended December 31, 2010, as compared to Ps.1,321.8 million for the fiscal year ended December 31, 2009, a 28.1% increase. Such expenses for the fiscal year ended December 31, 2009 were 13.3% higher than the Ps.1,166.5 million for the fiscal year ended December 31, 2008. These increases were mainly attributable to the increase in personnel expenses and in other administrative expenses. For the fiscal years ended December 31, 2010 and 2009, the increases in personnel expenses (salaries, Argentine social security contributions and expenses related to personnel services), as compared to the previous fiscal year, were mainly attributable to wage increases provided to the Bank s employees. For the fiscal year ended December 31, 2010, the increase in other administrative expenses was mainly attributable to the higher level of activity and to the effect of inflation. For the fiscal year ended December 31, 2009, the increase in other administrative expenses showed a controlled growth, as a result of a successful policy of expense control within the context of an inflationary environment.

Income from equity investments was Ps.421.5 million for the fiscal year ended December 31, 2010, as compared to Ps.149.5 million and Ps.137.4 million for the fiscal years ended December 31, 2009 and 2008, respectively. The increase in income from equity investments for the fiscal year ended December 31, 2010 was mainly attributable to: i) the incorporation in the third quarter of 2010 of 95% of the results of operations of CFA (net of results from transactions not involving third parties) into those of the Bank, which during the second half of the fiscal year ended December 31, 2010 amounted to Ps.83.7 million, and the accrual of negative goodwill generated by the purchase of CFA in the amount of Ps.49.6 million; and ii) the income that resulted from the Bank s equity investment in Tarjetas Regionales S.A. of Ps.270.5 million. The increase in income from equity investments for the fiscal year ended December 31, 2009 was mainly due to the Bank s gain from its interest in Tarjetas Regionales S.A. of Ps.133.0 million, while for the fiscal year ended December 31, 2008 it was mainly due to the Bank s gain from its interest in Tarjetas Regionales S.A. of Ps.76.4 million and the Ps.53.8 million profit from dividends received because of the Bank s interest in Visa Argentina S.A.

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Miscellaneous net losses were Ps.260.6 million for the fiscal year ended December 31, 2010, as compared to Ps.139.3 million and Ps.63.0 million for the fiscal years ended December 31, 2009 and 2008, respectively. The loss for the fiscal year ended December 31, 2010 was mainly attributable to the amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million. The loss for the fiscal year ended December 31, 2009 was mainly attributable to the amortization of deferred losses from *amparo claims* of Ps.109.3 million. The increase in amortizations of *amparo claims* of Ps.69.8 million in 2009, as compared to the fiscal year ended December 31, 2008, is mainly attributable to the fact that, beginning in January of 2009, the Bank began to amortize in 36 monthly installments the amount deferred at December 31, 2008. The loss for the fiscal year ended December 31, 2008 was mainly attributable to the amortization of deferred losses from *amparo claims* of Ps.39.5 million, together with the provisions set aside for such claims. This effect was partially offset by income related to loan recoveries of Ps.54.6 million and financial income from margin requirements in connection with repurchase agreement transactions of Ps.34.2 million.

Regional Credit Cards

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

	As of December 31,		
In millions of Pesos, except percentages	**2010**	**2009**	**2008**
Net Financial Income	503.4	375.5	296.2
Net Income from Services	1,040.1	737.0	571.8
Net Operating Revenue	**1,543.5**	**1,112.5**	**868.0**
Provisions for Loan Losses	199.5	250.8	180.4
Administrative Expenses	905.0	621.9	554.5
Net Operating Income	**439.0**	**239.8**	**133.1**
Other Income (Loss)	101.7	54.9	45.2
Minority Interests	(78.4)	(32.6)	(20.6)
Pre-tax Income	**462.3**	**262.1**	**157.7**
Income Tax Provision	191.8	129.1	81.3
Net Income	**270.5**	**133.0**	**76.4**
Net Income as a % of Grupo Financiero Galicia s Net Income	66%	58%	43%
Average Loans	3,341.8	2,402.5	2,105.0

In fiscal year 2010, the business segment of the Regional Credit Card Companies recorded net income of Ps.270.5 million, as compared to Ps.133.0 million for the fiscal year ended December 31, 2009, a 103.4% increase. The net income for the fiscal year ended December 31, 2009 was 74.1% higher than that of the fiscal year ended December 31, 2008, which amounted to Ps.76.4 million.

Beginning in the third quarter of 2010, 5% of the results of operations of CFA were consolidated with those of the Regional Credit Card Companies along with the accrual of negative goodwill generated by the acquisition of CFA. The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2010 was mainly attributable to: i) net operating revenue of Ps.431.0 million, ii) a decrease in loan loss provisions of Ps.51.3 million and iii) an increase in other income of Ps.46.8 million. This increase was partially offset by an increase in administrative expenses of Ps.283.1 million and an increase in income tax provision of Ps.62.7 million.

The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2009 was mainly attributable to the increase in net operating revenues of Ps.244.5 million, which was higher than the increase in the provisions for loan losses of Ps.70.4 million and the increase in administrative expenses of Ps.67.4 million.

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The Regional Credit Card Companies experienced growth in the following key indicators during the fiscal year ended December 31, 2010, as compared to the fiscal year ended December 31, 2009:

- average statements issued: 11.7% growth between December 31, 2010 and December 31, 2009, reaching an annual average of 2.2 million customers;
- increase in retail sales: 43%, from Ps.9,311 million as of December 31, 2009 to Ps.13,317 million as of December 31, 2010;
- increase in loan portfolio (including managed portfolio): 44.2%, amounting to Ps.6,940 million during the fiscal year ended December 31, 2010;
- increase in the number of purchase transactions: 17.3%, reaching 90.7 million during the fiscal year ended December 31, 2010; and
- increase in the size of the distribution network: 11%, reaching a total of 231 service centers as of December 31, 2010.

Tarjeta Naranja opened five locations in Greater Buenos Aires and opened its first branch in the Autonomous City of Buenos Aires. In addition, Tarjetas del Mar launched, together with Supermercados La Anónima, the credit card La Anónima distributed by 48 service centers in La Anónima s stores. The Regional Credit Card Companies employed 5,008 employees as of December 31, 2010, which represents a 27% increase over the employee total for the fiscal year ended December 31, 2009.

During the fiscal year ended December 31, 2009, the Regional Credit Card Companies experienced growth in the following key indicators as compared to the fiscal year ended December 31, 2008:

- average statements issued: 6.6%, reaching 1.85 million on annual average;
- loan portfolio (including managed portfolio): 3.8%, amounting to Ps.3,376 million at year-end;
- turnover: 20%, reaching Ps.9,061 million on an annual basis;
- number of purchase transactions: 10.5%, reaching 74.7 million during the year;
- the size of the distribution network remained unchanged: 209 service centers; and
- the number of personnel remained almost unchanged, reaching 3,936 employees as of December 31, 2009.

The decrease in the Regional Credit Card Companies provisions for loan losses from Ps.250.8 million for the fiscal year ended December 31, 2009 to Ps.199.5 million for the fiscal year ended December 31, 2010 was mainly attributable to the improvements in the credit card sector (due to the application of higher creditworthiness standards to potential customers) and increased rates of collection (due to technological and organizational advances), in the context of a more favorable economic environment. In the fiscal year ended December 31, 2009, the higher provisions for loan losses and other receivables were mainly related to the advanced maturity of the credit card companies loan portfolios.

The increases in administrative expenses in fiscal years ended December 31, 2010 and 2009 were mainly attributable to the increased level of activity among the Regional Credit Card Companies, increased inflation and geographical expansion.

In fiscal years 2010 and 2009, miscellaneous net income mainly reflected loans recovered.

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CFA Personal Loans

The table below sets forth the results of operations of the CFA Group s personal loans business segment:

In millions of Pesos, except percentages	As of December 31, 2010(*)
Net Financial Income	282.0
Net Income from Services	25.9
Net Operating Revenue	**307.9**
Provisions for Loan Losses	44.8
Administrative Expenses	159.2
Net Operating Income	**103.9**
Other Income (Loss)	37.5
Pre-tax Income	**141.4**
Income Tax Provision	51.2
Net Income	**90.2**
Net Income as a % of Grupo Financiero Galicia s Net Income	22%
Average Loans	640.4
Average Deposits	116.5

(*) Results of operations correspond to the second half of the fiscal year ended December 31, 2010, subsequent to the Bank s acquisition of CFA Group.

On June 24, 2010, Banco Galicia acquired 95% of the outstanding stock of the CFA Group; the remaining 5% was acquired by Tarjetas Regionales S.A.

The most significant entity in the CFA Group, in terms of revenue generation, is CFA, a leading non-bank financial institution that engages in retail lending and focuses on the area of unsecured personal loans and consumer credit cards within Argentina.

CFA customers are characterized by a limited relationship with traditional banks and a desire for quick and easy access to credit. CFA s customers usually belong to the lower and middle-class sectors of the Argentine economy. Efectivo Sí, the leading brand of CFA, has an especially strong presence in Greater Buenos Aires.

As of December 31, 2010, CFA had 470,000 clients, 1,160 employees, 59 branches and 36 customer service centers located throughout Argentina. It had net loans to the private sector of Ps.1,192.8 million and a net worth of Ps.768.7 million.

Net income for the second half of 2010 amounted to Ps.90.2 million, as a consequence of net operating revenues of Ps.307.9 million and other income of Ps.37.5 million, respectively. These results were partially offset by losses arising from: i) administrative expenses of Ps.159.2 million; ii) loan loss provisions of Ps.44.8 million; and iii) income tax provision of Ps.51.2 million.

Insurance

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

	As of September 30,		
In millions of Pesos, except percentages	**2010**	**2009**	**2008**
Net Financial Income	28.7	28.5	20.2
Net Operating Revenue	**28.7**	**28.5**	**20.2**
Administrative Expenses	56.2	42.9	30.0
Net Operating Income	**(27.5)**	**(14.4)**	**(9.8)**
Other Income (Loss)	75.1	55.3	43.5
Pre-tax Income	**47.6**	**40.9**	**33.7**
Income Tax Provision	16.3	14.1	11.1
Net Income	**31.3**	**26.8**	**22.6**
Net Income as a % of Grupo Financiero Galicia s Net Income	8%	12%	13%

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The accounting rules of the Argentine Central Bank establish that the accounts of non-homogeneous activities must be included under Other Income/Loss , therefore the income statement of Sudamericana was reclassified and that is why, in the table above, its main accounts (earned premiums, claims, acquisition costs, etc.) are included in such item. The results of this segment mainly represent the results of Galicia Seguros. For consolidation purposes, we have used Sudamericana s consolidated financial statements as of September 30 of each year.

In the twelve-month period ended September 30, 2010, the insurance segment recorded Ps.31.3 million in net income. In the same period, Galicia Seguros recorded gains of Ps.29.1 million. This segment s net income was mainly due to: (i) Ps.360.6 million of earned premiums, claims of Ps.53.3 million, and acquisition costs of Ps.144.3 million, (ii) net financial income of Ps.28.7 million, and (iii) administrative expenses amounting to Ps.56.2 million, of which approximately 37% corresponded to personnel expenses. Earned premiums for the twelve months ended September 30, 2010 were Ps.51.1 million greater than in the same period of 2009, representing a 16% increase.

In the twelve-month period ended September 30, 2009, the insurance segment recorded Ps.26.8 million in net income. In the same period, Galicia Seguros recorded gains of Ps.24.4 million. This segment s net income was mainly due to: (i) Ps.309.5 million of earned premiums, claims of Ps.40.7 million, and acquisition costs of Ps.114.3 million, (ii) net financial income of Ps.28.5 million, and (iii) administrative expenses amounting to Ps.42.9 million, of which approximately 36% corresponded to personnel expenses. Earned premiums for the twelve months ended September 30, 2009 were Ps.83.5 million greater than in the same period of 2008, representing a 37% increase.

In the twelve-month period ended September 30, 2008, the insurance segment recorded Ps.22.6 million in net income. In the same period, Galicia Seguros recorded gains of Ps.20.7 million. This segment s net income was mainly due to: (i) Ps.221.4 million of earned premiums and additional fees, claims for Ps.22.1 million, and acquisition costs of Ps.90.2 million; (ii) net financial income of Ps.20.2 million, and (iii) administrative expenses amounting to Ps.30.0 million, of which approximately 41% corresponded to personnel expenses.

During the three fiscal years, the company s growths in premiums earned were mainly the result of Galicia Seguros performance through group life insurance, home insurance and accidental, death and dismemberment insurance sold through Banco Galicia and the Regional Credit Card Companies. The sales call center (customer contact center) helped to achieve such growths.

During 2010, 2009 and 2008, acquisition costs grew following the increases in underwritten premiums, while increases in administrative expenses were mainly due to the fact that a part of the value added tax is recorded at cost (certain life insurance products are exempt from such tax but the fees paid to the brokers and other expenses related thereto are subject to such tax) and to the salary increases and increases in other expenses within an inflationary context. It is important to note that during the three years the claims ratio have remained at practically the same level.

Other Grupo Businesses

This segment includes the results of Net Investment, Galicia Warrants, Galval and GV Mandataria. In fiscal year 2010, the segment recorded Ps.2.0 million in net loss, compared to Ps.2.3 million in net income in fiscal year 2009 and Ps.0.1 million in fiscal year 2008. In fiscal year 2010, this segment s results were attributable to the net loss of Galicia Warrants and Net Investment of Ps.4.0 million and Ps.0.1 million, respectively, partially offset by a Ps.2.0 million and Ps.0.1 million attributable to Galicia Warrants s and GV Mandataria s net income, respectively. In fiscal year 2009, this segment s results were attributable to the net income of Galicia Warrants and GV Mandataria of Ps.7.7 million and Ps.0.1 million, respectively, partially offset by losses of Ps.4.7 million and Ps.0.8 million corresponding to Galval and Net Investment, respectively.

In fiscal year 2008, this segment s results were attributable to Galicia Warrant s net income of Ps.2.4 million, partially offset by a Ps.1.2 million, Ps.1.1 million and Ps.0.02 million losses of Net Investment, Galval and GV Mandataria, respectively.

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Consolidated Assets

The structure and main components of our consolidated assets as of the dates indicated were as follows:

	As of December 31,					
	2010		2009		2008	
	Amounts	%	Amounts	%	Amounts	%
	(in millions of Pesos, except percentages)					
Cash and Due from Banks	5,645.6	15.8	3,696.3	13.4	3,405.1	13.8
Government and Corporate Securities	2,278.0	6.4	3,920.4	14.2	1,531.9	6.2
Loans	21,353.8	59.8	13,477.9	48.8	11,774.6	47.6
Other Assets	6,430.7	18.0	6,507.8	23.6	8,024.2	32.4
Total	**35,708.1**	**100.0**	**27,602.4**	**100.0**	**24,735.8**	**100.0**

Of our Ps.35,708.1 million total assets as of December 31, 2010, Ps.35,298.9 million, equivalent to 98.9% of the total, corresponded to Banco Galicia on a consolidated basis. The remaining 1.1% was attributable mainly to Sudamericana on a consolidated basis (Ps.293.9 million). The composition of our assets shows an increase in the participation of the line items Loans and Cash and Due from Banks , to the detriment of Government and Corporate Securities and Other Assets .

The item Cash and Due from Banks included cash for Ps.1,489.4 million, balances held at the Argentine Central Bank for Ps.3,932.3 million and balances held in correspondent banks for Ps.223.9 million. The balance held at the Argentine Central Bank and part of the cash are computable for meeting the minimum cash requirements set by the Argentine Central Bank.

Our holdings of government and corporate securities as of December 31, 2010 amounted to Ps.2,278.0 million, of which Ps.2,267.7 million were government securities. Our holdings of government and corporate securities are shown in more detail in Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities .

Our total net loans amounted to Ps.21,353.8 million, of which Ps.21,333.7 million corresponded to Banco Galicia (including the Regional Credit Card Companies portfolios) and the remaining amount to secured loans held by Sudamericana. For more information on Banco Galicia s loan portfolio, see Item 4. Information on the Company-Selected Statistical Information-Loan Portfolio .

The Other Assets item mainly includes the following items recorded on our balance sheet under Other Receivables Resulting from Financial Brokerage , unless otherwise noted: Ps.1,483.6 million recorded under Bank Premises and Equipment , Miscellaneous Assets and Intangible Assets .

Ps.521.9 million corresponding to our holdings of debt securities and participation certificates issued by the Galtrust I Financial Trust, resulting from the securitization of loans to the provincial public sector in late 2000.

Ps.508.4 million of forward purchases of Bonar 2015 Bonds in connection with repurchase agreement transactions (including the corresponding security margins recorded as Miscellaneous Receivables in the balance sheet).

Ps.428.1 million corresponding to Assets under Financial Leases .

Ps.399.4 million of forward purchases in connection with repurchase agreement transactions.

Ps.395.7 million corresponding to the minimum presumed income tax recorded under Miscellaneous Receivables .

Ps.379.6 million corresponding to balances deposited at the Argentine Central Bank as guarantees in favor of clearing houses.

Ps.271.7 million corresponding to participation certificates in, and debt securities of, different financial trusts, created by Banco Galicia or by third parties.

Ps.168.5 million corresponding to holdings of the participation certificate in, and debt securities of, the special fund (referred to as Special Fund Former Almafuerte Bank) jointly formed by Banco Galicia with other private-sector banks in order to facilitate the recovery of the assets of former Almafuerte Bank.
Ps.52.9 million corresponding to equity investments.

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The Other Assets item decreased 1.2% as compared to fiscal year 2009, mainly as a consequence of: a) the write off of deferred losses in connection with *amparo claims* (which as of December 31, 2009 amounted to Ps.259.1 million) fully amortized during 2010; b) a decrease of Ps.62.7 million corresponding to our holdings in debt securities and participation certificates issued by Galtrust I Financial Trust because we recorded certain reserves to adjust the equity method used to account for the residual interest in the trust, at its fair value; c) a decrease of Ps.260.2 million corresponding to holdings of the participation certificates in, and debt securities of, the special fund Almafuerte, as a consequence of the fact that the outstanding balance of Class A participation certificates was fully paid and the special fund s balance was partially paid and d) an increase of Ps.88.9 million in assets under financial leases originated in the increase of the volume operated.

Exposure to the Argentine Public Sector

The following table shows our total net exposure to the Argentine public sector as of December 31, 2010, 2009 and 2008. This exposure mainly consisted of exposure of Banco Galicia.

	As of December 31,		
	2010	**2009**	**2008**
		(in millions of Pesos)	
Net Position in Government Securities	**3,111.7**	**4,933.0**	**3,645.3**
Trading and Investment Accounts	2,469.6	1,810.5	627.6
Boden 2012 Bonds		1,906.9	2,350.8
Nobac 2010		269.9	
Bonar 2015 Bonds	642.1	323.7	
Discount Bonds in Pesos and GDP-Linked Negotiable Securities		622.0	666.9
Loans	**24.6**	**25.4**	**1,480.7**
Financial Sector			107.1
Secured Loans and Others	24.6	25.4	1,373.6
Other Receivables Resulting from Financial Brokerage	**808.2**	**924.6**	**928.3**
Trusts Certificates of Participation and Securities	807.0	923.7	927.5
Other	1.2	0.9	0.8
Total Assets (1)	**3,944.5**	**5,883.0**	**6,054.3**

(1) Does not include deposits with the Argentine Central Bank, which constitute one of the items by which Banco Galicia complies with the Argentine Central Bank s minimum cash requirements.

As of December 31, 2010, our total exposure to the public sector amounted to Ps.3,944.5 million. The decrease as compared to the previous fiscal year was mainly attributable to the sale of Banco Galicia s holdings of Boden 2012 Bonds and Discount Bonds.

Excluding Banco Galicia s holding of debt securities issued by the Argentine Central Bank (Ps.2,393.0 million, Ps.1,953.7 million and Ps.583.8 million, for fiscal years 2010, 2009 and 2008, respectively), net exposure to the non-financial public sector decreased by Ps.2,377.8 million compared to 2009 and by Ps.3,919.0 million compared to 2008, which represents decreases of 60.5% and 71.6%, respectively.

As of December 31, 2009, our total exposure to the public sector amounted to Ps.5,883 million. The decrease as compared to the previous fiscal year was mainly due to the sale of part of the public sector assets portfolio received from the exchange of Secured Loans carried out by the end of January, 2009 and to the sale in June 2009 of the 15th interest and amortization coupon of Boden 2012 Bonds due in August 2009. Likewise, but with lower impact, it was due to the fact of having received assets issued by the Argentine Central Bank during said exchange.

Securitization of Assets

In the normal course of business, our operating subsidiaries (Banco Galicia and the Regional Credit Card Companies) use the securitization of assets as a source of funding. The securitization of assets basically involves a company transferring assets to a trust and the trust funding the purchase by issuing securities that are sold to third parties. A trust is a special-purpose entity, not an operating entity; typically, a trust is set up for the single purpose of completing the securitization transaction, has a limited life and no employees. Trust securities can be publicly offered, which is the case in those financial trusts in which Banco Galicia or the Regional Credit Card Companies acted as trustor. See Note 30 to our audited financial statements for a description of the outstanding trusts as of December 31, 2010.

During 2010, we didn t generate funds through the securitization and sale of on-balance sheet and off-balance sheet loans of Banco Galicia and the Regional Credit Card Companies, while in 2009 and 2008 we generated funds through the securitization and sale of on-balance sheet and off-balance sheet loans of Banco Galicia and the Regional Credit Card Companies, for aggregate amounts of Ps.40 million and Ps.644.3 million, respectively. No gains or losses were recognized in the sale of these loans. As a result of these securitizations, we retained certain interests in those trusts through senior debt securities and certificates of participation in the amount of Ps.14.5 million in fiscal year 2009 and Ps.101.1 million in fiscal year 2008.

Funding

Banco Galicia s and the Regional Credit Card Companies lending activities are our main asset-generating businesses. Accordingly, most of our borrowing and liquidity needs are associated with these activities. We also have liquidity needs at the level of our holding company, which are discussed in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Liquidity-Holding Company on an Individual Basis . Our objective is to maintain cost-effective and well diversified funding to support current and future asset growth in our businesses. For this, we rely on diverse sources of funding and have also engaged in a process of reducing Banco Galicia s high cost liabilities incurred as a consequence of the 2001-2002 crisis. The use and availability of funding sources depends on market conditions, both local and foreign, and prevailing interest rates. Market conditions in Argentina include a structurally limited availability of domestic long-term funding.

Our funding activities and liquidity planning are integrated into our asset and liability management and our financial risks management and policies. The liquidity policy of Banco Galicia, our main subsidiary, is described in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Banco Galicia s Liquidity Management and our other financial risk policies, including interest rate, currency and market risks are described in Item 11. Quantitative and Qualitative Disclosures about Market Risk . Our funding sources are discussed below.

Traditionally, our primary source of funding has been Banco Galicia s deposit taking activity. Although Banco Galicia has access to Argentine Central Bank financing, management does not view this as a primary source of funding in line with our overall strategies discussed herein.

Other important sources of funding have traditionally included issuing Dollar-denominated medium and long-term debt securities issued in foreign capital markets and borrowing from international banks and multilateral credit agencies. After the restructuring of its foreign debt in May 2004 and until the US$300 million bond issuance in May 2011, Banco Galicia had not relied on the issuance of new debt securities, and entered into three long term loan agreements with the International Finance Corporation (IFC) in 2005, 2007 and 2010 for US$130 million, with the purpose of funding long-term loans to SMEs. In addition, Banco Galicia entered into a long-term loan agreement with Netherlands Financierings-Moatschappy Voor Ont Wikkelingslanden N.V. (FMO) on December 17, 2010 for US$20.0 million and a long-term loan agreement with the Inter-American Development Bank (IDB) on February 15, 2011 for US$30.0 million.

The Regional Credit Card Companies and CFA issue debt securities in the local and foreign capital markets.

Selling government securities under repurchase agreement transactions has been another recurrent source of funding for Banco Galicia. In 2010, the repurchase transactions of government securities increased Ps.187.0 million (principal and interest) and in 2009 decreased Ps.373.1 million (principal and interest). Within its liquidity policy, Banco Galicia considers its unencumbered liquid government securities holdings as part of its available excess liquidity. See Item 5. Operating and Financial Review and Prospects -Item 5.B. Liquidity and Capital Resources-Banco Galicia s Liquidity Management .

Historically (prior to 2009 and 2010), the securitization of assets in the local market has also been a significant and growing source of medium-term funding, for up to approximately four years for Banco Galicia, while for the Regional Credit Card companies the terms are shorter (approximately two years). In fiscal year 2008, the securitization of loans generated funds of Ps.261.5 million from the securitization of loans granted by Banco Galicia on an individual basis, and of Ps.382.8 million from the securitization of the Regional Credit Card Companies loan portfolios. See -Securitization of Assets .

The Regional Credit Card Companies fund their business through the issuance of debt securities in the local and international capital markets, borrowing from local financial institutions, asset securitization and debt with merchants generated in the ordinary course of business of any credit card issuing company. In 2010, the Regional Credit Card Companies issued securities in an amount equal to Ps.504.6 million.

Below is a breakdown of our funding as of the dates indicated:

	December 31,					
	2010		2009		2008	
	Amounts	%	Amounts	%	Amounts	%
	(in millions of Pesos, except percentages)					
Deposits	**22,222.8**	**62.2**	**17,039.4**	**61.7**	**14,056.1**	**56.8**
Current Accounts and Other Demand Deposits	5,565.7	15.6	3,719.1	13.5	3,105.4	12.6
Savings Accounts	6,362.0	17.8	4,994.7	18.1	4,035.0	16.3
Time Deposits	9,724.9	27.2	7,954.8	28.8	6,548.1	26.5
Other Deposits	463.2	1.3	248.7	0.9	263.2	1.1
Accrued Interest, Quotation Differences and CER Adjustment	107.0	0.3	122.1	0.4	104.5	0.4
Debt with Financial Institutions (1)	**2,114.5**	**5.9**	**1,480.1**	**5.4**	**2,172.9**	**8.8**
Domestic Financial Institutions	668.3	1.9	322.3	1.2	248.6	1.0
International Banks and Credit Agencies	649.5	1.8	548.1	2.0	941.5	3.8
Repurchases	796.7	2.2	609.7	2.2	982.8	4.0
Negotiable Obligations (Unsubordinated and Subordinated) (1)	**2,041.7**	**5.7**	**2,716.6**	**9.8**	**2,932.5**	**11.9**
Other obligations	**6,859.6**	**19.2**	**4,314.0**	**15.6**	**3,728.6**	**15.0**
Shareholders Equity	**2,469.5**	**6.9**	**2,052.5**	**7.4**	**1,845.7**	**7.5**
Total Funding	**35,708.1**	**100.0**	**27,602.6**	**100.0**	**24,735.8**	**100.0**

(1) Includes accrued interest, quotation differences, and CER adjustment where applicable.

As of December 31, 2010, deposits represented 62.2% of our funding, up from 61.7% as of December 31, 2009 and up from 56.8% as of December 31, 2008. Our deposit base has increased 30.4% in 2010 and 21.2% in 2009. In 2010, the increase in deposits of Ps.5,183.4 million was due to the increase in transactional deposits (deposits in current and savings accounts) and time deposits. The increase in 2009 was also the result of an increase in transactional deposits and time deposits. All of the growth was due to deposits received by Banco Galicia s Argentine operations. For more information on deposits, see Item 4. Information on the Company-Selected Statistical Information-Deposits .

As of December 31, 2010, credit lines from international banks and credit agencies representing Dollar-denominated debt subject to foreign law amounted to Ps.649.5 million. Of this total, Ps.410.6 million corresponded to trade loans and Ps.230.7 million corresponded to an IFC loan granted to Banco Galicia in 2005 which increased at the end of 2010 with the signing of a new agreement. Credit lines from international banks and credit agencies increased to Ps.649.5 million at the end of 2010 from Ps.548.1 million as of December 31, 2009. The increase was mainly due to the increase in trade loans.

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Our debt securities outstanding amounted to Ps.2,041.7 million (principal and interest) as of December 31, 2010, as compared to Ps.2,716.6 million as of December 31, 2009, and Ps.2,932.5 million as of December 31, 2008. Of our debt securities outstanding at the end of fiscal year 2010, Ps.1,700.0 million (only principal) corresponded to Dollar-denominated debt subject to foreign law and Ps.264.9 million (only principal) corresponded to Peso-denominated debt of the Regional Credit Card Companies structured as negotiable obligations. As of December 31, 2010, the breakdown of our Dollar-denominated debt was as follows:

- Ps.1,188.8 million of 2019 Notes, issued in 2004 and corresponding to new debt of Banco Galicia resulting from the foreign debt restructuring completed in May of said year.
- Ps.147.3 million of class XII negotiable obligations, maturing in 2011, issued by Tarjeta Naranja S.A.
- Ps.58.0 million of class IX series II negotiable obligations, in 2011, issued by Tarjeta Naranja S.A.
- Ps.79.8 million of series XXII negotiable obligations, maturing in 2011, issued by Tarjetas Cuyanas S.A.
- Ps.70.5 million and Ps.106.8 million of class II series II and III negotiable obligations, respectively, maturing in 2012 and 2013, issued by Grupo Financiero Galicia.
- Ps.42.1 million of class I series II negotiable obligations, maturing in 2011, issued by Grupo Financiero Galicia.
- Ps.6.7 million of past due foreign debt included in Banco Galicia s 2004 debt restructuring, the holders of which did not participate in such restructuring.

The decrease in our debt securities outstanding as of December 31, 2010 from the amount as of December 31, 2009 was mainly the consequence of the following: i) the payment of the last principal installment for the 2010 Notes of 12.5%, for a total of US$34.2 million and ii) the cancellation in advance of 2014 Notes for US$194.6 million.

The decrease in our debt securities outstanding as of December 31, 2009 from the amount as of December 31, 2008 was mainly the consequence of the following: i) the payment of two principal installments for the 2010 Notes of 12.5% each, for a total of US$68.4 million, ii) the cancellation in advance of 2014 Notes for US$77.3 million, which were acquired in market transactions carried out during the fiscal year, (iii) the full amortization of Galicia Uruguay s restructured debt structured as negotiable obligations by US$16.1 million and (iv) the issuance of Ps.125.8 million and Ps.40.3 million of series I and series II negotiable obligations, respectively, by Grupo Financiero Galicia.

For more information see -Contractual Obligations below.

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Ratings

The following are our ratings as of the date of this annual report:

LOCAL RATINGS

	Standard & Poor s	Fitch Argentina	Evaluadora Latinoamericana	Moody s
Grupo Financiero Galicia S.A.				
Rating of Shares	1			
Short-/Medium Term Debt (1)			AA-	
Banco de Galicia y Buenos Aires S.A.				
Counterparty Rating	raAA-			
Long-Term Debt (2) (3)	raAA-			Aa3.ar
Subordinated Debt (2) (4)	raA+		A+	Aa3.ar
Deposits (Long Term / Short Term)	raAA- / raA-1+			
Deposits (Local Currency / Foreign Currency)				Aa2.ar / Ba1.ar
Trustee				TQ1(-).ar
Tarjeta Naranja S.A.				
Medium-/Long-Term Debt (2) (5)		AA(arg)		
Short-Term Debt (2) (6)		A1+(arg)		
Tarjetas Cuyanas S.A.				
Long-Term Debt (2) (7)		AA-(arg)		
Short-Term Debt (2) (8)		A1(arg)		
CFA S.A.				
Long-Term Debt (9)		AA-(arg)		Aa2.ar
Short-Term Debt (10)		A1(arg)		Aa2.ar
Deposits (Local Currency / Foreign Currency)				Aa2.ar / Ba1.ar

INTERNATIONAL RATINGS

	Standard & Poor s	Fitch Argentina	Evaluadora Latinoamericana	Moody s
Banco de Galicia y Buenos Aires S.A.				
Long-Term Debt (2) (3)	B			B2
Tarjeta Naranja S.A.				
Medium-/Long-Term Debt (2) (11)		B		
Tarjetas Cuyanas S.A.				
Long-Term Debt (2) (12)		B		

(1) *Class I series II, class II series II and class II series III negotiable obligations.*

(2) *See -Contractual Obligations .*

(3) *Class I negotiable obligations.*

(4) *Subordinated Negotiable Obligations Due in 2019.*

(5) *Class IV, class IX series II, class XII and class XIII negotiable obligations.*

(6) *Class XI negotiable obligations.*

(7) Class I series II, class III and series XVIII negotiable obligations.

(8) Class II and class IV negotiable obligations.

(9) Class III series II negotiable obligations.

(10) Class III series I negotiable obligations.

(11) Class IV, class XII and class XIII negotiable obligations.

(12) Class XVIII negotiable obligations.

Debt Programs

On March 9, 2009, our shareholders, during the ordinary shareholders meeting, and the Board of Directors created a global short-, medium- and long-term negotiable obligations program, for a maximum outstanding amount of US$60 million. This program was authorized pursuant to Resolution No. 16,113 of April 29, 2009 of the CNV. On March 16, 2009 and on April 24, 2009, the Board of Directors approved the terms and conditions of the issuance of the class I, series I and series II negotiable obligations.

Within the program, on June 4, 2009 Grupo Financiero Galicia issued two series of bonds for a total amount of US$45 million, with the following characteristics: (i) US$34.4 million of non-interest bearing class I, series I negotiable obligations, due on May 30, 2010, this bond was issued at a price of 92.68/100 and with a yield of 8%; and (ii) US$10.6 million of 12.5% class I, series II negotiable obligations, due on May 25, 2011, this bond was issued at a price of 103.48/100 with a yield of 10.5%. Interest is payable on the notes described in (ii) semiannually.

On April 14, 2010, our shareholders held an ordinary and extraordinary shareholders meeting during which they approved an increase of US$40 million in the amount of the global program of simple short-, medium- and/or long-term negotiable obligations. Therefore, the maximum amount of the program, which was originally set at US$60 million or its equivalent in any other currency, was increased to US$100 million or its equivalent in any other currency.

Moreover, during fiscal year 2010, Grupo Financiero Galicia repaid, upon maturity, its class I, series I negotiable obligations, for US$34.4 million and made an offer of negotiable obligations for a face value of US$45 million. The subscription period ended on June 4, 2010; negotiable obligations were fully subscribed and Grupo Financiero Galicia decided not to issue series I, which was planned to be issued at a discount. The cut-off rate for series II was 101.82%, for a face value of US$18.1 million, equivalent to a 7% annual yield. As regards series III, the cut-off rate was 101.28%, for a face value of US$26.9 million, equivalent to an 8.5% annual yield.

On June 8, 2010 Grupo Financiero Galicia issued two series of bonds for a total amount of US$45 million, with the following characteristics: (i) US$18.14 million of 8% class II, series II negotiable obligations, due in 2012, issued at a price of 101.82/100, with a yield of 7% and (ii) US$26.86 million of 9% class II, series III negotiable obligations due in 2013, issued at a price of 101.28/100, with a yield of 8.5%. Interest is payable semiannually.

During 2011, Grupo Financiero Galicia repaid, upon maturity, the class I, series II negotiable obligations for US$10.6 million.

Banco Galicia has a program outstanding for the issuance and re-issuance of non-convertible negotiable obligations, subordinated or non-subordinated, adjustable or non-adjustable, secured or unsecured, with a term from 30 days to up to the current permitted maximum (30 years), for a maximum outstanding face value during the period of such program of up to US$342.5 million. This program was approved by the CNV on November 4, 2005 and the extension of the program was approved by the CNV pursuant to Resolution No. 16,454, dated November 11, 2010. The term of the program is for five years commencing on the date of approval of the extension by the CNV. On May 4, 2011 Banco Galicia issued 8.75% class I notes due 2018 in the aggregate principal amount of US$300.0 million under this program. These notes are subject to a number of significant covenants, which are subject to important qualifications and exceptions, that, among other things, restrict the ability of (i) Banco Galicia and certain of its subsidiaries to directly or indirectly, create, incur, assume or suffer to exist liens upon its present or future assets to secure any indebtedness and (ii) Banco Galicia to merge, consolidate or amalgamate with or into, or convey or transfer or lease all or substantially all of its properties and assets, whether in one transaction or a series of related transactions.

Tarjeta Naranja S.A. has a program outstanding with the same characteristics, for a maximum outstanding face value during the period of such program of up to US$350 million. The program was approved by the CNV on November 16, 2007. As of December 31, 2010, debt for a principal amount outstanding of US$94.6 million had been issued under the program. Tarjeta Naranja S.A. s program contains certain restrictions on liens, subject to the provisions established in the applicable pricing supplement with respect to each class and/or series of negotiable obligations, so long as any note issued under such program remains outstanding. Certain notes issued under Tarjeta Naranja S.A. s program are subject to covenants that limit the ability of Tarjeta Naranja S.A. and certain of its subsidiaries, subject to important qualifications and exceptions, to pay dividends on its capital stock or redeem, repurchase or retire its capital stock or subordinated indebtedness, make certain restricted payments, and consolidate, merge or transfer assets, among others.

Tarjetas Cuyanas S.A. has a program outstanding with the same characteristics, for a maximum outstanding face value during the period of such program of up to US$80 million. The CNV approved the program on May 2, 2007 and approved the increase of its maximum outstanding face value to up to US$120 million on May 18, 2010. As of December 31, 2010, debt for a principal amount outstanding of US$45.1 million had been issued under this program.

CFA has a program outstanding for the issuance of ordinary short, medium or long term, secured or unsecured, subordinated or non-subordinated, negotiable obligations, for a maximum outstanding face value during the period of such program of up to Ps.200 million. The CNV approved this program on August 3, 2006, and approved the increase of its maximum outstanding face value to up to Ps.500 million on March 19, 2008. As of December 31, 2010, there was no outstanding debt issued under CFA s program. On January 27, 2011 the CNV approved an extension of the program and approved the increase of its maximum outstanding face value to up to US$250 million. On March 28, 2011 CFA issued debt in the aggregate principal amount of Ps.100 million under its program. See -Significant

Changes .

Contractual Obligations

The table below identifies the principal amounts of our main on balance-sheet contractual obligations, their currency of denomination, remaining maturity and interest rate and the breakdown of payments due, as of December 31, 2010.

	Maturity	Annual Interest Rate	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Grupo Financiero Galicia							
Negotiable Obligations Series II Due 2011 (US$)	2011	12.50%	42.8	42.8			
Negotiable Obligations Class II Series II Due 2012 (US$)	2012	8.00%	71.2	0.7	70.5		
Negotiable Obligations Class II Series III Due 2013 (US$)	2013	9.00%	107.5	0.7	106.8		
Banco Galicia							
Deposits							
Time Deposits (Pesos/US$)	Various	Various	9,862.1	9,826.8	35.0	0.2	0.1
Bonds							
2019 Notes (US$) (1) (2)	2019	11.00%	1,253.0				1,253.0
9% Notes Due 2003 (US$) (3)	2003	9.00%	12.2	12.2			
Loans							
Floating Rate Loans Due 2019 (US$) (1) (4)	2019	Libor + 578 bp	8.5				8.5
IFC Financial Loans (US$)	Various	Libor + 350 bp	230.6	68.7	120.9	41.0	
Other Financial Loans (US$) (5)	2010	Various	410.0	410.0			
IDB Financial Loans (Pesos)	Various	Various	54.9	12.0	21.4	12.6	8.9
Fontar Financial Loans (Pesos)	Various	Various	47.7	14.7	20.1	8.9	4.0
BICE Financial Loans (Pesos)	Various	Various	10.2	2.7	4.6	2.9	
BICE Financial Loans (US$)	Various	Various	13.7	2.9	5.5	5.3	
Repurchases (Pesos) (6)	2010	Various	359.1	359.1			
Repurchases (US$) (6)	2010	Various	437.7	40.1	397.6		
Tarjetas Regionales S.A.							
Financial Loans with Local Banks (Pesos)	Various	Various	376.5	190.4	186.1		
Negotiable Obligations (Pesos/US$)	Various	Various	552.5	543.7	8.8		
CFA							
Local Financing (Pesos)	Various	Various	212.5	137.5	75.0		
Total			**4,200.6**	**1,838.2**	**1,017.3**	**70.7**	**1,274.4**

Principal and interest. Includes the CER adjustment, where applicable.

(1) Issued in 2004 as part of the restructuring of the foreign debt of Banco Galicia s Head Office and its Cayman Branch.

(2) *Subordinated Notes Due 2019: Interest paid in cash: 6% per annum from January 1, 2004 until (but not including) January 1, 2014, payable semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004. Unless the notes are previously redeemed, the annual interest rate will increase to 11% per annum from that date until (but not including) January 1, 2019. Interest paid in additional subordinated negotiable obligations due 2019: 5% per annum from January 1, 2004, to be paid on January 1, 2014 and January 1, 2019. Principal amortizes in full on January 1, 2019, unless the notes are previously redeemed at par plus accrued but unpaid interest, in whole or in part, at Banco Galicia s option, at any time after the 2010 Notes and the 2014 Notes have been repaid in full and, otherwise, in accordance with the terms of the agreements governing such notes.*

(3) *The balance represents debt not tendered by its holders to the exchange offered by Banco Galicia to restructure its foreign debt, which was completed in May 2004.*

(4) *Interest payable in cash: Libor+78 b.p., per annum from January 1, 2004, until (but not including) January 1, 2014, payable semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004. Unless the loans are previously redeemed, the annual interest rate will increase to Libor+578 b.p. per annum from that date until (but not including) January 1, 2019. Also pays interest in additional subordinated loans, due 2019: 5% per annum from January 1, 2004, to be paid on January 1, 2014 and January 1, 2019. Principal amortizes in full on January 1, 2019 unless the loans are previously redeemed at part plus accrued interest and additional amounts, if any, in whole or in part at Banco Galicia s option, in accordance with the terms of the agreements governing such loans.*

(5) *Borrowings to finance international trade operations to Bank customers.*

(6) *Includes premiums.*

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Off- Balance Sheet Contractual Obligations

Operating Leases

As of December 31, 2010, we also had off-balance sheet contractual obligations arising from the leasing of certain properties used as a part of our distribution network. The estimated future lease payments in connection with these properties are as follows:

	(In millions of Pesos)
2011	50.40
2012	61.49
2013	71.94
2014	80.57
2015	88.63
2016 and After	95.72
Total	**448.75**

Other

As a shareholder of Aguas Cordobesas S.A., Banco Galicia is a guarantor with respect to compliance with certain obligations arising from the concession contract signed by Aguas Cordobesas S.A. In addition, Banco Galicia and the other shareholders committed, in certain circumstances, to provide financial support to the company if it was unable to fulfill the commitments it had undertaken with various international financial institutions.

Banco Galicia, as a shareholder and proportionally to its 10.833% interest, is jointly responsible, to the Province of Córdoba, for contractual obligations under the concession contract for its entire term. Should any of the other shareholders fail to comply with the commitments arising from their joint responsibility, the province may force Banco Galicia to assume the unfulfilled commitment, but only in proportion and to the extent of the interest held by Banco Galicia. See Note 3 to our consolidated financial statements.

Off-Balance Sheet Arrangements

Our off-balance sheet risk mainly arises from Banco Galicia s activities.

In the normal course of its business, Banco Galicia is a party to financial instruments with off-balance sheet risk which are entered into in order to meet the financing needs of its customers. These instruments expose us to credit risk in addition to the amounts recognized on our consolidated balance sheets. These financial instruments include commitments to extend credit, standby letters of credit, guarantees granted and acceptances.

Commitments to Extend Credit, Stand-By Letters of Credit and Guarantees Granted

Guarantees granted are surety guarantees in connection with transactions between two parties. Standby letters of credit and guarantees granted are conditional commitments issued by Banco Galicia to guarantee the performance of a customer to a third party. Acceptances are conditional commitments for foreign trade transactions.

Commitments to extend credit are agreements to lend to a customer at a future date, subject to meeting certain contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent actual future cash requirements. We evaluate each customer s creditworthiness on a case-by-case basis.

We use the same credit policies in making commitments, conditional obligations and guarantees as we do for granting loans. In the opinion of management, our outstanding commitments and guarantees do not represent unusual credit risk.

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

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Our credit exposure related to these items as of December 31, 2010, is summarized below:

	December 31, 2010 *(in millions of Pesos)*
Commitments to Extend Credit	1,840.2
Standby Letters of Credit	335.8
Guarantees Granted	213.8
Acceptances	111.7

In addition to the above commitments, as of December 31, 2010, purchase limits available for credit-card holders amounted to Ps.25,950.0 million.

As of December 31, 2010, main fees related to the above-mentioned commitments were Ps.9.4 million corresponding to standby letters of credit, Ps.6.4 million from guarantees provided and Ps.1.0 million from commitments to extend credit.

The credit risk involved in issuing letters of credit and granting guarantees is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to our customers, we may require counter guarantees. As of December 31, 2010, these counter guarantees, classified by type, were as follows:

	December 31, 2010 *(in millions of Pesos)*
Preferred Counter Guarantees	15.5
Other Counter Guarantees	48.6

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

Other

We account for checks drawn on us and other financial institutions, as well as other items in the process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until the related item clears or is accepted. In management s opinion, the risk of loss on these clearing transactions is not significant. The amounts of clearing items in process as of December 31, 2010, were as follows:

	December 31, 2010 *(in millions of Pesos)*
Checks Drawn on Banco Galicia	419.4
Checks Drawn on Other Banks	529.2
Bills and Other Items for Collection	3,575.9

With respect to fiduciary risk, we act as trustee of trust agreements to guarantee obligations arising from various contracts between the parties. As of December 31, 2010, the trust funds amounted to Ps.2,503.0 million.

In addition, we hold securities in custody, which as of December 31, 2010 amounted to Ps.10,634.8 million.

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

Critical Accounting Policies

We believe that the following are our critical accounting policies under Argentine Banking GAAP, as they are important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

Allowance for Loan Losses

Our allowance for loan losses including the allowance for loan losses of the regional credit card companies and CFA is maintained in accordance with Argentine Central Bank rules. Under such rules, a minimum allowance for loan losses is calculated primarily based upon the classification of Banco Galicia s commercial loan borrowers and upon delinquency aging (or the number of days the loan is past due) for individual loan borrowers of both Banco Galicia and the regional credit card companies and for Banco Galicia s commercial loans of less than Ps.750,000. Although we are required to follow the methodology and guidelines for determining the minimum loan loss allowance as set forth by the Argentine Central Bank, we are allowed to establish additional allowances for loan losses. The determination of the allowance for loan losses requires a significant degree of judgment.

For commercial loans, we are required to classify all of our commercial loan borrowers. In order to perform the classification, we must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower s payment history and ability to service the debt, the capability of the borrower s internal information and control systems and the risk in the sector in which the borrower operates. We apply the minimum loss percentages required by the Argentine Central Bank to our commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantee in respect of the loan. In addition, based on the overall risk of the portfolio, we consider whether or not additional loan loss reserves in excess of the minimum required are warranted.

For our consumer loan portfolio, including the loan portfolios of Banco Galicia, the regional credit card companies and CFA, we classify loans based upon delinquency aging, consistent with the requirements of the Argentine Central Bank. Minimum loss percentages required by the Argentine Central Bank are also applied to the totals in each loan classification.

Other Receivables Resulting from Financial Brokerage and Miscellaneous Receivables

We carry other receivables resulting from financial brokerage and miscellaneous receivables net of allowances for uncollectible amounts. Our judgment regarding the ultimate collectibility is performed on an account-by-account basis and considers our assessment of the borrower s ability to pay based on factors such as the borrower s financial condition, past payment history, guarantees and past-due status.

Goodwill

Goodwill is carried at cost less accumulated amortization. The carrying amount of goodwill is analyzed for impairment based on estimates of future undiscounted cash flows generated by the business acquired. The estimate of future cash flows requires complex management judgment.

Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

U.S. GAAP Critical Accounting Policies

Additional information in connection with critical accounting policies for U.S. GAAP purposes is described as follows.

Other-than-temporary impairment

Under U.S. GAAP, Government bonds, including Bonar 2015 Bonds, Galtrust I and the investment in Almafuerte Special fund, were classified as available-for-sale securities, and therefore, carried at fair value with changes in the fair value reflected in other comprehensive income for the years ended December 31, 2010 and 2009.

Recognition and Presentation of Other-Than-Temporary Impairments ASC 320 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Impairment is now considered to be other than temporary if an entity:

1. intends to sell the security;
2. is more likely than not to be required to sell the security before recovering its cost; or
3. does not expect to recover the security s entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss .

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This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and it is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
2. all other changes in fair value.

Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income . This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

As of December 31, 2010 and 2009 the fair value of the securities exceeded their amortized cost. Therefore for U.S. GAAP purposes we concluded that there was no recognition of impairment.

As of December 31, 2008, the amortized cost exceeded the fair value of these securities by Ps.846.8 million. Therefore, for U.S. GAAP purposes, we have recorded an other-than-temporary impairment of these securities, based on a variety of factors, including the length of time and extent to which the market value has been less than cost, and our intent and ability to hold these securities to recovery.

Allowance for Loan Losses

Under U.S. GAAP, Banco Galicia considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans are assessed based on the present value of estimated future cash flows discounted at the current effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when discounted future cash flows or collateral fair value is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for individual loans, based on regular reviews of individual loans, recent loss experience, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing the potential collectibility and affecting the quality of the loan portfolio.

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

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

Many factors can affect Banco Galicia s estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

A ten percent decrease in the expected cash flows of significant impaired loans individually analyzed, could result in an additional impairment of approximately Ps.7.5 million.

A ten percent increase in the historical loss ratios for loans collectively analyzed could result in an additional impairment of approximately Ps.92.8 million.

These sensitivity analyses do not represent management s expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and represent management s expectations about the credit risk inherent in its loan portfolio.

Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses.

Fair Value Estimates

A portion of our assets is carried at fair value, including trading and available-for-sale securities, retained interests in assets transferred to financial trusts, futures and forwards transactions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10, among other things, requires Grupo Financiero Galicia to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

Fair Value Hierarchy

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

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

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

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

Inputs include the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in non-active markets;

(c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

(d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

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

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

Determination of Fair Value

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

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

Impairment of Assets Other Than Loans

Certain assets, such as goodwill and equity investments are subject to an impairment review. Asset impairment charges require considerable judgment and are recorded when market value declines below the carrying value, for declines other-than-temporary, or where the cost of the asset is deemed to not be recoverable.

Goodwill impairment exists when the fair value of the reporting unit to which the goodwill is allocated is not enough to cover the book value of its assets and liabilities and the goodwill. The fair value of the reporting units is estimated using discounted cash flow techniques. The sustained value of the majority of the goodwill is supported ultimately by revenue from our banking and credit-card businesses. A decline in earnings as a result of a lack of growth, or our inability to deliver cost-effective services over sustained periods, could lead to a perceived impairment of goodwill, which would be evaluated and, if necessary, recorded as a write-down in our consolidated income statement. On an annual basis, or as circumstances dictate, management reviews goodwill and evaluates events or other developments that may indicate impairment in the carrying amount. The evaluation methodology for potential impairment is inherently complex and involves significant management judgment in the use of estimates and assumptions. These estimates involve many assumptions, including the expected results of the reporting unit, an assumed discount rate and an assumed growth rate for the reporting unit.

As of December 31, 2010 and 2009, no impairment was recorded. As of December 31, 2008 Grupo Financiero Galicia performed the impairment test of the goodwill related to the acquisition of a loan portfolio of the ABN-AMRO Bank and an impairment loss was recognized.

The fair value of equity investments is determined using discounted cash flow techniques. This technique involves complex management judgment in terms of estimating the future cash flows of the companies and in defining the applicable interest rate to discount those cash flows.

Deferred Tax Asset Valuation Allowance

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards. We had a significant amount of deferred tax assets as of December 31, 2010, 2009 and 2008. Recognition of those deferred tax assets is subject to management s judgment based on available evidence that realization is more likely than not and they are reduced, if necessary, by a valuation reserve.

Management s judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain. This judgment involves estimating future taxable income and the timing at which the temporary differences between book and taxable income will be reversed. Underlying estimates and assumptions can change over time, influencing our overall tax positions, as a result of unanticipated events or circumstances.

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

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As of December 31, 2009 based on the analysis performed, Grupo Financiero Galicia believes that it is more likely than not that it will recover only the net operating tax loss carryforward and the temporary differences, with future taxable income. Therefore, presumed minimum income tax was not more likely than not to be recovered in the carryforward period and hence a valuation allowance was provided against this amount as of December 31, 2009.
As of December 31, 2010 based on the analysis performed, Grupo Financiero Galicia believes that it is more likely than not that it will recover the net operating tax loss carryforward, the temporary differences and the presumed minimum income tax, with future taxable income. Among other factors, Grupo Financiero Galicia considered that as of the date of the issuance of the attached financial statements, the taxable income mainly due to the sales of Government bonds has been consumed the total tax loss carryforward. In addition, according to the taxable income projections, Grupo Financiero Galicia estimated that the presumed minimum income tax will be utilized during the following years 2011 and 2012. Therefore, no valuation allowance was provided against presumed minimum income tax.

Assets Not Recognized Under U.S. GAAP

Under US GAAP, assets are defined as ... probable future economic benefits obtained or controlled by an entity as a result of past transactions or events . In addition, one of the three essential characteristics of an asset is that an entity can obtain the benefit and can control others access to it. Determining if a company has control of an asset involves in certain cases some judgment.
As of December 31, 2009 and 2008, under Argentine Banking GAAP, Banco Galicia had recorded under Intangible Assets the difference arising from the reimbursement of Reprogrammed Deposits at the market exchange rate pursuant to *amparo* claims and the carrying value of these deposits. The receivable for differences related to *amparo* claims does not represent an asset under U.S. GAAP. As of December 31, 2010, this item has been fully amortized.

Securitizations

Under US GAAP, prior to January 1, 2010, Grupo Financiero Galicia adopted SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities , as amended by SFAS 156, both of them codified under the topic ASC No. 860 Transfers and Servicing (ASC No. 860). ASC No. 860 required an entity to recognize the financial and servicing assets it controls and the liabilities it had incurred and to derecognize financial assets when control has been surrendered.
Effective January 1, 2010, Grupo Financiero Galicia implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for the transfers of financial assets and the consolidation of VIEs.
The new guidance eliminates the concept of QSPEs that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, Grupo Financiero Galicia must evaluate all existing securitization trusts that qualify as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

- Insufficient equity investment at risk
- Equity lacks decision-making rights
- Equity with non-substantive voting rights
- Lacking the obligation to absorb an entity s expected losses
- Lacking the right to receive an entity s expected residual returns

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Under the new guidance, the primary beneficiary is the part that has both (1) the power to direct the activities of an entity that most significantly impact the VIE s economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.
To assess whether Grupo Financiero Galicia has the power to direct the activities of a VIE that most significantly impact the VIE s economic performance, Grupo Financiero Galicia considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE s economic performance; and second, identifying which party, if any, has power over those activities.
Under ASC 810-10-65, Banco Galicia should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. Grupo Financiero Galicia must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in Grupo Financiero Galicia s financial statements as of January 1, 2010, as if ASU 2009-17 had been effective as of the date of Grupo Financiero Galicia s initial involvement with the financial trusts. Any difference between the net amount added (assets less liabilities of each financial trusts where Grupo Financiero Galicia is primary beneficiary) from Grupo Financiero Galicia s balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings.
Based on the mentioned evaluation as of December 31, 2010 Grupo Financiero Galicia consolidated the financial trust Galtrust I in which Grupo Financiero Galicia had a controlling financial interest and for which it is the primary beneficiary

Exchange of Assets

In accordance with U.S. GAAP, specifically ASC 310-20, satisfaction of one monetary asset by the receipt of another monetary asset for the creditor is generally based on the market value of the asset received in satisfaction of the debt (an extinguishment). In this particular case, the securities being received are substantially different in structure and in interest rates than the debt securities swapped. Therefore, such amounts should initially be recognized at their fair value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.
Banco Galicia exchanged Government Bonds denominated in Pesos at 2% due 2014 (Boden 2014 Bonds) with a face value of Ps.683.6 million (recorded in Banco Galicia s shareholders equity in February 2009 within the scope of an exchange transaction of National Secured Loans at market price) for Bonar 2015 Bonds with a face value of Ps.912.7 million.
Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

Principal Trends

Related to Argentina

The momentum in consumption as a result of the Government s expansive monetary policy and an increase in salaries, as well as a very good harvest with high international commodity prices were the main drivers of Argentina s GDP growth, which in real terms grew 9.2% in 2010 according to INDEC.
Even though the strong expansion of GDP in 2010 indicates that in 2011 the economy could expand at a rate of around 5.5%, a slight slowdown is expected as compared to 2010. In this sense, if the current levels of global growth, abundant liquidity and increasing commodity prices can be maintained, the Argentine economy may continue to experience growth, even though both the agricultural and industrial sectors of the Argentine economy, will likely show more moderate growth rates as compared to their unusually high figures for 2010. However, presidential elections will be held this year, which could be accompanied by uncertainty and increased volatility.
The decrease in uncertainty at a global level, despite some economic uncertainty relating to a sovereign debt crisis in some European countries, together with the recovery being experienced by most economies worldwide, and in particular the principal business partners of Argentina, generates a promising outlook for growth potential within Argentina. Our management believes that if the economic outlook for Argentina remains positive, our business will be positively affected.

Related to the Financial System

With respect to the Argentine financial system, it is expected to continue to strengthen its solvency, as a result of increased levels of financial intermediation with the private sector. In order to accomplish these increased levels, challenges such as inflation and the reliability of the data provided by INDEC must be overcome. In addition, income from services will continue to make up a large part of operating income. Management of the various financial institutions must also focus on controlling administrative expenses in an effort to improve operational efficiency. With respect to the evolution of portfolio quality, we expect the improvement observed during the last quarter of 2010 to continue, maintaining high coverage with provisions for the non-accruing portfolio.

Related to Us

It is expected that the level of activity of all of the subsidiaries of Grupo Financiero Galicia will be consistent with expectations generated by a more favorable economic context. Given that Banco Galicia is the most significant asset of Grupo Financiero Galicia, we refer to the trends related to Banco Galicia.

During recent years, and despite passing through various periods of crisis, both internationally and domestically, Banco Galicia managed to increase its volume of business with the private sector and improve its overall capital structure, which had a positive impact on its ability to generate financial and service-related income. In 2011, with the goal of continued improvement of recurring operating results, Banco Galicia will maintain its strategy of increasing its volume of intermediation activities with the private sector, reducing its exposure to the public sector and to assets with very low or no yield maintaining an adequate diversification and risk coverage, as well as improving the structure of its liabilities and reducing its foreign debt.

The analysis of these trends should be read in conjunction with the discussion in Item 3. Key Information Risk Factors , and with consideration that the Argentine economy has been historically volatile, which has negatively affected the volume and growth of the financial system.

Item 5.B. Liquidity and Capital Resources

Liquidity Holding Company on an Individual Basis

We generate our net earnings/losses from our operating subsidiaries, especially Banco Galicia, our main operating subsidiary. Although, from 2002 to 2010 we did not receive any dividends from Banco Galicia, it is the primary source of funds available to us. On April 27, 2011, Banco Galicia s shareholders held a shareholders meeting during which they approved the distribution of cash dividends for a total amount of Ps.100.1 million. During May 2011, according to our participation of 94.84%, we received a cash dividend of Ps.94.9 million. Additionally, during 2010, we received from other subsidiaries Ps.18.8 million in cash dividends.

Banco Galicia s dividend-paying ability has been affected since late 2001 (and until 2010) by the effects of the 2001-2002 crisis on its liquidity and income-generation capacity. In addition, there were other restrictions on Banco Galicia s ability to pay dividends resulting from applicable Argentine Central Bank rules and the loan agreements entered into by Banco Galicia as part of its foreign debt restructuring. See Item 8. Financial Information-Dividend Policy and Dividends .

The extent to which a banking subsidiary may extend credit or otherwise provide funds to a holding company is limited by Argentine Central Bank rules. For a description of these rules, see Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

According to Grupo Financiero Galicia s policy for the distribution of dividends and due to the fact that most of the profits for fiscal year 2010 correspond to income by holdings and just a fraction corresponds to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations Law, and taking as well into consideration Grupo Financiero Galicia s financial condition and, particularly, the need to pay the outstanding foreign-currency denominated negotiable obligations issued, at the shareholders meeting held on April 27, 2011, our shareholders approved the payment of dividends in cash for Ps.24.8 million, which represents 2% with regard to 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

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Pursuant to what is set forth in the last paragraph of the section incorporated by Act No. 25,585 after Section 25 of Act No. 23,966, as applicable, Grupo Financiero Galicia will be restored the amounts corresponding to the tax on personal assets it paid for fiscal year 2010 in its capacity as substitute taxpayer of the shareholders subject to the above-mentioned tax.

As of December 31, 2010, Grupo Financiero Galicia, on an individual basis, had cash and due from banks for Ps.0.8 million and short-term investments for Ps.26.5 million. Grupo Financiero Galicia s short-term investments were made up of: (i) special current account deposits for Ps.24.8 million, (ii) time deposits for Ps.0.5 million, and (iii) investments in mutual funds for Ps.1.2 million.

As of December 31, 2009, Grupo Financiero Galicia, on an individual basis, had cash and due from banks for Ps.3.8 million and short-term investments for Ps.28.7 million. Grupo Financiero Galicia s short-term investments were made up of: (i) special current account deposits for Ps.3.2 million, (ii) time deposits for Ps.10.6 million, (iii) investments in mutual funds for Ps.1.8 million, (iv) negotiable obligations issued by companies from abroad for Ps.5.6 million, and (v) ETFs for Ps.7.5 million.

As of December 31, 2008, on a non-consolidated basis, we had cash and due from banks in the amount of Ps.0.2 million and short-term investments for Ps.27.3 million.

In July 2007, in exercise of our preemptive rights, we used US$102.2 million of face value of 2014 Notes and cash to subscribe for 93.6 million shares of Banco Galicia, in the offering carried out by Banco Galicia. To fund such cash subscription we entered into an US$80 million loan agreement in July 2007, the first installment of which was repaid in July 2008, for US$24.3 million (US$18.0 million of principal and US$6.3 million in interest).

On January 6, 2009, the remaining outstanding of US$62 million was cancelled in advance, with a single and final payment of US$39.1 million, with our own funds and funds from financing granted by local entities.

On March 9, 2009, our shareholders held the general ordinary shareholders meeting during which they approved the creation of a global program for simple negotiable obligations, not convertible into shares, for a maximum principal amount of US$60 million. On June 4, 2009 series I and series II notes corresponding to the class I notes were issued in the amount of US$45 million. Series I, with a one-year term, was issued for a principal amount of US$34.4 million and a yield of 8%; series II, with a two-year term, was issued for a principal amount of US$10.6 million and an annual yield of 10.5%. With the proceeds of these issuances, we proceeded to cancel the funding from local entities.

On April 14, 2010, Grupo Financiero Galicia s shareholders held the ordinary and extraordinary shareholders meeting during which they approved an extension of US$40 million in the amount of the global program of simple short-, medium- and/or long- term negotiable obligations. Therefore, the maximum amount of the program, which was originally set at US$60 million or its equivalent in any other currency, was increased to US$100 million or its equivalent in any other currency.

Furthermore, during fiscal year 2010 Grupo Financiero Galicia made an offer of negotiable obligations for a face value of US$45.0 million. The subscription period ended on June 4, 2010; the negotiable obligations were fully subscribed and Grupo Financiero Galicia decided not to issue series I, which was planned to be issued at a discount. The cut-off rate for series II was 101.82%, for a face value of US$18.1 million, equivalent to a 7% annual yield. As regards series III, the cut-off rate was 101.28%, for a face value of US$26.9 million, equivalent to an 8.5% annual yield. Accordingly, during fiscal year 2010, Grupo Financiero Galicia repaid, upon maturity, the class I, series I negotiable obligations for US$34.4 million. During 2011, Grupo Financiero Galicia repaid, upon maturity, the class I, series II negotiable obligations for US$10.6 million.

Each of our subsidiaries is responsible for their own liquidity management. For a discussion of Banco Galicia s liquidity management, see -Banco Galicia s Liquidity Management-Banco Galicia (Unconsolidated) Liquidity Management .

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Consolidated Cash Flows

Our consolidated statements of cash flows were prepared using the measurement methods prescribed by the Argentine Central Bank, but in accordance with the presentation requirements of Statement of Cash Flows, ASC 230-10. See our consolidated cash flow statements as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, included in this annual report.

As of December 31, 2010, on a consolidated basis, we had Ps.7,443.5 million in available cash (defined as total cash on hand and cash equivalents), representing a Ps.2,014.8 million increase from the Ps.5,428.7 million as of December 31, 2009. At the end of fiscal year 2009, our available cash (and cash equivalents) had increased in the amount of Ps.633.3 million from the Ps.4,795.4 million of available cash (and cash equivalents) at the end of the prior fiscal year.

Effective May 14, 2007, and in accordance with the provisions of Argentine Central Bank s Communiqué A 4667, cash equivalents are comprised of the following: Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that does not exceed 90 days, securities in connection with reverse repurchase agreement transactions with the Argentine Central Bank, short term call loans to corporations, local interbank loans and overnight placements in correspondent banks abroad. Cash equivalents also comprise, in the case of the Regional Credit Card Companies, time deposit certificates and mutual fund shares.

The table below summarizes the information from our consolidated statements of cash flows for the three fiscal years ended December 31, 2010, 2009 and 2008 which is also discussed in more detail below.

	December 31,		
	2010	**2009**	**2008**
		(in millions of Pesos)	
Funds (1) at the Beginning of the Fiscal Year	**Ps. 5,428.7**	**Ps. 4,795.4**	**Ps. 3,766.2**
Funds Provided (Used) by Operating Activities	**872.2**	**1,464.8**	**852.0**
- Funds Provided by the Sale Of or Proceeds From Government Securities Trading	327.8	1,120.9	802.6
- CER Adjustment	15.0	6.5	(113.2)
- Other	529.4	337.4	162.6
Funds Provided (Used) by Investing Activities	**(2,813.1)**	**(1,526.0)**	**1,093.6**
- Net (Increase)/Decrease in Loans	(4,539.4)	(1,185.6)	1,501.3
Loans to the Private Sector	(4,435.0)	(1,193.6)	1,444.6
Loans to the Public Sector	(104.4)	8.0	56.7
- Funds Provided by the Sale Of or Proceeds From Government Securities Available for Sale	2,376.5		36.5
- Other	(650.2)	(340.4)	(444.2)
Funds Provided (Used) by Financing Activities	**3,844.7**	**517.9**	**(1.065.6)**
- Net Increase/(Decrease) in Deposits	4,180.9	1,838.7	(57.0)
- Funds Provided/(Used) by Repurchases	211.0	(409.3)	(376.6)
- Funds Raised by the Regional Credit Card Companies	460.3	197.7	269.5
- Payments on Long-term Debt	(1,452.8)	(778.6)	(743.5)
- Other	445.3	(330.6)	(158.0)
-Effect of Exchange Rate on Cash and Cash Equivalents	**111.1**	**176.7**	**149.2**

Funds at the End of the Fiscal Year	**Ps.**	**7,443.5**	**Ps.**	**5,428.7**	**Ps.**	**4,795.4**

(1) Cash and cash equivalents.

Our investing activities primarily consist of our origination of loans and other credits to the private sector. Our financing activities primarily include raising customer deposits, in addition to entering into sales of government securities under repurchase agreement transactions or not, issuing bonds in the local and foreign capital markets and borrowing from foreign and local banks and international credit agencies. In the last few years, these activities have also included reducing expensive liabilities incurred as a consequence of the 2001-2002 crisis.

As shown in the table above, and explained in more detail below, in the last three years and consistently with our strategy of strengthening our balance sheet, we have generated significant amounts of cash from our exposure to the public sector, which represents mainly Banco Galicia s exposure, for approximately Ps.2,614.9 million in 2010, Ps.1,135.4 million in 2009 and Ps.782,7 million in 2008, and have used cash generated by such assets (as well as these assets directly) mainly to repay restructured foreign debt, incurred as a consequence of or related to the 2001-2002 crisis.

In 2010 and 2009 funds generated by operating and financing activities were used for investing activities, mainly due to the increase in loans to the private sector.

In 2008, due to the international economic crisis and its local impact, our main source of funds was funds available at the end of the fiscal year due to a decrease in loans to the private sector (in replacement of our principal source of funding: deposits).

Management believes that cash flows from operations and available cash and cash equivalent balances, will be sufficient to fund our financial commitments and capital expenditures for fiscal year 2011.

Cash Flows from Operating Activities

In fiscal year 2010, net cash provided by operating activities exceeded our net income of Ps.408.9 million and amounted to Ps.872.2 million, due to the depreciation and amortization of intangibles assets, which represent non-cash expenses, of Ps.433.2 million, loan loss provisions, which, similarly, do not require cash at the time of provision and which, net of reversals, amounted to Ps.346.7 million and a decrease of Ps.327.8 million of government securities attributable to the increase of Ps.363.6 million of Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that exceed 90 days and offset by Ps.35.8 million of other securities. In addition, net cash was provided by other fluctuations in operating assets and liabilities: (i) Ps.15.0 million of the collection of CER adjustment, (ii) Ps.104.4 million of foreign exchange brokerage, (iii) Ps.144.2 million of the liquidation corresponding to Tarjeta Naranja Financial Trust, (iv) Ps.224.1 million of collections on account of third parties and (v) Ps.723.2 million of the decrease of net other assets and liabilities.

In fiscal year 2009, net cash provided by operating activities exceeded our net income of Ps.229.3 million and amounted to Ps.1,464.8 million, due to the depreciation and amortization of intangibles assets, which represent non-cash expenses, of Ps.241.5 million, loan loss provisions, which, similarly, do not require cash at the time of provision and which, net of reversals, amounted to Ps.487.6 million and a decrease of Ps.1,120.9 million of government securities attributable to sales and to the collection of amortization and interest on Boden 2012 Bonds for Ps.637.4 million, Ps.1,170.1 million of sales of securities in Pesos, net of Ps.894.2 million of Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that exceed 90 days and the increase of Ps.166.6 million of trading securities. In addition, net cash was provided by other fluctuations in operating assets and liabilities: (i) Ps.6.5 million collection of CER adjustment, (ii) Ps.160.9 million of foreign exchange brokerage, (iii) Ps.17.8 million of deposit in connection with Decree No. 616, and (iv) Ps.57.0 million of the liquidation corresponding to Tarjeta Naranja Financial Trust. Cash generated from operating activities was higher than in fiscal year 2008, basically because of more sales of government securities.

In fiscal year 2008, net cash provided by operating activities exceeded our net income of Ps.176.8 million and amounted to Ps.852.0 million, due to the depreciation and amortization of intangibles assets, which represent non-cash expenses, of Ps.161.3 million, loan loss provisions, which, similarly, do not require cash at the time of provision and which, net of reversals, amounted to Ps.335.7 million and a decrease of Ps.802.6 million of government securities attributable to the collection of amortization and interest on Boden 2012 Bonds for Ps.620.5 million, sales of Argentine bonds for Ps.36.8 million, sales of other securities for Ps.80.8 million and Ps.64.5 million of Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that exceed 90 days. In addition, net cash was provided by other fluctuations in operating assets and liabilities: (i) Ps.113.2 million corresponding to the capitalization of CER adjustment, (ii) Ps.86.8 million of interest on repurchase agreement transactions, (iii) Ps.76.0 million of minimum presumed income tax, and (iv) Ps.79.3 million of securitization of loans which represents non-cash income. Cash generated from operating activities was lower than in fiscal year 2007, basically because of fewer sales of government securities.

Cash Flows from Investing Activities

In fiscal year 2010, net cash used by investing activities amounted to Ps.2,813.1 million. This increase was mainly attributable to the increase of Ps.4,539.4 million in our private-sector loan portfolio. In addition, cash equal to Ps.391.1 million was applied to bank premises and equipment, miscellaneous and intangible assets and Ps.339.3 attributable to investments in other companies. These amounts were offset by sales and the collection of amortization and interest on Boden 2012 Bonds for Ps.1,808.6 million, Ps.487.2 million of sales of Discount Bonds, Ps.80.7 million of sales of Bonar 2015 Bonds, and Ps.80.2 million corresponding to other intangible assets.

In fiscal year 2009, net cash used by investing activities increased to Ps.1,526.0 million. This increase was mainly attributable to the increase of Ps.1,185.6 million in our private-sector loan portfolio. In addition, cash equal to Ps.282.6 million was applied to bank premises and equipment, miscellaneous and intangible assets, including payments of deposits pursuant to *amparo claims*. Cash used by investing activities increased from 2008, as our private-sector loan portfolio increased, because of the international financial crisis and its local impact as seen on 2008.

In fiscal year 2008, net cash generated by investing activities decreased to Ps.1,093.6 million. This decrease was mainly attributable to the decrease of Ps.1,501.3 million in our private-sector loan portfolio. In addition, cash equal to Ps.403.1 million was applied to bank premises and equipment, miscellaneous and intangible assets, including payments of deposits pursuant to *amparo claims*. Cash used by investing activities decreased from 2007, as our private-sector loan portfolio decreased, because of the international financial crisis and its local impact.

Cash Flows from Financing Activities

In fiscal year 2010, financing activities generated cash in the amount of Ps.3,844.6 million due to a Ps.4,180.9 million increase in deposits, corresponding to: (a) an increase of Ps.3,326.9 million in demand deposits and (b) an increase of Ps.854.0 million in time deposits. In addition, cash for Ps.211.0 million was generated by net repurchase agreement transactions and Ps.445.3 million was generated by an increase in short-term borrowings. These amounts were offset by Ps.992.5 million net decrease in long-term credit facilities, mainly corresponding to: (a) payments of interest on restructured debt, the payment of two amortization installments on debt due 2010 and the prepayment of Banco Galicia s 2014 Notes for Ps.1,031.7 million, (b) payments of long-term debt for Ps.421.1 million and (c) a Ps.460.3 million net increase in funds obtained by the Regional Credit Card Companies through the issuance of negotiable obligations and long term foreign credit facilities.

In fiscal year 2009, financing activities generated cash in the amount of Ps.517.9 million due to a Ps.1,838.7 million increase in deposits, corresponding to: (a) an increase of Ps.1,793.9 million in demand deposits and (b) an increase of Ps.44.8 million in time deposits, which was offset by the following: (i) a Ps.580.9 million net decrease in long term credit facilities, mainly corresponding to: (a) payments of interest on restructured debt for US$41.4 million, (b) the payment of two amortization installments on debt due 2010 for US$68.4 million, (c) the prepayment of Banco Galicia s 2014 Notes for US$77.3 million, (d) a decrease of Ps.6.8 million of IFC loans and (e) a Ps.86 million net decrease in funds obtained by the Regional Credit Card Companies through the issuance of negotiable obligations; (ii) a Ps.409.3 million net decrease in repurchase agreement transactions; and (iii) a Ps.319.9 million net decrease in short-term borrowings, mainly due to the decrease in borrowings from local and foreign banks, for Ps.327.5 million. In addition, on January 7, 2009, Grupo Financiero Galicia paid in advance, through a single and final payment of US$39.1 million, the remaining balance of the loan entered into with Merrill Lynch International. In order to make the above-mentioned prepayment, Grupo Financiero Galicia used its own funds plus funds from a 180-day loan entered into with Sudamericana on January 6, 2009 for the amount of Ps.97 million.

On March 9, 2009 Grupo Financiero Galicia s shareholders, at their ordinary shareholders meeting, approved the creation of a negotiable obligation program for up to US$60 million. The CNV approved said program on April 29, 2009, and, on May 9, 2009, also approved a pricing supplement for the offering of negotiable obligations for up to US$45 million. See Item 5.A. Operating Results-Funding-Debt Programs .

On June 4, 2009, Grupo Financiero Galicia issued two bonds amounting to US$45 million: (i) US$34.4 million of non-interest bearing bonds due on May 30, 2010, these bonds were issued at a price of 92.68/100 and their yield will be 8%, and (ii) US$10.6 million of bonds with a 12.5% coupon, due on May 25, 2011, these bonds were issued at a price of 103.48/100 and their yield will be 10.5%. Interest on the bonds noted in (ii) is payable semiannually. With the proceeds of said bonds, Grupo Financiero Galicia cancelled the bridge loan that it had entered with Sudamericana on January 6, 2009.

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In fiscal year 2008, financing activities used cash in the amount of Ps.1,065.6 million, mainly due to: (i) a Ps.474.0 million net decrease in long term credit facilities, mainly corresponding to: (a) the payments of interest on restructured debt for US$49 million, (b) the payment of two amortization installments on debt due 2010 for US$68.4 million, (c) the prepayment of Banco Galicia s 2014 Notes for US$30.2 million, (d) the reduction of US$24.6 million of Galicia Uruguay s restructured debt structured as negotiable obligations, (e) the increase of Ps.153.6 million of IFC loans and (f) the Ps.80.5 million net decrease in funds obtained by the Regional Credit Card Companies through the issuance of negotiable obligations; (ii) a Ps.376.6 million net decrease in repurchase agreement transactions; (iii) a Ps.156.6 million net decrease in short-term borrowings, mainly due to: (a) the decrease in borrowings from local and foreign banks, for Ps.81.0 million and (b) the payment of US$24.0 million as part of a US$80 million loan granted to us in last year; and (iv) a Ps.57.0 million decrease in deposits, corresponding to: (a) a decrease of Ps.908.4 million in time deposits and (b) an increase of Ps.868.1 million in demand deposits.

For a description of the types of financial interests we use and the maturity profile of our debt, currency and interest rate structure, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results .

Banco Galicia s Liquidity Management

Banco Galicia Consolidated Liquidity Gaps

Liquidity risk is the risk that liquid assets are not available for Banco Galicia to meet financial commitments at contractual maturity, take advantage of potential investment opportunities and meet demand for credit. To monitor and control liquidity risk, Banco Galicia monitors and systematically calculates the gaps between financial assets and liabilities maturing within set time intervals based on contractual remaining maturity, on a consolidated basis with the Regional Credit Card Companies and CFA. All of the deposits in current accounts and other demand deposits and deposits in savings accounts are included in the first time interval. These figures are used to simulate different liquidity crisis scenarios based on assumptions stemming from historical experience.

As of December 31, 2010, the consolidated gaps between maturities of Banco Galicia s financial assets and liabilities based on contractual remaining maturity were as follows

	As of December 31, 2010[(1)]				
	Less than one Year	**1 - 5 Years**	**5 - 10 Years**	**Over 10 Years**	**Total**
	(in millions of Pesos, except ratios)				
Assets					
Cash and Due from Banks	1,730.1				**1,730.1**
Argentine Central Bank Escrow Accounts	4,283.9				**4,283.9**
Overnight Placements	215.3				**215.3**
Loans Public Sector	2.0				**2.0**
Loans Private Sector	17,444.3	3,256.4	163.0	13.0	**20,876.7**
Government Securities	2,043.6	643.2			**2,686.8**
Negotiable Obligations and Corporate Securities	45.8	23.6	7.1		**76.5**
Financial Trusts	411.4	308.4	270.0		**989.8**
Special Fund Former Almafuerte Bank	0.0	164.7			**164.7**
Other Financing	9.5				**9.5**
Assets under Financial Lease	162.4	263.6	43.1		**469.1**
Other	359.4				**359.4**
Total Assets	**26,707.7**	**4,659.9**	**483.2**	**13.0**	**31,863.8**

Liabilities					
Savings Accounts	6,190.0				**6,190.0**
Demand Deposits	6,018.8				**6,018.8**
Time Deposits	9,896.9	35.1	0.1	0.1	**9,932.2**
Negotiable Obligations	554.4	1,201.0			**1,755.4**
International Banks and Credit Agencies	476.6	226.5			**703.1**
Domestic Banks	357.2	342.4	12.8	0.1	**712.5**
Other Liabilities (1)	4,255.2	397.6			**4,652.8**
Total Liabilities	**27,749.1**	**2,202.6**	**12.9**	**0.2**	**29,964.8**
Asset / Liability Gap	(1,041.4)	2,457.3	470.3	12.8	**1,899.0**
Cumulative Gap	(1,041.4)	1,415.9	1,886.2	1,899.0	**1,899.0**
Ratio of Cumulative Gap to Cumulative Liabilities	(3.8)%	4.7%	6.3%	6.3%	
Ratio of Cumulative Gap to Total Liabilities	(3.5)%	4.7%	6.3%	6.3%	

Principal plus CER adjustment. Does not include interest.

(1) Includes, mainly, debt with retailers due to credit card operations, liabilities in connection with repurchase transactions, debt with domestic credit agencies and collections for third parties. The Less than One Year bucket also includes Ps.6.7 million corresponding to Banco Galicia s foreign debt not tendered by its holders in the exchange offered to restructure such foreign debt, which was completed in May 2004.

The table above is prepared taking into account contractual maturity. Therefore, all financial assets and liabilities with no maturity date are included in the Less than 1 Year category.
Banco Galicia must comply with a maximum limit set by its board of directors for liquidity mismatches. This limit has been established at -25% (minus 25%) for the ratio of cumulative gap to total liabilities within the first year. As shown in the table above, Banco Galicia complies with the established policy, since such gap was -3.5% (minus 3.5%) as of December 31, 2010.

Banco Galicia (Unconsolidated) Liquidity Management

The following is a discussion of Banco Galicia s liquidity management, excluding the consolidated companies.
Banco Galicia s policy is to maintain a level of liquid assets that allows it to meet financial commitments at contractual maturity, take advantage of potential investment opportunities, and meet customer s credit demand. To set the appropriate level, forecasts are made based on historical experience and on an analysis of possible scenarios. This enables management to project funding needs and alternative funding sources, as well as excess liquidity and placement strategies for such funds. As of December 31, 2010, Banco Galicia s unconsolidated liquidity structure was as follows:

	As of December 31, 2010	
	(in millions of Pesos)	
Legal Requirement	Ps.	4,861.1
Management Liquidity		2,647.5
Total Liquidity [(1)]	**Ps.**	**7,508.6**

(1) Excludes cash and due from banks of consolidated companies.

The legal liquidity requirements in the table above correspond to the Minimum Cash Requirements for Peso- and Dollar-denominated liabilities determined by Argentine Central Bank regulations. For more information on the Argentine Central Bank regulations regarding reserve requirements for liquidity purposes, see Item 4. Information on the Company-Argentine Banking Regulation-Legal Reserve Requirements for Liquidity Purposes .
The assets included in this calculation are technical cash, which consists of bills and coins, the balances of Peso- and Dollar-denominated deposit accounts at the Argentine Central Bank and escrow accounts held at the Argentine Central Bank in favor of clearing houses.
Management liquidity consists of the following items: (i) 100% of the balance of overnight placements in banks abroad, (ii) the net amount of the margin requirement for short-term loans (call loans) to highly-rated companies, (iii) 90% of the Lebac balance, (iv) 100% of the market value of available government securities, due to the potential liquidity that might be obtained through sales or repurchase transactions, (v) net short-term interbank loans (call loans), and (vi) 100% of the balance at the Argentine Central Bank, including escrow accounts in favor of clearing houses, in excess of the amounts necessary to cover the Minimum Cash Requirements.
During the shareholders meeting of Banco Galicia held on April 27, 2011, Banco Galicia s shareholders approved the proposal of its board of directors in connection with the payment of a cash dividend for Ps.100.1 million. This proposal was previously authorized by the Superintendency, required by regulations in force established by the Argentine Central Bank. From said dividend, the personal asset tax corresponding to fiscal year 2010 will be withheld, at the appropriate time.

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Capital

Our capital management policy is designed to ensure prudent levels of capital. The following table analyzes our capital resources as of the dates indicated.

	As of December 31,		
	2010	**2009**	**2008**
	(in millions of Pesos, except ratios, multiples and percentages)		
Shareholders Equity	Ps. 2,469.5	Ps. 2,052.5	Ps. 1,845.7
Shareholders Equity as a Percentage of Total Assets	6.92%	7.44%	7.46%
Total Liabilities as a Multiple of Total Shareholders Equity	13.46x	12.45x	12.40x
Tangible Shareholders Equity[(1)] as a Percentage of Total Assets	5.64%	5.36%	5.17%

(1) Tangible shareholders equity represents shareholders equity minus intangible assets.

For information on our capital adequacy and that of our operating subsidiaries, see Item 4. Information on the Company-Selected Statistical Information-Regulatory Capital .

Capital Expenditures

In the course of our business, our capital expenditures are mainly related to fixed assets, construction and organizational and IT system development. In general terms, our capital expenditures are not significant when compared to our total assets.

For a more detailed description of our capital expenditures in 2010 and our capital commitments for 2011, see Item 4. Information on the Company-Capital Investments and Divestitures . For a description of financing of our capital expenditures, see -Consolidated Cash Flows .

Item 6. Directors, Senior Management and Employees

Our Board of Directors

Our ordinary shareholders meeting took place on April 27, 2011. The following table sets out the members of our Board of Directors as of that date (all of whom reside in Buenos Aires, Argentina), the positions they hold within Grupo Financiero Galicia, their dates of birth, their principal occupations and the dates of their appointment and on which their current terms will expire. Terms expire when the annual shareholders meeting takes place.

Name	Position	Date of Birth	Principal Occupation	Member Since	Current Term Ends
Eduardo J. Escasany	Chairman	June 30, 1950	Businessman	April 2005	December 2012
Pablo Gutiérrez	Vice chairman	December 9, 1959	Banker	April 2003	December 2012
Abel Ayerza	Director	May 27, 1939	Businessman	September 1999	December 2011
Federico Braun	Director	February 4, 1950	Businessman	September 1999	December 2013
Enrique Martin	Director	October 19, 1945	Businessman	April 2006	December 2011
Luis O. Oddone	Director	May 11, 1938	Businessman	April 2005	December 2012
Silvestre Vila Moret	Director	April 26, 1971	Businessman	June 2002	December 2013
Eduardo J. Zimmermann	Director	January 3, 1931	Businessman	April 2000	December 2011
Guido C. Forcieri	Director	May 15, 1980	Lawyer	April 2011	December 2013
María Ofelia Hordeñana	Alternate Director	December 30, 1920	Businesswoman	April 2000	December 2013

de Escasany					
Sergio Grinenco	Alternate Director	May 26, 1948	Banker	April 2003	December 2013
Alejandro Rojas Lagarde	Alternate Director	July 17, 1937	Lawyer	April 2000	December 2011
Luis S. Monsegur	Alternate Director	August 15, 1936	Accountant	April 2000	December 2013

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The following is a summary of the biographies of the members of our Board of Directors:

Eduardo Escasany: Mr. Escasany obtained a degree in economics at the Universidad Católica Argentina. He was associated with Banco Galicia from 1973 to 2002. He was appointed to Banco Galicia s board of directors in 1975. In 1979, he was elected as the vice chairman and from 1989 to March 21, 2002 he was the chairman of Banco Galicia s board of directors and its chief executive officer. He served as the vice chairman of the board between 1989 and 1993 and then, he was elected as the chairman of the Argentine Bankers Association from 1993 to 2002. He was also chairman of the Board of Directors from September, 1999 until June, 2002. He was elected again as a member of the Board of Directors in April 2005, and re-elected in April 2007. In April 2010, he was re-elected as member of the Board of Directors and appointed as chairman. He is also a lifetime trustee and vice chairman of the Fundación Banco de Galicia y Buenos Aires. Mr. Escasany is Mrs. María Ofelia Hordeñana de Escasany s son and Mr. Silvestre Vila Moret s uncle.

Pablo Gutiérrez: Mr. Gutierrez obtained a degree in business administration at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1985. In April 2005, he was appointed to the board of directors of Banco Galicia. He served as the head of Banco Galicia s Treasury Division until April 2007. Mr. Gutierrez is also chairman of Galicia Valores, director of Argenclear S.A., vice chairman of Galicia Pension Fund Limited and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. He has been an alternate director of Grupo Financiero Galicia since April 2003, and was re-elected in April 2006 and in April 2009. In April 2010, he was re-elected as member of the Board of Directors and appointed as vice chairman. Mr. Gutierrez is Mr. Abel Ayerza s nephew.

Abel Ayerza: Mr. Ayerza obtained a degree in business administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1966 to 2002, having served as a member of Banco Galicia s board of directors from 1976 to 2002. Mr. Ayerza is also the chairman of Aygalpla S.A., a lifetime trustee and second vice chairman of the Fundación Banco de Galicia y Buenos Aires and the managing partner of Cribelco S.R.L., Crisabe S.R.L. and Huinca Cereales S.R.L. He has been a member of the Board of Directors since September, 1999. In April 2000 he was elected as vice chairman, and on June 3, 2002 he was appointed as chairman of the Board of Directors. On April 23, 2003 he was elected for his current position, and later he was re-elected on April 27, 2006 and on April 28, 2009. Mr. Ayerza is the uncle of Mr. Pablo Gutierrez.

Federico Braun: Mr. Braun obtained a degree in industrial engineering at the Universidad de Buenos Aires. He was associated with Banco Galicia from 1984 to 2002, having served as a member of the Board of Directors during such period. Mr. Braun is also the chairman of Asociación Argentina de Codificación de Productos Comerciales (Código), Campos de la Patagonia S.A., Estancia Anita S.A. and S.A. Importadora and Exportadora de la Patagonia; the vice chairman of Club de Campo Los Pingüinos S.A., Inmobiliaria y Financiera La Josefina S.A. and Asociación de Supermercados Unidos y Mayorista Net S.A.; a member of Asociación Empresaria Argentina and a lifetime trustee of the Fundación Banco de Galicia y Buenos Aires. He has been a member of the Board of Directors since September, 1999. He was elected for his current position on June 3, 2002, and was re-elected on April 28, 2005, on April 29, 2008 and on April 27, 2011.

Enrique Martin: Mr. Martin obtained a degree in law at the Universidad de Buenos Aires. He was a professor at said university for more than 20 years and has a post-graduate certificate in international economics from the University of London. He was associated with Banco Galicia from 1977 until 2002 and was responsible for the International Banking Relations Department. Mr. Martin is Advisor to ZEIG S.A. He is also a director of the Argentine-Chilean Chamber of Commerce and an advisor to the Canadian-Argentine Chamber of Commerce. He has been a member of the Board of Directors since April 2006, and was re-elected in April 2009.

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Luis Oddone: Mr. Odonne obtained a degree in national public accounting at the Universidad de Buenos Aires. He was appointed as Grupo Financiero Galicia s syndic from 1999 until April 2005. Mr. Oddone is also the chairman of La Cigarra S.A. and Scharstof S.A., a director of Petrolera de Conosur S.A. and a syndic for Santa Emilia de Martin S.A. and Promotora S.A. He has been a member of the Board of Directors since April, 2005, and was re-elected in April 2007 and in April 2010.

Silvestre Vila Moret: Mr. Vila Moret obtained a degree in banking administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1997 until May 2002. Mr. Vila Moret is also vice chairman of El Benteveo S.A. and Santa Ofelia S.A. He has been a member of the Board of Directors since June 2002, and was re-elected in April 2005, 2008 and 2011. Mr. Vila Moret is the grandson of Mrs. María Ofelia Hordeñana de Escasany and nephew of Mr. Eduardo Escasany.

Eduardo Zimmermann: Mr. Zimmermann obtained a degree in banking administration at the Universidad Argentina de la Empresa. He was associated with Banco Galicia between 1958 and 2002, where he acted as a director from 1975 to 2002. Mr. Zimmermann is also a lifetime trustee of the Fundación Banco de Galicia y Buenos Aires. He has been a member of the Board of Directors since April 2000, and was re-elected to his current position in April 2006 and in April 2009.

César Forcieri: Mr. Forcieri obtained a degree in Law at the Universidad Argentina de la Empresa (UADE) in 2005 and a Master in Finance at the Universidad del CEMA in 2008. As from 2006 to 2010, he held different offices in ANSES, performing duties in its Technical and Administrative Department and its Acquisitions and Public Contracts Office, as well as in the Wealth Fund for the Pension System (Fondo de Garantía de Sustentabilidad para el Sistema Integrado Previsional Argentino FGS-SIPA), where he served as Liaison Manager from 2009 through May 2010. During the same period, he was a regular director at Quickfood S.A., a public company partially owned by the FGS-SIPA. As from May to August 2010 he served as Acting Chief of Staff at the Argentine Ministry of Economy and Finance, when he was confirmed by Presidential Decree 1182/10. He remains in office. Amongst the duties entrusted to him, Mr. Forcieri represents Argentina as Deputy Finance Minister to the Group of Twenty and chairs the Ministry s Working Group for the Analysis of Investment Projects applying to the Bicentennial Investment Loans Programme (Programa de Financiamiento Productivo del Bicentenario).

María Ofelia Hordeñana de Escasany: Mrs. Hordeñana de Escasany has held several positions in different subsidiaries of Banco Galicia. She is currently the chairman of the Fundación Banco de Galicia y Buenos Aires and Santamera S.A. She has been an alternate director of Grupo Financiero Galicia since April 2000, and was re-elected to her current position in April 2005, 2008 and 2011. Mrs. Hordeñana de Escasany is the mother of Mr. Eduardo Escasany and the grandmother of Mr. Silvestre Vila Moret.

Sergio Grinenco: Mr. Grinenco obtained a degree in economics at the Universidad Católica Argentina and a master s degree in business administration from Babson College in Wellesley, Massachusetts. He has been associated with Banco Galicia since 1977. He was elected as an alternate director of Banco Galicia in September 2001 and as the vice chairman in April 2003, a position he currently holds after being re-elected in April 2006, 2009 and 2011.

Mr. Grinenco is also the chairman of Galicia Factoring y Leasing S.A., liquidator of Galicia Capital Markets S.A. (in liquidation) and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires.

Alejandro María Rojas Lagarde: Mr. Rojas obtained a degree in law at the Universidad de Buenos Aires. He has held a variety of positions at Banco Galicia since 1963. From 1965 to January 2000, he was responsible for the general counsel office of Banco Galicia. He was re-elected to his current position in April 2005 and in April 2008. He is also a manager of Rojas Lagarde S.R.L., director of Santiago Salud S.A. and lifetime trustee of the Fundación Banco de Galicia y Buenos Aires.

Luis Sila Monsegur: Mr. Monsegur obtained a degree in national public accounting at the Universidad de Buenos Aires. He held a variety of positions at Banco Galicia from 1962 to 1992 and is an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. He was re-elected to his current position in April 2005, 2008 and 2011.

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Our Board of Directors may consist of between three and nine permanent members. Currently our Board of Directors has nine members. In addition, the number of alternate directors-individuals who act in the temporary or permanent absence of a director-has been set at four. The directors and alternate directors are elected by the shareholders at our annual general shareholders meeting. Directors and alternate directors are elected for a three-year term.
Messrs. Sergio Grinenco and Pablo Gutiérrez are also directors of Banco Galicia. In addition, some members of our Board of Directors may serve on the board of directors of any subsidiary we establish in the future.
Five of our directors and one of our alternate directors are members of the families that are the controlling shareholders of Grupo Financiero Galicia.

Our Audit Committee

In compliance with CNV rules regarding the composition of the Audit Committee of companies listed in Argentina, which require that the Audit Committee be comprised of at least three directors, with a majority of independent directors, the Board of Directors established an Audit Committee with three members. Currently, Messrs. Luis O. Oddone, Eduardo Zimmermann and C. Enrique Martin are the members of the Audit Committee. All of the members of our Audit Committee are independent directors under the CNV and Nasdaq requirements. All three members of the Audit Committee are financially literate and have extensive managerial experience. Mr. Oddone is the financial expert serving on our Audit Committee.
According to the CNV rules, the Audit Committee is primarily responsible for (i) issuing a report on the Board of Directors proposals for the appointment of the independent auditors and the compensation for the Directors, (ii) issuing a report detailing the activities performed according to the CNV requirements, (iii) issuing the Audit Committee s annual plan and implementing the plan each fiscal year, (iv) evaluating the external auditors independence, work plans and performance, (v) evaluating the plans and performance of the internal auditors, (vi) supervising the reliability of our internal control systems, including the accounting system, and of external reporting of financial or other information, (vii) following-up on the use of information policies on risk management at Grupo Financiero Galicia s main subsidiaries, (viii) evaluating the reliability of the financial information to be filed with the CNV and the SEC, (ix) verifying compliance with the applicable conduct rules, and (x) issuing a report on related party transactions and disclosing any transaction where a conflict of interest exists with corporate governance bodies and controlling shareholders. The Audit Committee has access to all information and documentation that it requires and is broadly empowered to fulfill its duties. During 2010, the Audit Committee held twelve meetings.

Our Supervisory Committee

Our bylaws provide for a Supervisory Committee consisting of three members who are referred to as syndics (syndics) and three alternate members who are referred to as alternate syndics (alternate syndics). In accordance with the Corporations Law and our bylaws, the syndics and alternate syndics are responsible for ensuring that all of our actions are in accordance with applicable Argentine law. Syndics and alternate syndics are elected by the shareholders at the annual general shareholders meeting. Syndics and alternate syndics do not have management functions. Syndics are responsible for, among other things, preparing a report to shareholders analyzing our financial statements for each year and recommending to the shareholders whether to approve such financial statements. Alternate syndics act in the temporary or permanent absence of a syndic. Currently, there are three syndics and three alternate syndics. Syndics and alternate syndics are elected for a one-year term.
The following table shows the members of our Supervisory Committee. Each of our syndics was appointed at the ordinary shareholders meeting held on April 27, 2011. Terms expire when the annual shareholders meeting takes place.

Name	**Position**	**Principal Occupation**	**Current Term Ends**
Norberto Corizzo	Syndic	Accountant	December 2011
Luis A. Díaz	Syndic	Accountant	December 2011
Enrique M. Garda Olaciregui	Syndic	Lawyer	December 2011
Miguel Armando	Alternate Syndic	Lawyer	December 2011
Fernando Noetinger	Alternate Syndic	Lawyer	December 2011

Horacio Tedín	Alternate Syndic	Lawyer	December 2011

The following is a summary of the biographies of the members of our Supervisory Committee:

Norberto Corizzo: Mr. Corizzo obtained a degree in national public accounting at the Universidad de Buenos Aires. He has developed taxes activities in companies such as López González Raimondi y Asoc., Noel y Cía and Price Waterhouse. He has been syndic at Grupo Financiero Galicia since April 2003. He has been associated with Banco Galicia since 1977. Mr. Corizzo is also a syndic of Banco Galicia, EBA Holding, Tarjetas Regionales S.A., Cobranzas Regionales S.A., Tarjeta Naranja S.A., Tarjetas Cuyanas S.A., Tarjetas del Mar S.A., Compañía Financiera Argentina, and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

Luis Díaz: Mr. Díaz obtained a degree in national public accounting at the Universidad de Buenos Aires. He has provided services to Banco Galicia since 1965, and was elected as a syndic of Banco Galicia and Grupo Financiero Galicia at the shareholders meetings held on April 28, 2009. Additionally, he is a syndic of Tarjetas Regionales S.A., Tarjetas del Mar S.A., Galicia Factoring y Leasing S.A. (in liquidation), Galicia Valores, Galicia Warrants, Compañía Financiera Argentina and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

Enrique M. Garda Olaciregui: Mr. Garda Olaciregui obtained a degree in law at the Universidad del Salvador. He has a master in Finances at Universidad del CEMA and a degree in Corporate Law at Universidad Austral. He has been associated with Banco Galicia since 1970. He served as legal advisor to Banco G