

	Exchange Rate ⁽¹⁾			
	High	Low	Average ⁽²⁾	Period-End
2000	1.0000	1.0000	1.0000(3)	1.0000
2001	1.0000	1.0000	1.0000(3)	1.0000
2002	3.9000	1.0000	3.0724(3)	3.3630
2003	3.3625	2.7485	2.9491(3)	2.9330
2004	3.0718	2.8037	2.9415(3)	2.9738
2005	3.0523	2.8592	2.9233(3)	3.0315
November 2005	2.9952	2.9405	2.9672	2.9735
December 2005	3.0523	2.9700	3.0145	3.0315
January 2006	3.0637	3.0305	3.0460	3.0637
February 2006	3.0757	3.0625	3.0689	3.0728
March 2006	3.0845	3.0650	3.0763	3.0808
April 2006	3.0828	3.0367	3.0663	3.0438
May 2006	3.0868	3.0367	3.0535	3.0868

(1) Until June 2002, asked closing quotations as quoted by Banco Nación. Since July 2002, closing reference exchange rate as published by the Argentine Central Bank.

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

(3) Based on monthly averages.

As of June 22, 2006, the exchange rate was Ps.3.0753 for US\$1.

Risk Factors

You should carefully consider the risks described below in addition to the other information contained in this annual report. We also may face risks and uncertainties that are not presently known to us or that we currently deem immaterial, which may impair our business.

Risk Factors Relating to Argentina

Substantially all of our operations, property and customers are located in Argentina. Accordingly, the quality of our loan portfolio and our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States and certain other markets.

The current growth and stabilization may not be sustainable, which could adversely affect the economy, the financial system and our financial condition and prospects

During 2001 and 2002, Argentina went through a period of great political, economic and social instability, which led to a significant decline in economic activity, a banking crisis, the default on part of Argentina's sovereign debt, the devaluation of the Argentine peso in January 2002 and high inflation during that year. In the second half of 2002, the Argentine Government managed to stabilize the economy, which began to grow at high rates. This growth with macroeconomic stability has continued to date.

If the current administration is not capable of implementing economic policies needed to turn the economic growth Argentina is experiencing into a sustainable development process in the long run, or if it is not capable of keeping inflation under control, there is a considerable risk that political and economic instability could reemerge. This would likely have a negative impact on the Argentine economy and on the financial system, including our operations and financial condition.

Inflation may rise from current levels and undermine the economy and our financial condition

In 2005, inflation as measured by the variation in consumer prices was 12.3%, while in 2004 and 2003 it had been 6.1% and 3.5%, respectively. This implies that, during 2005, inflation practically doubled that of the prior year, and the same occurred in 2004 as compared to 2003.

Inflation may keep on increasing in Argentina, due to the fact that the country's economy is growing at very high rates, which implies strong aggregate demand increases, in a context in which relative prices still require certain adjustments, as not all economic sectors have been able to pass through the impact of the devaluation of the peso into prices to the same extent. In addition, the strong post-crisis growth, for more than three years, has led to an increasing use of installed capacity and to a progressive reduction of the "output gap" existing immediately after the crisis. Finally, even though aggregate investment has been growing, the effects of such growth on the aggregate supply are not immediate.

In the past, inflation has materially undermined the Argentine economy and the Government's ability to create conditions that favor economic growth. In addition, high inflation or high volatility in inflation rates would negatively and materially affect the business volume of the financial system and preclude the development of financial intermediation activities. This could negatively affect the overall level of economic activity and employment. High inflation would also undermine Argentina's foreign competitiveness by diluting the positive effects of the peso devaluation, with the same negative effects on the level of economic activity and employment. All these factors would also have a negative impact on our business and financial condition.

Argentina's ability to obtain financing from international markets and direct-foreign investment is actually limited, which may have negative effects on the level of economic activity

In the first half of 2005, Argentina offered an exchange to restructure its sovereign debt that had been in default since early 2002. As reported by the Government, the exchange offer was accepted by holders of 76% of the debt subject to the restructuring. However, holders of approximately US\$20 billion of debt, mainly from the United States, Italy and Germany, did not participate in the exchange offer and initiated legal actions against Argentina. New lawsuits could be brought in the future. Additionally, foreign shareholders of certain Argentine companies have initiated legal actions for significant amounts before the International Centre for Settlement of Investment Disputes ("ICSID"), alleging that certain measures implemented by the Government during and in respect of the 2001-2002 crisis are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party.

Argentina's default, the delay to complete the restructuring of its defaulted debt, including the existence of holdout creditors who did not accept the exchange offer, and the above mentioned litigation initiated against Argentina, could prevent the Argentine Government and the country's private sector from obtaining fluid access to financing from the international capital markets and direct-foreign investment. Additionally, as of the date of this annual report, ICSID has ordered Argentina to pay certain small amounts in connection with certain claims brought before such organization. However, the claims initiated before this organization and the lawsuits initiated by holders who did not participate in the exchange offer may result in material judgments against Argentina, as well as in attachments of or injunctions against assets of Argentina that the Government intended for other purposes. Therefore, the government may not have the financial resources necessary to promote growth and a better income distribution, and investment from the private sector required for the same purposes could materialize in amounts lower than those necessary due to the lack of financing.

If Argentina does not fully recover its ability to access financing from international markets and direct-foreign investment, there is a risk that it may not dispose of sufficient capital in order to reinstate an investment cycle and to maintain a high pace of economic growth. The country's fiscal situation could be affected, which could lead to higher inflation and could negatively affect the Government's ability to implement economic policies that would foster economic growth and a better income distribution. If a sustained growth cycle is not achieved, political, economic and social instability could occur again in the near future. All of these events could have a material adverse effect on the Argentine economy's and our financial condition and prospects.

Significant devaluation of the peso may adversely affect the Argentine economy and our operations

Despite the positive effects of the real depreciation of the peso on the competitiveness of certain sectors of the Argentine economy, it has also resulted in far-reaching negative impacts on the Argentine economy and on businesses and individuals' financial condition. As an example, the peso devaluation had a negative impact on the ability of the Argentine Government and Argentine companies and financial institutions to repay their foreign currency-denominated debt, led to very high inflation in 2002 and significantly reduced real wages. It also had a negative impact on economic sectors whose business is predominantly dependent on domestic demand, such as public services and financial institutions, and made necessary a series of measures to compensate the financial system for the effects of the asymmetric pesification.

A further significant devaluation of the peso, would have the same negative effects on the Argentine Government, the financial system, companies and individuals, and would have a negative impact on us.

Argentina's economy and its real, financial and securities market remain vulnerable to external shocks which could have an adverse effect on the country's economic growth and on our prospects

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other emerging market countries. Although economic conditions vary from country to country, investors' reactions to the events occurring in one country may substantially affect capital flows into and securities of issuers in other similar countries, including Argentina. Lower capital inflows and declining securities prices negatively affect the real economy through higher interest rates or currency volatility.

In the past, Argentina's economy has been adversely affected by economic developments in other emerging market countries. Among others, the political and economic events that occurred in Mexico in 1994 and the collapse of several Asian economies between 1997 and 1998, to cite two well-known emerging market downturns of the 1990s, adversely impacted the Argentine economy. Similar developments can be expected to affect the Argentine economy in the future. Argentina's economy may be adversely impacted by events affecting other emerging markets.

In addition, Argentina may also be affected by economic conditions of major trade partners, such as Brazil, or countries with developed economies, such as the United States, that are significant trade partners and/or have influence over world economic cycles. For instance, if interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. If these countries were also Argentina's trade partners, the negative effect would be increased through a decrease in Argentine exports.

A decline in international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth and on our prospects

Argentina's financial recovery from the 2001-2002 crisis has been significantly assisted by the increase in prices for Argentina's main commodity exports, such as soy. These high commodity prices have contributed to the increase in Argentine exports since the third quarter of 2002 and to high Government revenues from taxes on exports. Even though the prices of the primary goods that Argentina exports decreased from those of 2002 and 2003, they are still at historically high levels. If international commodity prices decrease significantly, the growth of the Argentine economy, as well as its exports, could be adversely affected. Such occurrence would have a negative impact on the levels of Government revenues and the Government's ability to service its debt, and could either generate recessionary or inflationary pressures, depending on the Government's reaction. Either of these results would negatively impact our financial condition and prospects.

The foreign exchange market is subject to controls and the Argentine Central Bank could implement more restrictive measures that could prevent Argentine debtors from repaying their debt with foreign creditors

At the end of 2001 and in 2002, the Government and the Argentine Central Bank established controls over the foreign exchange market and over transfers of funds abroad, substantially limiting the ability of the companies to retain foreign currency or make debt payments abroad. The existence of such controls and the prevailing significant

surplus in the country's trade balance (which resulted in greater availability of foreign currency) contributed to the appreciation of the peso and to the increased availability of foreign currency, which resulted in the easing of many of these restrictions.

However, restrictions still exist that limit access to the foreign exchange market by residents and non-residents and their ability to make transfers of foreign currency and payments abroad. In addition, the Government issued a decree in June 2005 that established new controls and restricts capital inflows. For more information, see Item 4. "Information on the Company—Main Regulatory Changes since 2002—Foreign Exchange Market."

If imposed in an economic environment where access to local capital is substantially constrained, these controls could have a negative effect on the economy, and on our business, by limiting economic agents' ability to obtain financing. Moreover, Argentina could again establish restrictions on the foreign exchange market and on transfers abroad, among others, in the future, in response to significant capital outflows or to a significant depreciation of the peso. These restrictions may hamper foreign investors' ability to receive payments in connection with debt or equity securities of Argentine issuers such as us or Banco Galicia.

Volatility of the regulatory environment in Argentina could continue to be high and future Argentine governmental policies could adversely affect the Argentine economy as a whole as well as financial institutions including us

The Argentine Government has historically exercised significant influence over the country's economy, and financial institutions in particular have operated in a highly regulated environment for extended periods of time. Since December 2001, the Argentine Government has promulgated numerous far-reaching laws and regulations affecting the economy in general and financial institutions in particular. Laws and regulations currently governing the economy or the financial sector may change in the future. Any future changes in the regulatory environment and government policies may adversely affect financial institutions in Argentina, including us, as well as their business, financial condition or results of operations or their ability to service their foreign currency debt obligations. The lack of a clear and stable regulatory environment imposes significant limitations on the operation of the banking system, and creates uncertainties as to our future financial condition and results of operations.

Government measures may adversely affect the Argentine economy as a whole, as well as different economic agents, including us

During the 2001-2002 crisis, Argentina experienced social and political turmoil, including civilian unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina's ongoing economic recovery and relative stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future government policies to preempt or in response to social unrest may include nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy and thereby our business.

Risk Factors Relating to the Argentine Financial System

The recovery of the financial system, of which we are a part, is dependent upon the ability of financial institutions to maintain and increase depositors' confidence

The measures implemented by the Argentine Government in the last quarter of 2001 and during the first half of 2002, mainly the limitation on the right of depositors to freely withdraw their money from banks and the pesification and restructuring of their deposits, undermined the confidence of depositors and investors in the Argentine financial system and in all financial institutions, and generated significant opposition among depositors, frustrated by losses incurred with respect to their savings.

Although the financial system as a whole has seen a substantial recovery in deposits (mostly transactional deposits) since 2002, this trend may not continue or the deposit base of the Argentine financial system, including the

Bank's, may be affected in the future by adverse economic, social and political events. If depositors' confidence in the financial system was adversely affected again, the manner in which financial institutions within the financial system, including us, conduct their business would be adversely impacted, mainly as the reduced depositor confidence would hamper their ability to operate as financial intermediaries.

The negative consequences of the 2001-2002 crisis on the profile and activities of the financial system could not be overcome

Immediately after the 2001 and 2002 crisis, the financial system practically ceased acting as an intermediary between savings and credit. Private sector deposits resumed growth on the second half of 2002, increasing 24.1% in 2003, 13.6% in 2004, and 21.4% in 2005. Loans to the private sector began to increase in 2004, increasing 24.9% in that year and 38.5% in 2005. Although financial penetration in Argentina, measured in terms of total financial system's private-sector deposits and loans as a percentage of the Gross Domestic Product ("GDP"), has increased after the crisis, it is still low when compared with international levels. It is also still lower than that recorded in the country before the crisis, mainly in the case of loans to the private sector, which represented approximately 8.7% of the GDP at the end of 2005, compared to approximately 23.0% at the end of 1999.

The depth of the crisis and its effects on depositors' confidence in the financial system create significant uncertainties as to the likelihood that the financial system will fully recover its ability to act as an intermediary between savings and credit. Despite the fact that loan origination has resumed since 2004, the period of time necessary for the Argentine financial system's credit activity to return to its pre-crisis levels remains uncertain. Even though deposits in the financial system and with us resumed growth in mid-2002, most new deposits are either sight or very short-term time deposits. The sources of medium and long-term funding for financial institutions are currently limited, and mainly arise from loan portfolio securitization, especially since 2004, which implies a growing commercial banking disintermediation. Due to these reasons, and also to the characteristics of credit demand, loan expansion since 2004 was based on short-term loans to individuals and companies.

For the financial system to be able to reach an adequate intermediation level and, at the same time, develop a medium and long-term credit business without assuming excessive risks in terms of maturity gaps, the growth in deposits and loans should persist over time, the terms of assets and liabilities in the financial system should extend, the public's confidence in the Argentine financial system should recover levels enabling a substantial part of the country's savings to be channeled to the financial system, and a process of sustained growth with macroeconomic stability should consolidate. These trends may not materialize and, even if they do, financial intermediation activities may not develop to the extent needed nor attain the necessary volume so as to allow the income generation capacity of Argentine financial institutions, including us, to improve.

Under these circumstances, for an undetermined period of time, the scale of operations of Argentine-based financial institutions, including us, their business volume, the amount of their assets and liabilities and their income generation capacity, could remain lower than pre-crisis levels.

Financial institutions' asset quality deteriorated significantly after the 2001-2002 economic crisis, and the current improvement could be interrupted if the Argentine economy stops growing

The capacity of Argentine private-sector debtors to repay their loans, already impaired by the deep and persistent recession that began in the second half of 1998, deteriorated significantly in 2001 and in 2002, as a result of the economic crisis and the virtual paralysis in economic activity in late 2001 and early 2002. Although since 2003 and up to the date of this annual report, the private sector has recovered and the quality of bank loan portfolios improved significantly, as a result of the country's high economic growth and of a better overall economic environment together with the restructuring of many private sector companies' local or foreign debt, certain sectors of activity were more favored by the post-crisis relative prices structure than others. The current improvement of the quality of the financial system's private-sector loan portfolio may not continue and the Argentine private sector may not fully recover from the crisis.

In addition, as a result of the crisis and in spite of the Argentine Central Bank's measures to limit the financial system's exposure to the public sector, certain financial institutions' assets, as well as ours, currently include a substantial exposure to debt instruments of the Argentine public sector. Thus, the value of a large portion

of the assets held by certain Argentine banks, as well as those banks' income generation capacity, is currently dependent on the Argentine public sector's repayment capacity, which is tied, among others, to the continuity of economic growth, both of which could be undermined in the future.

An increasing number of judgments against financial institutions, in connection with the "corralón," may result in further deterioration of financial institutions' deposit base and liquidity, including ours

As a consequence of measures adopted by the Argentine Government in connection with the pesification of deposits originally denominated in dollars and the restructuring of bank deposits, since the beginning of 2002, individuals and entities have initiated a significant number of legal actions against financial institutions, including us, mainly requesting court protection from such measures, on the basis that these measures violated constitutional and other rights ("amparo claims"). These actions have resulted in lower and appeals courts rulings that have ordered financial institutions to reimburse dollar denominated deposits, or their equivalent in pesos, at the then current free market exchange rate. These rulings have resulted in a significant withdrawal of deposits from the financial system and the Bank. In addition, *amparo* claims also resulted in significant losses for financial institutions, including us, because we had to reimburse the restructured deposits (mostly dollar-denominated deposits before pesification, referred to herein as "Reprogrammed Deposits") at market exchange rates rather than at the rate at which deposits were pesified and booked. These losses have been deferred, but the Argentine Central Bank has established that the deferred asset must be amortized beginning in April 2003. The Argentine Government has not provided compensation for these losses and has expressed that it does not intend to do so.

The emergency measures implemented by the Government during and in respect of the crisis have been declared unconstitutional by most upper and lower courts. As of the date of this annual report, the Argentine Supreme Court has ruled on particular cases in connection with the pesification of deposits, declaring in one case in favor of the constitutionality of the pesification measures taken by the Argentine Government. The final resolution of similar cases is uncertain given the fact that, under Argentine law, Supreme Court rulings are not mandatory for lower courts.

If there was an increasing number of judgments against financial institutions like us, or if the Argentine Supreme Court resolved, changing its current criterion, against the constitutionality of the pesification measures, the financial system's liquidity could be adversely impacted and financial institutions, including us, could incur further significant losses.

New limitations to creditors' rights in Argentina and to the ability to foreclose on certain guarantees and collateral may adversely impact financial institutions

In order to protect debtors, which were affected by the 2001-2002 crisis, the Argentine Government passed various laws and regulations temporarily suspending the ability of creditors to foreclose on collateral and to exercise their rights pursuant to guarantees and similar instruments upon the occurrence of a default by a debtor under a financing agreement. Such regulations have restricted Argentine creditors, such as us, from initiating collection actions or lawsuits to recover on defaulted loans. Even though many of these rules have ceased to be applicable, on November 2, 2005, the Argentine Congress established a new suspension of foreclosure proceedings on certain mortgages. Under an adverse economic environment or other circumstances, the Argentine Government may pass new rules and regulations affecting the ability of creditors to enforce their rights pursuant to debt agreements, guarantees and similar instruments, which new rules and regulations may have a negative effect on the financial system's and our business.

Risk Factors Relating to us

We are a holding company, and our ability to pay cash dividends depends on the ability of our subsidiaries to pay dividends to us

We are a holding company, and as such we conduct all of our operations through our subsidiaries. As a holding company, we expect dividends or other intercompany transfers of funds from our subsidiaries to be our primary source of funds to pay our expenses and dividends. Banco Galicia is our most significant subsidiary. As of

December 31, 2005, Banco Galicia consolidated assets represented 99.3% of our consolidated assets. While we do not anticipate conducting operations at our level, any expenses we incur, in excess of minimum levels, will reduce amounts available to be distributed to our shareholders. The ability of our subsidiaries to pay dividends and make other payments to us will depend on their results of operations and financial condition and may be restricted by, among other things, applicable corporate and other laws and regulations and agreements of our subsidiaries. In addition, our ability to pay dividends will be subject to legal and other requirements at our level.

We have not received dividends from the Bank since October 2001. In addition, Banco Galicia is restricted from paying dividends as, among others, under Argentine Central Bank regulations it must reduce its retained earnings available to be distributed as cash dividends by the difference between the market value and the carrying value of the Compensatory Bond and the Hedge Bond, after netting the legal reserve and other reserves established by Banco Galicia's bylaws. Also, the loan agreements entered into by Banco Galicia as part of its foreign debt restructuring limit its ability to pay dividends on its capital stock. See Item 8. "Financial Information-Dividend Policy and Dividends-Dividend Policy."

We may operate finance-related businesses that have little or no regulatory supervision

We may operate finance-related businesses outside of Banco Galicia that are not regulated by the Argentine Central Bank. These businesses will be subject only to those regulatory limitations that may be applicable to them. We may enter into businesses that have little or no regulatory supervision or that entail greater risks than our existing businesses.

We are subject to corporate disclosure and accounting standards that may limit the information available to our shareholders

A principal objective of the securities laws of the United States, Argentina and other countries is to promote full and fair disclosure of all material information of companies issuing securities. However, there may be less publicly available information about us than is regularly published by or about listed companies in certain countries with highly developed capital markets, such as the United States. While we are subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), the periodic disclosure required of non-U.S. issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Furthermore, we are not required to comply with the U.S. Securities and Exchange Commission ("SEC") proxy rules in connection with shareholders' meetings.

In addition, we maintain our financial books and records in pesos and prepare our financial statements in conformity with Argentine Banking GAAP, which differs in certain respects from Argentine GAAP and U.S. GAAP. See Item 5. "Operating and Financial Review and Prospects-Item 5A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation" and note 41 to our consolidated audited financial statements included in this annual report for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP.

Also, for a description of the differences between Argentine and Nasdaq corporate governance requirements, see Item 6. "Directors, Senior Management and Employees-Nasdaq Corporate Governance Standards."

Our shareholders may be subject to liability for certain votes of their securities

Shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us. Also, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or our bylaws may be held liable for damages to us or to other third parties, including other shareholders.

U.S. holders of our class B shares may not be able to exercise preemptive and accretion rights

Under Argentine law, holders of our class B shares (including shares underlying our ADSs) have preemptive and accretion rights with respect to future issuances of class B shares. United States holders of our class

B shares may not be able to exercise such preemptive and accretion rights unless a registration statement under the Securities Act of 1933 is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to such rights or the shares related thereto. Therefore, if we elect not to file a registration statement with respect to such rights or if an exemption from registration is not otherwise available, a United States holder of class B shares (including those underlying our ADSs) may not be able to exercise such rights. In addition, the depositary may not be able to sell such rights and distribute the proceeds thereof to a United States holder of class B shares (including those underlying our ADSs) as contemplated in the Depositary agreement, in which case such rights may lapse.

Our net position in CER-adjusted assets exposes us to increases of the real interest rate

In the course of implementing the asymmetric pesification of certain bank assets and liabilities, the Argentine Government modified the yields of the assets and the cost of the liabilities that were pesified. Fixed maximum and minimum interest rates were established for pesified assets and liabilities, respectively. In addition, the principal of those assets and liabilities was tied to the CER variation (and in certain cases to the CVS variation, which was latter discontinued) and, in most cases, maturities were extended. The terms and conditions of peso-denominated assets with the public sector and certain peso-denominated deposits were also modified.

The amendments and modifications of our assets and liabilities resulting from the Argentine Government's measures to address the economic crisis have created mismatches between our assets and liabilities in terms of currency, yield and terms. Mainly, we currently carry a net position in long-term CER adjusted assets (a coefficient based on the variation of consumer prices) bearing fixed interest rates over adjusted principal, which is funded by peso-denominated liabilities (with no principal adjustment linked to inflation), bearing market interest rates that mainly reprice in the short term. See Item 5. "Operating and Financial Review and Prospects—Item 5A. Operating Results—Currency Composition of Our Balance Sheet." This mismatch exposes us to the fluctuations in the real interest rate, with an adverse impact on income resulting from a significant increase in the real interest rate.

Our assets are concentrated in Argentine public-sector debt instruments making our future financial condition strongly dependent on the Argentine Government's credit quality

As of December 31, 2005, our exposure to the Argentine public sector, including our position in Boden 2012 (our holdings of Boden 2012 corresponding to the Compensatory Bond, plus our right to receive Boden 2012 corresponding to the Hedge Bond, plus the Boden 2012 corresponding to the Compensatory Bond sold under repurchase agreements), amounted to Ps.16,414.5 million, representing 64.0% of our total assets. As of the same date, our net exposure to the public sector (excluding liabilities with the Argentine Central Bank and without taking into account the Bank's deposits in the Argentine Central Bank), amounted to Ps.7,802.6 million, representing 30.4% of our total assets.

The value of our assets, our income and cash flow generation capacity and our future financial condition strongly depend on the Argentine Government's ability to comply with its payment obligations. In turn, the ability of the Argentine Government to comply with its payment obligations with respect to such public-sector instruments is dependent on, among other things, its ability to establish an economic policy that is successful in promoting sustainable economic growth in the long run, generating tax revenues and controlling public expenses.

We carry a significant portion of our public-sector assets at values that do not reflect their market value, which is substantially lower than their respective book value

We carry our public-sector assets under Argentine Banking GAAP, in accordance with Argentine Central Bank valuation rules, as explained under Item 4. "Information on the Company—Selected Financial Information—Government and Corporate Securities—Valuation," and Item 5A. "Operating Results—Critical Accounting Policies—Government Securities and Other Accounts Receivable with the Government." The book values of our holdings of Bogar and Discount Bonds and of our position in Boden 2012 are greater than their respective quoted market values.

The estimated difference between the aggregate book value of the above mentioned assets and their respective aggregate market value as of December 31, 2005, amounted to Ps.1,338.9 million, as explained under Item 4. "Information on the Company–Selected Financial Information–Government and Corporate Securities."

As market conditions change, adjustments to the market value of the above mentioned assets are not reflected in our financial condition. Future sales or settlements of these assets will reflect the market conditions at the time and may result in losses, representing the difference between the settlement amount and the then carrying value.

We have recorded our right to receive the Hedge Bond and our right to receive the advance from the Argentine Central Bank to purchase such Bond, as if we had already received such Bond and if we had already executed the debt agreement with the Argentine Central Bank

As described in more detail under Item 4. "Information on the Company–Main Regulatory Changes since 2002–Compensation to Financial Institutions–For the Asymmetric Pesification and its Consequences," through several Executive Branch decrees and Argentine Central Bank regulations, in 2002, the Argentine Government established: (i) that financial institutions were entitled to receive a Compensatory Bond and a Hedge Bond as compensation for the negative impact caused on their financial condition by the asymmetric pesification carried out by the Government to face the 2001-2002 crisis, and (ii) financial institutions' right to request an advance from the Argentine Central Bank to acquire the Hedge Bond. Based on such rules, we recorded our right to receive the Boden 2012 corresponding to the Hedge Bond and our right to receive the advance from the Argentine Central Bank to purchase the Hedge Bond, as if we had had the Boden 2012 in our possession and if the associated liability had been received from the Argentine Central Bank.

Even though (i) the total amount of the compensation to the Bank for the asymmetric pesification has been determined by the Argentine Central Bank and agreed upon by the Bank in early 2005, (ii) we have received the remaining Boden 2012 corresponding to the Compensatory Bond during that year, and (iii) in early 2006, we have requested from the Argentine Central Bank the advance for the purchase of most of the Boden 2012 corresponding to the Hedge Bond, such Boden 2012 is pending receipt and the advance to purchase such bond is pending execution.

Not having executed the debt agreement has had a negative economic and financial impact on our financial condition insofar as: (i) we have carried the amortization and interest payments due August 2005 of a dollar-denominated asset (the Boden 2012) and a CER adjusted liability (the associated advance from the Argentine Central Bank), with the CER adjustment having exceeded the variation of the exchange rate, and (ii) the proceeds from the August 2005 amortization and interest payments on the Boden 2012 exceeding the abovementioned advance's August 2005 amortization and interest payments, we have incurred an opportunity cost in connection with the cash difference not perceived. In addition, not having obtained the possession of the Boden 2012 has precluded us from applying the proceeds that could have been generated from a sale or a repo of these securities, to more profitable investments and from freely managing our assets and liabilities.

Further delays in the delivery of the Boden 2012 corresponding to the Hedge Bond to us and in the execution of the associated debt agreement with the Argentine Central Bank with respect to the corresponding advance are likely to cause continuing negative effects on our financial condition.

A breach of any of the covenants under the Bank's debt agreements entered into by the Bank as part of its foreign debt restructuring could result in a default in respect of the related indebtedness

The loan agreements and indenture entered into by the Bank as part of its foreign debt restructuring, include certain covenants that, among other things, restrict the Bank's ability to pay dividends on stock or purchase its stock or the stock of its subsidiaries or use the proceeds of the sale of certain assets or from the issuance of debt

or equity securities. Some of these agreements also require that the Bank maintain specified financial ratios. A breach of any of these covenants or the Bank's inability to maintain the required ratios could result in a default in respect of the related indebtedness. In the event of a default, the relevant lenders could elect, among other options, to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable. For more information see Item 10. "Additional Information-Material Contracts."

It may be difficult for us to fully overcome all of the residual negative effects of the 2001-2002 crisis

It is difficult to predict whether we will be able to increase fee income and loan origination to the private sector so as to generate sufficient increased financial revenue and income from services in order for operating results to more than offset losses from the valuation of public sector assets in accordance with Argentine Central Bank rules, the amortization of *amparo* claims and the negative yield on our matched position in foreign currency resulting from the low yield of the Boden 2012 corresponding to the Compensatory Bond and the Hedge Bond. Demand for fee-related products and services as well as for credit is increasing in Argentina, together with the improved situation of the economy and the Argentine private sector, and we have an aggressive business strategy aimed at expanding our operations. However, the demand for financial products may not continue to grow or may not grow to the extent or at the pace necessary. In addition, we may not be able to increase our business volume in the necessary proportion or margins between lending and borrowing interest rates could decrease or be insufficient for our operating income to exceed the above mentioned losses.

We may not be able to increase our operating results in the required amount or at the required pace in order to more than offset the above mentioned losses, and new events in Argentina may adversely affect the Argentine economy so as to call into question our ability to continue to improve our financial condition and results of operations.

Increased competition and consolidation in the banking industry may adversely affect our operations

Although the financial system's situation has substantially improved since the 2001-2002 crisis, several consequences from the crisis persist such as a lower overall business volume as compared to pre-crisis levels, lower profits and lower internal capital generation capacity. In addition, the losses recorded in the past have reduced the financial system's shareholders' equity and the regulations in force impose increasing capital requirements, which are in addition to increasing capital requirements arising from a growing exposure to the private sector. Also there are cost pressures from growth and inflation. On the other hand, certain domestic banks, that suffered the effects of the 2001-2002 crisis to a lesser extent than large retail banks such as the Bank, have grown aggressively through acquisitions. In addition, the financial system's large retail banks, most of which are subsidiaries or branches of foreign banks that operate globally, have significantly increased their businesses and some have made important acquisitions. Considering the above, the financial system's consolidation is likely to continue. In addition, the financial system's recent growth and its current growth prospects have generated high competition from all of the banks mentioned.

The increase in competition and consolidation may adversely affect our results of operations and our income generation capacity by reducing margins and prices and/or by generating a growing difficulty to increase our volume of operations and increase or maintain our market shares.

Item 4. Information on the Company

Organization

We were incorporated on September 14, 1999, as a stock corporation (a *“sociedad anónima”*) under the laws of Argentina. Our domicile is in Buenos Aires, Argentina. Under our bylaws, our corporate duration is until June 30, 2100. Our duration can be extended by resolution taken at a general extraordinary shareholders’ meeting. Our principal executive offices are located at Teniente General Juan D. Perón 456, Second Floor, (1038) Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

Our agent for service of process in the United States is CT Corporation System, presently located at 111 Eighth Avenue, 13th Floor, New York, New York 10011.

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2005. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

- § Galicia Uruguay, incorporated in Uruguay and currently not an operating financial institution;
- § Galval Agente de Valores S.A. (“Galval”), incorporated in Uruguay;
- § Galicia Pension Fund Ltd. and Galicia (Cayman) Ltd. (“Galicia Cayman”), incorporated in the Cayman Islands;
- § Net Investment BV (in liquidation), incorporated in the Netherlands; and
- § Tradecom International N.V. (in liquidation), incorporated in the Netherlands.

Since February 13, 2002, Galicia Uruguay’s activities have been suspended and in June 2004, the Uruguayan authorities resolved to maintain the authorization to operate granted by the Executive Branch of Uruguay and to revoke the authorization to operate as a commercial bank granted by the Central Bank of Uruguay. See “–Business Overview–Banco Galicia–Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.”