

## Exchange Controls

On December 3, 2001, the Argentine Government introduced controls over the foreign exchange market and on transfers of foreign currency abroad. Since late 2002 and during 2003 and 2004, controls over the foreign exchange market and capital movements were lifted to a large extent, as compared with the situation in 2002, but in 2005 new regulation was issued imposing certain additional limitations. As of the date of this annual report, certain restrictions remain. For a description of the exchange controls that would affect us or the holders of our securities, see Item 4. “Information on the Company–Main Regulatory Changes since 2002–Foreign Exchange Market.”

## Taxation

The following is a summary of certain U.S. Federal income and Argentine tax matters that may be relevant with respect to the acquisition, ownership and disposition of ADSs or class B shares. Currently, there is no tax treaty between the United States and Argentina.

### Argentine Taxes

#### *Taxation of Dividends*

In general, dividend payments on ADSs or ordinary shares, whether in cash, property, or stock, are not subject to Argentine withholding tax or other taxes.

There is an exception under which a 35% tax (“equalization tax”) will be imposed on certain dividends approved by the registrant’s shareholders. The equalization tax will be applied only to the extent that distributions of dividends exceed the taxable income of the company increased by non-taxable dividends received by the distributing company in prior years and reduced by Argentine income tax paid by the distributing company.

In this situation the equalization tax will be imposed as a withholding tax on the shareholder receiving the dividend. Dividends distributions made in property (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends are not subject to Argentine taxation.

#### *Taxation of Capital Gains*

Pursuant to Decree No. 2,284/91 (the “Deregulation Decree”), capital gains derived by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or class B shares are not currently subject to income tax.

Beginning on January 1, 2001, capital gains from the sale, exchange or other dispositions of shares not listed in a stock exchange will be subject to income tax when derived by individuals domiciled in Argentina.

In addition, in the case of entities or permanent organizations incorporated or domiciled abroad that, pursuant to their bylaws, charters, documents or the applicable regulatory framework, have as their principal activity investing outside of the jurisdiction of their incorporation or domicile, or are generally restricted from doing business in their country of incorporation, it will be assumed, without any proof to the contrary being admitted, that the seller is an individual domiciled in Argentina. Such entities will be subject to income tax imposed as a withholding tax on the seller receiving the payment (for payments made beginning on April 30, 2001) at the rate of 17.50% (that is, 35% on 50% of the amount of the payment), but the foreign party may choose instead to pay a tax of 35% on the net gain realized on the sale. In such situation, the Deregulation Decree will not be applicable.

On July 3, 2003, the Argentine Government Chief Counsel (*Procurador del Tesoro*) issued an opinion that the provisions of the income tax law that taxed capital gains arising from shares without quotation obtained by resident individuals or “offshore companies,” as defined by the Argentine Income Tax Law, are no longer in force because they have been implicitly abrogated. The validity of this opinion is difficult to assess. Opinions of the Argentine Government Chief Counsel are binding upon all Argentine Government attorneys, including attorneys of the Argentine Tax Administration.

*Transfer Taxes*

No Argentine transfer taxes are applicable on the sale or transfer of ADSs or class B shares.

*Tax on Minimum Notional Income*

The tax reform in force since 1999 reinstituted a tax on assets on Argentine companies that will be in effect during 10 years, unless that term is extended by future legislation. This tax is similar to the asset tax that was previously in effect in Argentina from 1990 to 1995. It applies at a general rate of 1% on a broadly defined asset base encompassing most of the taxpayer's gross assets at the end of any fiscal year ending after December 31, 1998.

Specifically, the Law establishes that banks, other financial institutions and insurance companies will consider a basis of imposition of 20% of the value of taxable assets.

A company's asset tax liability for a tax year will be reduced by its income tax payments, and asset tax payments for a tax year can be carried forward to be applied against the company's income tax liability in any of the following ten tax years.

*Personal Assets Tax*

Individuals domiciled in Argentina will be subject to a 0.5% annual tax in respect of assets located in Argentina and abroad for assets not exceeding Ps.200,000. For assets exceeding Ps.200,000 the tax rate is 0.75%. The tax will be levied on the difference between the total value of the taxpayer's assets at of December 31 of each year and a non-taxable threshold of Ps.102,300. Individuals domiciled abroad will pay the tax only in respect of the assets they hold in Argentina. In the case of individuals domiciled abroad, the tax will be paid by the individuals or entities domiciled in Argentina which, as of December 31st of each year, hold the joint ownership, possession, use, enjoyment, deposit, safekeeping, custody, administration or tenure of the assets located in Argentina subject to the tax belonging to the individuals domiciled abroad. In such case the annual non-taxable amount of Ps.102,300 will not be deductible. When the direct ownership of negotiable obligations, government securities and certain other investments, except shares issued by companies ruled by Law No. 19,550 (the Argentine Corporations' Law), corresponds to companies domiciled abroad in countries that do not enforce registration systems for private securities (with the exception of insurance companies, open-end investment funds, pension funds or banks and financial entities with head offices in countries that have adopted the international banking supervision standards laid down by the Basel Committee on Banking Supervision) or that pursuant to their bylaws, charter, documents or the applicable regulatory framework, have as their principal activity investing outside of the jurisdiction of their organization or domicile, or are generally restricted from doing business in their country of incorporation, it will be assumed, without any proof to the contrary being admitted, that those assets belong ultimately to individuals and therefore the system for paying the tax for such individuals domiciled abroad is applicable to them. The annual non-taxable amount of Ps.102,300 will not be deductible and the tax will not have to be paid when it is less than Ps.256. The regulations for applying these requirements have not yet been issued. In the case of government securities or bonds, the personal assets tax will be applied at the rate of 1.5%.

There is an exception pursuant to a recent tax reform that was published in the Official Gazette as Law No. 25,585, which went into effect on December 31, 2002. This tax reform introduced a mechanism to collect the personal assets tax on shares issued by companies ruled by Law No. 19,550, which ownership belongs to individuals domiciled in Argentina or abroad and companies or entities domiciled abroad. In the case of companies or entities domiciled abroad, it will be assumed, without any proof to the contrary being admitted, that those shares belong ultimately to individuals domiciled abroad.

The tax will be assessed and paid by those companies ruled by Law No. 19,550 at the rate of 0.5% on the value of the shares or equity interest. The valuation of the shares, whether listed or not, must be made according to their proportional equity value. In such case the annual non-taxable amount of Ps.102,300 will not be deductible. These companies may eventually seek reimbursement from the direct owner of their shares in respect of any amounts paid to the Argentine tax authorities as personal assets tax. Grupo Galicia has sought reimbursement for the amount paid corresponding to December 31, 2002. The board of directors submitted the decision on how to

proceed with respect to fiscal year 2003 to the annual shareholders' meeting held on April 22, 2004. At that meeting, our shareholders voted to suspend all claims on our shareholders for amounts unpaid for fiscal year 2002 and to have us absorb the amounts due for fiscal year 2003 onward when not withheld from dividends.

*Other Taxes*

There are no Argentine federal inheritance, succession or gift taxes applicable to the ownership, transfer or disposition of ADSs or class B shares. There are no Argentine stamp, issue, registration or similar taxes or duties payable by holders of ADSs or class B shares.

*Deposit and Withdrawal of Class B Shares in Exchange for ADSs*

No Argentine tax is imposed on the deposit or withdrawal of class B shares in exchange for ADSs.

**United States Taxes**

The following summary of U.S. Federal income taxes describes certain U.S. Federal income tax consequences of the ownership of class B shares or ADSs, as such securities are set forth in the documents or the forms thereof, relating to such securities as in existence on the date hereof, but it does not purport to address all of the tax considerations that may be relevant to a decision to purchase, own or dispose of class B shares or ADSs. This summary assumes that the class B shares or ADSs will be held as capital assets and does not address tax consequences to all categories of investors, some of which (such as dealers or traders in securities or currencies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt entities, banks, insurance companies, persons that received class B shares or ADSs as compensation for the performance of services, persons owning (or are deemed to own for U.S. tax purposes) at least 10% or more (by voting power or value) of the shares of Grupo Galicia, investors whose functional currency is not the U.S. dollar and persons that will hold the class B shares or ADSs as part of a position in a "straddle" or as part of a "hedging" or "conversion" transaction for U.S. tax purposes) may be subject to special tax rules. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of class B shares or ADSs.

This summary (i) is based on the tax laws of the United States as in effect and available on the date of this annual report and on United States Treasury Regulations in effect as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date and (ii) is based in part on representations of the Depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The U.S. Treasury Department has expressed concern that depositories for American depositary receipts, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. Accordingly, the U.S. foreign tax credit analysis described below could be affected by future actions that may be taken by the U.S. Treasury Department.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of class B shares or ADSs who, for U.S. Federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a United States person for United States federal income tax purposes or if (a) a United States court can exercise primary supervision over its administration and (b) one or more United States persons have the authority to control all of the substantial decisions of such trust. A "Non-U.S. Holder" is a beneficial owner of class B shares or ADSs other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds class B shares or ADSs, the tax treatment of the partnership and a partner in such partnership will generally depend

on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

Each prospective purchaser should consult its own tax advisor with respect to the U.S. Federal, state, local and foreign tax consequences of acquiring, owning or disposing of class B shares or ADSs.

*Ownership of ADSs in General*

In general, for U.S. Federal income tax purposes holders of ADSs will be treated as the owners of the ADSs evidenced thereby and of the class B shares represented by such ADSs.

*Taxation of Cash Dividends and Distribution of Stock*

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” for U.S. Federal income tax purposes, distributions by the Company of cash or property (other than certain distributions, if any, of class B shares or ADSs distributed pro rata to all shareholders of the Company, including holders of ADSs) made with respect to the class B shares or ADSs before reduction for any Argentine taxes withheld therefrom, will constitute dividends to the extent of the Company’s current and accumulated earnings and profits, and will be included in the gross income of a U.S. Holder as dividend income. Subject to the discussion below under “Passive Foreign Investment Company Considerations,” non-corporate U.S. Holders generally may be taxed on distributions on ADSs (or shares that are readily tradable on an established securities market in the United States at the time of such distribution) at the lower rates applicable to long-term capital gains for taxable years beginning on or before December 31, 2010 (i.e., gains from the sale of capital assets held for more than one year). Non-corporate U.S. Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss with respect to such ADSs (or shares), that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4)(B) of the Code or that receive dividends with respect to which they are obligated to make related payments, will not be eligible for the reduced rates of taxation. Such dividends will not be eligible for the dividends received deduction generally allowed to corporations under the Internal Revenue Code of 1986, as amended (the “Code”). Subject to the discussion below under “Passive Foreign Investment Company Considerations,” if distributions with respect to the class B shares exceed the Company’s current and accumulated earnings and profits, the excess would be treated first as a tax-free return of capital to the extent of such U.S. Holder’s adjusted tax basis in the class B shares or ADSs. Any amount in excess of the amount of the dividend and the return of capital would be treated as capital gain. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles. Dividends paid in pesos will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the pesos on the date of receipt, which, in the case of ADSs, is the date they are received by the depository. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. Any gains or losses resulting from the conversion of pesos between the time of the receipt of dividends paid in pesos and the time the pesos are converted into U.S. dollars will be treated as ordinary income or loss, as the case may be, of a U.S. Holder. Dividends received by a U.S. Holder with respect to the class B shares or ADSs will be treated as foreign source income, which may be relevant in calculating such holder’s foreign tax credit limitation. Subject to certain conditions and limitations, Argentine tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder’s U.S. Federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends generally will constitute foreign source “passive income” (or in the case of certain holders, “financial services income”) for U.S. foreign tax credit purposes. U.S. Holders should note that the “financial services income” category will be eliminated with respect to taxable years beginning after December 31, 2006. For such taxable years, the foreign tax credit limitation categories would be limited to “passive category income” and “general category income.”

Subject to the discussion below under “Backup Withholding and Information Reporting Requirements,” a Non-U.S. Holder generally will not be subject to U.S. Federal income or withholding tax on dividends received on class B shares or ADSs, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

#### *Taxation of Capital Gains*

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” U.S. Holders that hold class B shares or ADSs as capital assets will recognize capital gain or loss for U.S. Federal income tax purposes upon a sale or exchange of such class B shares or ADSs in an amount equal to the difference between such U.S. Holder’s adjusted tax basis in the class B shares or ADSs and the amount realized on their disposition. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. Federal income tax rate applicable to such gain will be lower than the maximum marginal federal income tax rate for ordinary income (other than certain dividends) if the U.S. Holder’s holding period for the class B shares or ADSs exceeds one year (i.e., long-term capital gains). Gain or loss, if any, recognized by a U.S. Holder generally will be treated as United States source income or loss for U.S. foreign tax credit purposes. Certain limitations exist on the deductibility of capital losses for U.S. Federal income tax purposes.

The initial tax basis of the class B shares to a U.S. Holder is the U.S. dollar value of the pesos denominated purchase price determined on the date of purchase. If the class B shares or ADSs are treated as traded on an “established securities market,” a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the dollar value of the cost of such class B shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

With respect to the sale or exchange of class B shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the class B shares or ADSs are treated as traded on an “established securities market,” a cash basis taxpayer (or, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under “Backup Withholding Tax and Information Reporting Requirements,” a Non-U.S. Holder generally will not be subject to U.S. Federal income or withholding tax on gain realized on the sale or exchange of class B shares or ADSs unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met.

#### *Passive Foreign Investment Company Considerations*

A Non-United States corporation will be classified as a “passive foreign investment company,” or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is “passive income” or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce “passive income” or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions, other than certain income derived in the active conduct of a banking business.

The application of the PFIC rules to certain banks is unclear under U.S. federal income tax law. The IRS has issued a notice and certain proposed Treasury Regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the “Active Bank Exception”). However, the IRS notice and proposed Treasury Regulations are inconsistent in certain respects. Since final Treasury Regulations have not been issued, there can be no assurance that the Company or its subsidiaries will satisfy the Active Bank Exception for any given taxable year.

Based on certain estimates of its gross income and gross assets, the nature of its business and relying on the Active Bank Exception, the Company believes that it will not be classified as a PFIC for the taxable year ended December 31, 2005. The Company’s status in future years will depend on its assets and activities in those years. The Company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were a PFIC, a U.S. Holder of class B shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of certain dividends at the lower rates applicable to long-term capital gains, as discussed above under “Taxation of Cash Dividends and Distribution of Stock”) with respect to any gain from the sale or exchange of, and certain distributions with respect to, the class B shares or ADSs.

If the Company were a PFIC, a U.S. Holder of class B shares or ADSs could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in

the case of the class B shares or ADSs. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if the Company were treated as a PFIC.

*Backup Withholding and Information Reporting*

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock.

Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, class B shares or ADSs made within the United States, or by a U.S. payor or U.S. middleman, to a holder of class B shares or ADSs (other than an “exempt recipient,” including a corporation, a payee that is not a United States person that provides an appropriate certification and certain other persons).

A payor will be required to withhold backup withholding tax from any payments of dividends on, or proceeds from the sale or redemption of, class B shares or ADSs within the United States, or by a U.S. payor or U.S. middleman, to a holder (other than an exempt recipient such as a corporation or a payee that is not a United States person and that provides an appropriate certification) if such Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28% through 2010. In the case of such payments made within the United States to a foreign simple trust, foreign grantor trust or a foreign partnership (other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a “withholding foreign trust” or a “withholding foreign partnership” within the meaning of certain Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States), the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor only may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

**THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE CLASS B SHARES OR ADSs.**

**Material Contracts**

In connection with the Bank’s foreign debt restructuring, we entered into a registration rights agreement and a corporate governance/financial reporting agreement (the “Grupo Galicia agreement”) as described in Item 4. “Information on the Company–History–Restructuring of Our Subsidiaries’ Debt–Banco Galicia–Restructuring of the Foreign Debt of the Bank’s Head Office in Argentina and its Cayman Branch.”

Under the Grupo Galicia agreement, in addition to agreeing to provide financial and other information to the lenders under the Bank’s loan agreements, we agreed that so long as any amounts payable under the loan agreements remained outstanding, we would, by November 18, 2004, cause our audit committee to have at least three members, a majority of which would be “independent directors” (as such term is defined in NASDAQ Marketplace Rule 4350(d)(2) (A)), and comply with certain provisions of the U.S. Sarbanes-Oxley Act of 2002 relating to granting of personal loans to executives, implementing internal controls and a code of ethics and providing certifications from our chief executive officer and chief financial officer.

We also agreed that we would not make any payment to our management in excess of market compensation or pay compensation to the members of our board of directors during any fiscal year, or enter into agreements or any other kind of transactions pursuant to which we would pay fees, salaries, retainers or any other kind of compensation to the members of our Board of Directors during any fiscal year, if the aggregate amount of such fees, salaries, retainers or other compensation during such fiscal year would exceed US\$1.5 million.