

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)

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934**  
**or**
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the fiscal year ended December 31, 2010**  
**or**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the transition period from \_\_\_\_\_ to \_\_\_\_\_**  
**or**
- Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of event requiring this Shell Company Report**  
**Commission File Number 000-30852**

**GRUPO FINANCIERO GALICIA S.A.**

(Exact name of Registrant as specified in its charter)

**GALICIA FINANCIAL GROUP**

(Translation of Registrant's name into English)

**REPUBLIC OF ARGENTINA**

(Jurisdiction of incorporation or organization)

**Grupo Financiero Galicia S.A.**

**Tte. Gral. Juan D. Perón 456**

**C1038 AAJ-Buenos Aires, Argentina**

(Address of principal executive offices)

**Pedro Richards, Chief Executive Officer**

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

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

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

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

American Depositary Shares, each representing ten Class B ordinary Shares

Name of each exchange on which registered

Nasdaq Capital Market

Title of each class

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

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

None

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

None

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards

Other

As issued by the International Accounting Standards Board

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

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

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**PRESENTATION OF FINANCIAL INFORMATION**

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

Grupo Financiero Galicia;

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. 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, anticipate, believe, continue or other similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided with respect to these statements. Because these statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely from those contemplated in such forward-looking statements include but are not limited to:

- changes in 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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	<b>Fiscal Year Ended December 31,</b>					
	<b>2010</b> <i>(in millions of US Dollars, except as noted)<sup>(1)</sup></i> <i>Unaudited</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Consolidated Income Statement in Accordance with Argentine Banking GAAP</b>						
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 <sup>(2)</sup>	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
<b>Amounts in Accordance with U.S. GAAP</b>						
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)
<b>Consolidated Balance Sheet in Accordance with Argentine Banking GAAP</b>						
Cash and Due from Banks	1,420.0	5,645.6	3,696.3	3,405.1	2,960.0	2,294.8

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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 <sup>(3)</sup>	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 <sup>(4)</sup>	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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	<b>2010</b>	<b>Fiscal Year Ended December 31,</b>			<b>2006</b>
		<b>2009</b>	<b>2008</b>	<b>2007</b>	
		<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>			
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b><i>Profitability and Efficiency</i></b>					
Net Yield on Interest Earning Assets <sup>(5)</sup>	11.38%	9.10%	5.72%	4.13%	1.21%
Financial Margin <sup>(6)</sup>	10.02	8.41	5.72	4.12	1.74
Return on Average Assets <sup>(7)</sup>	1.76	1.12	0.91	0.37	0.00
Return on Average Shareholders Equity <sup>(8)</sup>	18.63	11.69	10.13	2.86	(1.15)
Net Income from Services as a Percentage of Operating Income <sup>(9)</sup>	44.71	45.90	51.07	54.86	63.99
Efficiency ratio <sup>(10)</sup>	71.39	71.05	76.57	77.29	92.80
<b><i>Capital</i></b>					
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%
<b><i>Liquidity</i></b>					
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
<b><i>Credit Quality</i></b>					
Past Due Loans <sup>(11)</sup> as a Percentage of Total Loans	2.57%	3.95%	2.87%	2.77%	2.38%
Non-Accrual Loans <sup>(12)</sup> 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 <sup>(12)</sup>	137.57	118.64	123.11	114.05	117.16
Net Charge-Offs <sup>(13)</sup> as a Percentage of Average Loans	2.37	2.84	1.83	0.65	1.42
<b>Ratios in Accordance with U.S. GAAP</b>					
<b><i>Capital</i></b>					
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
<b><i>Liquidity</i></b>					
Loans, Net as a Percentage of Total Assets	52.56%	45.55%	49.59%	49.36%	40.10%
<b><i>Credit Quality</i></b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	163.37	108.37	141.34	132.13	168.58
<b><i>Inflation and Exchange Rate</i></b>					
Wholesale Inflation <sup>(14)</sup>	14.56%	10.04%	8.82%	14.56%	7.14%
Consumer Inflation <sup>(15)</sup>	10.92	7.69	7.24	8.47	9.84
Exchange Rate Variation <sup>(16)</sup> (%)	4.72	9.93	9.61	2.66	1.25
CER <sup>(17)</sup>	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.

	<b>High</b>	<b>Exchange Rate<sup>(1)</sup></b>		<b>Period-End</b>
		<b>Low</b>	<b>Average<sup>(2) (3)</sup></b>	
		<i>(in Pesos per US Dollar)</i>		
2006	3.1072	3.0305	3.0784 <sup>(3)</sup>	3.0695
2007	3.1797	3.0553	3.1196 <sup>(3)</sup>	3.1510
2008	3.4537	3.0128	3.1797 <sup>(3)</sup>	3.4537
2009	3.8545	3.4497	3.7478 <sup>(3)</sup>	3.7967
2010	3.9857	3.7942	3.9226 <sup>(3)</sup>	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 adversely 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 Depository 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.

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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 Financiero 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.



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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.

**Table of Contents*****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.



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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.





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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.

**Table of Contents*****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, consequently, 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.

**Table of Contents*****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.

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

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

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

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

***Interruption or failure in 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.

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Together with the launching of the above-mentioned initiatives, Banco Galicia began to normalize its activities, progressively restoring its customer relations and growing its business with the private sector. 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).

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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.

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*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:

<i>Geographical Area</i>	<i>Number of Branches</i>
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
<b>Total</b>	<b>239</b>

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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.

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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.

**Table of Contents****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 8<sup>th</sup> 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
<b>Electronic Banking Transactions</b> ( <i>thousands per month</i> )	
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:

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

- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina (1)	336	Administrative activities
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(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, Río 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: