

*Banco* ***Galicia***

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**November 2006**

# Agenda

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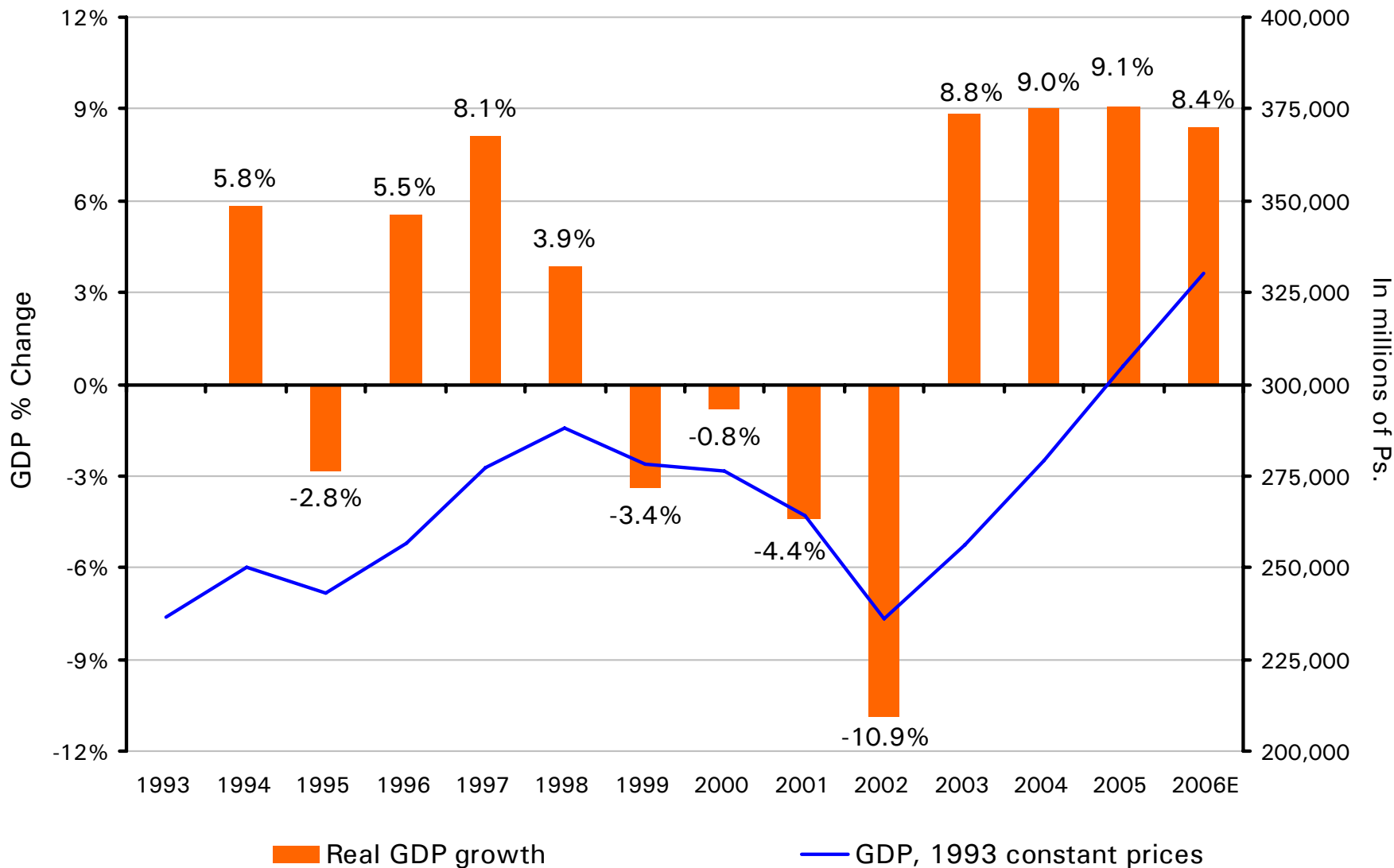
- **The Argentine Economy**
- **The Argentine Financial System**
- **Banco Galicia's Situation**
- **Comparison with Competitors**
- **Strategy and Competitive Advantages**





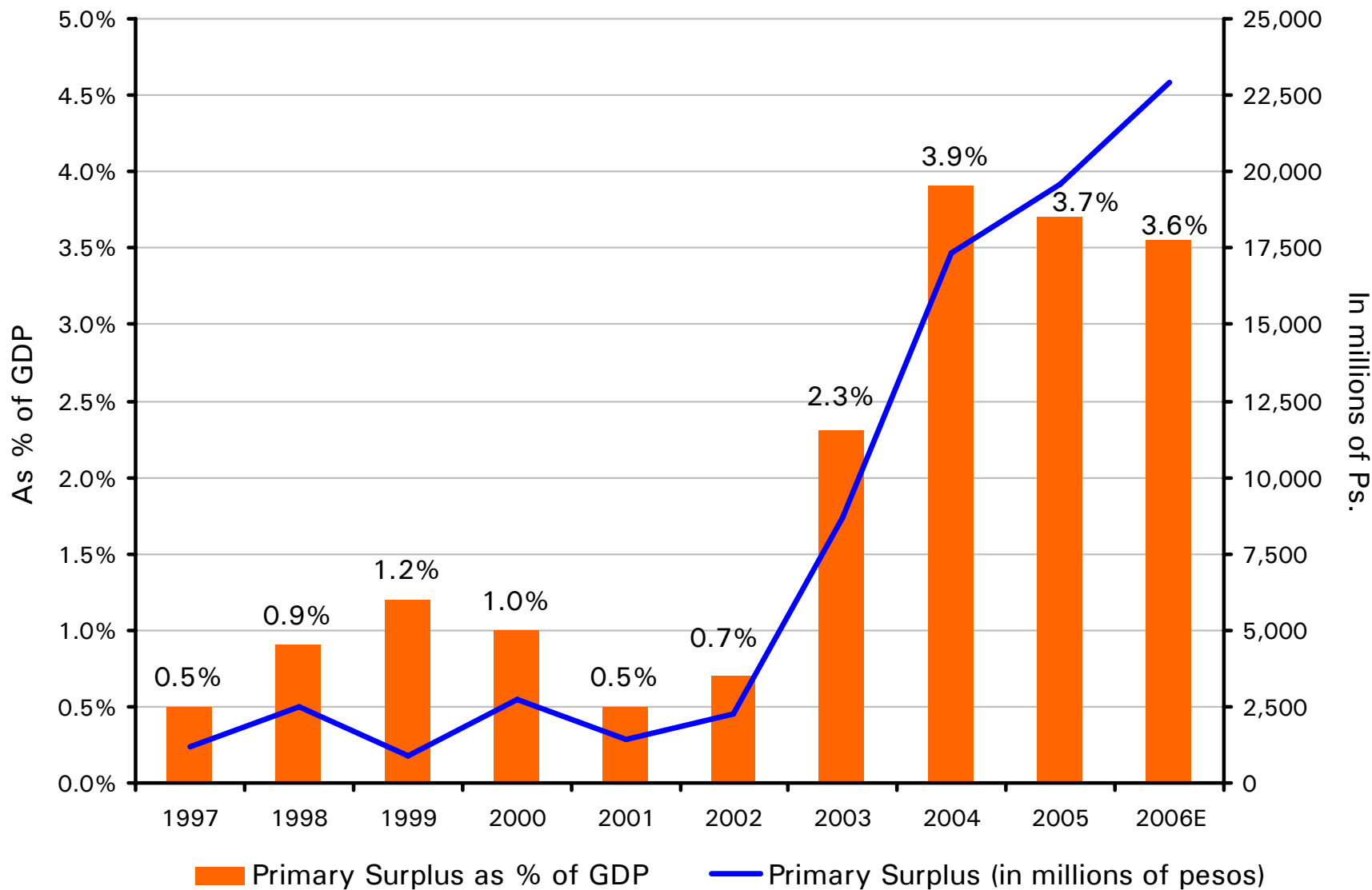
# **The Argentine Economy**

# Economic Activity



E: Median of market forecasts published by the Argentine Central Bank, as of October 25, 2006.

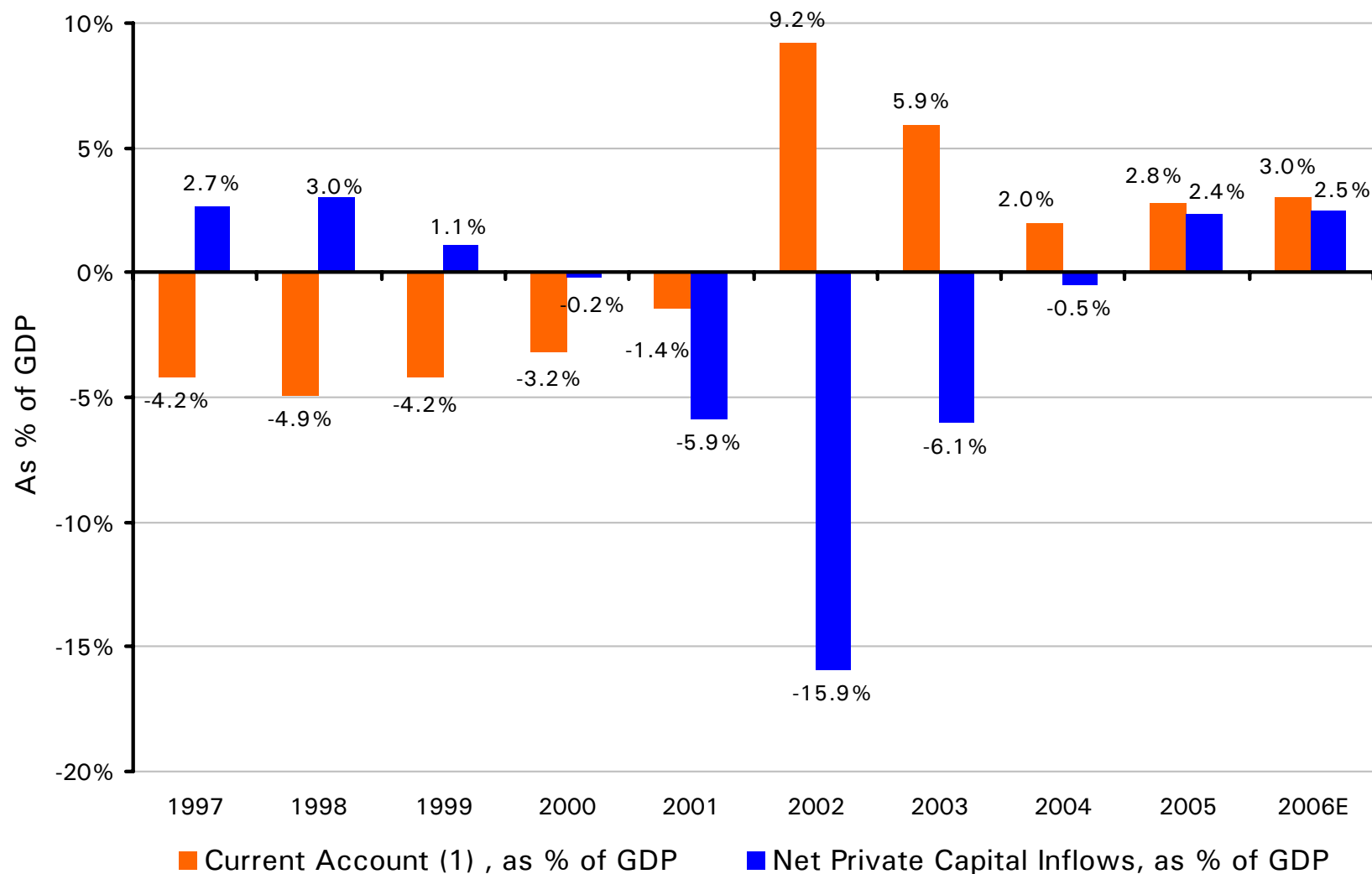
# Fiscal Performance



Federal Government only.

E: Median of market forecasts published by the Argentine Central Bank, as of October 25, 2006.

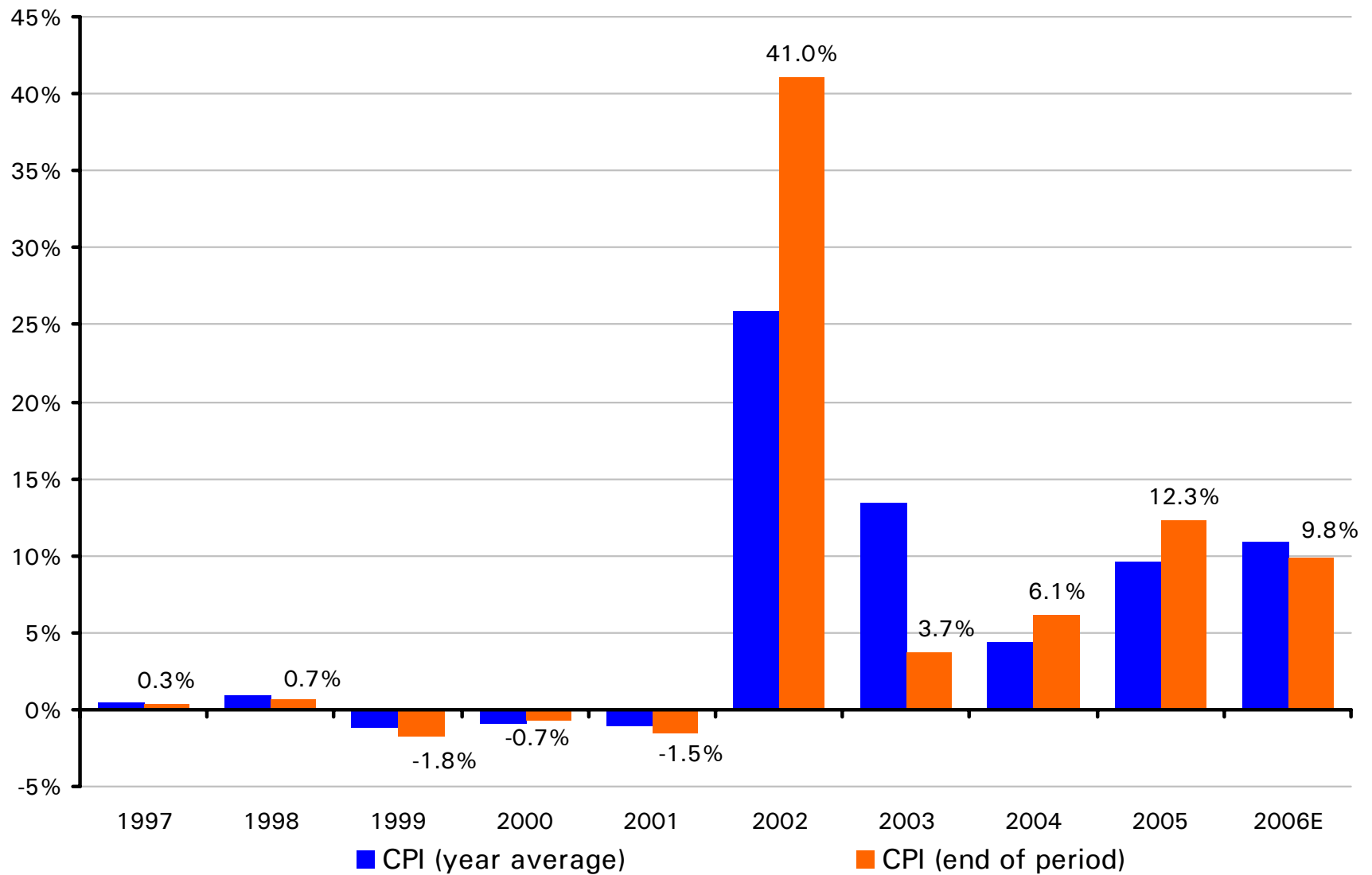
# External Sector



(1) Accrued basis.

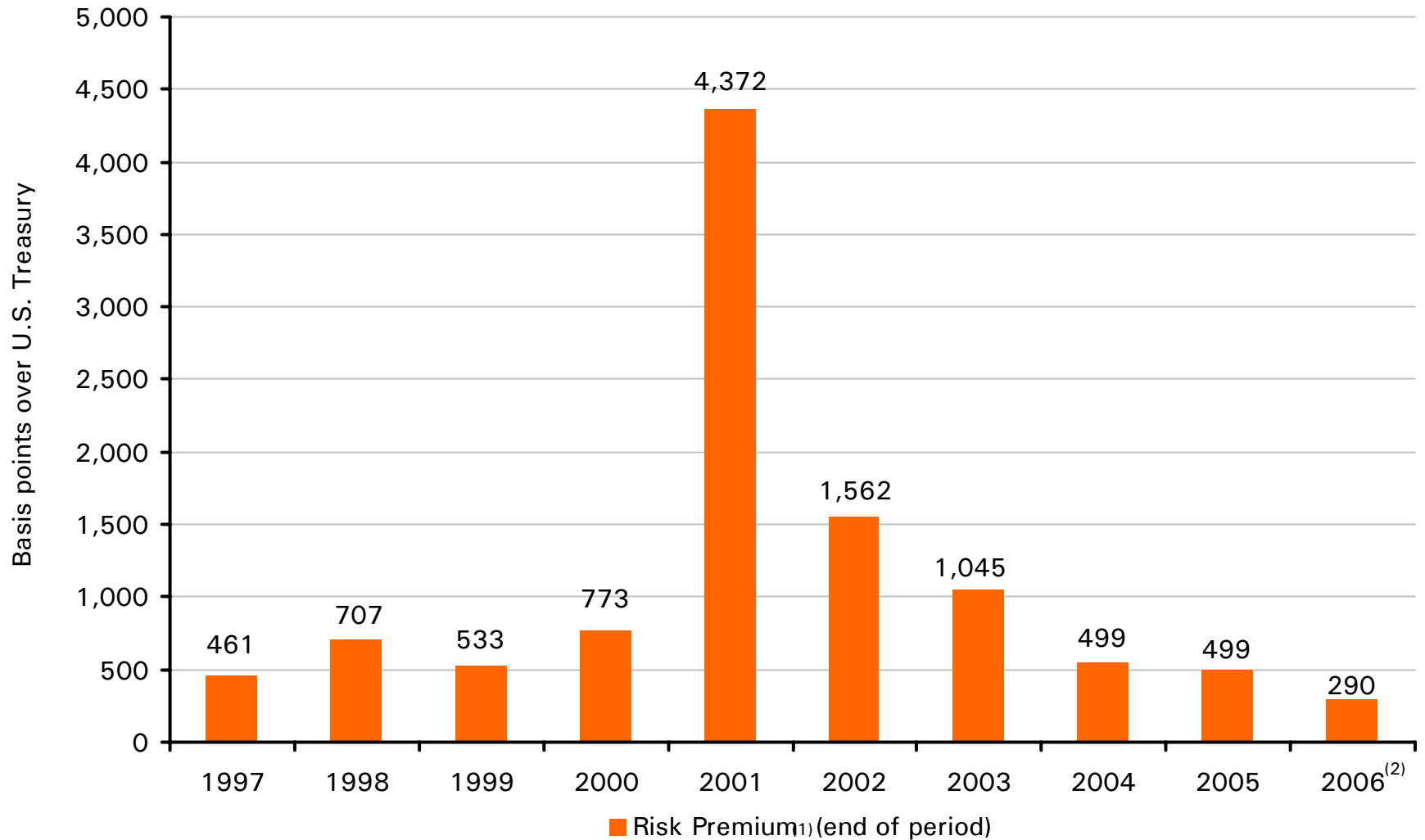
E: Median of market forecasts published by the Argentine Central Bank, as of October 25, 2006.

# CPI Inflation



E: Median of market forecasts published by the Argentine Central Bank, as of October 25, 2006.

# Country Risk Premium



(1) As measured by the EMBI+ for Argentina except for the period between 2002 and 2004 when it corresponds to the spread over Treasury of the Boden 2012.

(2) As of November 17, 2006.





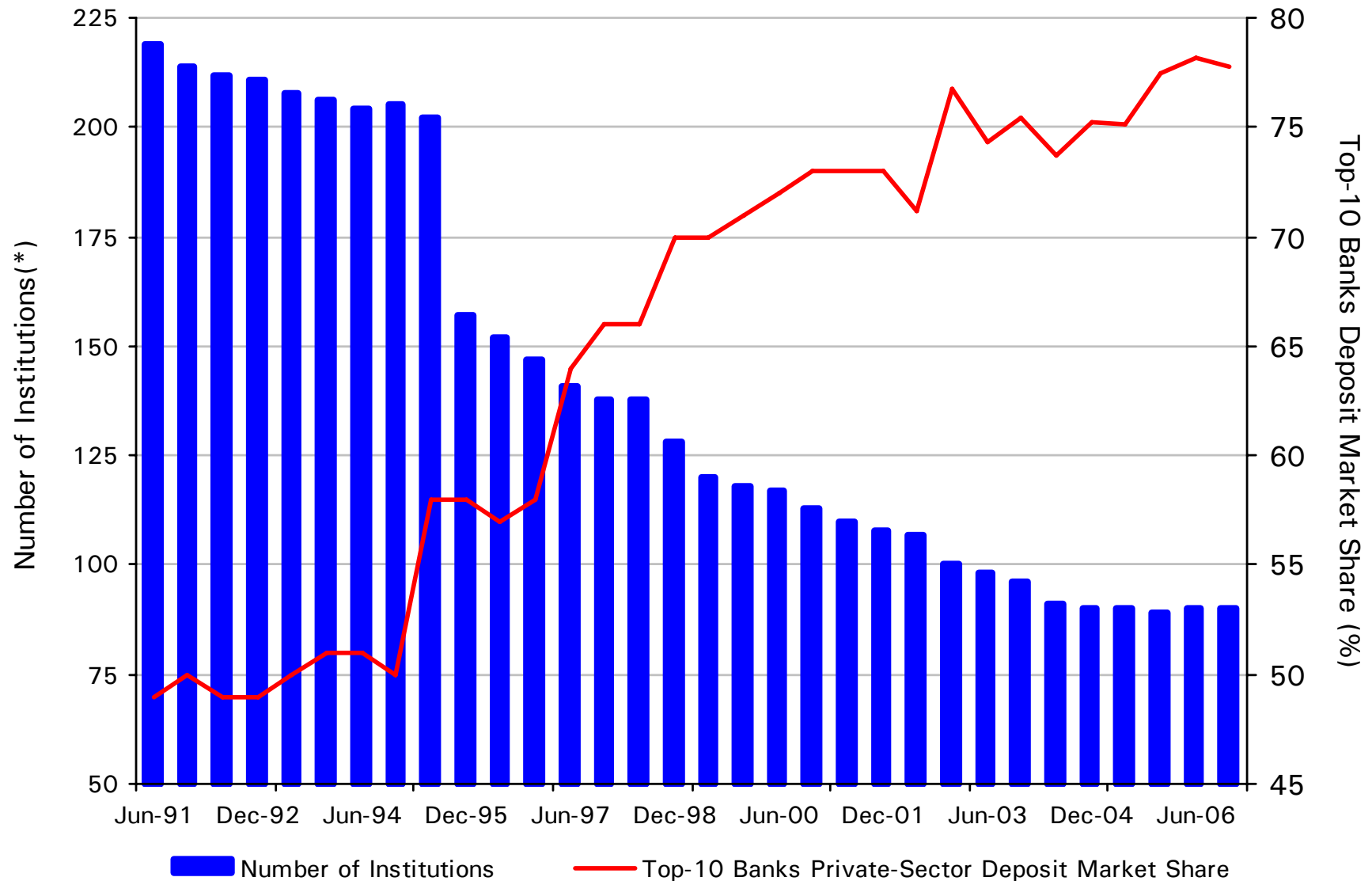
# **The Argentine Financial System**

# Composition of the Banking System

	December 31, 2001		August 31, 2006	
	Number of Institutions	Market Share Private-Sector Deposits (%)	Number of Institutions	Market Share Private-Sector Deposits (%)
<b>System</b>	<b>86</b>	<b>100</b>	<b>72</b>	<b>100</b>
Gvt.-owned Banks	13	30	13	33
Private-sector Banks	73	70	59	67
- Domestic Banks	34	15	35	30
- Foreign Banks	39	55	24	37

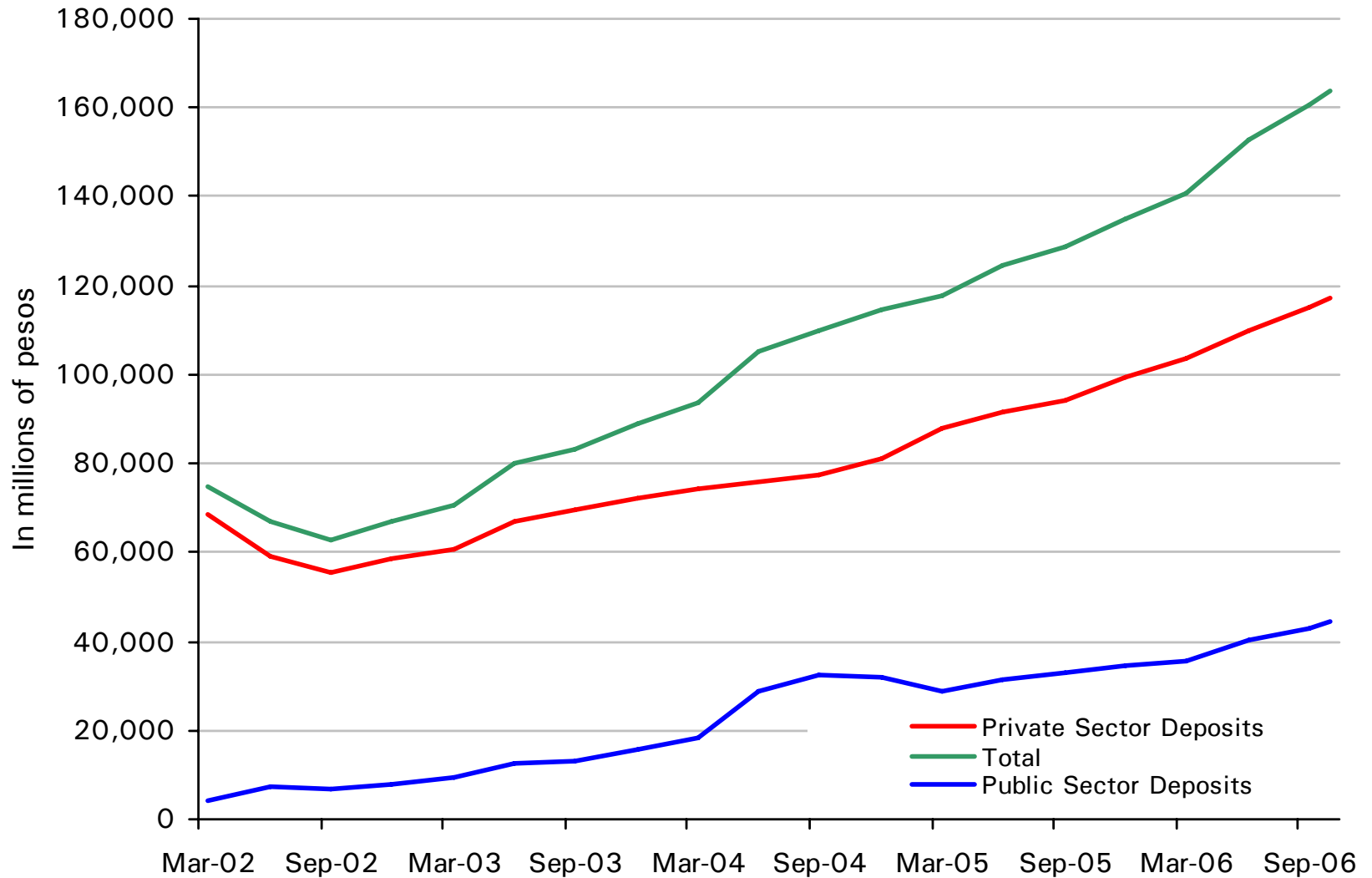


# Financial System's Concentration



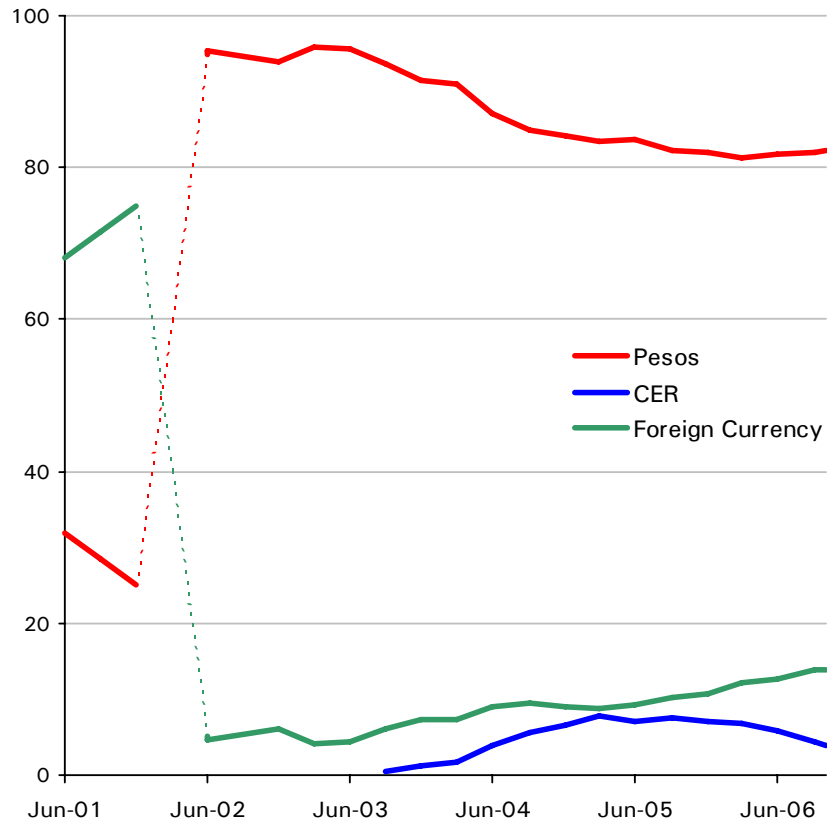
(\*) Includes non-bank financial institutions.

# Total Deposits

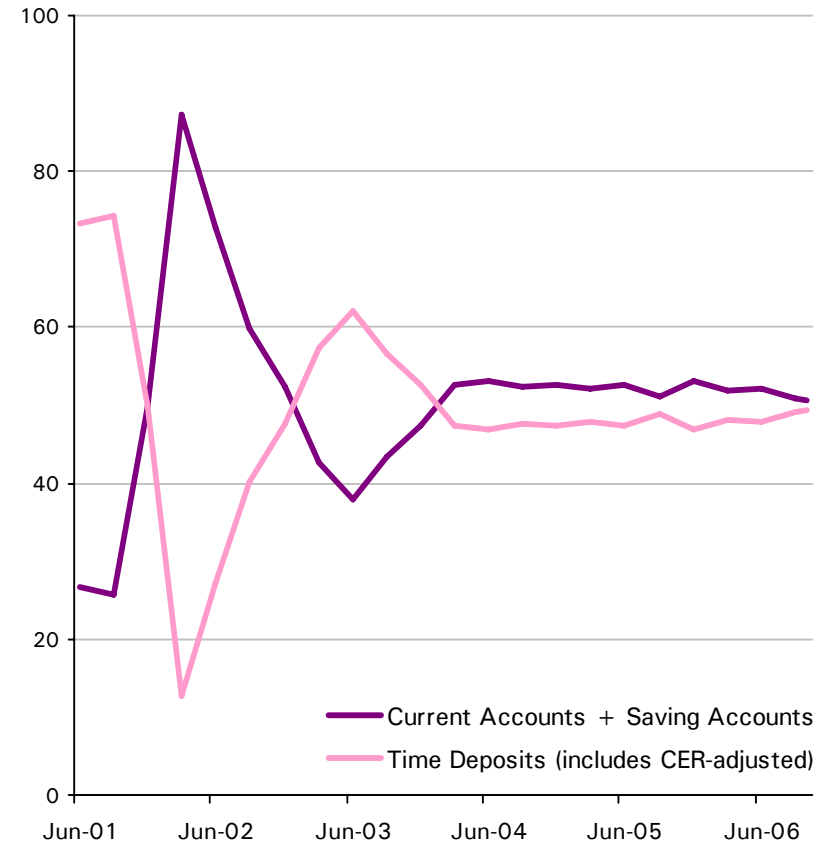


# Composition of Private-Sector Deposits

**By Currency**  
(as a % of CA + SA + Time Deposits)

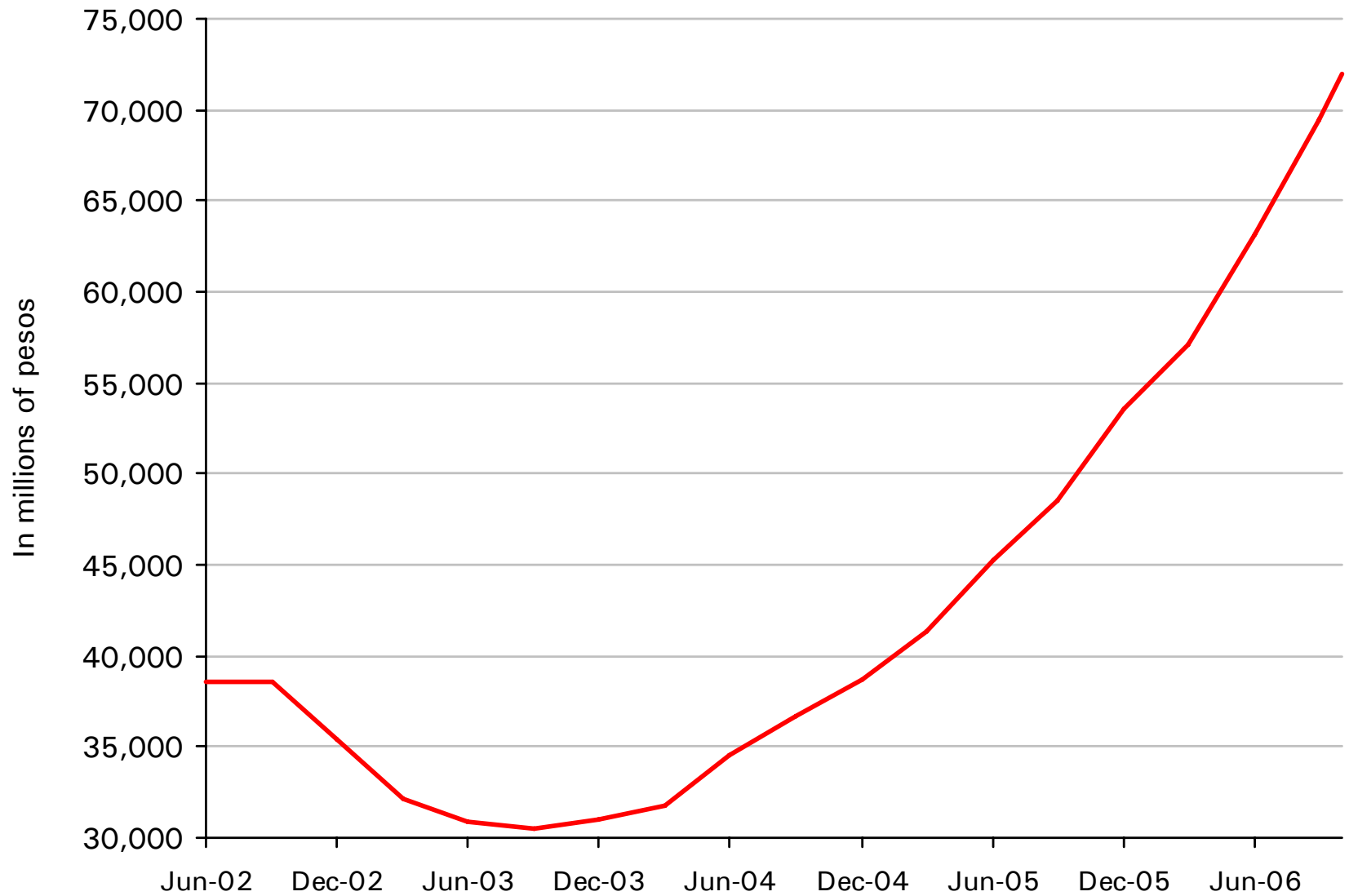


**By Type of Deposit**  
(as a % of CA + SA + Time Deposits)



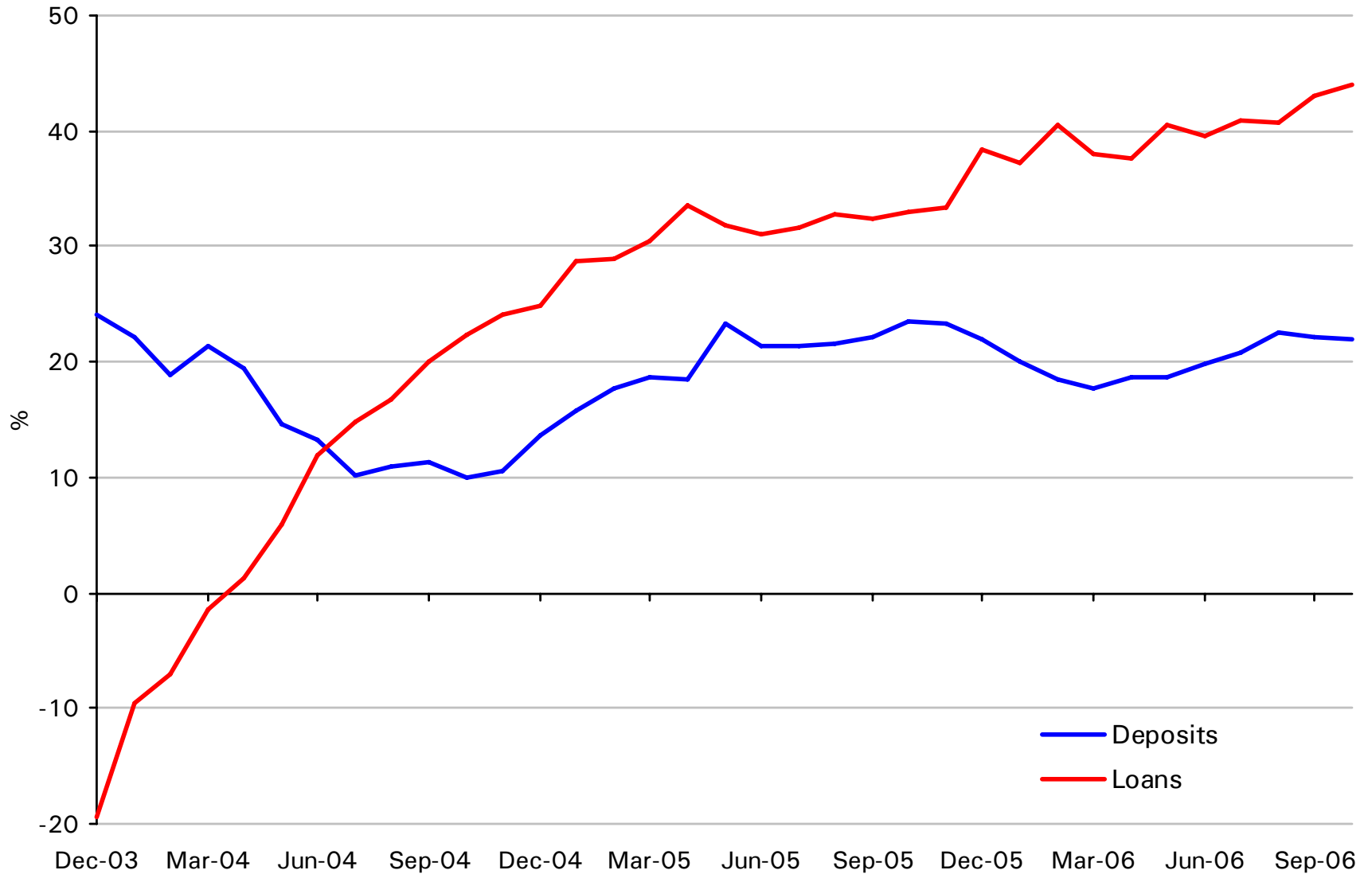
Deposit data is not shown for the period January-March 2002, because as a result of the devaluation and the pesification measures, figures are not homogeneous for that period.

# Private-Sector Loans



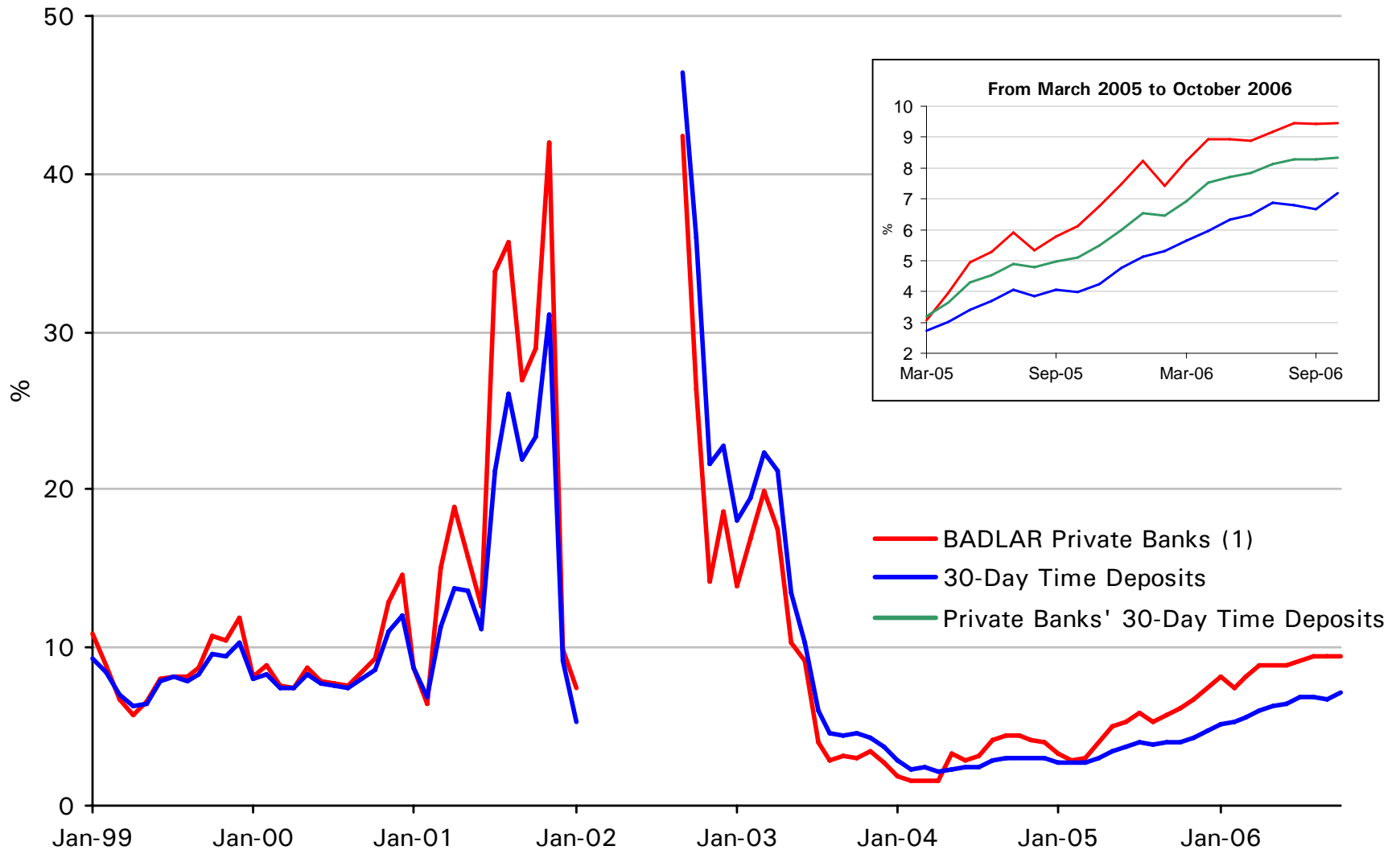
As of October 31, 2006.

# Private-Sector Loans and Deposits – Y-O-Y Monthly % Change



As of October 31, 2006.

# Nominal Interest Rates (\*)

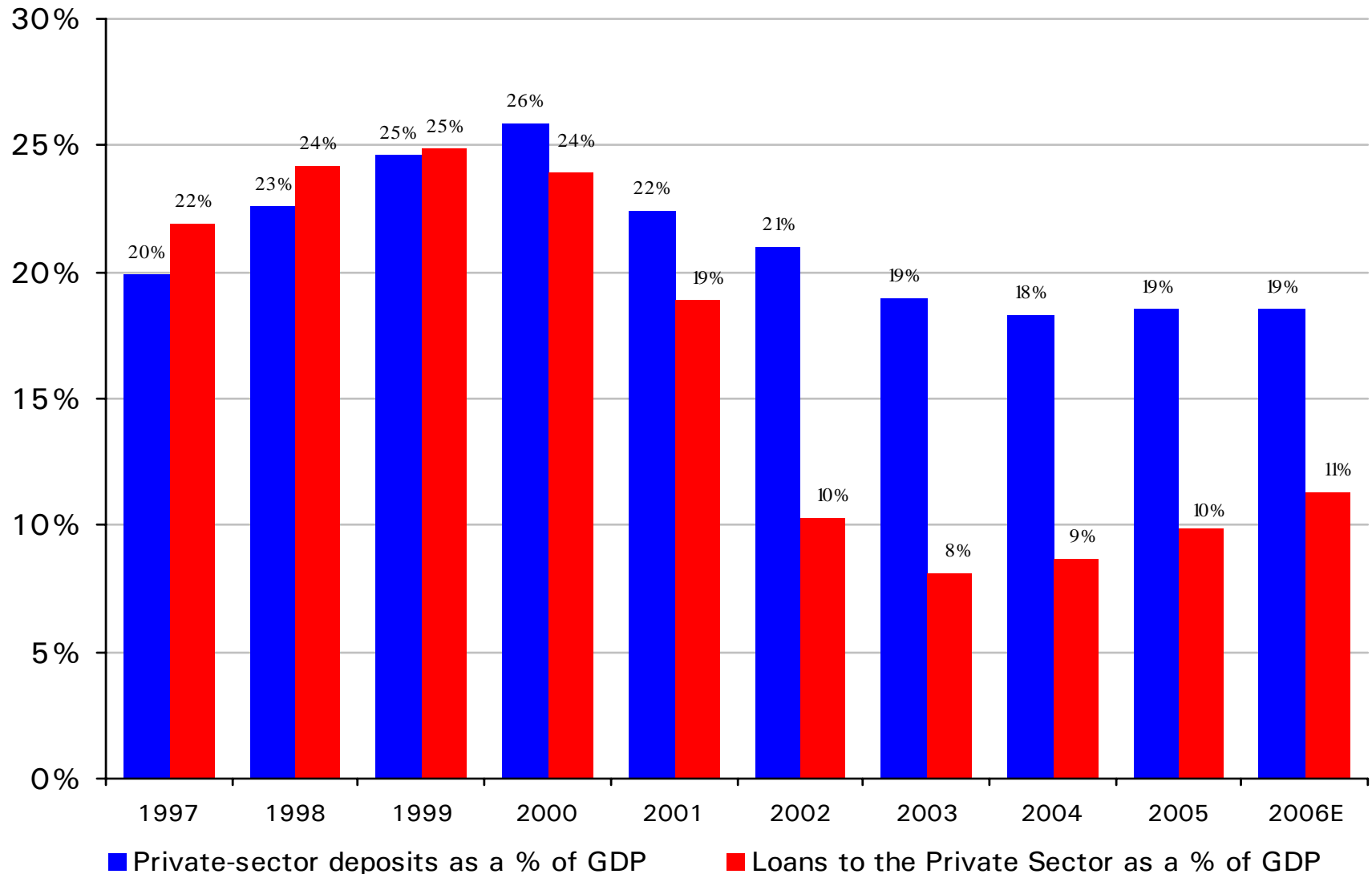


(\*) Data is not shown for the period January-September 2002, because as a result of the 2001-2002 crisis, interest rates for that period are not representative.

(1) Private Banks' 30-day time deposits rate, for deposits over Ps. 1 million.



# Private-Sector Loans and Deposits as a % of GDP



E: Median of market forecasts published by the Argentine Central Bank, as of October 25, 2006.

# Outlook for the Argentine Banking Sector

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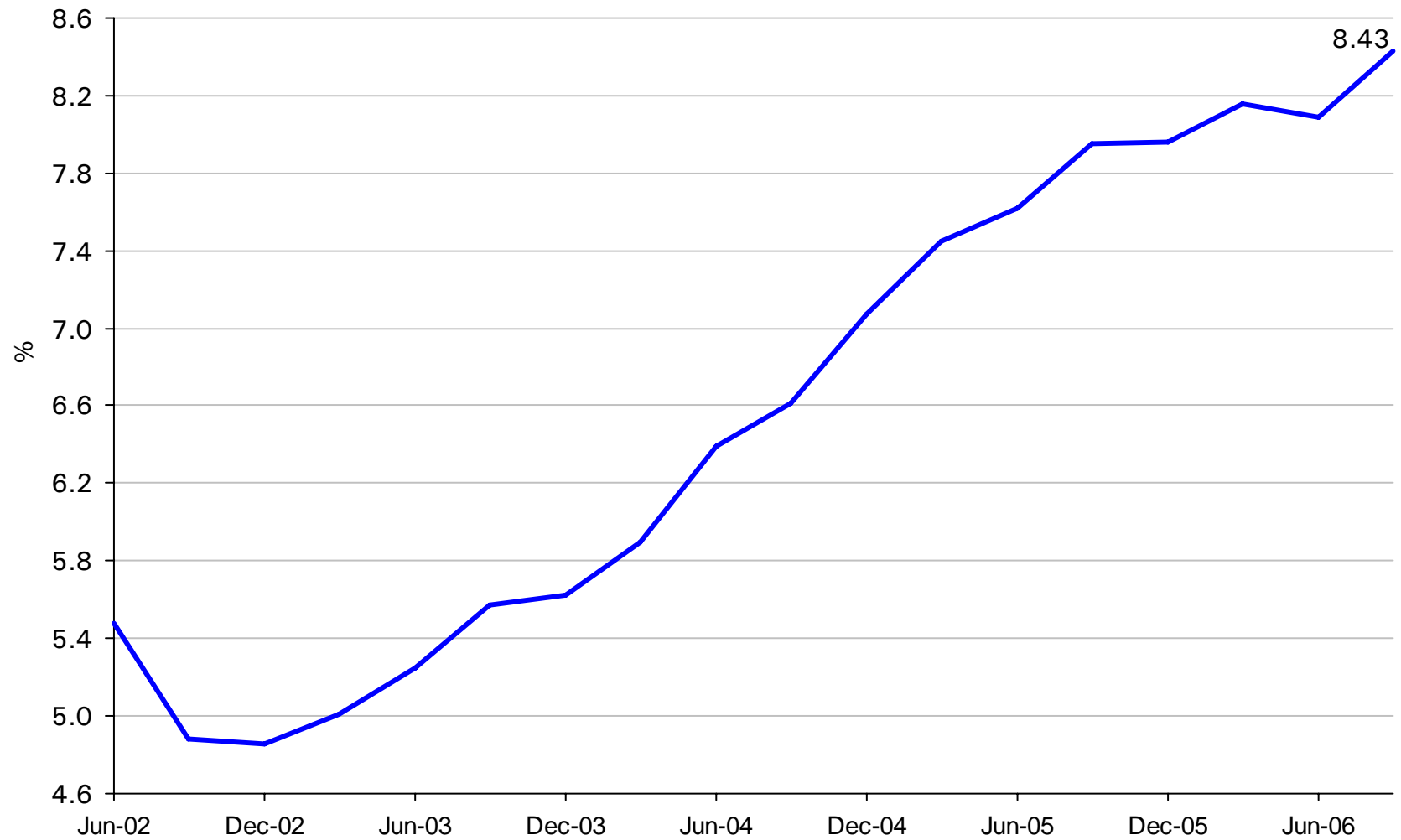
- Sustained increase in credit demand and in financial services tied to economic growth.
- Lack of long-term funding.
- Increase in disintermediation and in capital markets activity.
- Increase in concentration.
- Profitability still limited by crisis-related issues.



The logo of Banco Galicia is a stylized red cross with a pointed bottom arm, set against a circular background. The left side of the circle is a yellow-to-orange gradient, and the right side is a red-to-orange gradient. The text "Banco Galicia's Situation" is centered over the logo.

# **Banco Galicia's Situation**

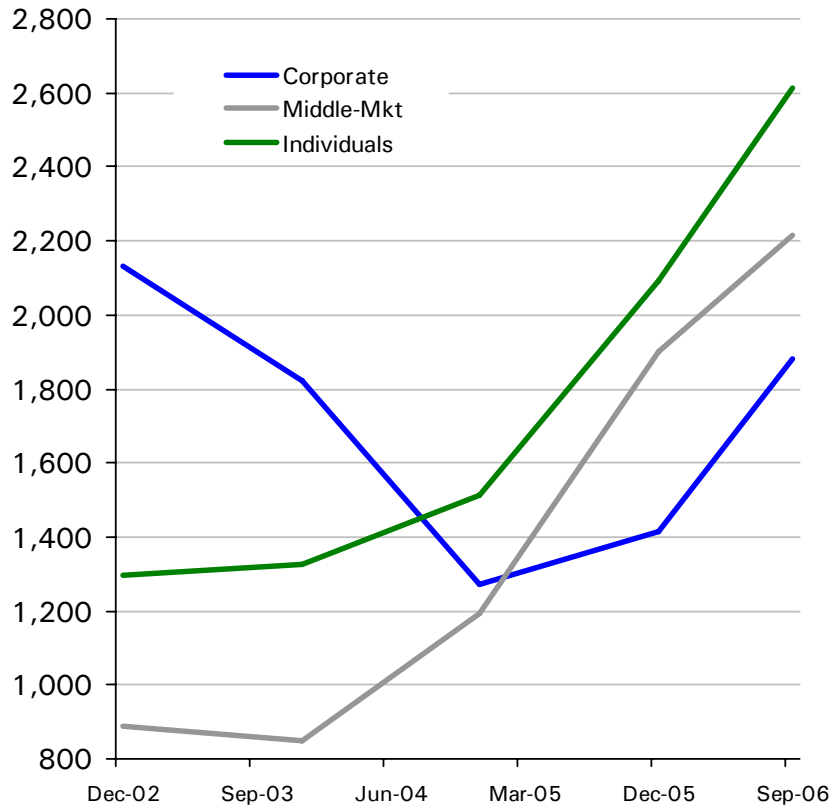
# Market Share of Private-Sector Deposits



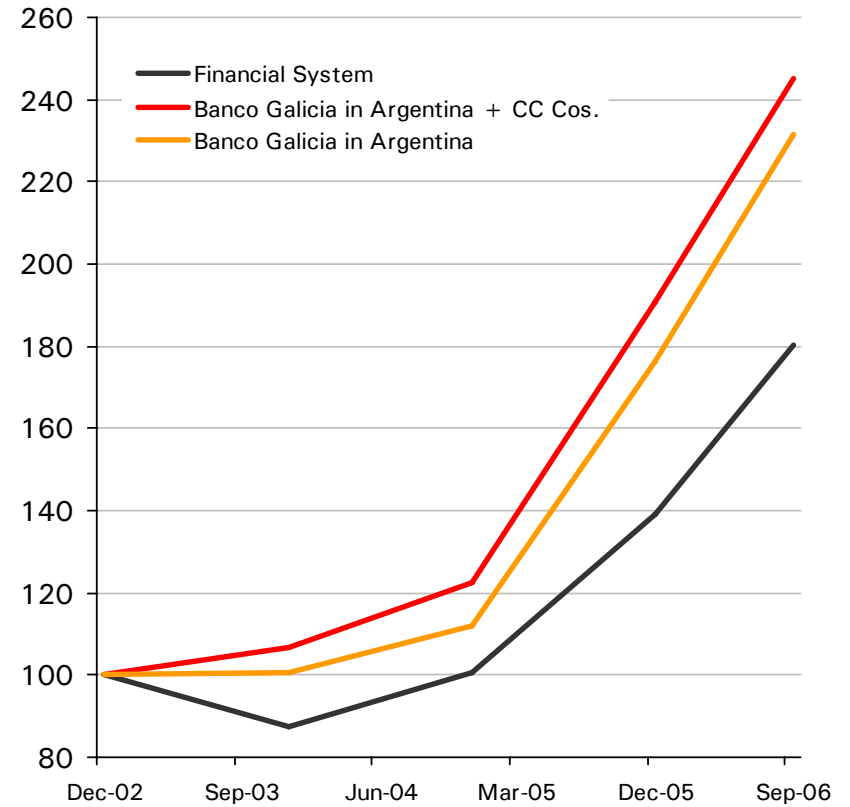
Banco de Galicia y Buenos Aires S.A., only, within the Argentine financial system. Based on the daily information on deposits prepared by the Argentine Central Bank (SISCEN6). End-of-period data.

# Loans to the Private Sector

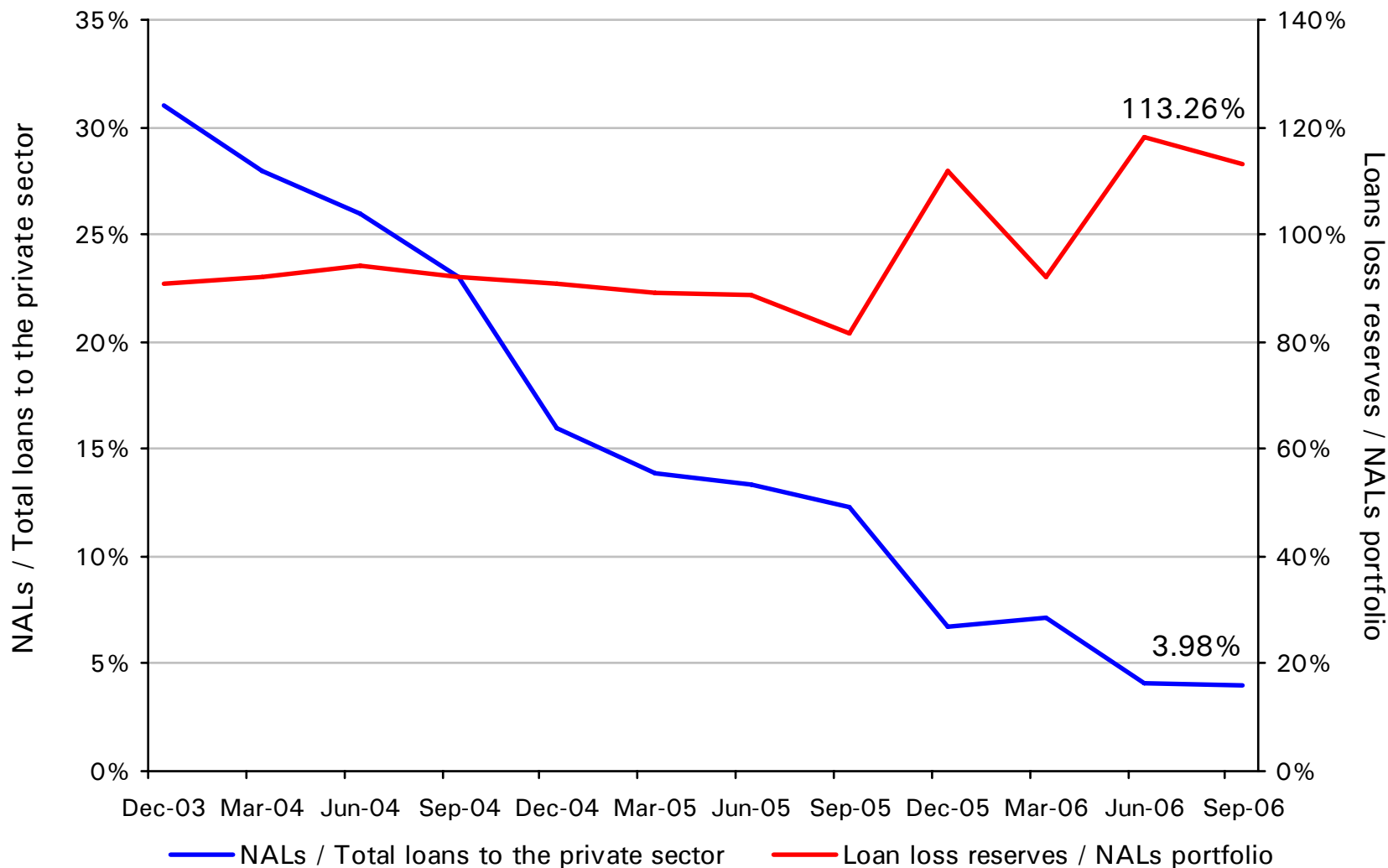
**By Type of Borrower**  
(In millions of pesos)



**Comparison with the System**  
(Dec 02 = 100)



# Asset Quality



Banco Galicia consolidated.

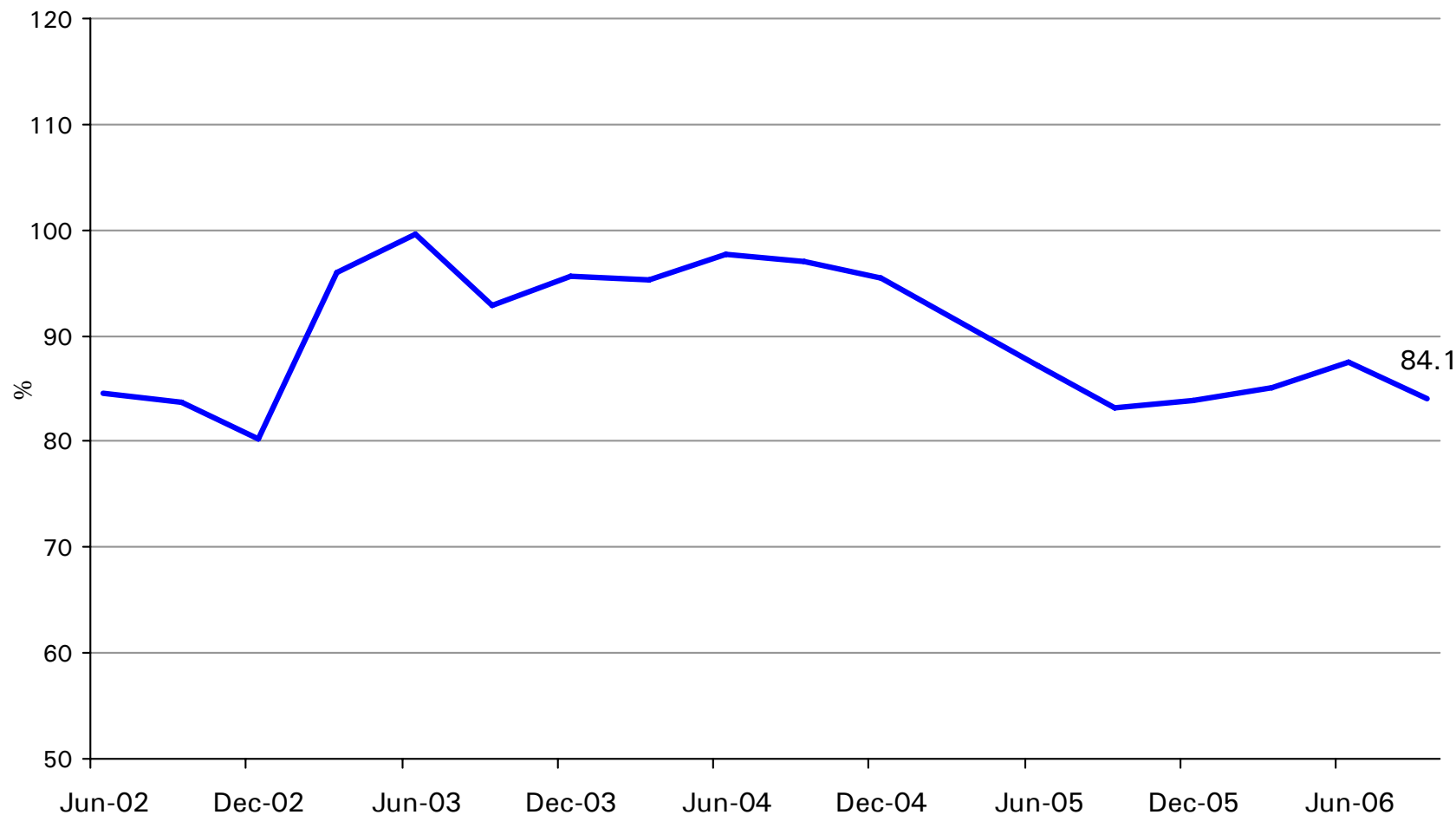
# Consolidated Physical Data

Number of:	Sep-01	Dec-02	Sep-06	Variation (%)	
				Dec-02	Sep-06
<b>Employees</b>	<b>8,625</b>	<b>6,054</b>	<b>7,484</b>	<b>(29.81)</b>	<b>23.62</b>
- Banco Galicia Unconsolidated	5,680	4,113	4,441	(27.59)	7.97
- Regional Credit Card Companies and Other Subsidiaries	2,945	1,941	3,043	(34.09)	56.77
<b>Bank Branches in Argentina</b>	<b>389</b>	<b>229</b>	<b>232</b>	<b>(41.13)</b>	<b>1.31</b>
<b>Regional Credit Card Companies Branches</b>	<b>106</b>	<b>87</b>	<b>110</b>	<b>(17.92)</b>	<b>26.44</b>
<b>Deposit Accounts <sup>(1)</sup></b>	<b>1,239</b>	<b>1,063</b>	<b>1,188</b>	<b>(14.17)</b>	<b>11.76</b>
<b>Credit Cards <sup>(1)</sup></b>	<b>1,891</b>	<b>1,596</b>	<b>3,910</b>	<b>(15.60)</b>	<b>144.99</b>
- Banco Galicia <sup>(1)</sup>	678	498	810	(26.55)	62.65
- Regional Credit Card Companies (Visa and Local Brands) <sup>(1)</sup>	1,213	1,098	3,100	(9.49)	182.33
<b>Debit Cards <sup>(1)</sup></b>	<b>958</b>	<b>801</b>	<b>956</b>	<b>(16.43)</b>	<b>19.35</b>
<b>Client Base <sup>(1)</sup></b>	<b>2,840</b>	<b>2,013</b>	<b>3,526</b>	<b>(29.13)</b>	<b>75.16</b>

(1) In thousands

# Efficiency

Coverage of cash administrative expenses with fee income<sup>(\*)</sup>



(\*)  $\text{Income from services}^{(1)} / (\text{administrative expenses} + \text{expenses from services} - \text{amortization and depreciation} - \text{restructuring cost})$ .

(1) Income from services including income from FX brokerage and excluding financial fees.

Banco Galicia consolidated.



# Foreign Debt Restructuring and Capital Generation

## Restructured Debt

*In millions of dollars*

	NY Branch	Galicia Uruguay / Galicia Cayman Ltd.	Head Office and Cayman Branch	Total
	Jul-02	Dec-02 / Jul-03	May-04	
Original Debt Amount	328	1,136	1,476	2,940
Original Average Life New Debt (years)	4.1	4.4	8.1	6.2
Debt Amount <sup>(1)</sup>	39	118	1,256	1,412
Debt Reduction after Restructuring	289	1,018 <sup>(2)</sup>	220	1,528

## Capital Generation

*In millions of dollars*

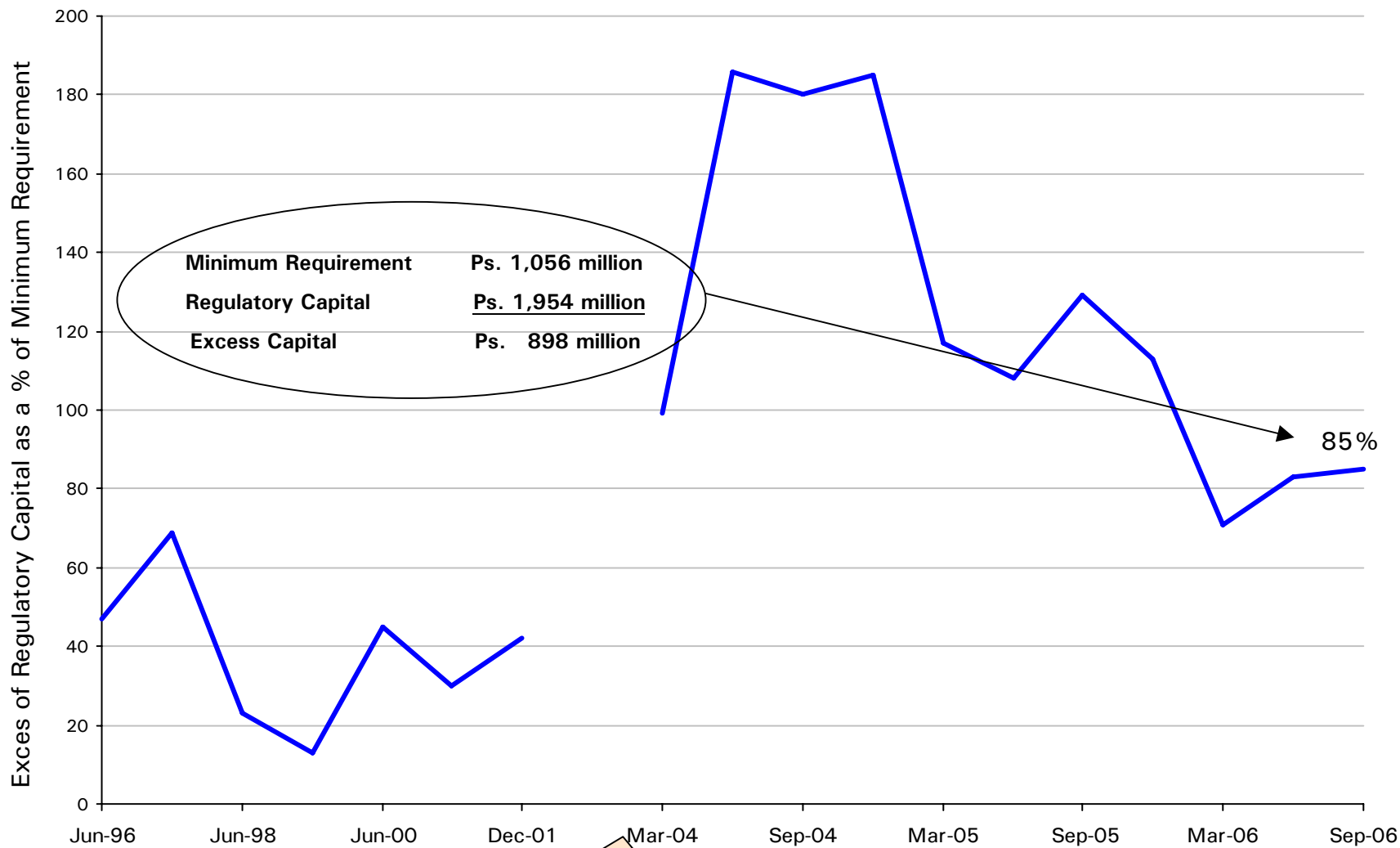
	Total
Tier 1	135
Tier 2	230 <sup>(3)</sup>
<b>Total</b>	<b>365</b>

(1) Only principal, as of September 30, 2006.

(2) US\$ 503 million correspond to the exchange of restructured liabilities for Boden 2012.

(3) Includes US\$ 43 million from Grupo Galicia 's debt forgiveness.

# Excess Regulatory Capital



Banco Galicia consolidated.

Period of suspension of capital adequacy requirements, between January 2002 and December 2003.

As of September 30, 2006.

# Operational Bank

*In millions of pesos*

ASSETS			LIABILITIES		
		%			%
Cash and Due from Banks	1,628	6.4	Deposits in Argentina	10,063	42.1
Government Securities	143	0.6	Other Liabilities Resulting from		
Net Loans to the Private Sector and Assets under Financial Leases	7,001	27.7	Financial Brokerage	2,264	9.5
Other Receivables Resulting from Financial Brokerage	1,089	4.3	Other	239	1.1
Equity Interests	71	0.3			
Bank Premises and Equipment	861	3.4			
Other	174	0.7			
<b>Total Operational Bank</b>	<b>10,967</b>	<b>43.4</b>	<b>Total Operational Bank</b>	<b>12,566</b>	<b>52.6</b>
<b>Total Residual Bank</b>	<b>14,315</b>	<b>56.6</b>	<b>Total Residual Bank</b>	<b>11,344</b>	<b>47.4</b>
<b>Total (Operational + Residual)</b>	<b>25,282</b>	<b>100.0</b>	<b>Total (Operational + Residual)</b>	<b>23,910</b>	<b>100.0</b>

#### Securitized Loans:

- Bank: Ps.429 million
- Regional Credit Card Companies: Ps. 326 million

# Residual Bank

*In millions of pesos*

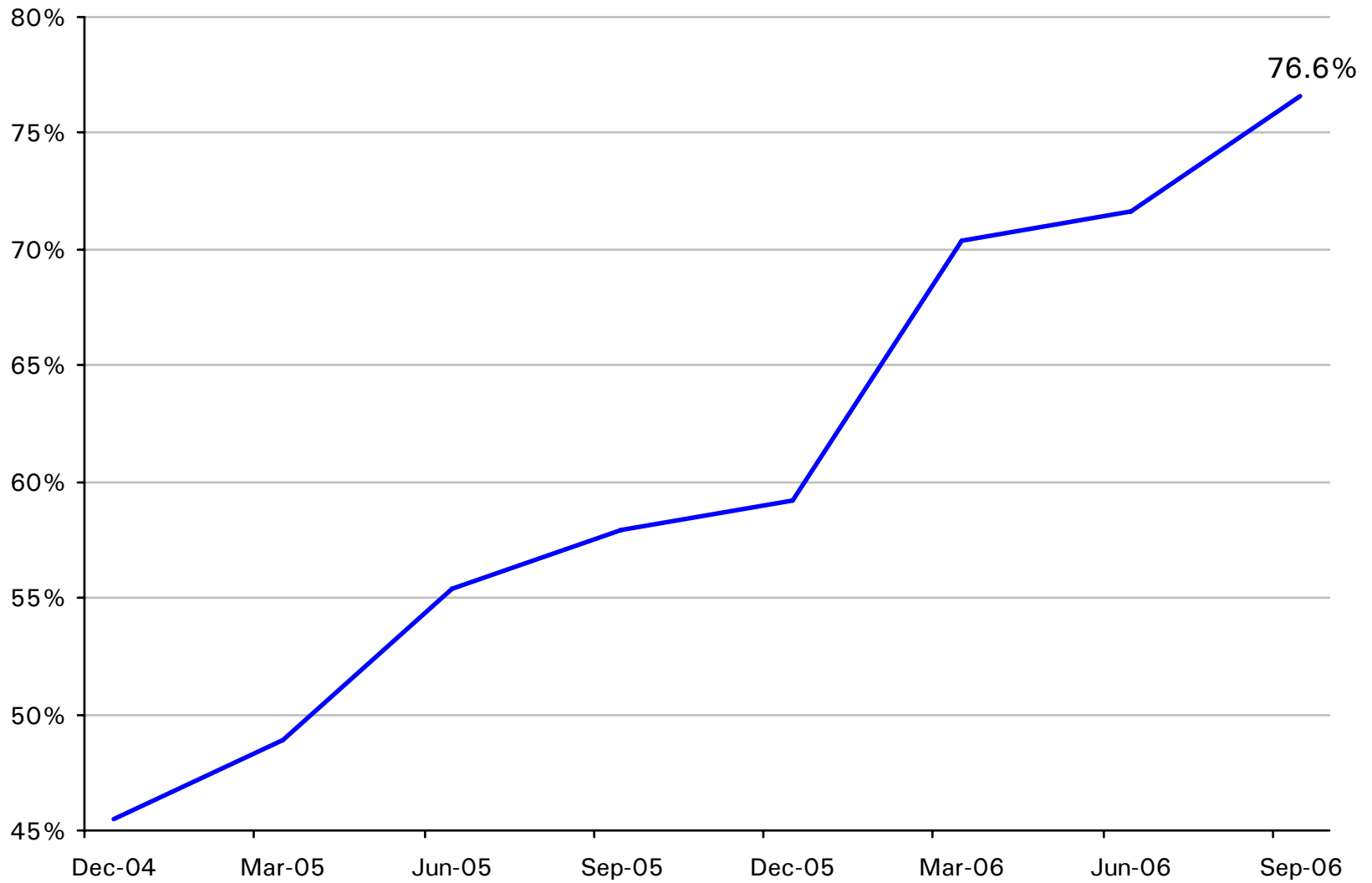
ASSETS			LIABILITIES		
		%			%
Public Sector	13,956	55.2	Liabilites of Banco Galicia Uruguay	475	2.0
- Secured Loans	4,299	17.0	Argentine Central Bank	6,299	26.3
- BOGAR	2,790	11.0	- Financial Assistance	2,719	11.4
- BODEN 2012	5,239	20.7	- Advance for the Purchase of the		
- Discount Bonds	724	2.9	Hedge Bond	3,580	15.0
- Financial Trusts	797	3.2	Foreign Debt	4,145	17.3
- Other	107	0.4	Banks and Local Credit Agencies	241	1.0
Difference for <i>Amparo</i> Claims	359	1.4	Reserves	131	0.5
			Other	53	0.2
<b>Total Residual Bank</b>	<b>14,315</b>	<b>56.6</b>	<b>Total Residual Bank</b>	<b>11,344</b>	<b>47.4</b>
<b>Total Operational Bank</b>	<b>10,967</b>	<b>44.8</b>	<b>Total Operational Bank</b>	<b>12,566</b>	<b>52.6</b>
<b>Total (Operational + Residual)</b>	<b>25,282</b>	<b>98.1</b>	<b>Total (Operational + Residual)</b>	<b>23,910</b>	<b>100.0</b>

## SHAREHOLDERS' EQUITY

**1,372**

•Repayment in advance of financial assistance from the Argentine Central Bank for Ps. 2,550 million (during the first 4 months of 2006).

# Operational Bank / Residual Bank (Assets)



As of September 30, 2006.

# Consolidated Income Statement

<i>(In millions of pesos)</i>	FY04	FY05	Absolute Variation
Net Financial Income <sup>(1)</sup>	242.0	401.6	159.6
<i>Quotation Difference</i>	<i>(10.3)</i>	<i>1.8</i>	<i>12.1</i>
<i>FX Brokerage</i>	<i>54.0</i>	<i>54.3</i>	<i>0.3</i>
<i>Remaining Net Financial Income</i>	<i>198.3</i>	<i>345.5</i>	<i>147.2</i>
Net Charge for Loan Losses	(80.1)	(41.2)	38.9
<i>Provisions for Loan Losses</i>	<i>(190.2)</i>	<i>(76.7)</i>	<i>113.5</i>
<i>Bad Debts Recovered</i>	<i>110.1</i>	<i>35.5</i>	<i>(74.6)</i>
Net Income from Services	437.2	525.6	88.4
Administrative Expenses	(591.8)	(752.5)	(160.7)
<b>Net Operating Income</b>	<b>7.3</b>	<b>133.5</b>	<b>126.2</b>
Net Other Income / (Losses)	(138.1)	(82.1)	56.0
Provisions Reversed	246.5	102.4	(144.1)
Gain from Foreign Debt Restructuring	119.7	-	(119.7)
Gain from Grupo Galicia´s Debt Forgiveness	-	124.3	124.3
Income Tax	(29.8)	(57.1)	(27.3)
<b>Adjusted Net Income</b>	<b>205.6</b>	<b>221.0</b>	<b>15.4</b>
(Loss)/Gain from Valuation of Public Sector Assets (Comm. "A" 3911)	(193.3)	92.3	285.6
Amortization of "Amparo Claims"	(120.9)	(122.3)	(1.4)
<b>Net Income / (Loss)</b>	<b>(108.6)</b>	<b>191.0</b>	<b>299.6</b>

(1) Excludes losses from valuation of public sector assets in accordance with Comm. "A" 3911 and gain from foreign debt restru

# Consolidated Income Statement

<i>(In millions of pesos)</i>	9M FY05	9M FY06	Absolute Variation
Net Financial Income <sup>(1)</sup>	297.1	327.7	30.6
<i>Quotation Difference</i>	1.0	14.4	13.4
<i>FX Brokerage</i>	39.0	43.2	4.2
<i>Remaining Net Financial Income</i>	257.0	270.0	13.0
Net Charge for Loan Losses	(31.3)	(65.3)	(34.0)
<i>Provisions for Loan Losses</i>	(55.5)	(84.6)	(29.1)
<i>Bad Debts Recovered</i>	24.2	19.3	(4.9)
Net Income from Services	380.3	476.1	95.8
Administrative Expenses	(538.0)	(671.8)	(133.8)
<b>Net Operating Income</b>	<b>108.1</b>	<b>66.7</b>	<b>(41.4)</b>
Net Other Income / (Losses)	(48.4)	8.4	56.8
Provisions Reversed	95.5	31.2	(64.3)
Gain from Grupo Galicia 's Debt Forgiveness	124.3		(124.3)
Loss from Sale of Public Sector Assets		(15.0)	(15.0)
Income Tax	(40.0)	(44.1)	(4.1)
<b>Adjusted Net Income</b>	<b>239.5</b>	<b>47.2</b>	<b>(192.3)</b>
Loss/(Gain) from Valuation of Public Sector Assets (Comm. "A" 3911)	37.3	(64.5)	(101.8)
Amortization of "Amparo Claims"	(99.5)		99.5
<b>Net Income / (Loss)</b>	<b>177.3</b>	<b>(17.3)</b>	<b>(194.6)</b>

(1) Excludes losses from valuation of public sector assets in accordance with Comm. "A" 3911.

A decorative graphic featuring a central cross with a pointed bottom arm, overlaid on a crescent moon. The cross is rendered in a reddish-pink color, and the crescent moon is split into a golden-yellow left half and a reddish-pink right half. The text "Comparison with Competitors" is centered over the graphic.

# **Comparison with Competitors**



# Ranking of Top-10 Banks

## Market share of private-sector deposits

	%
1 Nación	14.49
2 BBVA Bco Francés	10.05
3 Río Santander	9.65
4 Prov de Bs As	8.46
<b>5 Galicia</b>	<b>8.34</b>
6 Macro Bansud - Suquia - Bisel	6.97
7 HSBC - BNL	5.72
8 Ciudad	5.24
9 BankBoston	4.48
10 Citibank	4.41

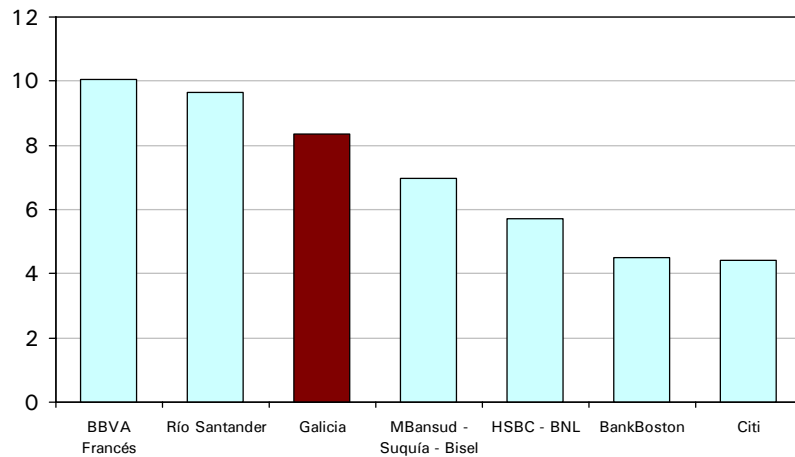
## Market share of loans to the private-sector

	%
1 Nación	10.62
2 Río Santander	9.93
3 Prov de Bs As	8.44
4 BBVA Bco Francés	7.91
<b>5 Galicia</b>	<b>7.36</b>
6 Macro Bansud - Suquia - Bisel	7.24
7 HSBC - BNL	5.89
8 Citibank	4.44
9 BankBoston	4.16
10 Hipotecario	3.60

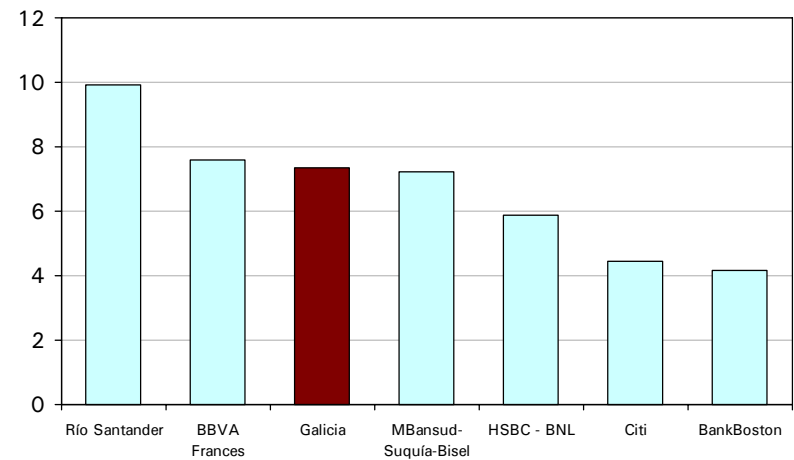
Source: Argentine Central Bank - Superintendency of Financial and Exchange Institutions - monthly information.

# Peer Comparison – Franchise

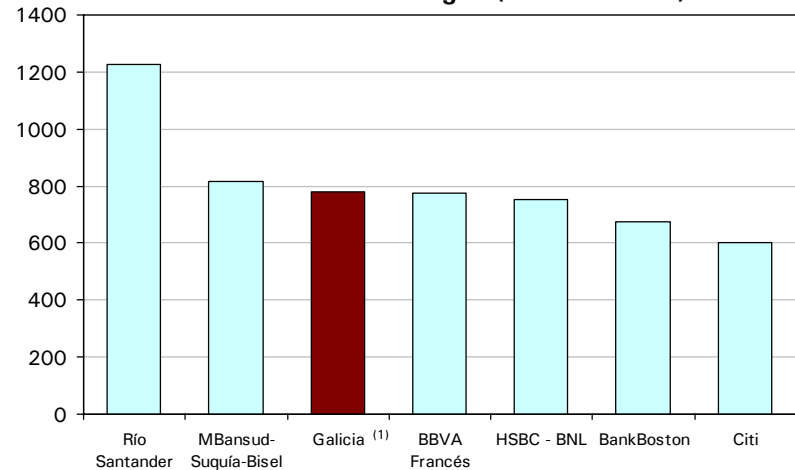
Market Share of Private Sector Deposits (%)



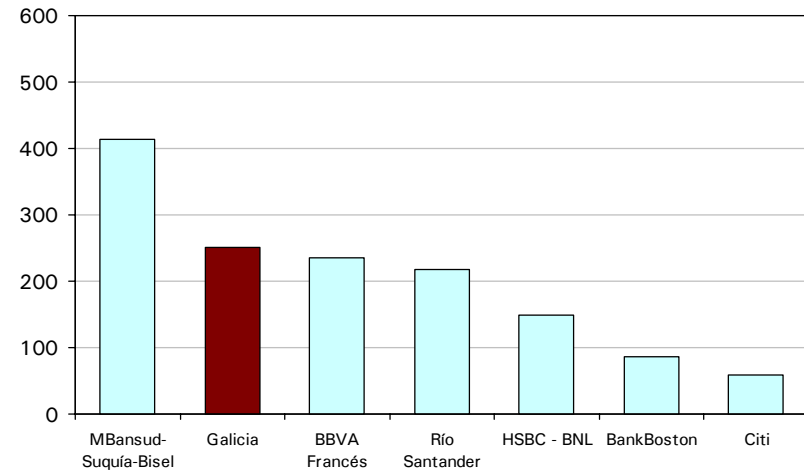
Market Share of Loans to the Private Sector (%)



Credit Cards Managed ( in thousands)



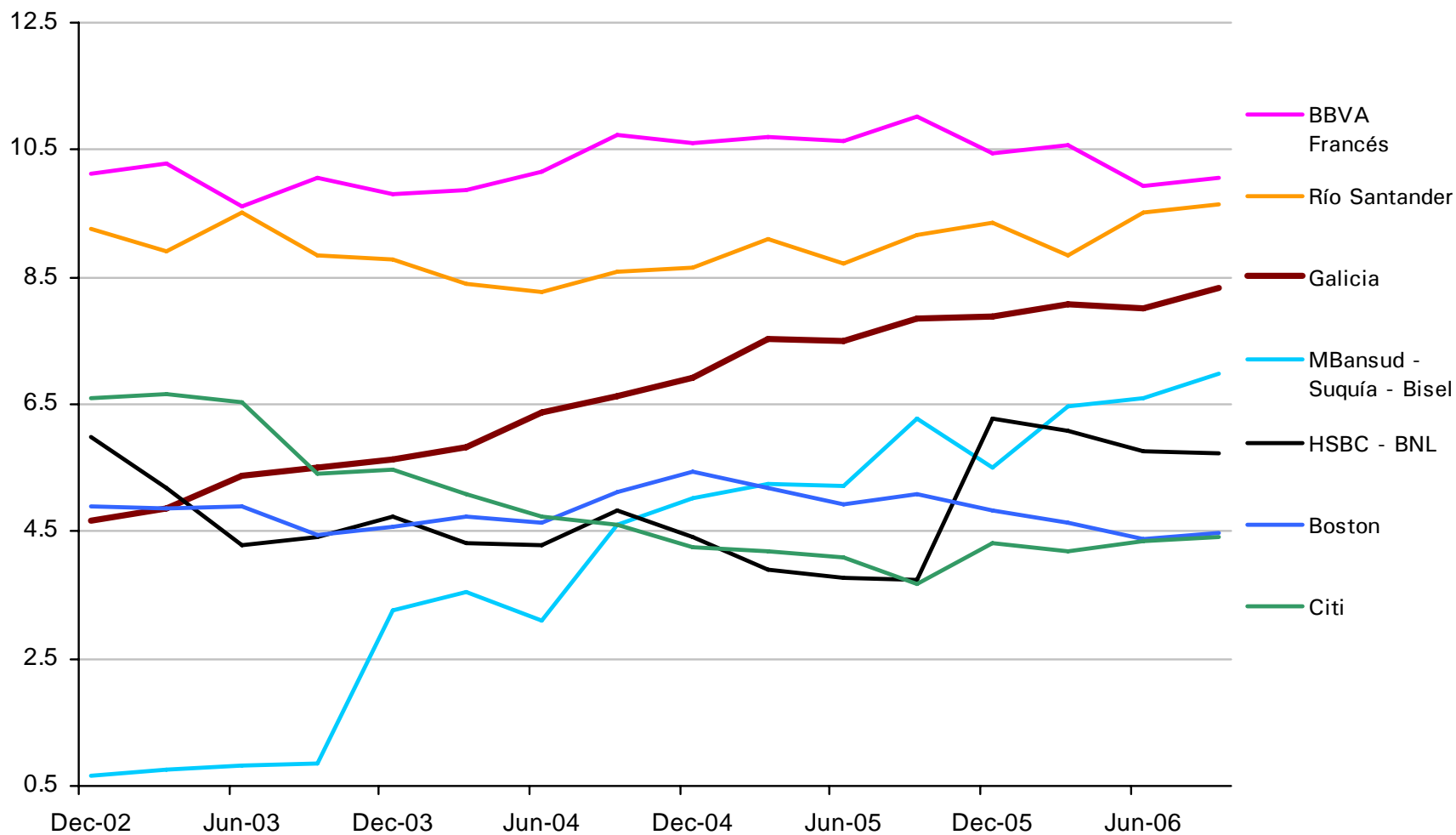
Branches (number of)



(1) Does not include regional credit card companies.

Source: Argentine Central Bank - Superintendency of Financial and Exchange Institutions - monthly information.

# Peer Comparison - Market Share of Private-Sector Deposits<sup>(\*)</sup>



(\*) Includes principal, adjustments and interest.

Source: Argentine Central Bank - Superintendency of Financial and Exchange Institutions - monthly information.



# **Strategy and Competitive Advantages**

# Objectives and Strategy

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## Objectives

- Consolidate leadership position in Argentina
- Achieve profitability in line with industry expectations

## Strategy

- Grow in loan origination to the private sector and reduce exposure to the public sector
- Funded through deposit growth and securitization
- Consolidate leadership in agribusiness and medium-sized companies and consumer finance
- Improve relations with large corporate segment
- Continue growing in transactional banking and e-banking
- Maintain operating efficiency



# Galicia's Competitive Advantages

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- One of the most valuable financial services franchises in Argentina
- Broad customer base
- Wide product offering
- Leading provider of credit cards and electronic banking services
- Leader in medium-sized companies sector
- The largest consumer finance operation
- Significant and growing deposit base
- Large distribution platform and best electronic services platform
- Strong IT capabilities
- High coverage of expenses with fee income and low break-even spread

