

## **OVERVIEW OF THE COMPANY**

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GRUPO FINANCIERO GALICIA S.A. (hereinafter “Grupo Financiero Galicia”) was constituted on September 14, 1999, as a financial services holding company organized under the laws of Argentina. As of December 31, 2010, its most important asset was Banco de Galicia y Buenos Aires S.A. (hereinafter “Banco Galicia” or “the Bank”), in which it held a 94.84% interest.

Founded in 1905, Banco Galicia is one of the largest private-sector banks in the Argentine financial system, and one of the leading providers of financial services in the country. In its capacity as a universal bank, and through affiliated companies operating in specific businesses or markets and various distribution channels, Banco Galicia offers, both directly and indirectly, a full spectrum of financial services to more than 5.9 million customers, both individuals and corporations.

Grupo Financiero Galicia’s objective is to establish itself as one of Argentina’s leading comprehensive financial services companies. At the same time, it plans to continue strengthening Banco Galicia’s position as one of the country’s major banks.

## CONTENTS

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- Financial Highlights
- Letter from the Chairman
- Annual Report
  - The Argentine Economy in 2010
  - The Argentine Financial System
  - The Insurance Industry
  - Outlook
  - Review of Operations
    - Banco de Galicia y Buenos Aires S.A.
    - Sudamericana Holding S.A.
    - Other Companies
  - Composition and Functions of the Board of Directors, Corporate Organization and Internal Control
    - Disclosure Committee
    - Audit Committee
    - Supervisory Syndics' Committee
    - Compensation Policy for Directors and Officers
    - Policy on Dividends
  - Global Program for the Issuance of Negotiable Obligations
  - Management's Discussion and Analysis
  - Regulatory Capital
  - Capital, Reserves and Proposed Distribution of Profits
  - Report on the Code on Corporate Governance

## FINANCIAL HIGHLIGHTS

	<b>Grupo Financiero Galicia S.A.</b>	
	<b>Consolidated</b>	
<i>In millions of Pesos, except for ratios, per share/ADS data and exchange rates (in Pesos)</i>	<b>As of December 31,</b>	
	<b>2010</b>	<b>2009</b>
Income for the Fiscal Year	408.90	229.28
Average Shares Outstanding (in Millions)	1,241.41	1,241.41
Earnings:		
per share	0.329	0.185
per ADS <sup>(1)</sup>	3.290	1.850
<b>At Year-End</b>		
Assets	35,708.06	27,602.37
Loans, Net	21,353.78	13,477.90
Deposits	22,222.76	17,039.37
Subordinated Negotiable Obligations	1,253.03	1,137.45
Shareholders' Equity	2,469.50	2,052.54
Shares Outstanding (in Millions)	1,241.41	1,241.41
Book Value:		
per share	1.989	1.653
per ADS <sup>(1)</sup>	19.89	16.53
<b>Selected Ratios (%)</b>		
Return on Average Shareholders' Equity	18.63	11.69
Return on Average Assets	1.76	1.12
Shareholders' Equity to Total Assets	6.92	7.44
Exchange Rate	3.9758	3.7967

(1) One ADS represents 10 shares.

## LETTER FROM THE CHAIRMAN

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To our Shareholders,

I am pleased to address you in order to submit the Annual Report related to the 12<sup>th</sup> Fiscal Year of Grupo Financiero Galicia S.A. as of December 31, 2010.

During 2010, the economic recovery that started in 2009 was consolidated, with developing countries being the driving engines of the world's economy and developed countries implementing incentive plans and deficit-control programs within a framework characterized by the application of opposite monetary policies. The monetary policies followed by developed economies led to an environment characterized by low rates and abundant liquidity that benefited emerging economies, which received a significant portion of those international financial flows. The favorable international environment was in addition to the significant recovery of agricultural production after the drought that took place in 2008 and 2009 and interest rates that remained stable during the year, what made it possible that the economy grew higher than 8% when compared to 2009.

The outlook for 2011 remains positive, even though a slight decrease in the growth pace observed in 2010 is expected for 2011, what will as well depend on how certain domestic economic challenges are dealt with within an environment influenced by the coming elections.

Amidst this business scenario, Grupo Financiero Galicia recorded profits for \$ 408.9 million, evidencing a 78% improvement compared to the \$ 229.3 million obtained the previous fiscal year. This profit was mainly the result of Grupo Financiero Galicia's interest in Banco Galicia, its main subsidiary.

The Bank continued recording an improvement in its financial structure, mainly based on a significant increase in the volume of intermediation business with the private sector, the decrease in its foreign debt and in its non-financial public-sector position. Additionally, the Bank completed the purchase of the most important financial company in Argentina, Compañía Financiera Argentina S.A. This transaction provides assets for more than \$ 1,700 million, 59 branches and the *Efectivo Sí* trademark.

The increase in the intermediation with the private sector represented an improvement in the market share of 1.28 and 0.52 percentage points in loans and in deposits, respectively, thus reaching an estimated market share of 8.95% in loans and 8.33% in deposits as of December 31, 2010. In turn, the decrease in the Bank's foreign debt was achieved thanks to the redemption of the total remaining amount of negotiable obligations due in 2014 for US\$ 102.3 million. This process continued after fiscal year-end, when the Bank decided to make an advance payment of

the capitalized interests of negotiable obligations due in 2019 for a total of US\$ 90.1 million. The Bank's exposure to the non-financial public sector decreased by \$ 2,380 million, what implied a reduction of its share corresponding to 4.2% of assets.


Therefore, Banco Galicia recorded net income for \$ 469.1 million, 173% higher than the \$ 171.8 million income recorded in fiscal year 2009. Income before the amortization of legal actions filed by depositors (*amparos*) showed a significant increase, from \$ 281.1 million in fiscal year 2009 to \$ 750.1 million in fiscal year 2010.

The insurance business, in which the company takes part through its subsidiary Sudamericana Holding S.A., continued showing a favorable evolution, generating income for \$ 27.3 million for Grupo Financiero Galicia S.A., figure 16% higher when compared to income recorded for 2009. Total insurance production continued growing, reaching \$ 417.5 million of premiums, representing a 28% increase when compared to the previous fiscal year.

In accordance with the policy of maintaining a financial structure pursuant to the business needs, in May 2010 Grupo Financiero Galicia repaid, upon maturity, the Negotiable Obligations Class I, Series I; and in June it successfully placed a new issuance of Negotiable Obligations Class II, Series II and III at a lower cost, for US\$ 45 million.

After a particularly special period for Argentina, which started with the events that took place in December 2001, later accompanied by the world's new economic conditions resulting from the international financial crisis that occurred in 2008, a significant event for the company is that the Board of Directors will propose the Shareholders' Meeting to pay dividends in cash for \$ 24.8 million.

On behalf of the Board of Directors, I would like to thank the shareholders for their continuous support. I would also like to thank the customers for doing business with us and for their loyalty, as well as all the employees working at Grupo Financiero Galicia and the different companies, who day after day continue showing the commitment and effort that have allowed the company to maintain its leading position over the years.



Eduardo J. Escasany  
Chairman of the Board of Directors  
Autonomous City of Buenos Aires, March 4, 2011.

## **ANNUAL REPORT**

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The Board of Directors submits to the Shareholders for their consideration the Annual Report, the Financial Statements and the Supervisory Syndics' Committee Report for the 12<sup>th</sup> fiscal year of Grupo Financiero Galicia S.A. ended December 31, 2010.

### **THE ARGENTINE ECONOMY IN 2010**

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During 2010, the recovery of the world's economy that had started in 2009 was consolidated. This recovery was mainly driven by the growth of emerging economies, together with the addition of incentive plans and deficit-control programs implemented by developed economies. The monetary policies followed by developed countries led to an environment characterized by low rates and abundant liquidity that benefited emerging economies, which received a significant portion of such financial flows.

Within this environment, Argentina experienced a significant recovery of its agricultural production after the drought that took place in 2008 and 2009, what, together with low interest rates, made it possible that the economy grew higher than 8% when compared to 2009. Pursuant to private estimates, during the first half of 2010 the Argentine economy was highly dynamic, growing at a quarterly average of 3.2%. Towards the second half of 2010, a slight decrease in the growth pace was observed, with the economy growing at a quarterly average of 0.9%.

Taking into consideration the aggregate supply, the agricultural sector is worth noting, with a 19.7% annual growth, followed by the manufacturing sector (+10.5%) and trade (+9.4%). The industrial sector was benefited thanks to the higher demand due to the global reactivation, and particularly that of Brazil, the most important purchaser in some sectors, such as the automotive sector. Furthermore, some service-related sectors experienced a limited increase, as for instance health services (+2.2%), public administration (+3.2%) and electricity, gas and water supply (+3.4%).

The Industrial Production Index prepared by FIEL (IPI-FIEL) shows an 8.5% i.a. accumulated growth of the industrial sector in 2010. Within the industrial sector, the one that showed the best performance was the automotive sector, with a 43.1% accumulated increase during the same period, followed by the iron and steel industry, with a 23.1% increase.

Pursuant to official figures, the unemployment rate decreased from 8.4% of the economically active population for the fourth quarter of 2009 to 7% for the same quarter of 2010, thus reflecting the positive impact reactivation had on the level of activity with regard to the labor market.

In terms of monetary policies, the main monetary aggregates significantly increased during 2010, in line with the solid performance of the economy and the upward trend in prices. Within this framework, by fiscal year-end, the monetary base recorded a 31.6% annual expansion, although it started at 15.7% annual growth at the beginning of the year. The \$ 38,100 million expansion experienced during the year is attributable to the growth achieved due to the Argentine Central Bank's intervention in the foreign exchange market for \$ 46,300 million, mainly offset by the \$ 8,200 million reduction of domestic credit. This stems from the sterilization carried out through repurchase and reverse repurchase agreements for \$ 6,500 million, the net placement of Argentine Central Bank bills and notes for \$ 20,300 million and the transfers for \$ 19,500 million of the Argentine Central Bank's profits, corresponding to fiscal year 2009, to the Treasury.

Interest rates remained relatively stable during the year. The interest rate applicable to 30-day time deposits in Pesos over \$ 1 million (Badlar rate for deposits in private banks) increased from an average 9.80% in December 2009 to 11.08% in December 2010. This trend was not linear due to the fact that, between January and April, interest rates showed a decreasing trend, which was partially reversed since May and implied an increase that, from the beginning to the end of fiscal year 2010, reached 1.3%.

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

Pursuant to private estimates, consumer prices grew 22.9% in 2010. The increase in inflation observed during 2010 is mainly explained by the behavior of prices in the food and beverages sector, which recorded an annual increase 10 percentage points above the general price level. The growth of beef is worth noting, which contributed 4.5 percentage points of the 22.9 percentage points prices increased in 2010.

Tax revenues increased 35.2% in 2010 when compared to 2009 due to the reactivation with regard to the level of activity, the increase in prices and the excellent behavior of the external sector. In turn, primary expenditures increased their growth pace again, growing 33.9% in 2010, with an increase of around an annual 40% in the fourth quarter. This way, the Argentine public sector achieved a primary surplus of \$ 25,115 million, equivalent to 1.7% of GDP, in line with what was recorded in 2009. After interest payments for \$ 22,047 million, the financial surplus amounted to \$ 3,068 million, equivalent to 0.2% of GDP.

The balance of trade surplus accrued during the year amounted to US\$ 12,057 million in 2010, below the US\$ 16,980 million recorded in 2009, as a result of the 23% increase in exports and the 46% increase in imports. The non-financial private-sector's capital account experienced a net

foreign currency outflow of US\$ 844 million during the first nine months of 2010, substantially below the foreign currency outflow of US\$ 8,963 million recorded for the same period in 2009. This way, the year as a whole would end with the capital account in a practically neutral position, after a year 2009 with capital outflows higher than US\$ 8,000 million. As of December 31, 2010, the Argentine Central Bank's international reserves amounted to US\$ 52,190 million, US\$ 4,222 million above those recorded at the end of 2009.

## **THE FINANCIAL SYSTEM**

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The situation described above with regard to the Argentine economy had a favorable impact on the financial system, what resulted in an increase in the levels of intermediation with the private sector, even though these are far from the levels recorded in the years before the crisis that took place in 2001 and those achieved by close countries such as Chile and Brazil.

In this regard, the financial system's total deposits increased 38.7% during the year, reaching \$ 373,862 million. Deposits from the non-financial private sector increased 29.7%, amounting to \$ 256,028 million; while deposits from the public sector reached \$ 115,841 million, a 67.9% increase. Within deposits from the private sector, transactional deposits grew 34.3%, reaching \$ 138,036 million at the end of 2010, while time deposits increased 25.4%, reaching \$ 107,401 million.

Total loans to the private sector grew 37.8% when compared to the end of 2009, reaching \$ 197,279 million. Loans that increased the most were short-term commercial loans, made up of cash advances in current account and promissory notes, which grew 45.8%. As regards consumer credit lines, made up of loans through credit cards and personal loans, they grew 37.2% during 2010. Pledge loans increased 34.5%, while mortgage loans increased 13.3%. In turn, loans to the public sector accounted for 12.1% of total assets, decreasing 2.4 percentage points ("p.p.") during the year, a very different situation when compared to the 48.9% recorded in 2002.

As a prudential policy, and continuing with the trend of the previous year, financial institutions increased their liquidity levels regarding total deposits, also contributing to financial stability. The liquidity ratio increased from an average 28.5% in November 2009 to 29.1% in November 2010.

The average interest rate (up to 59 days) paid by private banks in December was 10.29%, increasing 58 basis points ("b.p.") inter-annually. Meanwhile, the average interest rate applicable to time deposits in Pesos over \$ 1 million was 11.11%, increasing 130 basis points. With regard to lending rates, the rate for cash advances in current account was 19.23% at the end of the year, decreasing 205 b.p. inter-annually. The rate for promissory notes decreased 127 b.p., closing the fiscal year in 14.81%.

Towards December 2010, private-sector means of payment (M2) exceeded the ceiling set forth in the monetary program by 3.2%, reaching a 33.1% growth during the year. The foreign currency purchase transactions carried out by the Argentine Central Bank in the foreign exchange market and loans to the private sector were the main reasons for the increase in the means of payment during the year. This was partially offset by the Argentine Central Bank's placement of debt securities (Lebac and Nobac).

In terms of solvency, the Argentine financial system's net worth increased by \$ 8,549 million during the year, what represents a 17.9% improvement. The system's profitability in 2010 was equivalent to 2.7% of total assets, while return on shareholders' equity was 23.4%, higher than the 19.2% recorded in 2009 and the 13.4% recorded in 2008. Income from interests and services remained in levels similar to those recorded in 2009, representing 4.3% and 3.9% of total assets, respectively. The government securities prices led to an improvement in income from holding of such securities, representing 3.4% of total assets.

In turn, administrative expenses as a percentage of total assets slightly increased from 6.7% to 6.8%, while provisions for loan losses decreased from 1.1% to 0.8% of total assets, thus reflecting an improvement in the asset quality of the loan portfolio. In line with such performance, the non-accrual loan portfolio to the non-financial private sector decreased from 3.6% in November 2009 to 2.3% in November 2010. Within the framework of prudential policies, the provisioning of the private-sector non-accrual loan portfolio with allowances continues to increase, reaching historically high levels such as 156.5% in November 2010, higher than the 123.1% recorded twelve months before.

As of November 30, 2010, there were 80 financial institutions in Argentina, considering both banks and non-banking institutions. Out of this total, 64 were banks, 52 of which were private-sector banks (concentrating 56.8% of total deposits in the financial system). In turn, 32 were domestic banks (which represented 29.6% of total deposits, 1.0% higher when compared to the end of 2009), including a cooperative bank and 20 were foreign-owned banks (which represented 27.2% of total deposits, 1.6% lower when compared to the end of 2009). Government-owned banks were 12 (which represented 42.8% of total deposits), and non-banking financial institutions were 16, with only a 0.4% share of total deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 76.4% as of November 30, 2010. This percentage was 0.8% higher compared to the one recorded by the end of 2009.

Based on information as of September 2010 (the last information available to date), the Argentine financial system's banks employed a total of 98,887 people (62% of which were employed by the private sector), representing a 1.5% increase since the beginning of the year.

## **THE INSURANCE INDUSTRY**

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During 2010, the insurance industry continued growing. Production amounted to \$ 41.6 billion, 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%.

## **OUTLOOK**

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The outlook for the economy in 2011 remains positive, even though a slight decrease in the growth pace observed in 2010 is expected for 2011. In case the current conditions with regard to global growth, abundant liquidity and the increasing trend in the price of commodities continue, the Argentine economy will have a favorable environment to grow.

Among domestic factors, the agriculture and livestock sector would again make a significant contribution since the adverse effect of climate on production would be moderate and the exceptional prices would allow the value of production to be even higher than the previous year. Of course, both the agriculture and livestock sector and industry, main drivers of growth in 2010, would show more moderate growth rates in 2011, taking into consideration they would start with a high level to compare to. Thus, the strong growth of GDP in 2010 leaves for 2011 a growth rate of 2.5% due to a statistical drag, and estimates indicate the economy could grow at a rate of around 5.5% in 2011. However, it should be taken into consideration that this year presidential elections will be held in Argentina.

As regards the risks at a domestic level, the evolution of the inflation rate is worth noting within a context where production has used almost all of the installed capacity, and fiscal and monetary policies will continue to expand. Additionally, the evolution of the international prices of commodities in general, and those of food in particular, will be a challenge with regard to price stability globally.

## **REVIEW OF OPERATIONS**

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Grupo Financiero Galicia's strategy is to continue establishing itself as one of Argentina's leading comprehensive financial services companies while continuing to strengthen Banco Galicia's position as one of Argentina's leading banks. Its main objective is to create value for its shareholders.

Grupo Financiero Galicia's corporate purpose is exclusively related to financial services and investment and, pursuant to its bylaws, may not carry out transactions included in the Financial Institutions Law (*Ley de Entidades Financieras*). Among Grupo Financiero Galicia's purposes, it is worth noting its contribution so that, insofar as appropriate, Banco Galicia maintains its participation in various businesses and that, regarding future opportunities, it participates to the measure and the degree authorized by the regulations in force.

The following is a description of the subsidiary companies' operations during fiscal year 2010.

### **BANCO DE GALICIA Y BUENOS AIRES S.A.**

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Founded in 1905, Banco Galicia is one of the largest private-sector banks in the Argentine financial system. It operates one of the most extensive and diversified distribution networks in Argentina, offering more than 380 points of contact with customers, including traditional branches and electronic banking facilities, together with other 319 service centers that correspond to regional credit-card companies and 95 that belong to CFA. Banco Galicia's customers also have access to telephone-banking services and to [bancogalicia.com](http://bancogalicia.com) and Galicia Móvil, the first financial Internet portal and the first payment service through cellular telephone, respectively, established by a bank in Argentina.

In its capacity as a universal bank, Banco Galicia and its affiliated companies operating in multiple distribution channels offer a full spectrum of financial services to more than 5.9 million customers, both individuals and corporations. As of December 31, 2010, Banco Galicia's total assets, on a consolidated basis, were \$ 35,298.9 million, its net loan portfolio was of \$ 21,333.7 million and its total deposits were of \$ 22,242.7 million.

The non-accrual loan portfolio as a percentage of total loans decreased from 4.77% as of the end of fiscal year 2009 to 3.77% as of the end of fiscal year 2010. This was due to the reorganization of the corporate portfolio and the growth of the total loan portfolio, both that of the Bank and its subsidiaries. The provisioning of the non-accrual portfolio with allowances increased from 118.64% at the close of the previous fiscal year to 137.57% at the close of fiscal year 2010.

Net income for fiscal year 2010 amounted to \$ 469.1 million. The increase in income was due to the improvement in the Bank's financial structure thanks to a significant increase in the volume of intermediation with the private sector, the decrease in the exposure to the public sector and the reduction of its foreign debt. Furthermore, since the third quarter the results of Compañía Financiera Argentina S.A. were included, which were positive and amounted to \$ 89.4 million, as well as the negative goodwill recorded for the purchase of said company, which amounted to \$ 51.7 million. As of December 31, 2010, the negative goodwill reached \$ 465.6 million.

Income before the amortization of legal actions filed by depositors (*amparos*) and the adjustment to the valuation of public-sector assets showed a significant increase, from \$ 281.1 million in fiscal year 2009 to \$ 750.1 million in fiscal year 2010.

Adjusted net operating income for fiscal year 2010 amounted to \$ 4,178.9 million, what represents a 38.8% increase compared to the \$ 3,014.4 million recorded the previous fiscal year. This positive evolution was due to a \$ 686.7 million increase in the adjusted net financial income (CFA: \$ 282.2 million), as well as higher net income from services for \$ 477.8 million (CFA: \$ 14.7 million). Administrative expenses increased 41.3% during fiscal year 2010. Salaries, social security contributions and expenses related to personnel services increased 42.6% due to the addition of CFA, the salary increase agreed and the 10.2% increase in staff, mainly with regard to the regional credit-card companies.

The rest of the administrative expenses totaled \$ 1,288.6 million, recording a 39.9% increase when compared to the \$ 921.4 million recorded the previous fiscal year. This increase is due to the higher level of activity, the geographic expansion of the regional credit-card companies and of the Bank, and the evolution of inflation during the period.

The income tax charge for the fiscal year was of \$ 244.1 million, mainly corresponding to Tarjetas Regionales S.A. consolidated with its operating subsidiaries and CFA.

A more detailed explanation on Banco Galicia can be found in Banco Galicia's Annual Report at [www.bancogalicia.com](http://www.bancogalicia.com), institutional section, Annual Report.

## **SUDAMERICANA HOLDING S.A.**

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This investment in the insurance business represents another step forward in Grupo Financiero Galicia's strategy to strengthen its position as a leading financial services provider.

Grupo Financiero Galicia's stake in the company is 87.5%. Banco Galicia holds the remaining 12.5%.

In turn, Sudamericana Holding is the controlling company of Galicia Seguros S.A. (property and life insurance), Galicia Retiro Compañía de Seguros S.A. (retirement insurance) and Sudamericana Asesores de Seguros S.A. (insurance broker).

Total insurance production of the aforementioned insurance companies amounted to \$ 417.5 million during 2010, 28% higher than the volume of premiums of the previous year.

This increase in insurance production was recorded mainly for Galicia Seguros, with \$ 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 \$ 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 Compañía de Seguros S.A. 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.

Continuing with the strategy followed during the past years, aimed at maintaining the growth achieved in previous fiscal years, Galicia Seguros S.A. will continue the vertical growth of business through Banco Galicia's and Tarjetas Regionales' channels, by means of the launching of new products and the use of alternative contact and sales channels. Furthermore, Galicia Seguros S.A. continues with its goals of increasing the number of sales channels within the financial and retail sectors, using its business knowledge, the strength of its brand and the variety of products marketed. Furthermore, the company will continue with its business strategy of broadening the areas of business where it can operate, such as liability insurance, surety bonds and operational all risks policies.

As regards information systems, the company will continue working to gear them towards systems that can be integrated to Internet platforms and are aimed at easing interaction with our channels by means of the creation of new sales platforms and the simplification of customer service processes. Additionally, the company will strengthen its quality system through the creation of a permanent system of process quality monitoring indicators and by moving forward with respect to the certification of additional processes. All of these actions are aimed at improving sales volumes

and turnover levels within a framework aimed at continuing to attain appropriate profitability levels.

Sudamericana Asesores will continue boosting its growth in the area of business related to the corporate sector, offering its customers professional advisory services and looking for the most appropriate coverages and companies in each case. In turn, with respect to information systems, the company plans to continue with the implementation of an operating system maintenance and update program that makes possible to attain new efficiency levels. These new implementations, corresponding to new information system developments and together with new technologies, will make possible to have online interaction with sales channels, streamlining the carrying out of new businesses, easing the monitoring of transactions and providing consolidated information as a management tool.

## **OTHER COMPANIES**

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Grupo Financiero Galicia has been developing its Internet businesses mainly through Net Investment S.A. Grupo Financiero Galicia owns an 87.50% stake in this company and the remaining 12.5% stake is held by Banco Galicia. Net Investment S.A. 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.

Within the framework of the Board of Directors' search for new business alternatives, 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 S.A. Furthermore, during this fiscal year the company subscribed shares belonging to a company that carries out activities related to business development through the Internet. The equity investment held in this company represents 0.23% of corporate capital.

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

Galicia Warrants S. A. is a leading company in the deposit certificates and warrants issuance market. This company has been continuously conducting transactions since 1994, supporting medium and large companies in regard to the custody of stocks. Galicia Warrants S.A.'s main objective is to enable its customers access to credit and financing, which are secured by the property kept under custody. Galicia Warrants S.A.'s main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake in this company, and Banco Galicia, with the remaining 12.5%

Within the framework of growth the Argentine economy has been experiencing, industrial and agro-industrial higher activity levels, resulting 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 \$ 10.5 million, with a net income amounting to \$ 2.1 million at the fiscal year-end.

Galval Agente de Valores S.A. was formed in January 2005 under the laws of República Oriental del Uruguay. Galval Agente de Valores S.A. 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. Galval Agente de Valores S.A. started to conduct operations since September 2005 and, as of December 31, 2010; it had customers' securities held in custody for US\$ 121.95 million, of which US\$ 14.33 million correspond to the holding of securities of Grupo Financiero Galicia.

The equity investment held by Grupo Financiero Galicia S.A. in GV Mandataria de Valores S.A. is 90%, while the remaining 10% interest is held by Galval Agente de Valores S.A. 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 \$ 3.3 million, with a pretax net income of \$ 0.2 million.

## **COMPOSITION AND FUNCTIONS OF THE BOARD OF DIRECTORS, CORPORATE ORGANIZATION AND INTERNAL CONTROL**

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Grupo Financiero Galicia's Board of Directors is made up of nine directors and four alternate directors.

Grupo Financiero Galicia's Board of Directors meets formally between two and three times per month, and each time circumstances so require it. It is responsible for the establishment of general guidelines related to asset and liability management, the approval of business plans, economic and financial budgets, investment plans, and proposals for development of new businesses.

Grupo Financiero Galicia is directed by two management divisions.

The General Division's main function consists in implementing the policies defined by Grupo Financiero Galicia's Board of Directors, as well as suggesting to the Board of Directors the application of plans, budgets and company organization. This division is also in charge of supervising the Financial & Accounting Division, assessing the attainment of goals and the performance of the company. It as well takes part in the Board of Directors of subsidiaries.

The Financial & Accounting Division is mainly responsible for the assessment of investment alternatives, thus suggesting whether to invest or withdraw the company's positions in different companies or businesses. It also plans and coordinates the company's administrative services and financial resources in order to guarantee its proper management. This division also aims at meeting requirements set by several controlling authorities, complying with information and internal control needs and budgeting purposes. Furthermore, it includes the Investor Relations function, aimed at planning, preparing, coordinating, controlling and providing financial information to the stock exchanges where the Company's shares are listed, regulatory bodies and both domestic and international investors and analysts. It assesses the materials published by analysts, carrying out a follow-up of their opinions, as well as those of shareholders and investors in general.

## **DISCLOSURE COMMITTEE**

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The "Disclosure Committee" was created during fiscal year 2002 with the purpose of complying with what is recommended by the "Sarbanes-Oxley Act of 2002", since Grupo Financiero Galicia is a listed company at the NASDAQ Stock Market. The above-referred Law was passed in order to provide a more stringent regulatory framework regarding information and corporate responsibilities, both for companies in the United States of America as well as foreign companies

that act or participate in U.S. markets. The Committee is made up of Grupo Financiero Galicia S.A.'s Chief Executive Officer, the Chief Financial Officer and administrative supervisors. Additionally, it has the authority to invite the executives in charge of other areas of the Company and/or affiliated companies, as it deems convenient, to attend the meetings held by the Committee. At least one of the members of this Committee takes part in the meetings held by the "Disclosure Committee", created for the same purposes at the main subsidiaries.

During the fiscal year under analysis, the Committee developed a large schedule of activities, among which the following stand out:

1. Monitoring the Company's internal control.
2. Review the financial statements and other information published.
3. Prepare the reports for the Board of Directors on the activities carried out by the Committee.
4. Control the activities performed by internal audit.
5. Execute and implement the necessary measures to comply with the certifications required by sections 906, 302 and 404 provided by the Sarbanes-Oxley Act.
6. Monitor the modifications introduced in order to extent the application of the provisions of the Law to the Company's main affiliated companies.
7. Interact with the Company's Audit Committee.

It is worth noting that this Committee's operations have been adapted to comply with domestic laws represented by Decree 677/01 and Resolution No. 400/02 issued by the National Securities Commission (CNV), so as to be able to help with tasks that are regulated by such laws. At present, this Committee performs significant activities on the administrative and information areas that serve the Board of Directors and the Company's Audit Committee in the development of their functions. This way, this Committee contributes to the transparency of information provided to the stock exchanges were its shares are listed.

## **AUDIT COMMITTEE**

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Grupo Financiero Galicia complies with the provisions set forth by Decree 677/2001 in its section 15 and General Resolution No. 400/2002 enacted by the National Securities Commission (regulations of Decree No. 677/2001), which require that companies that make a public offering of shares should form an Audit Committee, and develop a charter with regulations for its operation. Such Committee was created as a body with no executive functions, which purpose is to provide the Company's Board of Directors with assistance in overseeing the financial statements, as well as in the task of controlling Grupo Financiero Galicia and its subsidiaries and companies it owns a stake in. Likewise, it is important to emphasize that the creation of the aforementioned

Committee complies with the requirements of the Sarbanes-Oxley Act of the United States of America, which are applicable to all companies that participate in U.S. markets regarding what is set forth for Audit Committees.

The Audit Committee performed the following activities throughout fiscal year 2010, among others:

- Preparation of the “Audit Committee’s annual planning and means for its operation” for fiscal year 2010.
- Evaluation on the independence, working plans and performance of External Audit.
- Assessment of plans and performance of Internal Audit.
- Evaluation of the internal control in force at the Company and its main subsidiaries which complies with the provisions set forth in section 404 of the Sarbanes-Oxley Act and, as part of that, of the accounting and administrative system’s operation.
- Assessment on the use of information policies on risk management at the Company’s main subsidiaries.
- Assessment on the reliability of financial information submitted to the regulators and markets where the Company lists its shares.
- Evaluation of standards of conduct through the analysis of legal and regulatory provisions being in force and set forth in the Code of Ethics established by the Company. These standards are basically those related to transparency, conflict of interests, reliability and the appropriate disclosure of accounting information and other significant events as well as the protection of the Company’s net worth.
- Analysis with respect to operations carried out with the Company’s related companies pursuant to the cases established by Decree 677/2001.
- Analysis of whether conditions are reasonable and of compliance with the Global Program for the Issuance of Negotiable Obligations outstanding.

## **SUPERVISORY SYNDICS’ COMMITTEE**

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In line with what is set forth in the Corporations Law, corporate bylaws provide for a Supervisory Syndics' Committee consisting of three regular members (syndics) and three alternate members (alternate syndics). In accordance with the applicable Argentine law, the Supervisory Syndics' Committee is responsible for controlling the Company's management, for which its members examine books and documentation when they deem it convenient and at least every three months. At least one of the members attends the meetings of the Board of Directors. Unlike directors, syndics and alternate syndics have no management functions and they cannot have them. The syndics are responsible for, among other things, the preparation of a report to shareholders analyzing the Company’s financial statements and Annual Report for each fiscal year.

Alternate syndics act in the temporary or permanent absence of a syndic. The syndics and the alternate syndics are elected for a one-year term by the shareholders at their Annual General Meeting.

## **COMPENSATION POLICY FOR DIRECTORS AND OFFICERS**

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The policy for compensation applied by Grupo Financiero Galicia and its controlled companies is, essentially, the same, and it consists in arranging salary levels in order of importance based on a system that describes and assesses tasks by factors (Hay System). The purpose is to pay compensation amounts similar to those observed in the domestic market for functions with the same hierarchy and responsibilities. Managers receive a fixed compensation and may receive a variable fee based on individual performance. This policy for compensation envisages the possibility of having access to retirement insurance and there are no option plans.

Independent directors are paid a fix fee based on the functions they carry out. Compensation for the members of the Board of Directors shall be considered by the Shareholders' Meeting once the fiscal year has ended.

## **POLICY ON DIVIDENDS**

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Grupo Financiero Galicia's policy for the distribution of dividends envisages, among other factors, the obligatory nature of establishing a legal reserve, the company's financial condition and its indebtedness, the business requirements of affiliated companies and, mainly, that the profits recorded in the financial statements are, to a great extent, income from holdings and not realized and liquid profits, a requirement of Section 68 of the Corporations Law so that it is possible to distribute them as dividends. The proposal to distribute dividends arising from such analysis has to be approved at the Shareholders' Meeting that discusses the Financial Statements corresponding to each fiscal year.

## **GLOBAL PROGRAM FOR THE ISSUANCE OF NEGOTIABLE OBLIGATIONS**

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The Global Program for the Issuance of Short-, Mid- and/or Long-term Negotiable Obligations for a face value of US\$ 60,000,000 (or its equivalent in other currencies) and the public offer of each Class of Negotiable Obligations have been authorized by means of Resolution No. 16133 of the CNV dated April 29, 2009. The purpose of the Program was the refinancing of the debt structure resulting from the capitalization duly carried out at the main subsidiary, Banco de Galicia y Buenos Aires S.A., the raising of funds for working capital and future investments.

Negotiable Obligations Class I and Class II are simple, non-convertible into shares, which constitute unsecured obligations of the Issuer denominated in U.S. Dollars. Negotiable Obligations Class I, Series II are due in 720 days computed since the issuance date thereof (June 4, 2009). Likewise, Negotiable Obligations Class II Series II are due in 721 days, and Negotiable Obligations Class II Series III are due in 1,078 days, both terms computed since the issuance date thereof (June 8, 2010).

The offer of Negotiable Obligations Class I for a face amount of US\$ 45,000,000, the subscription of which ended June 2, 2009, was fully subscribed. The cut-off rate for Series I was 92.68%, for a face amount of US\$ 34,404,395, what is equivalent to an 8% annual yield. As regards Series II, the cut-off rate was 103.48%, equivalent to a 10.5% annual yield, and for a face amount of US\$ 10,595,605.

During fiscal year 2010, Grupo Financiero Galicia repaid, upon maturity, the Negotiable Obligations Class I, Series I, for US\$ 34,404,395.

Furthermore, during fiscal year 2010 the company made an offer of Negotiable Obligations for a face value of US\$ 45,000,000. The subscription period ended on June 4, 2010, Negotiable Obligations were fully subscribed and the company decided not to issue Series I, which was planned to be issued at a discount. The cut-off rate for Series II was 101.82%, for a face amount of US\$ 18,143,291, what is equivalent to a 7% annual yield. As regards Series III, the cut-off rate was 101.28%, for a face amount of US\$ 26,856,709, what is equivalent to an 8.5% annual yield.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CONSOLIDATED INFORMATION

In millions of Pesos

Balance Sheet as of December 31,	2010	2009
<b>Assets</b>		
Cash and Due from Banks	5,645.57	3,696.31
Government Securities	2,278.01	3,920.41
Loans	21,353.78	13,477.90
Other Receivables from Financial Brokerage	3,325.99	3,335.36
Equity in Other Companies	52.85	53.90
Bank Premises and Equipment, Miscellaneous Assets and Intangible Assets	1,483.59	1,534.49
Other Assets	1,568.27	1,584.00
<b>Total Assets</b>	<b>35,708.06</b>	<b>27,602.37</b>
<b>Liabilities</b>		
Deposits	22,222.76	17,039.37
Other Liabilities Resulting from Financial Brokerage	7,608.07	6,119.44
Subordinated Negotiable Obligations	1,253.03	1,137.45
Other Liabilities	1,772.49	965.00
Minority Interest	382.21	288.57
<b>Total Liabilities</b>	<b>33,238.56</b>	<b>25,549.83</b>
<b>Shareholders' Equity</b>	<b>2,469.50</b>	<b>2,052.54</b>
<b>Consolidated Income (Loss) Statement as of December 31,</b>		
	<b>2010</b>	<b>2009</b>
Financial Income	3,616.13	3,005.64
Financial Expenses	1,412.68	1,460.46
<b>Gross Brokerage Margin</b>	<b>2,203.45</b>	<b>1,545.18</b>
Provision for Losses on Loans	551.52	639.51
Net Income from Services	1,781.88	1,310.92
Administrative Expenses	2,845.31	2,029.13
<b>Net Income from Financial Brokerage</b>	<b>588.50</b>	<b>187.46</b>
Minority Interest	(104.33)	(46.51)
Income from Equity Investments	62.05	11.35
Miscellaneous Income, Net	120.87	232.97
<b>Net Income before Income Tax</b>	<b>667.09</b>	<b>385.27</b>
Income Tax	258.19	155.99
<b>Income for the Fiscal Year</b>	<b>408.90</b>	<b>229.28</b>
<b>Inflation, Exchange Rate and C.E.R.</b>		
	<b>2010</b>	<b>2009</b>
Inflation (1)	14.56%	10.04%
Exchange Rate (2)	4.72%	9.93%
C.E.R. (3)	11.04%	6.95%

(1) Variation of the application of the Wholesale Price Index System (S.I.P.I.M.). Source: INDEC.

(2) Devaluation of the Peso in comparison to the U.S. Dollar.

(3) Variation in the fiscal year.

## INCOME STATEMENT

In millions of Pesos		
As of December 31,	2010	2009
Income from Equity Investments	472.59	186.79
Administrative Expenses	(23.47)	(23.53)
Other Income and Expenses	1.75	0.41
Financial Income (Loss)	(41.94)	90.36
<b>Income before Income Tax</b>	<b>408.93</b>	<b>254.03</b>
Income Tax	(0.03)	(24.75)
<b>Net Income for the Fiscal Year</b>	<b>408.90</b>	<b>229.28</b>

Note: Balances net of deletions, if any, correspond to transactions conducted with companies included within section 33 of Act 19,550.

The net income for the fiscal year ended December 31, 2010 amounted to \$ 408.90 million. Such income was mainly generated due to the result of Grupo Financiero Galicia's equity investments, in particular Banco de Galicia y Buenos Aires S.A., which recorded net income for \$ 469.10 million in fiscal year 2010.

Earnings per share was \$ 0.329, equivalent to \$ 3.29 for ADS, taking into account the average shares outstanding during the fiscal year. Net income as of December 31, 2010, represented a return on average shareholders' equity of 18.63% and a return on average assets of 1.76%, while for the fiscal year ended December 31, 2009, such returns were 11.69% and 1.12%, respectively.

## INCOME FROM EQUITY INVESTMENT

In millions of Pesos		
As of December 31,	2010	2009
Income from the Interest in Banco de Galicia y Buenos Aires S.A.	444.54	162.70
Income (Loss) from the Interest in Sudamericana Holding S.A.	27.27	23.39
Income from the Interest in Galicia Warrants S.A.	1.80	6.76
Income (Loss) from the Interest in Net Investment S.A.	(0.10)	(0.67)
Income (Loss) from the Interest in Galval Agente de Valores S.A.	(4.02)	(4.74)
Income from the Interest in G.V. Mandataria de Valores S.A.	0.11	0.12
Other Income (Loss)	(60.67)	66.47
<b>Income before Income Tax</b>	<b>408.93</b>	<b>254.03</b>
Income Tax	(0.03)	(24.75)
<b>Income for the Fiscal Year</b>	<b>408.90</b>	<b>229.28</b>

The income from the interest in Sudamericana Holding S.A. shown in the chart above represents Grupo Financiero Galicia's 87.50% direct interest on the gains corresponding to the twelve months ended September 30, 2010, which amounted to \$ 31.30 million. Taking into consideration that Sudamericana Holding S.A.'s main activity is its equity investments in insurance companies, the gains obtained by it are mainly due to the interest in its controlled companies, in particular Galicia Seguros S.A. Said company recorded gains for \$ 29.16 million. Likewise, Sudamericana Holding

S.A.'s consolidated income is essentially made up of collection of premiums, claims and direct expenses for \$ 75.10 million, net financial income for \$ 28.66 million and administrative expenses for \$ 56.19 million.

As of December 31, 2010, Galicia Warrants S.A. recorded gains for \$ 2.06 million, as a result of net income from services for \$ 10.47 million and administrative and marketing expenses for \$ 7.46 million. The income from the interest in Galicia Warrants S.A. recorded by Grupo Financiero Galicia arises from its 87.50% direct interest on the aforementioned gains.

The income (loss) from the interest in Net Investment S.A. recorded by Grupo Financiero Galicia, represents its 87.50% direct interest on said company's results. As of December 31, 2010, Net Investment S.A. recorded a loss of \$ 0.11 million, 85% lower than the loss recorded in the previous fiscal year. This variation was due to the refocusing of the company's operations and the rightsizing of its structure.

As of December 31, 2010, Galval Agente de Valores S.A. recorded a \$ 4.02 million loss due to the fact that income from services was not enough to cover the administrative and marketing expenses.

At the close of the fiscal year, GV Mandataria de Valores S.A. recorded a \$ 0.12 million gain, arising from its activity as agent. Grupo Financiero Galicia S.A.'s interest on the gains of the company is 90%.

## **ADMINISTRATIVE EXPENSES**

<b>In millions of Pesos</b>		
<b>As of December 31,</b>	<b>2010</b>	<b>2009</b>
Salaries and Social Security Contributions	5.47	3.27
Personnel Services	0.86	0.52
Amount Paid to Directors and Syndics	1.36	1.08
Service Fees	3.51	4.77
Property-related Expenses	0.41	0.41
Taxes	9.52	11.50
Others	2.34	1.98
<b>Totals</b>	<b>23.47</b>	<b>23.53</b>

*Note: Balances net of deletions, if any, correspond to transactions conducted with companies included within section 33 of Act 19,550.*

The category "Service Fees" comprises fees paid on account of legal, accounting and technical advisory services. The category "Taxes" mainly includes the charge for the tax on personal assets, tax on banking credits and debits and value added tax. The category "Other" includes other necessary expenses to maintain the organizational structure.

## FINANCIAL INCOME

In millions of Pesos		
As of December 31,	2010	2009
Interests on Time Deposits	0.05	0.07
Other Interest, Net	(18.80)	(11.64)
Income from Negotiable Obligations	0.03	0.26
Income from Reimbursement of Financial Debts	-	85.55
Exchange-Rate Difference	(23.22)	16.12
<b>Totals</b>	<b>(41.94)</b>	<b>90.36</b>

*Note: Balances net of deletions, if any, correspond to transactions conducted with companies included within section 33 of Act 19,550.*

In regard to the category "Other Interest, Net", \$ 18.35 million correspond to interests from financial debt.

In turn, the category "Exchange-Rate Difference" reflects the effect of Peso's devaluation in relation to the U.S. Dollar that had on foreign currency assets and liabilities, and includes the results from the valuation of the hedge contracts issued to cover the risk associated with the exchange-rate exposure of financial loans. (See "Description of Assets and Liabilities").

## INCOME TAX

In millions of Pesos		
As of December 31,	2010	2009
Income before Income Tax	408.93	254.03
Permanent Differences	(408.85)	(183.31)
<b>Subtotals</b>	<b>0.08</b>	<b>70.72</b>
Income Tax Rate in Force	35%	35%
<b>Total Income Tax Charge – Loss</b>	<b>0.03</b>	<b>24.75</b>

Income tax charge was recorded pursuant to the Deferred Tax Method, established by the accounting standards in force in the Autonomous City of Buenos Aires. The Income tax charge is determined by applying the effective tax rate, which is 35%, to the accounting earnings before tax, which had been previously adjusted by the permanent differences between the accounting and tax results. Among these adjustments, the main one is due to the income from equity investments.

## DESCRIPTION OF ASSETS AND LIABILITIES

On March 9, 2009, the General Ordinary Shareholders' Meeting approved the creation of a Global Program for the Issuance of Simple Negotiable Obligations, not convertible into shares, for a maximum face amount of US\$ 60 million. On June 4, 2009, Series I and II corresponding to Negotiable Obligations Class I were issued for US\$ 45 million.

On May 7, 2010, the National Securities Commission authorized, within the Global Program outstanding, the issuance of Negotiable Obligations Class II, Series I, II and III, for US\$ 45 million.

On May 30, 2010, the balance corresponding to Negotiable Obligations Class I Series I for a face value of US\$ 34.40 million was repaid upon maturity.

On June 8, 2010, Series II and III corresponding to Negotiable Obligations Class II were issued for US\$ 45 million.

On November 3, 2010, a real estate property of Grupo Financiero Galicia S.A., located in the Autonomous City of Buenos Aires, was sold for \$ 8.39 million.

The above-referred events led to the most significant changes to Grupo Financiero Galicia S.A.'s financial structure during fiscal year 2010.

## **ASSETS**

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The structure of Grupo Financiero Galicia's assets as of December 31, 2010, in comparison to the previous fiscal year, was as follows:

### **ASSETS**

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<b>In millions of Pesos</b>		
<b>As of December 31,</b>	<b>2010</b>	<b>2009</b>
Cash and Due from Banks	0.83	3.82
Investments	26.47	28.72
Interest in Other Companies	2,623.91	2,166.75
Other Assets	59.95	57.83
<b>Totals</b>	<b>2,711.16</b>	<b>2,257.12</b>

As of December 31, 2010, the "Investments" category was composed by the following items: Special current account deposits for \$ 24.80 million, mutual funds for \$ 1.20 million and time deposits for \$ 0.47 million.

The "Interest in Other Companies" category constitutes Grupo Financiero Galicia S.A.'s main asset. As of December 31, 2010, it amounted to \$ 2,623.91 million, from which \$ 2,522.20 million corresponded to the interest in Banco de Galicia y Buenos Aires S.A.

As of December 31, 2010, the "Other Assets" category was composed by the following items: Tax credit for \$ 1.03 million, promissory notes receivable for \$ 57.86 million, sundry debtors and miscellaneous receivables for \$ 0.01 million and bank premises and equipment for \$ 1.05 million.

Within this category, as was mentioned in “Description of Assets and Liabilities”, the sale of a real estate located in the Autonomous City of Buenos Aires is worth noting.

## LIABILITIES

The structure of Grupo Financiero Galicia’s liabilities as of December 31, 2010, in comparison to the previous fiscal year, was as follows:

### LIABILITIES

In millions of Pesos		
As of December 31,	2010	2009
Financial Debt	223.18	166.99
Social Security Debts	1.74	1.15
Tax Debts	6.55	26.21
Other Liabilities	10.19	10.23
<b>Totals</b>	<b>241.66</b>	<b>204.58</b>

As the above-mentioned chart shows, the category “Financial Debt” represented the Company’s main liability, for \$ 223.18 million, equivalent to US\$ 56.13 million. Such amount is made up of Series II corresponding to Negotiable Obligations Class I and Series II and III corresponding to Negotiable Obligations Class II, the main characteristics of which are described as follows:

#### Class I

Series No.	F.V. Amount (in millions of US\$)	Issuance Price (in thousands of US\$)	Term (in days)	Maturity Date	Interest Rate	Book Value (in millions of \$)
II	10.60	0.10348	720	05.25.11	Annual nominal 12.5%	42.79

#### Class II

Series No.	F.V. Amount (in millions of US\$)	Issuance Price (in thousands of US\$)	Term (in days)	Maturity Date	Interest Rate	Book Value (in millions of \$)
II	18.14	0.10182	721	05.29.12	Annual nominal 8.0%	72.87
III	26.86	0.10128	1,078	05.21.13	Annual nominal 9.0%	107.52

As of December 31, 2010, the category “Tax Debts” was mainly made up of the Provision for Tax on Personal Assets - Substitute Taxpayer for \$ 6.21 million

The category "Other Liabilities" includes, among others, the balance corresponding to the foreign currency hedge contracts to be settled that, as of December 31, 2010, amounted to \$ 7.83 million. These contracts were issued with the purpose of covering the risk associated with the exchange rate exposure of Negotiable Obligations issued in U.S. Dollars.

## **REGULATORY CAPITAL**

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Grupo Financiero Galicia, as well as the companies it controls in Argentina, is regulated by the Corporations Law. In section No. 186, the law establishes that the capital of a corporation (*sociedad anónima*) cannot be less than \$ 12,000 (twelve thousand pesos).

**Banks:** Banco Galicia must also comply with the regulations set forth by the Argentine Central Bank. In June 2003, the Argentine Central Bank introduced some modifications to the regulations on minimum capital requirements for the financial institutions: It set forth an 8.0% requirement on risk-weighted assets pursuant to the international standards provided by the Basle Committee, to be applied to public-sector exposure as well as to private-sector assets and new capital requirements were provided for to cover market and interest-rate risks, which shall include fluctuations of the Peso exchange-rate against the U.S. dollar as well as the adjustments by the CER.

As of December 31, 2010, Banco Galicia's computable capital amounted to \$ 3,594.0 million, exceeding the minimum capital requirement in \$ 1,586.9 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date. This excess amount was of \$ 1,177.7 million as of December 31, 2009. This \$ 409.2 million increase in the excess amount was due to the increase in computable capital for \$ 804.8 million, offset by the increase in the minimum capital requirement for \$ 395.6 million.

**Insurance Companies:** The insurance companies controlled by Sudamericana Holding S.A. must meet the minimum capital requirements set by General Resolution No. 31134 of the Argentine Superintendency of Insurance.

The abovementioned resolution requires insurance companies to maintain a minimum capital level based on: a) line of insurance; b) premiums and additional fees and c) claims. The minimum required capital must then be compared to computable capital, defined as shareholder's equity less noncomputable assets. Noncomputable assets consist mainly of deferred charges, pending capital contributions, and excess investments in authorized instruments.

As of December 31, 2010, the computable capital of the companies controlled by Sudamericana Holding S.A. exceeded the minimum requirement of \$ 64.2 million by \$ 21 million.

Sudamericana Holding S.A. also holds Sudamericana Asesores de Seguros S.A., company dedicated to the brokerage in different lines of insurance that is regulated by the guidelines of the Corporations Law.

## **CAPITAL, RESERVES AND PROPOSED DISTRIBUTION OF PROFITS**

***(Figures stated in thousand of Pesos)***

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The Shareholders' Meeting held on April 14, 2010 approved the distribution of Retained Earnings for fiscal year ended December 31, 2009, according to the following breakdown:

	\$
▪ Legal Reserve	11,464
▪ Discretionary Reserve	217,811

As of the close of fiscal year ended December 31, 2010, balances corresponding to capital, capital adjustment and premium for trading of shares in our portfolio totaled \$ 1,520,144.

Profits recorded in fiscal year 2010 amounted to \$ 408,901, which the Board of Directors proposes to distribute as follows:

- a) Legal Reserve: The amount of \$ 20,445 shall be allocated to Legal Reserve pursuant to the provisions established by Section 70 of the Corporations Law.
- b) Cash Dividends: Due to the fact that most of the profits for fiscal year correspond to income by holdings and just a fraction corresponds to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations Law, and taking as well into consideration the company's financial condition and, particularly, the need to pay the outstanding foreign-currency denominated Negotiable Obligations issued, a proposal is made to pay dividends in cash for the amount of \$ 24,828, what represents 2% with regard to 1,241,407,017 Class "A" and "B" ordinary shares with a face value of \$ 1 each.

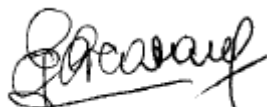
Pursuant to what is set forth in the last paragraph of the section incorporated by Act No. 25,585 after Section 25 of Act No. 23,966, when correspond, the company will be restored the amounts corresponding to the tax on personal assets it paid for fiscal year 2010 in its capacity as substitute taxpayer of the shareholders subject to the above-mentioned tax.

- c) Discretionary Reserve: Pursuant to what has already been indicated in the proposal for the distribution of dividends in cash, due to the fact that most of the profits for the fiscal year

correspond to income by holdings and not to realized and liquid profits that can be distributed, and due to the need to be able to pay the foreign-currency denominated Negotiable Obligations, a proposal is made to allocate \$ 363,628 to Discretionary Reserve.

In the event that the abovementioned project is approved by the Shareholders' Meeting, Grupo Financiero Galicia's shareholders' equity shall be composed as follows:

	\$
Capital Stock	1,241,407
Capital Adjustment	278,131
Premium for Trading of Shares in Own Portfolio	606
Legal Reserve	77,907
Discretionary Reserve	846,621
Retained Earnings	-
Total Shareholders' Equity	<u>2,444,672</u>



Eduardo J. Escasany  
Chairman of the Board of Directors  
Autonomous City of Buenos Aires, March 4, 2011.

*This Annual Report contains statements regarding events which are currently anticipated to occur in the future, or forward-looking statements. These forward-looking statements or projections reflect Grupo Financiero Galicia S.A.'s opinions and expectations with respect to future events and their occurrence in general, as well as with respect to particular events. As a result of factors not considered, which are unforeseen at the time of making such forward-looking statements or which are out of the Grupo Financiero Galicia S.A.'s control, actual results or their consequences could differ significantly from those contemplated or estimated to occur in the future. Shareholders and other readers of this Annual Report are cautioned not to place undue reliance on such forward-looking statements or projections, which speak only as of their dates. Grupo Financiero Galicia S.A. assumes no obligation to publicly update or revise any forward-looking statements or projections, whether as a result of new information, future events or otherwise. Finally, shareholders and any other reader of this Annual Report must note that this translation has been made from the original version written and expressed in Spanish, therefore, any matters of interpretations should be referred to the original version in Spanish.*

## **REPORT ON THE CODE ON CORPORATE GOVERNANCE (Resolution No. 516/07 of the C.N.V.)**

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The Board of Directors of Grupo Financiero Galicia S.A. (hereinafter "Grupo Financiero Galicia") complies, in every relevant respect, with the recommendations included in the Code of Corporate Governance as schedule to Resolution No. 516/07 issued by the National Securities Commission (CNV). The aforementioned is in accordance with what stems from the following detailed analysis.

As a general introduction, it should be noted that, since its beginning, Grupo Financiero Galicia has constantly shown respect for the rights of its shareholders and has provided reliable and accurate information for the transparency of its policies and decisions, only limited by confidentiality and caution as regards the disclosure of strategic business issues. Moreover, it should be said that all resolutions from the corporate bodies have been adopted pursuant to Grupo Financiero Galicia's corporate interest, within the strict meaning provided to this concept in the definition included in Section 2 of Delegated Decree No. 677/01.

### **Scope of Application of the Code**

*Relationship between the Issuer and the Group of Companies.* Grupo Financiero Galicia S.A. is the head of a group which main asset is the controlling interest in Banco de Galicia y Buenos Aires S.A. (hereinafter "Banco Galicia") (94.84 % of Banco Galicia's capital stock). The latter, as a bank institution, is subject to certain regulatory restrictions imposed by the Argentine Central Bank ("B.C.R.A."). In particular, Banco Galicia can only hold a maximum 12.5% interest in the capital stock of each of the companies that do not carry out activities considered *supplementary* by the Argentine Central Bank. Therefore, Grupo Financiero Galicia holds, either directly or indirectly, the remaining interest in several companies. Grupo Financiero Galicia also holds, indirectly, a number of equity investments in supplementary companies that belong to Banco Galicia as controlling company.

From a business point of view, this structure makes it possible for Grupo Financiero Galicia's controlled companies, particularly Banco Galicia, to take advantage of significant synergies that guarantee them the loyalty of their customers and the creation of additional businesses. Every business relationship among these companies, and of course between them and Grupo Financiero Galicia, whether permanent or occasional in nature, is agreed upon and carried out at market prices and respecting customary market conditions.

A significant characteristic that should be noted is that the main company controlled by Grupo Financiero Galicia, i.e. Banco Galicia, is also a listed company at the Buenos Aires Stock Exchange. As it is widely known, in 2000 Grupo Financiero Galicia successfully launched an exchange offer of its own shares for Banco Galicia's shares, what made it possible for Grupo Financiero Galicia to

significantly increase its holdings. Upon doing so, and with the purpose of protecting the shareholders that accepted such exchange offer, Grupo Financiero Galicia assumed the commitment that the companies directly or indirectly controlled by it would conduct business with absolute transparency. That transparency policy largely exceeds the duty to provide information in the Financial Statements and the Annual Report. Directors and senior officers of each of the controlled companies attend all the Ordinary Shareholders' Meetings held by Grupo Financiero Galicia, provide explanations and answer all the questions on their respective corporate business the shareholders may want to ask. As regards Banco Galicia in particular, one of its directors or else the Chief Executive Officer submits a detailed report to Grupo Financiero Galicia's shareholders, and then the Board of Directors submits to the meeting's vote which shall be Grupo Financiero Galicia's vote at Banco Galicia's Shareholders' Meeting.

It is also worth noting that Grupo Financiero Galicia is a company which purpose is solely to conduct financial and investment activities as per Section 31 of the Corporations Law, that is to say, it is a holding company that, apart from managing its equity investments, assets and resources, does not take part in any other activity directly. This explains its limited personnel structure, as well as the fact that many of the business organization requirements, common for big productive institutions, cannot be applied to the company.

To conclude, it should be noted that, even though Grupo Financiero Galicia is technically under the control of other pure holding company, EBA Holding S.A., because the latter holds the majority of votes at the Shareholders' Meetings, EBA Holding S.A. does not have any managerial functions over Grupo Financiero Galicia. Therefore, and pursuant to the definitions provided for by specialized doctrine, Grupo Financiero Galicia has no group relationship with EBA Holding S.A. No director of EBA Holding S.A. is a director of Grupo Financiero Galicia.

*2) Inclusion in the Corporate Bylaws.* The need to include certain corporate governance guidelines in the corporate bylaws can be understood within the framework of laws that are not as strict as Argentine laws with regard to the definition of the Board of Directors' duties and responsibilities. In Argentina, the Corporations Law, the Delegated Decree No. 677/01, the regulations set by the National Securities Commission and, additionally, the variety of specific regulations in other areas of law, provide for a very complete framework and, therefore, any addition to the bylaws is unnecessary.

In the specific case of Banco Galicia, the main company controlled by Grupo Financiero Galicia, such duties and responsibilities are legally increased by the regulatory framework of financial institutions.

As regards compensation for directors, to date only independent directors and one director who simultaneously acted as Managing Director have received compensation.

Finally, after a detailed analysis, the Board of Directors has come to the conclusion that, as regards prevention of conflicts of interest, the applicable regulations are so stringent (refer to Sections 271 to 273 of the Law on Corporations and Section 8 of the Delegated Decree No. 677/01) that any addition to the bylaws is as well unnecessary.

### **As Regards the Board of Directors in General**

*3) It is Responsible for the Company's Strategy.* In this item, the Board of Directors is required to undertake the company's administration and the approval of the policies and strategies in general and, in particular, the aspects included therein, as follows:

- a) The strategic or business plan, as well as the annual management and budget goals;
- b) The policy on investments and financing;
- c) The corporate governance policy;
- d) The policy on corporate social responsibility;
- e) Policies on risk control and management and any other policy aimed at the periodic monitoring of the internal information and control systems; and
- f) The development of ongoing training programs for directors and management officers.

Grupo Financiero Galicia strictly complies with these requirements. The Board of Directors is responsible for the administration of corporate business, to the above-mentioned extent in Grupo Financiero Galicia's capacity as a holding company. The Board of Directors performs all of the aforementioned duties, except those that, due to their nature, are carried out by the Chief Executive Officer and the Chief Financial Officer. In any case, the Board of Directors, as a body, approves the respective guidelines and strategies.

Regarding the required items, the following is reported in particular:

- a) The Board of Directors, as a body, approves the annual budget and monitors the compliance therewith. Furthermore, in its capacity as a holding company, Grupo Financiero Galicia receives the business plans of the controlled companies and prepares a consolidated business plan taking into consideration the goals set, the business condition and the budgets submitted.
- b) Policies on investments and financing are approved by the Board of Directors.
- c) Grupo Financiero Galicia monitors the corporate governance policies provided for by the regulations in force through the Audit Committee and the Disclosure Committee. There also exist matrices specially designed for the monitoring of certain aspects such as internal controls, independence of directors and regulatory updating.
- d) The policies on corporate social responsibility are defined and carried out by each of the operating companies.

e) The policies on risk management control, as well as any other which purpose is to monitor internal information and control systems, are defined within the framework of each of the affiliated operating companies. Nonetheless, and in addition to that, the Audit Committee and the Disclosure Committee monitor the actions taken by the main controlled companies.

f) Training of directors and managers, obviously to an extent that cannot be compared to what is required in the case of operating companies, is carried out pursuant to what the Board of Directors deems necessary.

*4) Management Control.* Grupo Financiero Galicia strictly complies with the verification, by the Board of Directors, of the implementation of strategies and policies, and of compliance with the budget and the operations plan. Apart from that, the Board monitors the divisions in all the aspects provided for in the regulations. This is explained in the previous item.

*5) Information and Internal Control. Risk Management.* Grupo Financiero Galicia fully complies with the requirement of having updated policies on risk control and management, in line with the best practices.

The tasks related to risk information and internal control of each of the controlled companies are defined and carried out, rigorously, in each of them. This is particularly strict in the main controlled company, Banco Galicia, where the requirements to be complied with are extreme as it is a financial institution supervised by the Argentine Central Bank. Apart from the applicable local regulations, Grupo Financiero Galicia, in its capacity as a listed company at the markets of the United States of America, complies with the certification of its internal controls pursuant to Section 404 of the Sarbanes Oxley Act (SOX). Corporate risk management is monitored by the Audit Committee, which as well gathers and analyzes the information submitted by the main controlled companies.

*6) Audit Committee.* The Audit Committee set by Delegated Decree No. 677/01 and the regulations of the National Securities Commission, mainly Resolutions No. 400, 402 and supplementary regulations issued by the CNV, is formed by three directors, all of them independent directors. The members of the Committee are appointed by the Board of Directors, upon the proposal of any of the Board's members. It has not been common that the Chairman made a proposal to appoint a member of the Committee. Special attention has always been given to the education, knowledge, skills and experience of the candidates for members of the Committee in the areas of accounting, financial analysis, law, audit and risk management.

*7) Number of Directors.* Grupo Financiero Galicia complies with the appropriate standards regarding total number of directors, as well as number of independent directors. Its bylaws provide for the flexibility necessary to adapt the number of members to the possible variation of

the conditions in which the company carries out its activities. Generally, there are between three and nine directors, as determined by the Shareholders' Meeting in each opportunity. The Shareholders' Meeting can also appoint alternate directors in the number it may decide, up to a maximum that shall be equal to the number of regular directors appointed. In order to guarantee the continuous performance of its corporate business, the Board of Directors can be renewed partially, as long as the number of candidates proposed is enough so that shareholders may exercise their cumulative voting right. The drawing-up of the corresponding bylaws has been adopted in recent years, after careful studies had been carried out for the good performance of the body.

Nowadays, the Board of Directors is made up of nine directors, three of which are independent directors. It is not deemed necessary or else convenient to propose a modification in this regard to the Shareholders' Meeting.

As mentioned above, there are two committees the Board of Directors has decided to create: Audit Committee and Disclosure Committee. Periodically, the Committees provide the Board of Directors with information, and the Board gets to know the decisions of each Committee. What is appropriate is transcribed in the Board of Directors' minutes book.

*8) Integration of the Board of Directors.* The Board of Directors is asked to analyze the convenience of a policy aimed at including former executive officers. Grupo Financiero Galicia complies with this policy. Some former executives of the controlled companies are members of the Board of Directors. This is an advantage for the company due to their experience, knowledge of business and availability to perform their duties in a professional manner.

*9) Participation in several companies.* The Board of Directors is asked to analyze whether it is convenient that directors and/or syndics carry out duties in other institutions, or else it is irrelevant. This issue has been analyzed by Grupo Financiero Galicia repeatedly. Due to the fact that directors do not carry out full-time duties, and it is enriching that they be acquainted with the Board dynamics in other companies; limiting the number of institutions where they can be members of the Board of Directors is not deemed convenient. In general, even though it may be important that in Grupo Financiero Galicia's controlled companies, and in the companies Grupo Financiero Galicia owns a stake in, the companies' interests be represented through the participation of their own directors in the Board of Directors of the former, the policy has been that the Board of Directors of controlled companies and of companies Grupo Financiero Galicia owns a stake in be structured with their own management teams.

As regards syndics, whereas Argentine laws provide them a legality control function, Grupo Financiero Galicia considers there are no impediments for syndics to take part in different companies, and if that happens in companies related by control relationships, it is a considerable

advantage when analyzing businesses or activities that are common between them and their interaction in the bodies.

*10) Assessment of the Board of Directors' Performance.* The Code requires the Board of Directors to assess its own performance before the Annual Ordinary Shareholders' Meeting. Pursuant to the legal structure of corporations in Argentina, the Board of Directors can only explain its performance in order that other bodies are able to assess it (for instance the Supervisory Syndics' Committee or the Oversight Committee as bodies in charge of supervising the corporate management, or else the Shareholders' Meeting, senior body with power to decide on the issue).

This is such in Argentine law that the Corporations Law expressly prohibits in Section 241 that directors who are shareholders take part in the voting regarding their performance and responsibility.

For that reason, Grupo Financiero Galicia's Board of Directors provides thorough explanations in its Annual Report and answers all the questions asked at the Shareholders' Meeting, but it refrains from expressing an opinion on its performance in any form whatsoever. The assessment is conducted by shareholders at the Shareholders' Meeting, taking as well into consideration the informed opinion of the Supervisory Syndics' Committee (Grupo Financiero Galicia does not have an Oversight Committee).

*11) Training and Development of Directors.* As regards this item, it is required that the Board of Directors establish an ongoing training program for its members and for the management officers. Grupo Financiero Galicia, as an exclusively holding company, does not need to establish and have such a program as operating companies do. Notwithstanding the foregoing, the Board of Directors analyzes the specific needs on the issue.

### **Independence of Directors**

*12) Independent Directors.* The Board of Directors shall decide on the need to provide enough reasons to consider a candidate for director as an independent director. Grupo Financiero Galicia believes this requirement is fulfilled through the definitions of independence of directors included in the rules and regulations issued by the National Securities Commission. As is known, the criteria for assessing the independence of a candidate to take part in a corporate body are different between the legislations of comparative law. The Board of Directors cannot depart from what is provided for by the laws in force in Argentina, by trying, at its discretion, to add or else remove requirements that may have been considered more appropriate in other countries but not in Argentina.

*13) Appointment of Management Officers.* Grupo Financiero Galicia's Board of Directors has assessed whether it is convenient to disclose the reasons for the appointment of management officers. After analyzing and discussing whether it is convenient to make innovations on what has been a national tradition on the issue, the Board of Directors deems it is inconvenient. The reasons for the appointment of officers, whether as a result of internal promotions or else the selection of candidates from the market, shall be kept confidential, mainly in order to prevent disturbances among staff members and not to deny the appointed manager's authority. This is as well grounded on the need to be reserved in relation to competitors, who may use such reasons to take advantage as regards obtaining human resources. However, the technical suitability and morality of candidates is always taken into account. The same criteria are applicable to controlled companies.

*14) Proportion of Independent Directors.* The policy on the appointment of directors, both independent and not independent, is the responsibility of the Shareholders' Meeting. Grupo Financiero Galicia's Board of Directors does not take part in such decisions as its members have no decision-making power at the Shareholders' Meeting. At Shareholders' Meetings, the one who proposes the appointment of candidates for director (the same happens with syndics) tells whether candidates are for one or the other category. Nowadays, of the nine directors that form the Board of Directors, six are not independent and three are independent. The latter form the Audit Committee.

*15) Meeting of Independent Directors.* Due to the fact that in Grupo Financiero Galicia the Audit Committee is exclusively made up of independent directors, the chairman thereof holds the position of "*leading independent director*". Independent directors hold meetings when they believe it is necessary to do so and, for that purpose, they are free to invite, and have all the resources necessary and the possibility to invite, whoever they consider appropriate (other directors, syndics, top level members of staff, etc.).

## **Relationship with Shareholders**

*16) Information to Shareholders and 17) Answers to Shareholders' Questions and Concerns.* Grupo Financiero Galicia has implemented the Investor Relations function. This department holds meetings and carries out conference calls with shareholders and holders of other securities, in which a director or top officer participates. This department is also at the disposal of shareholders and investors to answer questions.

It is important to point out that the individuals who perform this function are in no case authorized to provide information that may place the person who requests such information in a privileged or advantageous position in comparison to the other shareholders or investors.

The Board of Directors analyzed the frequency and importance of the information requests received and answered, and it determined it is not of interest to publish a periodic summary of the issues that have been the subject matter of questions or concerns.

*18) Participation of Minority Shareholders at the Shareholders' Meeting.* In the particular case of Grupo Financiero Galicia, it seems it is not necessary to offer incentives aimed at promoting attendance to Shareholders' Meeting, because during recent years attendance has been of approximately 75% of the capital stock, percentage considered a very significant participation for a public company.

*19) Market for Corporate Control.* The idea of "market for corporate control" that has been used widely in countries with capital markets very different to the Argentine market, both as regards magnitude and depth, does not seem to be realistic in the domestic markets. The Shareholders' Meeting had to take a decision on the issue when Grupo Financiero Galicia made use of the option granted by Section 24 of Delegated Decree 677/01 and chose not to be included in the compulsory OPA system. Besides, unlike what happens in foreign legislations, the Board of Directors' duties are only secondary as regards the relations among shareholders. Its main duty is the administration of the company and of corporate business. Therefore, the Board of Directors believes it is not necessary to have an influence, or else give advice, on Grupo Financiero Galicia's adhering to the compulsory OPA system.

*20) Policy on Dividends.* Grupo Financiero Galicia's policy for the distribution of dividends envisages, among other factors, the obligatory nature of establishing a legal reserve, the company's financial condition and its indebtedness, the business requirements of affiliated companies and, mainly, that the profits recorded in the financial statements are, to a great extent, income from holdings and not realized and liquid profits, a requirement of Section 68 of the Corporations Law so that it is possible to distribute them as dividends. The proposal to distribute dividends arising from such analysis has to be approved at the Shareholders' Meeting that discusses the Financial Statements corresponding to each fiscal year.

## **Relationship with the Community**

*21) Communications through the Internet.* Grupo Financiero Galicia has a corporate website ([www.gfgsa.com](http://www.gfgsa.com)) at the disposal of its shareholders. This website can be freely accessed and is permanently updated. This corporate website is in line with the regulations in force; and legal, statutory and regulatory information required is at the disposal of the public therein. Apart from that, the website has a channel for inquiries.

*22) Website Requirements.* As indicated in this item, Grupo Financiero Galicia assures information transmitted through electronic means is subject to the highest confidentiality and integrity

standards, and the website is as well designed for the efficient conservation and safe recording of such information.

## **Committees**

*23) Independent Director as Chairman of the Committee.* The Board of Directors is required to decide on whether it is convenient that the Audit Committee be presided by an independent director. Even though in the opinion of Grupo Financiero Galicia's Board of Directors (mainly in the light of the Committee's rules and regulations) such issue is not relevant (the Chairman of the Committee does not have double vote and just has power to provide instructions) due to the fact that the Audit Committee is made up only of independent directors, its Chairman is an independent director as well.

*24) Rotation of Syndics and/or External Auditors.* The Board of Directors is required to analyze whether such rotation is convenient or else useful.

As regards syndics, the conclusion of the analysis is that such rotation is neither useful nor convenient, mainly due to the complexity of businesses to be controlled and the lengthy period of time it would take a person acting as syndic for the first time to start to understand such businesses.

As regards External Auditors, the Board of Directors reached the conclusion that it is not convenient to rotate the External Auditors' firms for the same reasons explained regarding syndics. It is worth noting that the following are applicable: legal regulations in force in Argentina (Decree 677/2001 – Transparency System of Public Offering (*Régimen de Transparencia de la Oferta Pública*), Sections 12 and 13 of Chapter III on External Auditors and Audit Committee), regulations issued by the National Securities Commission (N.T. 2001, Book 1, Chapter III, Section III.9. on "External Auditors"), the regulations of the Argentine Central Bank (Conau-1, Section 1.1. of the "Minimum Regulations on External Audits" (*Normas Mínimas sobre Auditorías Externas*), those regulations applicable to external auditors' firms of issuing companies registered in the United States of America (Securities Exchange Act of 1934, Section 10-A, Paragraph j. on "Audit Partner Rotation"; Sarbanes-Oxley Act of 2002, Title II, Section 203. "Audit Partner Rotation"; and the Code of Federal Regulations, Title 17, Chapter II, Section 210.2-01, paragraph (c)(6) of the Securities and Exchange Commission), and the best practices existing in the area.

In turn, the Audit Committee carries out an annual assessment of the suitability, independence and performance of the external auditor and the members of the audit team.

*25) Dual Position as Syndic and Auditor.* Grupo Financiero Galicia's Board of Directors considers those are positions that are on the borderline of incompatibility. The General Shareholders' Meeting shares such criterion and, therefore, does not appoint the same person to perform duties

as Syndic and External Auditor. In fact, no member of the Supervisory Syndics' Committee carries out External Audit tasks or else belongs to the firm that renders external audit services to the company.

*26) Compensation Systems.* Grupo Financiero Galicia has no Compensation Committee, and the Board of Directors considers it is not convenient to create one due to the reduced size of the company, as was mentioned before. Grupo Financiero Galicia's Audit Committee expresses its opinion on whether compensation proposals for Directors and top officers are reasonable, taking into consideration market standards.

Due to the fact that no Compensation Committee has been set up, there are no comments to make on the duties mentioned in this item of the Schedule.

*27) Appointment and Corporate Governance Committee.* Grupo Financiero Galicia understands that, within the framework of the legal structure in Argentina and market reality, it is not appropriate to create such a committee with the duties mentioned in this item. It should be noted that, unlike other legislations, under Argentine law the Shareholders' Meeting has the exclusive power to appoint directors. Therefore, the recommendations regarding such a Committee would not be binding and could be even abstract. With regard to Corporate Governance, all aspects are dealt by the Board of Directors in general.



Eduardo J. Escasany