

Grupo Financiero | **Galicia**

ANNUAL REPORT

8TH. FISCAL YEAR

JANUARY - DECEMBER 2006

OVERVIEW OF THE COMPANY

GRUPO FINANCIERO GALICIA S.A. (hereinafter “Grupo Financiero Galicia”) was constituted on September 14, 1999, as a financial services holding company organized under the laws of Argentina. As of December 31, 2006, its most important asset was Banco de Galicia y Buenos Aires S.A. (hereinafter “Banco Galicia” or “the Bank”), in which it held a 93.6% interest.

Founded in 1905, Banco Galicia is one of the largest private-sector banks in the Argentine financial system in terms of assets and shareholders’ equity, and one of the leading providers of financial services in the country. In its capacity as a universal bank, and through affiliated companies operating in specific businesses or markets and various distribution channels, Banco Galicia offers, both directly and indirectly, a full spectrum of financial and transaction services to more than 3.7 million customers, both individual and corporate.

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

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FINANCIAL HIGHLIGHTS

	Grupo Financiero Galicia S.A. Consolidated	
	As of December 31,	
<i>In millions of Pesos, except for ratios, per share/ADS data and exchange rates (in pesos)</i>	2006	2005
Income (loss) for the fiscal year	(18.91)	107.24
Average shares outstanding (in millions)	1,240.93	1,241.40
Earnings:		
per share	(0.015)	0.086
per ADS ⁽¹⁾	(0.150)	0.860
At year-end		
Total assets	23,634.17	25,635.72
Loans, net	10,514.55	10,555.18
Deposits	10,779.37	8,421.66
Negotiable obligations	3,587.03	3,483.45
Shareholders' equity	1,608.47	1,626.78
Shares outstanding (in millions)	1,241.40	1,241.40
Book value:		
per share	1.296	1.310
per ADS ⁽¹⁾	12.960	13.100
Selected ratios (%)		
Return on average shareholders' equity	(1.15)	6.83
Return on average assets	0.0004	0.59
Shareholders' equity to total assets	6.81	6.35
Exchange rate – BCRA	3.0695	3.0315

(1) One ADS represents 10 shares.

LETTER FROM THE CHAIRMAN

To our Shareholders:

The macroeconomic environment during 2006 continued showing the highly favorable trend of the previous years due to the fact that, for the fourth consecutive year, the economy grew considerably amidst the framework of a high fiscal surplus and surplus on current account as well as a constant reduction of the unemployment rate, which for the first time since mid-1993 is lower than 10%. We believe the economy will continue growing at significant rates in 2007.

As regards Grupo Financiero Galicia, the fiscal year ended December 31, 2006 recorded a loss of Ps.18.9 million, mainly due to the Ps.126.2 million loss recorded by Banco Galicia, our main subsidiary. It is worth mentioning that the Bank's loss was mainly attributable to accounting adjustments to the valuation of certain public-sector assets (pursuant to the regulations of the Argentine Central Bank) that did not represent any outflow of funds. The Bank's adjusted net income, not taking into account such adjustments, amounted to Ps.72.2 million.

During the fiscal year, the Bank was able to strengthen its financial position significantly, repaying in advance, several times, financial assistance granted by the Argentine Central Bank during the crisis that took place at the end of 2001 and the beginning of 2002. This process ended in March 2007, when the Bank paid off such debt. During this process, the Bank also attained to reduce its exposure to the public sector, thus decreasing risk concentration and making it easier to comply with regulations.

Apart from that, at the beginning of December 2006 the Bank purchased most of the Boden 2012 corresponding to the Hedge Bond and, at the end of February, it requested the Argentine Central Bank to purchase the rest of such Bond. The Hedge Bond was a compensation granted to the Bank for the negative foreign currency position as of December 31, 2001 due to the Pesification regulations.

As regards Grupo Financiero Galicia, in October 2006 a Shareholders' Meeting was held, in which Grupo Financiero Galicia was authorized to take part in a capital increase of the Bank. We are sure that such capital increase will significantly improve the Bank's competitive position, taking into consideration the projected growth of loans to the private sector and the higher capital requirements on public-sector assets. This capital increase is one step forward in the process to strengthen the Bank's financial condition.

As to operations, the Bank continued growing within a highly competitive environment but immersed in an economy and a financial system that are growing as well. Deposits from the private sector in Argentina grew 29.5%, higher than the figure recorded for the financial system as a whole.

Consequently, this resulted in an increase in the Bank's market share in the total deposits from the private sector in the Argentine financial system, reaching 8.43%. As regards credit, the Bank's loan portfolio to the private sector in Argentina grew 50.1% and loans of regional credit-card companies increased 36.2% during the fiscal year. The asset quality of the loan portfolio also improved: the non-accrual loans as a percentage of total loans to the private sector, decreased during the year from 6.78% to 3.49%.

The Bank's distribution network and the regional credit-card companies continued growing with the opening of 18 branches and the addition of more than 1,100 employees as a consequence of the significant increase in the volume of operations and the increase in the number of transactions.

The rest of the subsidiaries also experienced an increase in the level of activity, being worth noting the insurance business conducted by Grupo Financiero Galicia through its subsidiary Sudamericana Holding S.A. In fact, total insurance production of life, retirement and property insurance companies controlled by Sudamericana Holding S. A. amounted to Ps.54.9 million during 2006, 44.9% higher than the volume of premiums of the previous fiscal year. Within these business results, it is worth noting the distribution through the bankassurance model and the growth of Tarjeta Naranja as regards the sale of life insurance through credit cards and the consolidation of home insurance sales.

Furthermore, considerable progress was made, attaining a better position to compete in a dynamic market with constant challenges. That is why we aim at continuing to strengthen the Bank's financial condition and operating profitability as well as those of the other subsidiaries.

For 2007, Grupo Financiero Galicia and its controlled companies plan to consolidate even more the relationship with its customers, collaborating with the development and growth of Argentina and the progress of the society in its entirety, and contributing and committing all their responsibility and experience.

I am satisfied and proud of being the president of this company and, on behalf of the Board of Directors, I would like to especially thank the customers for their loyalty and confidence, our staff for their constant cooperation and commitment, and our shareholders for their continuous support.

Antonio R. Garcés
Chairman of the Board of Directors
Buenos Aires, March 9, 2007

ANNUAL REPORT

The Board of Directors submits to the shareholders for their consideration the Board of Directors' Report, the Financial Statements and the Supervisory Syndics' Committee Report for the 8th fiscal year of Grupo Financiero Galicia S.A. ended December 31, 2006.

THE ARGENTINE ECONOMY IN 2006

For the fourth consecutive year, the Argentine economy continued showing signs of a strong dynamism during 2006. The annual growth of Argentina's GDP in 2006 has been of 8.5%.

The excellent performance of the Argentine economy was attained within an environment of a rate of inflation slightly lower than the one shown in 2005 and a nominal exchange rate that remained relatively stable in spite of the significant foreign currency inflow from exports as well as from the cash flows for investment portfolios, boosted by the favorable international environment in general. Apart from that, the economic situation was favored by the maintenance of a high fiscal surplus and a high balance of payments surplus on current account.

Domestic demand continued to be one of the main driving engines of the economic activity. Within it, fixed gross investments maintained the excellent performance shown the previous year, growing 20.5% during the first nine months of 2006, when compared to the same period of 2005. In turn, private consumption also showed a significant increase of 7.8% for the same period, evidencing a slight decrease when compared to what was shown in 2005. The good performance of consumption was again influenced by the growth of real salaries, with an increase of 8.1% when compared to the previous year.

As regards aggregate supply, during the first nine months of the year the goods manufacturing sector was highly dynamic, growing 8.8% inter-annually. On the other hand, the service sector grew 7.9% during the same period. Within the goods manufacturing sector, the construction sector stands out, which grew, on average, 20% inter-annually during the first nine months of the year, surpassing the growth rate for the same period of the previous year. However, leading indicators show that such pace decreased towards the fourth quarter of the year. In turn, industrial production, as measured by the Monthly Industrial Estimator, grew higher than the levels recorded for the previous year (+8.3%). Within the service sector, the financial sector showed a solid performance, with a growth of around 21.9%, higher than that one recorded for the same period of the previous year.

The good performance of the Argentine economy was correlated with the labor market, which had been showing a significant improvement since the previous year. The unemployment rate decreased

from 10.1% of the economically active population for the fourth quarter of 2005 to 8.7% for the fourth quarter of 2006.

In December 2006, the monetary base amounted to Ps.76,755 million, showing an annual growth of 37.5%. The Argentine Central Bank's policy of intervention in the foreign exchange market, which was aimed at strengthening the position in international reserves and maintaining the nominal exchange rate, implied much effort as regards sterilization to be able to meet the requirements of the monetary program. The bidding on Central Bank bills and notes, the payment of liabilities to the Argentine Central Bank by financial institutions and the repos and reverse repos transactions conducted by the Argentine Central Bank contributed to the reduction of the expansion of money supply. The placement of Argentine Central Bank bills and notes turned to be the main means of sterilization, with a stock increase from Ps.26,081 in 2005 to Ps.39,610 in 2006. Due to the increasing trend in interest rates in general and the Badlar rate in particular, there was a growing demand of the Nobac adjusted by such rate during the year.

The cut-off rate of the primary market for peso-denominated one-year Lebacs increased from 8.9% as of December 31, 2005 to 11.15% as of December 31, 2006. As regards placements of 30-day Lebacs, as of December 31, 2006 the interest rate was 7.75%, what implied an increase in comparison to placements made at the beginning of the year, at a 6.76% rate. The interest rate paid by the Argentine Central Bank for the 7-day repos agreements with financial institutions increased from 5% at the end of 2005 to 6.25% at the end of 2006, while that for reverse repos agreements increased from 6.0% to 8.25% during the same period. The upward trend in benchmark rates had an impact on the returns of the rest of the financial instruments. An example of this is the interest rate for peso-denominated 30-day time deposits, which increased, on average, from 5.2% in December 2005 to 7.4% in December 2006.

This renewed expansion of domestic demand within an environment of a high level of installed capacity was one of the main reasons for inflation in 2006, which was 9.8% pursuant to the Consumer Price Index (I.P.C.), lower than the 12.3% of the previous year. This decrease can be explained, in part, by the measures adopted by the government to limit the increase in prices, which mainly consisted in the promotion of sector-specific agreements aimed at reducing increases, particularly for items highly weighted in the index such as food and beverages. In turn, the Wholesale Domestic Price Index (I.P.I.M.) recorded a 7.0% increase.

The reference exchange rate established by the Argentine Central Bank increased from Ps.3.032 to Ps.3.070 per US dollar between December 31, 2005 and December 31, 2006.

In the fiscal area, the increase in tax revenues continued, which grew 25.8% in 2006 in comparison to the previous year, higher than the growth rate for such year (+21.3%). Similarly to the recent years, the improvement in tax revenues is mainly attributable to the good performance of economic

activity, the increase in prices and the significant contribution of taxes on the labor market and foreign trade transactions. It is also worth noting the significant contribution of the tax on debits and credits, in line with the strong growth experienced by that sector during the year. In 2006, primary expenditures grew 26.7%, higher than the 25.4% increase in total income. The National Government managed to achieve a primary surplus of Ps.23,158 million, equivalent to 3.5% of GDP. After interest payments for Ps.11,542 million, the global fiscal result was a surplus of Ps.11,616 million.

There was again a balance of payments surplus on current account that was the result of a still high trade surplus and the payment of interests, which were reduced due to the public debt restructuring. The current account/GDP ratio estimated for 2006 in 3.5% was higher than the ratio for the previous year (3%). The trade balance surplus accrued during the year amounted to US\$12,409 million in 2006, in comparison to US\$11,663 million for the previous year, thus interrupting a gradual reduction trend observed since 2003.

Exports showed an excellent performance in 2006, increasing 15.4% in comparison to the previous year, reaching US\$46,569 million. In turn, even though imports decreased their expansion pace when compared to 2005, they showed a 19.1% increase. In both cases, this growth was due to the joint effect of the increase in prices and volumes. Agriculture and livestock exports continue to be the ones with the highest share in the total exports of Argentina (33%), followed by industrial goods (32%), which increased their share in comparison to 2005. As regards imports, products imported as intermediate goods represented 35% of total imports, followed by the purchases of capital goods (25%).

The capital account recorded a net foreign currency inflow of US\$2,343 million for the first nine months of 2006. Foreign investors' interest in Argentina's sovereign debt, together with the favorable international environment for emerging markets, are among the main causes for such behavior.

As of December 31, 2006, the Argentine Central Bank's international reserves amounted to US\$32,037 million, compared to US\$28,077 million at the end of 2005, despite the advance payment of the total debt with the International Monetary Fund for US\$9,500 million, made at the beginning of 2006.

The EMBI+ index for Argentina decreased significantly, reaching 216 basis points at the end of 2006, 283 basis points lower than in December 2005. As to the equity market, the Merval index increased 35.5% in 2006.

THE FINANCIAL SYSTEM

Within the national and international favorable macroeconomic environment, in 2006 the financial system continued growing steadily and advancing towards the strengthening of its financial condition.

Total loans to the private sector in the financial system grew 40.1% when compared to the end of 2005, reaching Ps.75,091 million. Even though total loans to the private sector continued representing a low percentage of GDP in comparison to similar economies or to Argentina's indicators for other periods, the ratio between loans to the private sector and GDP was of 11.5% at year-end, higher than the 10.1% recorded at the end of 2005, but far from the 23.3% reached in 1999.

Loans that increased the most were consumer credit lines, made up of loans through credit cards and personal loans (Ps.7,797 million and Ps.13,067 million, respectively, at the end of 2006). Consumer credit lines increased 60.2% during the year, reaching Ps.20,864 million, being worth noting the 77.0% increase of personal loans. Commercial loans, mainly short-term ones, that is to say cash advances in current account and promissory notes (Ps.9,275 million and Ps.13,096 million, respectively, at the end of 2006), grew 38.0%, with a similar increase for both types of commercial loans. Mortgage-backed loans evolved favorably, mainly loans secured by a pledge, which increased 61.0% to Ps.3,823 million; while mortgage loans increased 15.6%. Mortgage loans continued being affected by the inconsistent evolution of real property prices in US dollars and that of salaries, although the offer of lines of credit is broad and attractive, with terms that reach 15 years for peso-denominated lines of credit and rates lower than those in force during the 90's.

In turn, loans to the public sector decreased 19.3% during 2006 and the financial system's exposure to the public sector was of 22.9% at the end of 2006, decreasing 9.9 percentage points. Apart from that, the Argentine Central Bank provided for a new reduction of the participation allowed to public-sector assets in the total assets of financial institutions as from July 2007.

In line with the improvement as regards the structure and quality of assets, the financial system achieved a significant improvement regarding the quality of its liabilities through the payment of rediscounts and the strong and sustained growth of private-sector deposits.

At the end of 2006, the financial system's total deposits were 25.4% higher than those at the end of the previous year, reaching Ps.169,284 million, equivalent to 25.9% of GDP. Deposits from the non-financial private sector increased 22.3%, amounting to Ps.121,529 million and representing 18.6% of GDP at the end of the year. Deposits from the public sector reached Ps.45,317 million (+32.1%), while deposits from the financial sector and those of residents abroad amounted to Ps.2,436 million (+92.5%).

As regards private-sector deposits, the ones that experienced the highest growth were time deposits, also showing an extension in the average term thereof. Both trends are mainly explained by the increase in nominal interest rates within an environment in which the Argentine Central Bank is carrying out a monetary sterilization policy and the growth pace of credit is high and doubles that of fund-raising. Despite that, borrowing interest rates continued being negative in real terms. Time deposits grew 27.4% to Ps.55,110 million. Transactional deposits (deposits held in current and savings accounts) amounted to Ps.58,693 million, growing less (19.4%).

This way, risk concentration in the Argentine financial system continued improving when compared to the concentration as a result of the 2001-2002 crisis, which left the financial system with a very low private-sector exposure and a very high public-sector exposure. Apart from that, the Bank's business expansion in the private sector (both as regards volume of financial brokerage business as well as service provision) is reflected in a gradual recovery of the financial system's profitability as a whole, mainly through the recovery of financial income, as well as the increase in income from services and the improvement in the asset quality of the loan portfolio.

Furthermore, the sustained development of the trust market allowed financial institutions to obtain additional funds at a longer term than that of deposits by means of the loan portfolio securitization. In 2006, 42% more financial trusts were placed in comparison to 2005, for a total nominal value of Ps.7,615 million (49% higher than in 2005). From the abovementioned total, more than Ps.4,500 million corresponded to the securitization of consumer credit lines.

Assets managed by mutual funds amounted to Ps.18,834 million at the end of 2006, representing a 71.4% increase during the year.

As to the financial system's structure, in December 2006 the financial system was composed of 90 financial institutions, considering both banks and non-banking institutions. Of such total, 72 were banks and 18 were non-banking financial institutions. Of the 72 banks, 12 were government-owned banks (44.7% of total deposits), 60 were private-sector banks (which represented 55.0% of total deposits), 35 were domestic banks (which accounted for 23.6% of total deposits), 24 were foreign-owned institutions (28.2% of total deposits) and 1 was a cooperative bank (with 3.2% of deposits). Non-banking financial institutions accounted for only 0.3% of deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 73.7%. This percentage was 1.3 percentage points higher than the one recorded at the end of 2005.

With respect to staff, the Argentine financial system's banks employed 86,571 people at the end of 2006, 1,366 more than the previous year, representing a 1.6% increase. Such increase is explained, almost completely, by the increase in staff from the private sector, where 2,712 more people were

employed, reaching 49,475 employees, and by the decrease in the staff of government-owned banks by 1,346 people, totaling 37,096 employees.

THE INSURANCE INDUSTRY

Total insurance is gradually resuming the growth pace it had before the economic crisis that took place in 2001, reaching in 2006 –and pursuant to official estimations- Ps.17,236 million expressed in current values, 28.1% higher than the figure recorded the previous year.

This growth was mainly driven by the workers' compensation (50.1%) and life insurance (33.6%) sectors. Meanwhile, retirement insurance recovered from the drop of the previous year and grew 24.9% when compared to 2005.

The property insurance sector reached Ps.11,994 million (70% of total insurance for 2006). Automotive insurance continues to be the most important segment in terms of volume of premiums written (it represents 44.6% of the property insurance sector) and, even though it grew 20.6% when compared to the previous year, it grew at a lower rate in comparison to the other sectors.

In turn, the individual's insurance sector reached Ps.5,242 million (30% of total insurance for 2006, 20% corresponding to life insurance and 10% to retirement insurance). Non-pension-linked life insurance represents 41.4% of the individual's insurance sector, followed by pension-linked retirement insurance (26.0%), pension-linked life insurance (25.3%) and the rest of the retirement insurance sector (7.3%).

OUTLOOK

The economic outlook for this year is favorable on the real sector, taking into consideration that the strong growth of GDP in 2006 leaves for 2007 an inter-annual growth rate, due to a statistical drag of approximately 3.4%. If, as expected, the positive growth pace of domestic demand observed during the fiscal year continues, the GDP will grow at an annual estimated rate higher than 7% during 2007. This way, at the end of 2007, Argentina will have attained five consecutive years of strong economic expansion.

As regards the financial system, during 2007 no changes are expected in the main trends observed in 2006. It is estimated that the level of activity of the financial system will continue growing at significant rates, mainly as regards intermediation activities. The low levels of loans as a percentage of GDP and, to a lesser extent those of deposits, allow for the expectation of a strong growth in the future. Furthermore, credit to the private sector would continue growing at a higher pace than that of deposits from the private sector. In addition to this, it is also expected that the trend as regards

disintermediation of commercial banks will continue, with an increase in financing through financial instruments such as securities from financial trusts and short-and long-term negotiable obligations.

With respect to the financial system's profitability, the growth in the volume of intermediation business would be the main factor for the increase in the financial institutions' operating income. Within a framework of increasing capital requirements and a strong competition, the concentration trend is also expected to continue.

REVIEW OF OPERATIONS

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

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

The following is a description of the subsidiary companies' operations during the fiscal year 2006.

BANCO DE GALICIA Y BUENOS AIRES S.A.

Founded in 1905, Banco Galicia is one of the largest private-sector banks in the Argentine financial system. It operates one of the most extensive and diversified distribution networks in Argentina, offering 393 points of contact with customers, including traditional branches and electronic banking facilities. Banco Galicia customers also have access to telephone-banking services and "e-galicia.com", the first financial Internet portal established by a bank in Argentina.

As a universal bank, Banco Galicia and its subsidiaries have a broad customer base that includes all individual, corporate, and institutional market segments, reaching 3.7 million customers.

As of December 31, 2006, Banco Galicia's total assets, on a consolidated basis, were Ps.23,464.9 million, its net loan portfolio was of Ps.10,466.2 million and its total deposits were of Ps.10,792.8 million.

The Bank's deposits from the private sector raised only in Argentina increased 29.5% during 2006. Said growth was higher than that one registered for the financial system as a whole. Consequently, this resulted in an increase in the Bank's estimated market share in the total deposits from the private sector in the Argentine financial system, which reached 8.43% at the end of 2006 in comparison with 7.96% as of December 31, 2005.

The Bank's loans to the private sector granted in Argentina grew 42.8% during 2006. The non-accrual loan portfolio as a percentage of total loans to the private sector decreased from 6.78% as of December 31, 2005 to 3.49% as of December 31, 2006. The coverage of the non-accrual portfolio with allowances amounted to 117.2% as of December 31, 2006.

In fiscal year 2006, the Bank recorded a Ps.126.2 million loss, while the Bank's adjusted net income for the fiscal year amounted to Ps.72.2 million (excluding the adjustment to the valuation of public-sector assets for Ps.198.4 million). During the fiscal year, there was a significant increase in net income from services, which was offset by lower net financial income, higher provisions for loan losses and higher administrative expenses.

Net income from services rose 27.3% due to the significant increase in the Bank's volume of operations. Besides, net financial income decreased mainly due to the adjustment to the valuation of public-sector assets. The provision for losses on loans was of Ps.110.9 million, 44.6% higher than the one recorded for fiscal year 2005, mainly due to the restructuring of the liabilities from one customer for Ps.48.9 million and to the regulatory allowances on the performing portfolio for Ps.20.3 million.

Administrative expenses increased 25.7%, from which personnel expenses grew 28.7% due to higher compensation amounts and an increase in staff in order to adjust to the higher level of activity. Advertising and publicity expenses also increased, as well as the rest of the administrative expenses, due to the higher level of activity and the increase in the inflation rate.

Miscellaneous net income for Ps.133.1 million corresponded to the recovery of loans for Ps.49.7 million and the net reversal of allowances for loan losses for Ps.30.6 million. No legal actions filed by depositors (*amparos*) were amortized during the fiscal year.

The income tax charge was similar to that recorded for the previous fiscal year, and it corresponds, almost completely, to Tarjetas Regionales S.A. consolidated with its operating subsidiaries.

A more detailed explanation can be found in Banco Galicia's Annual Report at www.e-galicia.com.ar.

SUDAMERICANA HOLDING S.A.

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

This investment represents another step forward in Grupo Financiero Galicia's plan to consolidate its leadership as a financial services provider.

Total insurance production of life, retirement and property insurance companies controlled by Sudamericana Holding S. A. amounted to Ps.54.9 million during 2005, 44.9% higher than the volume of premiums of the previous year (without taking into account Instituto de Salta's turnover during 2005).

As regards business transactions, the focus was placed on continuing to increase the company's turnover by increasing sales and improving the insurance policy laps ratio, strengthening distribution through the bankassurance model and improving customer service quality. Ps.30.9 million of annualized premiums were sold, said figure was 19.8% higher than that of the previous year. Tarjeta Naranja stood out as regards the sale of life insurance through credit cards and the consolidation of home insurance sales (product launched at the end of 2004).

The business plan for the short-term aims at the strategic guideline of expanding the volume of premiums through: a) the vertical growth of the current channels, Banco Galicia and Tarjetas Regionales through the launching of new products and the use of alternative points of contact and sales; b) the development of new sales channels within the financial industry and retail, using the know-how and experience for the development of Galicia Seguro's mass insurance products and c) the commencement of new businesses with a high development potential for the mid- and long-term, starting the sale of pension-linked life annuities. Apart from that, the operating guidelines are focused on reinforcing the information systems' processing capacity and developing new communication means with the market through a call center of its own that operates efficiently and a web that allows for information exchange with the sales channels.

OTHER COMPANIES

Net Investment S.A. participated in the BtoB business activities conducted by Tradecom International N.V. (“Grupo Tradecom”), through its subsidiaries Tradecom Brasil S.A. and Tradecom Argentina S.A., both directly and indirectly through its controlled company Net Investment B.V. The other shareholders of Grupo Tradecom were Banco de Galicia y Buenos Aires S.A., Unibanco – Uniao de Bancos Brasileiros S.A.- from Brasil and Portugal Telecom.

However, as a result of the fact that the business volume expected at the beginning of fiscal year 2005 had not been reached, among other factors, the parties negotiated an agreement that provided that Tradecom Brasil S.A.’s business related to payment and financing services would be absorbed by Unibanco and the rest of Tradecom Brasil S.A.’s customers, together with all of the customers in Argentina, would be rendered services by Tradecom Argentina S.A.

In April 2006, negotiations conducted by Grupo Tradecom’s shareholders were formalized, being all of Tradecom Internacional N.V. and Tradecom Brasil’s shares transferred to Grupo Unibanco de Brasil and all of Tradecom Argentina S.A.’s shares transferred to Net Investment S.A.

After the negotiations with the rest of Grupo Tradecom’s shareholders, Net Investment S.A., together with its controlled companies B2agro S.A. and Tradecom Argentina S.A., conducted a research that determined the convenience of merging the abovementioned companies due to the fact that the corporate merger would make it possible to reduce administrative and management costs, taking into consideration, as well, that the joint administration of activities would be favored by the legal unification. As a consequence of reorganization, the business activities and all of the staff of the absorbed companies were transferred to Net Investment S.A.. Such absorbed companies were dissolved. Proceedings related to the merger were recorded at the Corporation Control Authority (*Inspección General de Justicia*) on February 1, 2007.

During 2006, Tradecom Argentina S.A. continued with its commercial policy aimed at improving the tools being used by its customers, such as the *Visor de Cuentas Corrientes* (Current Account Viewer) and *Portal de Proveedores* (Suppliers’ Portal). It also developed new products such as “invoice preloading”, the “retention certificates module” and the “delivery activation service”. Apart from that, constant research and development of products were carried out with the purpose of meeting customers’ needs, through the creation of tools aimed at easing and streamlining both the administrative and commercial processes and circuits, while generating new business opportunities. Sales increased considerably when compared to those recorded for fiscal year 2005 due to the incorporation of major customers from Brazil that had been previously rendered services by Tradecom Brasil S.A.

Galicia Warrants S.A., company dedicated to the issuance of deposit certificates and warrants, has closely followed the expansion of Argentina's industrial and agriculture and livestock sectors, meeting its customers' requirements and rendering services in the regional economies that so required. As of December 31, 2006, the company had assets for Ps.7.3 million, with liabilities for Ps.2.3 million and a shareholders' equity of Ps.5.0 million. During the fiscal year, the company issued deposit certificates for US\$64.3 million, what implied revenues for Ps.6.3 million, thus recording a net income of Ps.0.6 million.

Galval Agente de Valores S.A. is a company that indirectly makes use of the free trade zone of Montevideo and renders brokerage services in República Oriental del Uruguay. Grupo Financiero Galicia holds a 100% interest in Galval Agente de Valores S.A. As of September 2005, Galval Agente de Valores started to conduct operations gradually and, at year-end, it had securities held in custody for US\$156.0 million, amount considerably higher than the US\$11.8 million at the end of the previous fiscal year.

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

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

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

Grupo Financiero Galicia is directed by three management divisions.

The General Division's main function consists in the implementation of policies defined by Grupo Financiero Galicia's Board of Directors. This general division coordinates the Financial & Accounting Division and the Investor Relations Division.

The Financial & Accounting Division is mainly responsible for the assessment of investment alternatives, thus suggesting whether to invest or withdraw the company's positions in different companies or businesses. It also plans and coordinates the Company's administrative services and financial resources in order to guarantee its proper management. This division also aims at meeting requirements set by several controlling bodies, complying with information and internal control needs and budgeting purposes.

The Investor Relations Division is mainly responsible for planning, preparing, coordinating and controlling the financial information that it provides to the stock exchanges where the Company's shares are listed, regulatory bodies and both domestic and international investors and analysts. Apart from considering the materials published by analysts, it is important that the division carries out the follow-up of their opinions, as well as those of shareholders and investors in general.

DISCLOSURE COMMITTEE

The "Disclosure Committee" was created in 2002 with the purpose of complying with what is recommended by the "Sarbanes-Oxley Act of 2002", since Grupo Financiero Galicia is a listed company at the NASDAQ Stock Market. The above-referred Act was passed to provide a stricter regulatory framework regarding information and corporate responsibilities, both for companies in the United States of America as well as foreign companies that act or participate in US markets. The Committee is made up of Grupo Financiero Galicia's President and Chief Executive Officer, the Managing Director and the Chief Accounting Officer and an administrative supervisor. Additionally, it has the authority to invite the executives in charge of other areas of the Company and/or affiliated companies, as it deems convenient, to attend the meetings held by the Committee. At least one of the members of this Committee takes part in the meetings held by the "Disclosure Committee", created for the same purposes at the main subsidiaries.

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

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

The Company's purpose is that this Committee works as a body for the support of management-related activities. Additionally, this Committee's operations have been adapted to also comply with domestic laws represented by Decree No. 677/01 and Resolution No. 400/02 issued by the National Securities Commission (CNV). At present, this Committee performs significant activities on the administrative

and information areas that serve the Board of Directors and the Company's Audit Committee in the development of its functions.

AUDIT COMMITTEE

During fiscal year 2003, Grupo Financiero Galicia complied with the provisions set forth by Decree 677/2001 in its section 15 and General Resolution No. 400/2002 enacted by the National Securities Commission (Decree No. 677/2001's regulations), which require that companies that make a public offering of shares should form an Audit Committee, and develop a charter with regulations for its operation. Such Committee was created as a body with no executive functions, which purpose is to provide the Company's Board of Directors with assistance in overseeing the financial statements, as well as in the task of controlling Grupo Financiero Galicia and its subsidiaries and companies it owns a stake in. Likewise, it is important to emphasize that the creation of the aforementioned Committee complies with the requirements of the Sarbanes-Oxley Act of the United States of America, which are applicable to all companies that participate in US markets regarding what is set forth for Audit Committees.

The Audit Committee performed a number of activities throughout fiscal year 2006, from which the following can be pointed out:

- Preparation of the "Audit Committee's annual planning and means for its operation" for fiscal year 2006.
- Evaluation on the independence, working plans and performance of External Audit.
- Assessment of plans and performance of Internal Audit.
- Evaluation of the internal controls in force and the accounting and administrative system's operation at the Company and its main subsidiaries; including as of this fiscal year, the compliance of the provisions set forth in section 404 of the Sarbanes-Oxley Act.
- Assessment on the use of information policies on risk management at the Company's main subsidiaries.
- Assessment on the reliability of financial information submitted to the regulators and markets where the Company lists its shares.
- Evaluation of standards of conduct through the analysis of legal and regulatory provisions being in force and set forth in the Code of Ethics established by the Company. These standards are basically those related to transparency, conflict of interests, reliability and the appropriate

disclosure of accounting information and other significant events as well as the protection of the Company's net worth.

- Analysis with respect to operations carried out with the Company's related companies pursuant to the cases established by Decree 677/2001.

It is worth mentioning that with respect to the certification required pursuant to section 404 of the Sarbanes-Oxley Act, the Securities and Exchange Commission (SEC) has issued a press release postponing for one year the External Auditors' opinion with said certification.

SUPERVISORY SYNDICS' COMMITTEE

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

COMPENSATION POLICY FOR DIRECTORS AND OFFICERS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED INFORMATION

In millions of pesos

Balance Sheet as of December 31,	2006	2005
Assets		
Cash and Due from Banks	2,294.85	1,041.16
Government Securities	3,188.65	5,971.76
Loans	10,514.55	10,555.18
Other Receivables from Financial Brokerage	5,441.98	6,162.38
Equity in Other Companies	35.57	85.12
Bank Premises and Equipment, Miscellaneous Assets and Intangible Assets	1,264.19	1,173.70
Other Assets	894.38	646.42
Total Assets	23,634.17	25,635.72
Liabilities		
Deposits	10,779.37	8,421.66
Financial Institutions and Local and International Agencies	4,151.29	9,594.39
Negotiable Obligations	3,587.03	3,483.45
Other Liabilities	3,340.83	2,363.94
Minority Interest	167.18	145.50
Total Liabilities	22,025.70	24,008.94
Equity	1,608.47	1,626.78
Consolidated Income (Loss) Statement as of December 31,	2006	2005
Financial Income	2,249.83	2,398.63
Financial Expenses	1,871.61	1,845.93
Gross Brokerage Margin	378.22	552.70
Provision for Losses on Loans and Other Receivables	110.87	76.73
Net Income from Services	672.00	523.77
Administrative Expenses	974.56	780.97
Net Income (Loss) from Financial Brokerage	(35.21)	218.77
Minority Interest	(19.02)	(34.61)
Income (Loss) from Equity Investments	(14.36)	6.66
Miscellaneous Income (Loss), Net	143.91	(64.28)
Net Income before Income Tax	75.32	126.54
Income Tax	94.23	19.30
Net Income (Loss)	(18.91)	107.24
Inflation, Exchange Rate and C.E.R.		
Inflation (1)	7.17%	10.64%
Exchange Rate (2)	1.25%	1.94%
C.E.R. (3)	10.08%	11.75%

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

(2) Devaluation of the peso in comparison to the US dollar.

(3) Variation in the fiscal year.

INCOME STATEMENT

In millions of pesos as of December 31,	2006	2005
Income (Loss) from equity investments	(81.24)	215.53
Administrative Expenses	(11.86)	(16.81)
Other income and expenses	1.62	(133.83)
Financial income	118.21	9.97
Income before Income tax	26.73	74.86
Income Tax	(45.64)	32.38
Fiscal year Net Income (Loss)	(18.91)	107.24

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

Net income (loss) for fiscal year ended December 31, 2006 registered a loss of Ps.18.91 million. Said loss has been mainly generated by the results of Grupo Financiero Galicia's controlled companies (in particular, Banco de Galicia y Buenos Aires S.A), by the financial income from the sale and holding of negotiable obligations issued by Banco de Galicia y Buenos Aires S.A, and from the recording of the deferred income tax. The sale of subordinated negotiable obligations due in 2019 resulted in a profit on account of the difference between their sale price at market value and book value. The negotiable obligations' book value was equal to their acquisition value plus the accrual of their internal rate of return.

Earnings per share was Ps.(0.015), equivalent to Ps.(0.150) for ADS, taking into account the average shares outstanding during the fiscal year. The difference in the number of average shares outstanding compared to the previous fiscal year is due to Grupo Financiero Galicia's shares received by Banco de Galicia y Buenos Aires S.A. due to the liquidation of a trust. The above-mentioned shares were sold in October, 2006.

Net income (loss) as of December 31, 2006, represented a return on average shareholders' equity of (1.15)% and a return on average assets of (0.0004)%, while for the fiscal year ended December 31, 2005, such returns were 6.83% and 0.59%, respectively.

Income from Equity Investment

En millions of Pesos as of December 31,	2006	2005
Income (loss) from the Interest in Banco de Galicia y Buenos Aires S.A.	(118.14)	178.29
Income (loss) from the Interest in Sudamericana Holding S.A.	7.45	7.49
Income (loss) from the Interest in Galicia Warrants S.A.	0.36	(0.23)
Income (loss) from the Interest in Net Investment S.A.	(0.67)	(1.01)
Income (loss) from the Interest in Galval Agente de Valores S.A.	1.02	(0.28)
Other Income	136.71	(109.40)
Income before Income Tax	26.73	74.86
Income Tax	(45.64)	32.38
Income (Loss) for the fiscal year	(18.91)	107.24

The income (loss) from the interest in Net Investment S.A. recorded by Grupo Financiero Galicia, represents its 87.50% direct interest on said company's results. Net Investment S.A. recorded a Ps.0.77 million loss for fiscal year ended December 31, 2006. In conformity with the merger process explained above in the "Other Companies" caption, during the fiscal year's second semester Tradecom Argentina S.A.'s staff and business operations were transferred to Net Investment S.A. (the absorbing company). Consequently, Net Investment S.A.'s results, added to the Ps.0.28 million loss recorded on account of said company's interest in its controlled companies, was mainly the result of net income from services that amounted to Ps.0.31 million and administrative and marketing expenses for Ps.0.66 million.

The income recorded by Grupo Financiero Galicia's interest in Sudamericana Holding S.A. showed in the chart above, includes Ps.7.90 million on account of its 87.50% direct interest on the gains corresponding to the twelve months ended September 30, 2006, and Ps.0.45 million due to the amortization of goodwill arisen from the acquisition thereof until August 2006, date upon which the amortization was completed. Taking into account that Sudamericana Holding S. A.'s main activities are its equity investments in insurance companies, the gains amounting to Ps.9.02 million obtained during the above-mentioned period, are mainly due to the interest in its controlled companies, in particular, in Galicia Seguros S.A. Said company recorded gains for Ps.11.84 million during this same period. Likewise, Sudamericana Holding S.A.'s consolidated income is essentially made up of the following: collection of premiums and net additional fees for Ps.23.52 million, net financial income for Ps.17.05 million - among which, the income recorded on account of secured loans for Ps.12.43 million stands out - and administrative expenses for Ps. 11.23 million.

Income (loss) recorded by Grupo Financiero Galicia's interest in Galicia Warrants S.A. encompasses Ps.0.59 million for the 87.50% direct interest on the gains corresponding to the fiscal year ended

December 31, 2006, Ps.0.87 million due to the amortization of goodwill generated by the acquisition thereof until July, 2006 – date upon which the amortization was completed – and Ps.0.64 million on account of the reversal of the allowance for impairment of value of goodwill arisen from the acquisition thereof. Galicia Warrants S.A. recorded gains for Ps.0.68 million at the end of fiscal year. This was mainly the result of net income from services for Ps.3.34 million and administrative and marketing expenses for Ps.1.97 million.

As of December 31, 2006, Galval Agente de Valores S.A. recorded gains for Ps.1.02 million, arising from income from commissions due to its brokerage and custodial services.

Administrative Expenses

In millions of Pesos as of December 31,	2006	2005
Salaries and Social Security Contributions	1.60	1.86
Personnel Services	0.57	0.59
Amount paid to Directors and Syndics	0.70	0.66
Service Fees	2.03	2.76
Property-related Expenses	0.14	0.25
Taxes	4.31	4.58
Amortization of Intangible Assets	1.32	3.86
Other	1.19	2.25
Total	11.86	16.81

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

The category "Service Fees" comprises fees paid on account of legal, accounting and technical advice. The category "Taxes" mainly includes the charge for the Tax on Personal Assets. The category "Other" includes other necessary expenses to maintain the organizational structure. Variation shown in the category "Amortization of Intangible Assets" is due to the fact that in July and August of fiscal year, goodwills generated by the acquisition of the equity interest in Galicia Warrants S.A. and Sudamericana Holding S.A., respectively, were fully amortized.

Financial Income

In million of Pesos

as of December 31,	2006	2005
Interests on time deposits	0.65	0.12
Interests on negotiable instruments	1.38	2.54
Other Interests, net (1)	0.08	0.09
Income from negotiable obligations	113.00	6.94
Exchange-rate difference	3.09	0.28
Total	118.20	9.97

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

(1) Includes interests on deposits in special accounts, loans, financial trusts, mutual funds and others.

As the above-mentioned chart shows, financial income is mainly composed of the following: income from negotiable obligations, Ps.79 million generated by the sale of subordinated negotiable obligations due in 2019 and Ps.34 million due to the market value appreciation of negotiable obligations due in 2014 , both issued by Banco de Galicia y Buenos Aires S.A.

Income tax was recorded pursuant to the Deferred Tax Method, established by the accounting standards in force in the Autonomous City of Buenos Aires.

The Income tax charge is determined by applying the effective tax rate (35%) to the accounting earnings before tax (the taxable income), which had been previously adjusted by the permanent differences between the accounting and tax results. Among these adjustments, the main one is due to the income from equity investments.

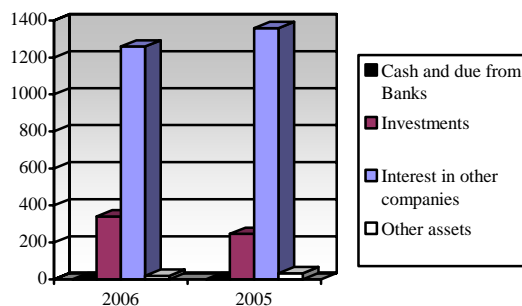
DESCRIPTION OF ASSETS AND LIABILITIES

Assets

The structure of Grupo Financiero Galicia's assets as of December 31, 2006, in comparison to the previous fiscal year, was as follows:

Assets

In millions of Pesos as of December 31,	2006	2005
Cash and due from Banks	0.13	0.65
Investments	340.93	246.13
Interest in other companies	1,258.78	1,358.72
Other assets	19.51	32.97
Total	1,619.35	1,638.47



The category "Interest in other companies" constitutes the Company's main asset. As of December 31, 2006, it amounted to Ps.1,258.78 million, from which Ps.1,208.45 million corresponded to the interest in Banco de Galicia y Buenos Aires S.A.

As of December 31, 2006, the category "Investments" was mainly composed of the following: negotiable obligations issued by Banco Galicia for Ps.325.3 million, time deposits for Ps.13.1 million and investments in mutual funds for Ps.2.5 million.

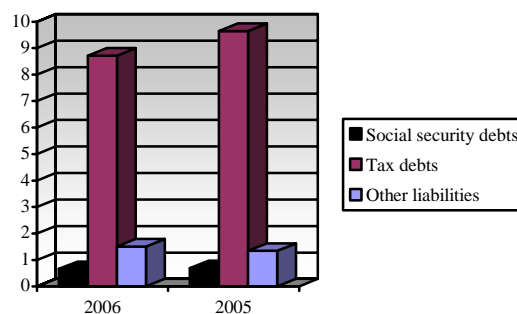
As of said same date, the category "Other assets" was mainly composed of: other receivables for Ps.14.4 million, premises and equipment for Ps.3.0 million and sundry receivables for Ps.1.9 million. Intangible assets were fully amortized during fiscal year 2006.

Liabilities

The structure of Grupo Financiero Galicia's liabilities as of December 31, 2006, in comparison to the previous fiscal year, was as follows:

Liabilities

In millions of Pesos as of December 31,	2006	2005
Social security debts	0.66	0.69
Tax debts	8.72	9.63
Other liabilities	1.51	1.35
Total	10.89	11.67



As of December 31, 2006, the category "Tax debts" represented the Company's main liability and was made up of the following: the net income tax provision of Ps.5.0 million, the provision for the tax on personal assets for Ps.3.6 million and other taxes for Ps.0.1 million.

The most significant figure in the category "Other liabilities" corresponds to the provision for expenses, which amounted to Ps.1.5 million as of December 31, 2006.

REGULATORY CAPITAL

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

Banks: Banco Galicia must also comply with the regulations set forth by the Argentine Central Bank. In June 2003, the Argentine Central Bank introduced some modifications to the regulations on minimum capital requirements for the financial institutions: it set forth an 8% requirement on risk-weighted assets pursuant to the international standards provided by the Basle Committee, to be applied to public-sector exposure as well as to private-sector assets and new capital requirements were provided for to cover market and interest-rate risks, which shall include fluctuations of the Peso exchange-rate against the US dollar as well as the adjustments by the C.E.R.

In July 2003, compliance of the minimum capital requirements was determined to be effective as from January 2004, and thus two coefficients known as "*Alfa 1*" (Alpha 1) and "*Alfa 2*" (Alpha 2) were included into the above requirements. *Alfa 1* temporarily reduces the minimum capital requirement to cover credit risk on public-sector assets. During 2006, its value was 0.30 and will gradually increase, each year in January, to reach 0.50 in 2007, 0.75 in 2008 and finally 1 in 2009. This coefficient is only to be applied to certain exposure to the public-sector (securities held in investment accounts, secured loans and Boden 2012). *Alfa 2* temporarily reduces the minimum capital requirement to cover risk on interest rates. During 2006, its value was 0.70 and will gradually increase to reach 1 in 2007. As a result of the expected growth in the Bank's business volume as well as the increase in the *Alfa* coefficients, the Bank's requirements on regulatory capital are greater each year.

As of December 31, 2006, the Bank's computable capital amounted to Ps.1,861 million, exceeding the minimum capital requirement in Ps.777 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date.

Insurance Companies: The insurance companies controlled by Sudamericana Holding S.A. must meet the minimum capital requirements set by General Resolution No. 31,134 of Argentina's Superintendency of Insurance.

The abovementioned resolution requires insurance companies to maintain a minimum capital level based on: a) line of insurance (life insurance, pension-linked life insurance, life insurance that offers policies with an investment component, retirement insurance companies [annuity providers] that do not offer life annuities or annuities covering disability and other work-related risks, property insurance companies, etc.); b) premiums and additional fees and c) claims. The minimum required capital must then be compared to computable capital, defined as shareholder's equity less noncomputable assets. Noncomputable assets consist mainly of deferred charges, pending capital contributions, and excess investments in authorized instruments.

As of September 30, 2006, the computable capital of the companies held by Sudamericana Holding S.A. exceeded the minimum requirement of Ps.9.1 million by Ps.40.5 million.

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

CAPITAL, LEGAL RESERVES AND PROPOSED DISTRIBUTION OF PROFITS

(Figures expressed in thousands of Pesos)

The Shareholders' Meeting held on April 27, 2006 approved the distribution of total positive balance of the "Retained Earnings" account, which, as of December 31, 2005, amounted to Ps.107,238 according to the following breakdown:

- Legal Reserve Ps. 34,855
- Optional Reserve Ps. 72,383

As of the close of fiscal year ended December 31, 2006, balances corresponding to capital, capital adjustment and premium for trading of shares in our portfolio totaled Ps.1,520,144.

The loss recorded in this fiscal year amounted to Ps.18,914, which the Board of Directors proposes to be absorbed in part by the Optional Reserve.

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

- Capital Stock Ps. 1,241,407
- Capital Adjustment Ps. 278,131
- Premium for trading of shares in own Ps. 606
portfolio
- Legal Reserve Ps. 34,855
- Optional Reserve Ps. 53,469
- Retained Earnings Ps. -
- Total Shareholders' Equity Ps. 1,608,468

Antonio R. Garcés
Chairman of the Board of Directors
City of Buenos Aires, March 9, 2007

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

BOARD OF DIRECTORS, SUPERVISORY SYNDICS' COMMITTEE AND SENIOR EXECUTIVES

Board of Directors

Antonio R. Garcés
Chairman

Federico Braun
Vice-Chairman

Abel Ayerza
Director

Eduardo J. Escasany
Director

C. Enrique Martin
Director

Luis O. Oddone
Director

Pedro A. Richards
Director

Silvestre Vila Moret
Director

Eduardo J. Zimmermann
Director

Pablo Gutiérrez
Alternate Director

María Ofelia Hordeñana de Escasany
Alternate Director

Sergio Grinenco
Alternate Director

Alejandro María Rojas Lagarde
Alternate Director

Luis Sila Monsegur
Alternate Director

Supervisory Syndics' Committee

Norberto Corizzo
Syndic

Raúl Estévez
Syndic

Adolfo H. Melián
Syndic

Miguel N. Armando
Alternate Syndic

Fernando Noetinger
Alternate Syndic

Horacio Tedín
Alternate Syndic

Audit Committee

Eduardo J. Zimmermann
Director

Luis O. Oddone
Director

C. Enrique Martin
Director

Executive Officers

Pedro A. Richards
Managing Director

José Luis Gentile
Chief Accounting Officer

Pablo E. Firvida
Investor Relations Officer

**NOTICE OF ORDINARY AND EXTRAORDINARY MEETING OF
SHAREHOLDERS OF**

GRUPO FINANCIERO GALICIA S.A.

Notice is hereby given to all shareholders of Grupo Financiero Galicia S.A. that an ordinary meeting of shareholders will be held on April 26, 2007 at 10.00 a.m. at Tte. General Juan D. Perón 525, 10th floor, Buenos Aires City (NOTE: not the corporation's registered office) to consider and act upon the following **AGENDA**:

- 1° *Appointment of two shareholders to sign the minutes.*
- 2° *Consideration of the business state of affairs of Banco de Galicia y Buenos Aires S.A., and of the position to be adopted by Grupo Financiero Galicia S.A. on some matters to be considered at the next shareholders meeting of this controlled company.*
- 3° *Consideration of the Balance Sheet, Financial statements, Income Statement, and other documents foreseen in section 234, subsection 1, of the Argentine Commercial Companies Law, Annual Report and the Supervisory Syndic Committee Report, corresponding to the 8th fiscal year ended December 31, 2006.*
- 4° *Treatment to be given to the fiscal year's results. Absorption of the negative results charged to "Unappropriated Retained Earnings" of Ps.18,913,451.01 through the partial allocation of the Discretionary Reserve.*
- 5° *Evaluation and approval of the Board of Directors and Supervisory Syndic Committee's performance.*
- 6° *Determination of the Supervisory Syndic Committee's compensation.*
- 7° *Pursuant to the fourth paragraph of section 261, of the Law of Commercial Companies, review of the compensation of the Board of Directors of Ps.1,080,000 corresponding to the fiscal year ended December 31, 2006, which recorded a loss as determined under regulations established by the Argentine National Securities Commission.*
- 8° *Granting of authorization to the Board of Directors to make advance payments of directors fees to directors who, during the fiscal year started January 1st, 2007, qualify as "independent directors", ad-referendum of the resolution adopted at the shareholders' meeting when considering the documentation corresponding to such fiscal year.*
- 9° *Determination of the number of directors and alternate directors and, if appropriate, election of such directors for the term set forth in the corporation's bylaws, until the total number of directors determined at the shareholders meeting is met.*
- 10° *Election of three syndics and three alternate syndics for a period of one year.*
- 11° *Determination of the compensation corresponding to the independent auditors certifying the financial statements of the 2006 fiscal year.*

12° *Appointment of independent accountants –both permanent and substitute- to certify the financial statements of the fiscal year ending December 31, 2007.*

Notes:

1. It is hereby informed that in order to be able to attend to the meeting, the shareholders must deposit their certificates evidencing their book-entry shares as issued by Caja de Valores S. A., by April 20, 2007 (from 10:00 a.m. to 4:00 p.m.), at Tte. General Juan D. Perón 456, 2nd floor, Buenos Aires City, so that the shares can be registered in the meeting attendance registry book.
2. Additionally, it is hereby informed with regard companies incorporated outside the Republic of Argentina which participate in shareholders meetings that the National Securities Commission (Comisión Nacional de Valores) requests about their fulfillment with Resolution No. 7/03 issued by the Public Registry of Commerce of the city of Buenos Aires (Inspección General de Justicia or IGJ).

This constitutes an unofficial English translation of the original Spanish document. The Spanish document shall govern all respects, including interpretation matters.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

STOCK AND EPS EVOLUTION

Fiscal Year	2006				2005				2004
	4 th Q	3 rd Q	2 nd Q	1 st Q	4 th Q	3 rd Q	2 nd Q	1 st Q	4 th Q
Market Price									
Class B shares (in Pesos) (1) (2) BCBA									
High	2.860	2.100	2.320	2.400	2.490	2.530	2.600	2.810	2.570
Low	2.030	1.720	1.760	2.110	2.060	2.190	2.060	2.130	1.940
Close	2.860	2.010	1.870	2.270	2.110	2.450	2.240	2.260	2.520
Preferred Shares (in Pesos) (1) (3) BASE									
High	-	-	-	-	-	-	2.340	2.720	2.480
Low	-	-	-	-	-	-	2.030	2.100	1.880
Close	-	-	-	-	-	-	2.240	2.220	2.480
ADSs (in Dollars) (4) Nasdaq									
High	9.560	6.830	7.700	7.840	8.720	8.900	9.050	9.620	8.780
Low	6.600	5.610	5.700	6.910	6.870	7.700	6.990	7.280	6.520
Close	9.560	6.540	6.250	7.710	6.910	8.670	8.070	7.540	8.570
Trading Volume (in Thousands)									
BASE (5)	151,140	77,366	118,575	158,147	219,752	263,262	330,054	392,657	431,247
Preferred Shares BASE	-	-	-	-	-	-	2,350	14,319	24,071
NASDAQ (6) (7)	135,680	76,648	114,313	147,205	210,702	168,207	180,102	316,289	271,026
Total	286,820	154,014	232,888	305,352	430,454	431,469	512,506	723,265	726,344
Average Shares Outstanding (In Thousands)									
Primary	1,241,207	1,239,793	1,241,337	1,241,407	1,241,407	1,241,407	1,241,407	1,241,407	1,241,407
Earnings per Share (in Pesos)									
Primary	(0.074)	0.027	0.044	(0.012)	0.022	0.021	0.027	0.016	(0.029)
Earnings per ADS (in Pesos)									
Primary	(0.740)	0.270	0.440	(0.120)	0.220	0.210	0.270	0.160	(0.290)

(1), (5) Source: Buenos Aires Stock Exchange. Prices: Floor, 72 hs term Closing price
Volume data corresponds to floor trades and trades carried through the "Computer Assisted Integrated Trading System" (*Sistema Integrado de Negociación Asistida por Computadora*).

(2) On April 28, 2004, Grupo Financiero Galicia's Class B shares began to be listed ex coupon. This coupon was associated with the Preferred Shares' subscription rights as part of the preemptive rights. Value of these Class B shares was reduced by the coupon value of Ps.0.101 per each Class B share.

(3) Preferred Shares started to be listed only on the BASE on May 13, 2004 and were automatically transformed into Class B shares upon one-year term from issuance.

(4), (6) Source: Nasdaq Stock Market

(7) Expressed in equivalent shares (1 ADS = 10 shares)

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Listing

Grupo Financiero Galicia's Class "B" ordinary shares are listed on the Buenos Aires Stock Exchange, the Córdoba Stock Exchange and, under the form of ADRs (American Depositary Receipts), on the Nasdaq Capital Market of the United States of America, under the ticker symbol GGAL.

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