

	Exchange Rate ⁽¹⁾			Period-End
	High	Low	Average ⁽²⁾ (in pesos per US dollar)	
January 2007	3.1068	3.0553	3.0850	3.1063
February 2007	3.1058	3.0975	3.1026	3.1010
March 2007	3.1060	3.0963	3.1010	3.1007
April 2007	3.1008	3.0808	3.0891	3.0898
May 2007	3.0852	3.0727	3.0800	3.0785

(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, 2007, the exchange rate was Ps.3.0825 for US\$ 1.00.

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. 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.

Risk Factors Relating to Argentina

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. If the current administration is not capable of implementing economic policies needed to turn the economic growth Argentina is experiencing since late 2002 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. In 2006, inflation as measured by the variation in consumer prices was 9.8%, and although it was lower than that registered during the previous year, we cannot guarantee that it will not increase again.

Inflation may continue increasing in Argentina, due to the following facts: (i) the country's economy is growing at very high rates, which implies strong aggregate demand increases, (ii) the current growth is occurring in a context in which relative prices still require certain adjustments, as not all of the economic sectors have been able to pass through into prices, to the same extent, the impact of the 2002 devaluation of the peso, (iii) the strong post- crisis growth, for more than four years, has led to an increasing use of installed capacity and to a progressive reduction of the "output gap" existing immediately following the crisis; and (iv) even though aggregate investment has been growing, the effects of such growth on aggregate supply are not immediate.

In the past, inflation has materially undermined the Argentine economy and the Government's ability to create conditions that foster 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 of these factors would also have a negative impact on our business and financial condition.

A 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 Government and Argentine companies and financial institutions to repay their foreign currency-denominated debt, led to very high inflation and significantly reduced real wages. It also had a negative impact on economic sectors whose business is predominantly dependent on domestic demand. A further significant devaluation of the peso, would likely have the same negative effects on the Government, the financial system, companies and individuals, and would have a negative impact on us and our operations.

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 operations and 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, adversely impacted the Argentine economy. Similar developments can be expected to affect the Argentine economy in the future.

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 rose 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. All of these factors could negatively impact our prospects and operations.

A decline in international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth and on our financial condition and 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. The prices of the primary goods that Argentina exports are at historically high levels. If international commodity prices decreased 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 in the future that could adversely affect our business operations

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 restrictions in connection with capital inflows. For more information, see Item 4. "Information on the Company-Government Regulation-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.

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 like us

The 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. 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 stable regulatory environment would impose significant limitations on the operation of the banking system and would affect our future financial condition and results of operations.

Government measures may adversely affect the Argentine economy as a whole, as well as our business operations

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.

Elections for the executive and legislative branches of the Government in 2007 may generate uncertainty with respect to the economic policies to be adopted and could cause volatility in the Argentine market and thus affect us and our operations and/or cause volatility in the market price of our securities

From March 2007 through October 2007, elections will be held for the executive and legislative branches of the Government, both on a national and provincial level. During past elections, the Argentine market has suffered from excess volatility due to uncertainty regarding the economic policies that will be adopted by the new Government. The elections to be held in 2007, and in particular the presidential election to be held in October of this year, may cause uncertainty regarding the economic policy to be adopted (both if a new president is chosen and if the incumbent president is re-elected), which could affect us and our operations and/or cause volatility in of the market price of our securities.

Risk Factors Relating to the Argentine Financial System

The negative consequences of the 2001-2002 crisis on the profile and activities of the financial system may not be overcome in the short term or at all

Immediately after the 2001 and 2002 crisis, the financial system practically ceased acting as an intermediary between savings and credit. Even though the financial system's private sector deposits and loans increased substantially from the 2002 levels, 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, or GDP, remains low when compared with international levels and with past levels recorded in the country, especially in the case of loans to the private sector. These loans represented approximately 11.4% of the GDP at the end of 2006, as compared to approximately 23.3% at the end of 1999. The period of time necessary for the Argentine financial system's credit activity to return to pre-crisis levels remains uncertain. In addition, even though deposits in the financial system are increasing, most new deposits are either sight 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, mainly since 2004, of the securitization of loan portfolios, which implies a growing commercial banking disintermediation. Due to these reasons, and to the characteristics of credit demand, the loan expansion recorded since 2004 was largely 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 will need to continue over time, the maturities of assets and liabilities in the financial system will need to extend, the public's confidence in the Argentine financial system will need to recover to 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 will need to 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.

The post-crisis improvement in financial institutions' asset quality could be interrupted if the Argentine economy stops growing

The current improvement of the quality of the financial system's private-sector loan portfolio may not continue as such improvement depends on the continuity of economic growth in Argentina. In addition, certain financial institutions' assets, such as ours, currently include a substantial exposure to debt instruments issued by 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 also tied to, among other things, 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 pesification and restructuring of deposits in 2002 may result in a deterioration of financial institutions' deposit base and liquidity, including ours

As a consequence of the pesification of deposits originally denominated in dollars and the restructuring of such deposits, in 2002 individuals and entities initiated a significant number of legal actions against financial institutions, including us, on the basis that these measures violated constitutional and other rights (these legal actions were known as "*amparo* claims"). The emergency measures implemented by the Government during and in respect of the 2001-2002 crisis have been declared unconstitutional by most appellate and lower courts and, as a result, financial institutions have been required to reimburse the relevant 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 2002, and in significant losses for financial institutions up to date, including us, as a result of having to reimburse the restructured deposits (mostly dollar-denominated deposits before pesification, referred to herein as the "Reprogrammed Deposits") at market exchange rates rather than at the rate at which deposits were pesified and booked. The Government has not provided compensation for these losses and has expressed that it does not intend to do so.

The recent rulings pronounced by the Argentine Supreme Court of Justice, or the “Supreme Court”, in connection with the pesification of deposits refer to particular cases and, under Argentine law, Supreme Court rulings are not precedent setting for lower courts. Whether these rulings will be followed in similar cases to be heard by lower courts is uncertain as is the final resolution of such similar cases. If there was an increasing number of judgments against financial institutions like us, 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 such as us

In order to protect debtors, which were affected by the 2001-2002 crisis, the 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. Such regulations have restricted Argentine creditors, such as us, from initiating collection actions or lawsuits to recover on defaulted loans. Even though these rules have ceased to be applicable, we cannot assure you that under an adverse economic environment or other circumstances, the Government may not 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 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, 2006, Banco Galicia’s 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 contractual limitations. In addition, our ability to pay dividends will be subject to legal and other requirements.

We have not received dividends from Banco Galicia since October 2001. In addition, Banco Galicia is restricted from paying dividends as, among other things, 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 all of its public-sector assets, 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 the restructuring of its debt denominated in foreign currency and subject to foreign law, limit its ability to pay dividends. 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, and which may adversely impact our business and financial condition.

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, or 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 SEC’s 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 39 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 depository 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 assets are concentrated in Argentine public-sector debt instruments making our future financial condition strongly dependent on the Government’s credit quality and ability and willingness to comply with its repayment obligations

As of December 31, 2006, our exposure to the Argentine public sector (as shown under Item 5A. “Operating Results—Exposure to the Argentine Public Sector”), amounted to approximately Ps.8,898.0 million, representing 37.7% 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 approximately Ps.5,872.0 million, representing 24.9% 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 Government’s ability to comply with its payment obligations in respect of these public-sector assets. In turn, the ability of the Government to comply with its payment obligations with respect to such public-sector assets 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, all or some of which may not occur.

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 position in Bogar Bonds, Boden 2012 Bonds and Discount Bonds and GDP Linked Negotiable Units 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, 2006, amounted to Ps.531.0 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, thereby adversely affecting our financial results.

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

The actions taken by the Government to address the crisis in 2001-2002 economic crisis have created mismatches between our assets and liabilities in terms of currency, yield and maturities. Currently, we carry a net position in CER-adjusted assets (the CER is a coefficient based on the variation of consumer prices) bearing fixed interest rates over adjusted principal. This position 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 (which occurs when the nominal interest rate increases more than the inflation rate).

A breach of any of the covenants under the Bank's debt agreements and the agreement entered into by the Bank and us as part of the restructuring of the Bank's foreign debt in 2004 could result in the occurrence of an event of default under these agreements

The loan agreements and indenture entered into by the Bank as part of its foreign debt restructuring in May 2004, 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. We agreed to maintain certain corporate governance standards and to provide the Bank's creditors with certain financial information and reports on a quarterly and annual basis. A breach of any of these covenants or the Bank's inability to maintain the required ratios could result in an event of default under these agreements. 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 amortization of *amparo* claims and the negative margin on our matched position in foreign currency resulting from the low yield of the Boden 2012 Bonds corresponding to the Compensatory Bond and the Hedge Bond. Although demand for fee-related products and services as well as for credit is increasing in Argentina, together with the growth of the economy, the demand for financial products may not continue to increase or may not increase to the extent or at the necessary pace. In addition, we may not be able to sufficiently increase our business volume or margins between lending and borrowing 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 offset these losses.

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

As a result of and following the crisis, there has been significant consolidation in the Argentine financial/banking market. This consolidation is likely to continue in the near future. In addition, the financial system's recent growth and its current growth prospects have generated increased competition from all of the banks operating in Argentina. 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 potentially reducing our volume of operations and market share.

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 under the name Grupo Financiero Galicia S.A. 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, 2006. 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 (See "History—Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.");
- Galval Agente de Valores S.A. or "Galval", incorporated in Uruguay;
- Galicia Pension Fund Ltd. and Galicia (Cayman) Ltd. or "Galicia Cayman", incorporated in the Cayman Islands (See "History—Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.");
- Net Investment BV (in liquidation), incorporated in the Netherlands; and
- Ancud Comercial S.A., incorporated in the Dominican Republic.