

Item 3.B. Capitalization and Indebtedness

Not applicable.

Item 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

Item 3.D. Risk Factors

You should carefully consider the risks described below in addition to the other information contained in this annual report. In addition, most, if not all, of the risks described below must be evaluated bearing in mind that our most important asset is our equity interest in Banco Galicia, thus, a material change in Banco Galicia's shareholders' equity or income statement would also adversely affect our businesses and results of operations. We may also face risks and uncertainties that are not presently known to us or that we currently deem immaterial, which may impair our business. Our operations, property and customers are located mainly in Argentina. Accordingly, the quality of our customer portfolio, loan portfolio, financial condition and results of operations depend, to a significant extent, on the macroeconomic and political conditions prevailing in Argentina. In general, the risk assumed when investing in the securities of issuers from countries such as Argentina, is higher than when investing in the securities of issuers from developed countries.

Risk Factors Relating to Argentina

Political and economic instability in Argentina and Government intervention in the economy as well as market conditions may adversely affect Grupo Financiero Galicia's business and prospects.

Grupo Financiero Galicia's results of operations may be affected by inflation, fluctuations in the exchange rate, modifications in interest rates, changes in the Government's policies (among other, foreign investments or tax policies), social instability and other political, economic or international developments in Argentina or somehow affecting the country. It should be taken into account that in recent years the Government has exercised and currently exercises a marked influence on the Argentine economy.

Historically, the Argentine economy has experienced periods of high levels of instability and volatility, low or negative economic growth and high and variable inflation and devaluation levels. During 2001 and 2002, Argentina went through a period of major political, economic and social instability, which led to a partial default by Argentina in the payment of its sovereign debt, and the devaluation of the Peso in January 2002, after over ten years of parity with the Dollar.

The Argentine economy in general, the operating results of Grupo Financiero Galicia and its subsidiaries or the rights of the holders of securities issued by such institutions or their value, may be materially and adversely affected by a number of possible factors, including, among others, Argentina's inability to sustain its current economic recovery, the effects of inflation, Argentina's limited ability to obtain external financing, a decline in the international prices for Argentina's main commodity exports, a significant real appreciation of the Peso against the Dollar, intervention by the Government in the form of an ever-changing regulatory framework, the vulnerability of the Argentine economy to external shocks, a devaluation of the Peso or exchange rate controls.

Argentina's economic growth since the 2001-2002 economic crisis may not be sustainable in light of current economic conditions and any significant decline in Argentina's rate of recovery could adversely affect Grupo Financiero Galicia's financial condition.

Although general economic conditions in Argentina have recovered significantly during the years since the 2001-2002 economic crisis, there is uncertainty as to whether this growth is sustainable. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine Peso, a high excess production capacity resulting from a long period of deep recession and high commodity prices. The global economic crisis of 2008 led to a sudden economic decline in Argentina during 2009, accompanied by political and social unrest, inflationary and Peso depreciation pressures and lack of consumer and investor confidence. According to the Argentine Statistics and Census Agency (*Instituto Nacional de Estadísticas y Censos*, "INDEC"), Argentina's Gross Domestic Product ("GDP"), in real terms, grew by 6.8% in 2008, 0.9% in 2009 and 9.2% in 2010, and there is uncertainty as to whether Argentina will be able to maintain the current level of economic growth.

The economic and financial crises in certain European countries, a decline in the international demand for Argentine products, a lack of stability and competitiveness of the Peso against foreign currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties (including the upcoming presidential and parliamentary elections during 2011 and the uncertainty regarding the economic policy to be carried out by the new government), among other factors, may affect the development of the Argentine economy and cause volatility in the local securities markets, which could have a material adverse effect on the financial condition and the results of operations of Grupo Financiero Galicia and its subsidiaries.

The Argentine economy remains fragile, as reflected by the following economic conditions:

- the recovery has depended to some extent on high commodity prices, which are volatile and beyond the control of the Government;
- inflation has risen and threatens to accelerate;
- the current fiscal situation is at risk of deterioration;
- the regulatory environment continues to be uncertain and has been subject to frequent change;
- Argentina's international financing is limited;
- the availability of long-term fixed rate credit is scarce; and
- investment as a percentage of GDP remains low.

We cannot provide any assurance that a decline in economic growth or increased economic instability, developments over which we have no control, would not have an adverse effect on our business and financial condition or results of operations.

Domestic and international uncertainty concerning the current political and social environment in Argentina may have an impact on capital flows.

Domestic, as well as international uncertainty, may adversely impact Argentina's ability to attract capital. During the first half of 2009, capital outflows increased abruptly (influenced by domestic and international uncertainty), although this increase began to level off during the second half of 2009. In 2010 until now, the process of capital flight has not been reversed completely.

An abrupt change in the economic policies of developed economies, or changes in domestic policy, may adversely impact the flow of capital towards Argentina. Such changes would likely negatively impact the liquidity of the local market and the operations of Grupo Financiero Galicia and its subsidiaries.

Inflation could increase from current levels, and materially and adversely affect the Argentine economy and Grupo Financiero Galicia's financial position and business.

Following the Government's decision in January 2002 to abandon the fixed exchange rate regime set forth in the Argentine Convertibility Act, the corresponding devaluation of the Peso created pressure on the domestic pricing system and caused inflation in 2002 after several years of price stability. In 2003, inflation decreased significantly and stabilized. However, according to INDEC, the consumer price index increased by 7.2% in 2008, 7.7% in 2009 and 10.9% in 2010; while the wholesale price index went up 8.8% in 2008, 10.0% in 2009 and 14.6% in 2010. The accuracy of the measurements of the INDEC is in doubt, and the actual consumer price index and wholesale price index could be substantially higher than those indicated by the INDEC. For example, according to private estimates, the consumer price index increased by 19.4% (rather than 7.2%) in 2008, 16.3% (rather than 7.7%) in 2009 and 22.9% (rather than 10.9%) in 2010. In the past, inflation has materially undermined the Argentine economy and the Government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same would materially and adversely affect the business volume of the financial system and prevent the growth of intermediation activity levels. This result, in turn, would adversely affect the level of economic activity and employment.

High inflation would also undermine Argentina's foreign competitiveness and adversely affect economic activity, employment, real salaries, consumption and interest rates. A high level of uncertainty with respect to these economic variables, and a general lack of stability with respect to inflation would shorten contract terms and affect the ability of businesses to plan and make decisions, thereby materially and adversely affecting economic activity, and lowering consumers' income and their purchasing power, all of which would have a material adverse effect on the financial position and business of Grupo Financiero Galicia and its subsidiaries.

Argentina's ongoing litigation in relation to its default on its indebtedness in 2001 may limit its ability, and that of private sector companies in Argentina, to obtain financing and to attract direct foreign investment, and may have material adverse effects on the economy and the financial performance of Grupo Financiero Galicia.

Argentina has very limited access to foreign financing. As of December 31, 2001, Argentina's total public debt amounted to US\$144.5 billion. In December of 2001, Argentina defaulted on over US\$81.8 billion in external debt to bondholders. In addition, since 2002, Argentina suspended payments on over US\$15.7 billion in debt to multilateral financial institutions (e.g. the IMF and the Paris Club) and other financial institutions. In 2006, Argentina cancelled all of its outstanding debt with the IMF totaling approximately US\$9.5 billion, and through various exchange offers made to bondholders between 2004 and 2010, restructured over US\$74 billion of its defaulted debt. Although on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club, a decision which was accepted by the Paris Club, negotiations related to such repayment remain open. As of December 31, 2010, the Government was still in default with respect to over US\$7 billion of debt to bondholders. As of such date, Argentina's total public debt amounted to US\$156.7 billion (excluding the debt in default to bondholders).

In addition, the foreign shareholders of several Argentine companies, including public utilities and bondholders that did not participate in the exchange offers described above, have filed claims that exceed US\$20 billion with the International Centre for Settlement of Investment Disputes ("ICSID") alleging that the emergency measures adopted by the Government differ from the just and equal treatment dispositions set forth in several bilateral investment treaties to which Argentina is a party. The ICSID has ruled that the Government must pay an amount equal to US\$1 billion, plus interest and incurred expenses, in respect of such claims. Additionally, on October 7, 2008, an ICSID tribunal, in a case in which it had already awarded compensation to the claimants, issued a decision ordering Argentina to pay the compensation previously awarded to the claimants within 60 days. In its decision, the ICSID tribunal stated that, based on the interpretation of the Bilateral Treaty on Protection and Reciprocal Promotion of Investments ("IBT") executed between the United States and Argentina, (i) to the extent the compensation orders are not revoked, the compensation payments ordered to be made by the ICSID should be made immediately and claimants do not need to file subsequent actions or execution proceedings seeking payment of the awarded compensation and (ii) Argentina's position of waiting for the claimants to file execution proceedings to seek collection of already awarded amounts is in flagrant breach of the international law obligations undertaken by Argentina under the IBT.

Furthermore, under the United Nations Commission on International Trade Law ("UNCITRAL") arbitration rules, arbitration tribunals ordered Argentina (i) in December 2007, to pay US\$185 million to British Gas (shareholder of Argentine gas company Metrogas); and (ii) in November 2008, to pay US\$53.5 million to National Grid PLC (shareholder of Argentine electricity transportation company Transener). Argentina filed a petition with the U.S. District Court for the District of Columbia to vacate both awards. The annulment of the National Grid PLC award was rejected by the U.S. District Court for the District of Columbia, whereas the British Gas annulment suit is still pending as of the date of this annual report.

Litigation, as well as ICSID and UNCITRAL claims against the Government have resulted in material judgments and may result in new material judgments against the government, which could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have all the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, our financial condition. In August, 2010, the U.S. Second Circuit Court of Appeals in New York upheld a ruling issued by District Judge Thomas Griesa, which allows for the attachment of certain assets held in trust by the Government that will be stayed until a final ruling on the matter. The trust is administered by U.S. Bank Trust N.A., and was established in 1999 to hold American Depositary Shares ("ADSs") issued by Banco Hipotecario S.A., a state-owned lender bank that was being privatized at the time. Such depositary shares corresponded to class D shares of Banco Hipotecario S.A., which were to be used to satisfy investor redemptions of options. The rulings have been issued in connection with a request from EM Ltd. and NML Capital, Ltd., two of Argentina's largest sovereign debt holders. Pursuant to such rulings, government assets amounting to approximately US\$90 million held in such trust have been attached for the benefit of outstanding government creditors.

On March 1, 2010, the executive branch of the Government issued Executive Decree 298/2010, which created the “Fund for the Repayment of Argentine Debt” (*Fondo de Desendeudamiento Argentino*) for an amount of US\$4,382 million, to be used for the payment of Argentine public debt. In addition, the executive branch of the Government abrogated Executive Decree 2010/09 which had created the “Bicentennial Fund for Stability and Repayment of Debt” (*Fondo del Bicentenario para el Desendeudamiento y la Estabilidad*). Decree 298/2010 was judicially attacked by the opposing political parties and its application was suspended temporarily by an Argentine court. The suspension was subsequently lifted. The Argentine Court of Appeals allowed the use of Argentine Central Bank reserves by the above-mentioned fund for the repayment of Argentine debt; subsequently, the executive branch of the Government proceeded to pay public debt on April 4, 2010, with its first payment in the amount of US\$204 million going towards the repayment of Government bonds in Dollars at 7%, due in 2015 (“Boden 2015 Bonds”). Subsequent repayments of Argentine public debt have been made, and it is estimated that the Fund for the Repayment of Argentine Debt has been used in its entirety for such repayments.

Argentina’s default with respect to the payment of its foreign debt, and the aforementioned complaints filed against Argentina could prevent the Government and private sector companies in Argentina from accessing the international capital markets and receiving direct foreign investment. Accordingly, the Government may not have sufficient financial resources to foster economic growth. Moreover, investment in the private sector, which is also necessary to promote economic growth, may not occur at the necessary levels due to a lack of financing.

If Argentina does not fully recuperate its ability to access the international capital markets and attract direct foreign investment, there is a risk that the country will not obtain the requisite capital to foster the investment cycle and sustain a fast-paced economic growth. The country’s fiscal condition could be adversely affected, which in turn could generate more inflation and undermine the government’s ability to implement economic policies designed to foster growth. Unless a sustained growth cycle materializes, political, social and economic instability could prevail once again, all of which would have a material adverse effect on the prospects of the Argentine economy and, therefore, a material adverse impact on Grupo Financiero Galicia’s activities.

A decline in the international prices for Argentina’s main commodity exports and a significant real appreciation of the Peso against the US Dollar could affect Argentina’s economy, create new pressures on the exchange market and have a material adverse effect on the prospects of Grupo Financiero Galicia.

Argentina’s economic growth since the 2001-2002 economic crisis has taken place within a context of increasing prices for exports, such as soy. High prices for commodities have contributed to the increase in exports by Argentina since the third quarter of 2002, and to increased tax revenues for the Government, mainly from export taxes (withholdings).

Fluctuations in prices for commodities exported by Argentina and a significant increase in the value of the Peso (in real terms) may reduce Argentina’s competitiveness and significantly affect the country’s exports. A decrease in exports could affect Argentina’s economy, have a material adverse effect on public finances due to a loss of tax revenues, cause an imbalance in the country’s exchange market which, in turn, could lead to increased volatility with respect to the exchange rate. In addition, and more importantly in the short term, a significant appreciation of the Peso could materially reduce the Government’s revenues in real terms and affect its ability to make payments on its debt obligations, as these revenues are heavily derived from export taxes (withholdings). This could worsen the financial condition of the Argentine public sector and lead to an increase in taxes or a need to inject additional currency into the Argentine financial system through the printing of money, which could lead to inflation and materially and adversely affect the Argentine economy, as well as Grupo Financiero Galicia’s business.

High volatility in the regulatory framework, specifically with respect to financial institutions, could have a material adverse effect on the country's economy in general, and Grupo Financiero Galicia's financial position specifically.

In response to the economic crisis mentioned above, the Government enacted numerous laws and mandated extensive regulation which adversely affected the economy in general, and economic activity in particular. The Government continues to exert significant control over the economy. Political and social pressures could inhibit the implementation by the Government of policies designed to maintain price stability, generate growth and enhance consumer and investor confidence.

Financial institutions are particularly subject to significant regulation from multiple regulatory authorities, including the Argentine Central Bank, the Argentine National Securities Commission (*Comisión Nacional de Valores*, the "CNV") and the Financial Information Unit (*Unidad de Información Financiera*, the "UIF"), all of whom may, amongst other things, impose sanctions on Grupo Financiero Galicia's businesses, including Banco Galicia, for non-compliance with their applicable regulations.

It is not certain whether any material regulatory proceeding in the future will be initiated against, or result in a resolution adverse to, Grupo Financiero Galicia, its shareholders or directors.

As of the date of this annual report, three different bills to amend Law No. 21,526 as amended (*Ley de Entidades Financieras*, "the Financial Institutions' Law") have been presented for review in the Argentine Congress by congressmen Heller, Pinedo and Millman, respectively, seeking to amend different aspects of the Financial Institutions' Law. If any such bill is passed, or any other amendment to the Financial Institutions' Law is made, no assurances can be provided about what effects the subsequent changes in banking regulations could have on financial institutions in general, and on its business, financial conditions and/or results of operations.

There is a material risk that future enactments of governmental regulation by Argentine authorities affect the assets or the operating results of companies in the private sector, including Grupo Financiero Galicia and its subsidiaries, the rights of the holders of securities issued by such entities, or the value of such securities.

The lack of a stable regulatory framework could impose significant limitations on the activities of the financial system and the business of Grupo Financiero Galicia, including Banco Galicia, and would create uncertainty with respect to Grupo Financiero Galicia's future financial situation and results of operations.

The Argentine economy and its goods and financial services and securities markets remain vulnerable to external shocks, which could materially and adversely affect the country's economic growth and Grupo Financiero Galicia's prospects.

The financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other countries. Although such conditions may vary from country to country, investor reactions to events occurring in one country may substantially affect capital flows to issuers in other countries, and may substantially affect the trading prices of their securities. Decreased capital inflows and lower prices in the exchange markets of a country may have a material adverse effect on the real economy of such country in the form of higher interest rates or volatility in the exchange rate. This has had and may have in the future, a negative impact on the Argentine economy and could continue to adversely affect the country's economy in the near future.

In the past, Argentina's economy was adversely affected by developments in other markets, such as, among others, the political and economic events that occurred in Mexico at the end of 1994, and the collapse of various Asian economies between 1997 and 1998. There is a risk that similar events may have a material adverse effect on the Argentine economy in the future.

In addition, at the end of 2007 and in early 2008, the U.S. economy started to show signs of weakness caused by the uncertainty in the world economy. The subprime mortgage market crisis in the U.S. quickly spread into other regions such as Europe, Asia, and Latin America.

The number of defaults with respect to the repayment of mortgage loans in the U.S. subprime mortgage market increased dramatically due to the steep fall in real property prices and higher interest rates. The considerable decrease in the value of financial products related to these subprime mortgage market loans initially led to the closing and bankruptcy of certain banks, which later turned into a general confidence and liquidity crisis in the international financial sector.

Due to these events, long-term interest rates began to decrease in the second half of 2008. At the beginning of the international financial markets crisis, central banks mainly focused on the potential adverse effects on their economies. However, the Dollar began to weaken, reaching historic lows during 2007, especially as compared to the strong Euro, which reached exchange rates of almost US\$1.6 per Euro (this trend has since reversed as a result of the spread of the lack of confidence of the U.S. in the European markets). During this crisis, the principal world financial institutions suffered significant losses, further increasing the lack of confidence in the international financial system. At the same time, various financial institutions have become insolvent, filed for bankruptcy, been rescued by their country's regulators, or merged with other institutions. In addition to, and as a consequence of, the historic fluctuations in the world's principal stock exchanges during 2008 and 2009, there have been strong fluctuations in the price of oil and an abrupt fall in the price of other commodities.

In 2010, although the world economic recovery continued at a solid pace, fears of a sovereign debt crisis developed concerning some European countries. This, in turn, led to a crisis of confidence as well as the widening of bond yield spreads and risk insurance on credit default swaps between these countries and other European Union members, including Germany. Concerns around rising government deficits and debt levels across the globe, together with a wave of downgrades with respect to European sovereign debt, created alarm in financial markets.

During 2011 Greece, and to a lesser extent other European countries like Portugal and Ireland, remain a high stake problem and the risk of contagion is still an issue. The problems of the European Union periphery, stemming from the combined interactions of low growth, fiscal woes, and financial pressures, are particularly acute. Reestablishing fiscal and financial sustainability in the face of low or negative growth and high interest rates is a substantial challenge.

From the beginning of 2011 fears have turned to commodity prices which have increased more than expected, reflecting a combination of strong demand growth and supply shocks. In turn inflation has been on the rise all over the world even in many advanced economies where output is still far from potential. However the challenge is stronger in emerging and developing economies, where the consumption share of food and fuel is larger and the credibility of monetary policy is often weaker.

In addition growth concerns around developed countries have gained momentum in recent months. While a double dip recession is not the most likely scenario, it still cannot be completely ruled out.

The Argentine economy is vulnerable to the evolution of the aforementioned developments. Both inflation and growth concerns, if materialized, could prove to be a turning point in the current favorable external conditions. It is difficult to predict the manner and the extent to which these events may materially and adversely affect Argentina.

This could create an unfavorable international economic environment for Argentina, which could require government-driven adjustments to Argentine economic policy and result in lower economic growth and consequently may affect the business of Grupo Financiero Galicia and its subsidiaries, including Banco Galicia, which could adversely affect their results.

A future devaluation of the Peso could limit the ability of, or prevent Grupo Financiero Galicia from, being able to make payments with respect to its foreign currency denominated obligations.

After several years of price stability in Argentina, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002, and had a broad adverse effect on the Argentine economy, the financial situation of Argentine companies, and the general population. The devaluation had an adverse effect on the ability of Argentine companies to fulfill their foreign currency denominated obligations, generated high inflation throughout 2002, significantly reduced real salaries, and had an adverse effect on companies that were focused on the domestic market, such as public services companies and financial companies. It also adversely affected the ability of the Government to honor its foreign debt obligations.

If the Peso were to devalue significantly in the future, the aforementioned adverse effects on the Argentine economy could occur again, which could materially and adversely affect Grupo Financiero Galicia's businesses and impair its ability to honor its obligations denominated in a foreign currency.

We may be unable to make payments in Dollars and/or to make payments outside of Argentina due to exchange controls.

Decree No. 1570/01, which became effective on December 3, 2001, imposed certain restrictions on the transfer of foreign currency abroad by prohibiting usual transfer transactions of funds to accounts outside of Argentina. The same restriction was maintained by Decree No. 1606/01, which also included certain additional exceptions for the transfer of funds into Argentina after December 3, 2001.

Additionally, pursuant to Decree N° 616/05 (and related provisions), the Government has regulated incoming and outgoing flows of funds. Generally, this rule provides that, subject to certain exceptions, certain funds transferred into Argentina by residents or non-residents are subject to the creation of a mandatory deposit called an “*encaje*” equal to 30% of the amount transferred, which is to be deposited in Dollars, for one year, in a non-transferable, non-interest-bearing account at a local financial institution. This rule establishes that, subject to certain exceptions, in order to transfer currency from Argentina to foreign accounts, the approval of the Argentine Central Bank must be obtained, and it further establishes certain maximum amounts that individuals may acquire in the foreign exchange market. For a further description of these and other foreign exchange control actions, see Item 10. “Additional Information-Exchange Controls”. No assurance can be provided that the above-mentioned regulations will not be amended, or that new regulations (or implementation measures) will not be enacted in the future that operate to further limit foreign exchange flows into and out of Argentina. Any such measures, as well as any additional controls and/or restrictions, could materially and adversely affect Grupo Financiero Galicia’s ability to access international capital markets, make payments of principal and/or interest on its liabilities denominated in a foreign currency or transfer abroad (totally or partially) funds and adversely affect the financial condition and results of Grupo Financiero Galicia’s operations. Therefore, non-resident investors and Argentine residents with assets located outside of Argentina should particularly take into account the regulation (and its amendments) that govern access to the foreign exchange market. Grupo Financiero Galicia may be unable to make payments in Dollars and/or to make payments outside of Argentina due to the exchange market restrictions currently in place and/or due to restrictions on the ability of companies to transfer funds abroad.

Foreign judgments may not be enforceable in Argentina.

Grupo Financiero Galicia and most of its subsidiaries are companies incorporated under the laws of Argentina. Most of its shareholders, directors, members of the audit and executive committees, officers and some experts named herein reside in Argentina, and a substantial portion of the assets of Grupo Financiero Galicia are located in Argentina.

Pursuant to Argentine law, a foreign judgment will be enforced in Argentina, provided that the requirements set forth in Sections 517 through 519 of the Argentine Code of Civil and Commercial Procedure are met; if it is a matter of provincial law, the requirements in the local codes of procedure must be met. In both instances, the foreign judgment must not infringe the principles of Argentine public policy, as determined by the competent courts of Argentina.

Grupo Financiero Galicia cannot assure you that the enforcement of a foreign judgment that orders an Argentine entity to make payments pursuant to foreign-currency denominated debt instruments, outside of Argentina would not be held by an Argentine court to be contrary to the principles of Argentine public policy.

The Reform of the Retirement and Pension Integrated System materially and adversely affected the local capital markets and may materially and adversely affect Grupo Financiero Galicia’s ability to obtain liquidity for its operations.

The Argentine Congress approved, through its enactment of Law No. 26,425 on November 20, 2008, the elimination of the private retirement system led by the Retirement and Pension Fund Administrators (the “AFJPs”), which was merged into, and replaced by, a single public regime, referred to as the Integrated Social Security System (*Sistema Integrado Previsional Argentino*). The law provided that, among other measures: (i) funds accumulated in the private retirement system over the previous fourteen years would be administered by the National Social Security Administration (*Administración Nacional de la Seguridad Social*, the “ANSES”) going forward and (ii) the retirement system would be public and citizens would be required to make their social security payments to this new system.

The elimination of this system created a significant change in the operations of the local capital markets, as the AFJPs were, historically, significant institutional investors in respect of local issuances of debt. The elimination of these investors from the local market could also materially and adversely affect Grupo Financiero Galicia's future ability to access liquidity through the domestic capital markets to fund its operations. Any of these scenarios could materially and adversely affect Grupo Financiero Galicia's financial position and ability to undertake financing transactions domestically.

The Government may order salary increases to be paid to employees in the private sector, which would increase Grupo Financiero Galicia's operating costs.

In the past, the Government has passed laws, regulations and decrees requiring companies in the private sector to increase wages and provide specified benefits to employees, and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations are demanding significant wage increases. It is possible that the Government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on Grupo Financiero Galicia's expenses and business, results of operations and financial condition.

Risk Factors Relating to the Argentine Financial System

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine banks. This massive withdrawal of deposits was mainly due to the loss of depositor confidence in the ability of the Government to pay its debts and to maintain the Peso-Dollar parity in the context of its solvency crisis.

If depositors once again withdraw significant holdings from banks, there may be a substantial negative impact on the manner in which financial institutions, including Banco Galicia, conduct their business, and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect the sensibility of Argentine depositors.

To prevent the run on the Dollar reserves of local banks, the Government restricted the amount of money that account holders could withdraw from the banks and introduced exchange controls to restrict the flow of capital out of institutions.

While conditions have improved in the financial system, an adverse economic situation, even if not related to the financial system, could result in a transfer of capital from local financial institutions, as depositors seek to protect their assets from a new crisis. Any massive withdrawal of deposits could cause liquidity problems for financial institutions, and as a result, a contraction in credit supply.

In the case of a future shock such as the insolvency of one or more banks, or a crisis in confidence of depositors, the Government could impose new controls on foreign exchange market or transfers to foreign markets, or take other measures that could lead to new social and political tensions and undermine the financial progress of the government, which would adversely affect Argentina's economy and growth prospects.

This could impact Grupo Financiero Galicia's and its subsidiaries' results.

If the volume of financial intermediation is not restored to significant levels, the capacity of financial institutions, including Banco Galicia, to generate profits will be negatively affected.

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity in Argentina decreased dramatically: private sector credit fell from 24% of GDP in December 2000 to 7.7% in June 2004 and total deposits as a percentage of GDP fell from 31% to 23.2% during the same period. The depth of the crisis and the effect of the crisis on depositors' confidence in the financial system created significant uncertainties as to the likelihood that the financial system would fully recover its ability to act as an intermediary between savings and credit. Further, the ratio of total private sector deposits and loans to gross domestic product in Argentina are low when compared to international levels and lower than the periods prior to the crisis, especially in the case of loans to the private sector, which represented approximately 13% of Argentine GDP as of December 31, 2010, as compared to a maximum of approximately 23% at the end of 1999.

There are no assurances that the necessary steps will be taken to restore financial intermediation activities to levels that allow for an adequate income generation capacity by Argentine financial institutions, including Banco Galicia, or that such actions will be sufficient to prevent Argentine financial institutions, such as Banco Galicia, from having to assume excessive risks in terms of maturity mismatches. Under these circumstances and for an undetermined period of time, the scale of operations of financial institutions that operate in Argentina, including Banco Galicia, their business volume, the size of their assets and liabilities or their ability to generate results could be lower than before the crisis which, in turn, may impact the results of its operations.

The limited availability of medium- and long-term funding sources in Argentina may limit the capacity of Argentine financial institutions, including Banco Galicia, to generate profits.

Since the 2001-2002 economic crisis, most deposits in the Argentine financial system are either demand or short-term time deposits. The sources of medium- and long-term funding for financial institutions are currently limited, and have consisted, to a large extent, primarily since 2004, in the securitization of loan portfolios. Such securities were negatively affected by the replacement of the retirement and pension system of the AFJPs, which invested in loan securitization, by the Integrated Social Security System. The limited availability of medium- and long-term funding for Argentine financial institutions has caused such institutions to depend on the Argentine Central Bank as a liquidity backstop or on other liquidity sources which may or may not be available or which may be very costly. To the extent that Argentine financial institutions, such as Banco Galicia, are unable to access adequate funding sources or are required to pay high costs in order to obtain the same, their results of operations may be negatively impacted which, in the case of Banco Galicia, may adversely impact its ability to repay its debt.

Argentine financial institutions continue to have exposure to the public sector and its repayment capacity which, in periods of economic downturn, may negatively impact their results of operations.

As a result of certain measures taken by the Government during the 2001-2002 economic crisis, Argentine financial institutions continue to have exposure to the public sector and its repayment capacity. The Government's ability to honor its financial obligations is dependent on, among other things, its ability to establish economic policies that succeed in fostering sustainable economic growth in the long-term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

With respect to Banco Galicia, in particular, as of December 31, 2010, its net position in the Argentine public sector reached Ps.3,861 million, representing approximately 11% of its total assets and 1.5 times its shareholders' equity. Of this total, Ps.1,468 million corresponded to Government securities while the remaining Ps.2,393 million were Argentine Central Bank debt instruments. As a result, Banco Galicia's income generating capacity may be materially impacted, or may be particularly impacted by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia's ability to honor its financial obligations could be adversely affected by the Government's payment capacity or its failure to meet its obligations in regard to Government obligations owed to Banco Galicia.

The Government may once again impose limitations on the enforcement of creditor rights in Argentina which could adversely affect the businesses of financial institutions, including Banco Galicia's.

To protect debtors affected by the 2001-2002 economic crisis, beginning in 2002 the Government adopted measures that temporarily suspended proceedings for the enforcement of creditors' rights, including mortgage foreclosures and bankruptcy petitions. Most of these measures have been rescinded. The Government, however, could adopt additional measures that could adversely affect the businesses of financial institutions, including those of Banco Galicia.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by Grupo Financiero Galicia and its subsidiaries.

Argentine Law No. 24,240 (the "Consumer Protection Law") sets forth certain rules and principles designed to protect consumers, which include Banco Galicia's customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26.361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event that Grupo Financiero Galicia and its subsidiaries are found to be in violation of any provision of the Consumer Protection Law or the Credit Card Law, the penalties and remedies outlined above could prevent or limit the collection of payments due from services and financing provided by Grupo Financiero Galicia and its subsidiaries and materially and adversely affect their financial results. Grupo Financiero Galicia cannot provide any assurance that judicial and administrative rulings based on the newly enacted regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system and Banco Galicia's business and financial condition.

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities (including Banco Galicia) related to "collective interests" such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and, consequently, Banco Galicia's business and financial condition.

Risk Factors Relating to Us

Increased competition and reduced spreads without a corresponding increase in lending volumes could adversely affect Banco Galicia's operations and profits.

We expect competition in the financial market to increase and a continued consolidation among the number of market participants. Such consolidation and increased competition could require Banco Galicia to expend significant resources to defend its current market share in the agricultural and livestock sector, small and medium sized companies ("SMEs") business sector and consumer finance operations. Banco Galicia and other subsidiaries of Grupo Financiero Galicia could experience reduced prices and margins and/or decreased volume of operations and market share, and therefore, the results of their operations could be adversely affected.

Similarly, we expect that competition to gain market share in the SMEs business segments is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect the results of Banco Galicia's operations by decreasing the margins it is able to generate from this sector of clients.

Tax audits or disputes, or changes in the tax laws applicable to Grupo Financiero Galicia, could materially increase its tax payments, and certain administrative proceedings started by tax authorities against financial institutions such as Banco Galicia could generate losses to such institutions.

Certain tax authorities in the provinces and in the City of Buenos Aires initiated administrative proceedings against certain financial institutions in order to collect higher gross income taxes from such financial institutions from year-end 2002 onwards. Provincial tax authorities claim a substantial amount in connection with gross income generated by financial institutions in 2002, as such authorities include the income related to the Compensatory Bond (as defined below), into the income subject of the tax. The purpose of the Compensatory Bond was to compensate financial institutions for the losses that they would otherwise incur as a result of the measures implemented to face the 2001-2002 economic crisis, in particular, the Asymmetric Pesification. Although the final decision of these proceedings is uncertain, financial institutions, including Banco Galicia, could suffer material losses.

Banco Galicia's net position in assets adjustable by the Reference Stabilization Coefficient (Coeficiente de Estabilización de Referencia, "CER") exposes it to real interest rate variation.

The amendments and modifications of Banco Galicia's assets and liabilities resulting from the Government measures to address the 2001-2002 economic crisis have created mismatches between its assets and liabilities in terms of currency, interest rate and terms. Currently, Banco Galicia has a net position in CER-adjustable assets (which index varies based on changes in consumer retail prices) that accrue a fixed interest rate on the adjusted principal. This position is funded by non-CER-adjustable liabilities, which bear market rates that are repriced, generally in the short term. This mismatch exposes Banco Galicia to fluctuations in real interest rates, with an adverse impact on income. Such mismatches may occur if there is a significant increase in real interest rates paid on our Peso-denominated liabilities, which occurs when the nominal interest rate increases more than the CER-adjusted interest rate linked to inflation.

Adverse conditions in the credit and capital markets and in the exchange rates may have a material adverse effect on Grupo Financiero Galicia's financial condition and results of operations and adversely impact some of Grupo Financiero Galicia's important funding sources, therefore limiting its ability to access funding from such sources in a cost effective and/or timely manner.

Grupo Financiero Galicia may sustain losses relating to its investment in fixed or variable income securities in capital stock, and in its monetary position due to, among other reasons, changes in market prices, defaults and fluctuations in interest rates and in the exchange rate. A deterioration in the capital markets may cause Grupo Financiero Galicia to record net losses due to a decrease in the value of its investment portfolios, in addition to the losses from trading positions caused by volatility in the prices of the financial markets, even if the economy does not suffer overall. Any of these losses could have a material adverse effect on our results of operations.

Some of Banco Galicia's liquidity is derived from domestic banking institutions and/or the domestic capital markets. As of December 31, 2010, Banco Galicia's liquidity ratio was 33.98%, as measured by liquid assets as a percentage of total deposits (liquid assets include cash and due from banks, holdings of securities issued by the Argentine Central Bank ("Lebac and Nobac"), net interbank loans, short-term placements with correspondent banks and reverse repurchase agreement transactions in the local market). Any disruptions in the local capital markets or in the local banking market, as have been experienced in Argentina in the past from time to time, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial condition and/or results of operations.

Grupo Financiero Galicia estimates and establishes reserves for potential credit risk and credit losses, which may be inaccurate or insufficient, which may, in turn, materially and adversely affect its financial condition and results of operations.

Grupo Financiero Galicia estimates and establishes reserves for potential credit risk and credit losses related to changes in levels of income of borrowers, increased rates of inflation or an increase in interest rates. This process requires complex and subjective analysis, including economic projections and assumptions regarding the ability of debtors to repay their loans.

Therefore, if in the future Grupo Financiero Galicia is unable to effectively control the level of quality of its loan portfolio, if loss reserves for loans are inadequate to cover future losses on loans, or if it is required to increase its loss reserves due to an increase in the amount of its non-performing portfolio loans, the financial condition of Grupo Financiero Galicia and its results of operations could be materially and adversely affected.

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

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

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

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

Interruption or failure in Banco Galicia's information technology systems could adversely affect its operations and financial position.

As a financial institution, Banco Galicia's success is dependent upon the efficient and uninterrupted operation of its communications and computer hardware systems, including those systems related to the operation of its ATMs and website. Banco Galicia's communications and computer hardware systems and transactions could be harmed or interrupted by fire, flood, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or interruptions. Any of the foregoing events could cause system interruptions, delays and the loss of critical data and could prevent the Bank from operating at optimal levels or at all. In addition, disaster recovery planning may not be sufficient to cover all of these events and Banco Galicia could have inadequate insurance coverage or limits which could prevent it from receiving full compensation for its losses from a principal interruption. If any of these events occur, it could damage its reputation, be costly to cure and adversely affect its transactions as well as its results of operations and financial position.

Payment defaults by customers may materially and adversely affect the financial and operating results of Banco Galicia's credit card subsidiaries, and in turn, those of the Bank.

Certain of Banco Galicia's subsidiaries are credit card companies that create, develop, direct, manage, market and operate credit card and/or related consumer credit programs in Argentina. This type of business can be materially and adversely affected by cardholders' failure to make payments on their credit cards or personal loans when due, difficulties in enforcing payment in court, the existence of installments that are unlikely to be collected, and bad debts. Current default levels, collection efforts and bad debts may vary and be affected by a number of factors beyond these credit card subsidiaries' control, including, without limitation: (i) adverse changes in the general Argentine economy and/or local economies, (ii) political instability, (iii) increasing unemployment rates and (iv) depreciation of real and/or nominal wages. These and other factors may have a material adverse effect on current default levels, enforcement proceedings and losses; any one or more of these consequences could have a material adverse effect on the results of the business of Banco Galicia's credit card subsidiaries.