

BANCO DE GALICIA Y BUENOS AIRES S.A.

ANNUAL REPORT
101ST FISCAL YEAR – JANUARY 2005 / DECEMBER 2005

Banco Galicia

Founded in 1905, Banco Galicia is one of the largest private-sector banks in the Argentine financial system and a leading financial services provider in the country. As a universal bank, through affiliated companies and a variety of distribution channels, Banco Galicia offers a full spectrum of financial services to 2.9 million customers, both individual and corporate.

Banco Galicia operates one of the most extensive and diversified distribution networks among private sector banks in Argentina, offering more than 381 points of contact with customers through its branches and electronic banking facilities. The Bank's customers also have access to telephone banking services and e-galicia.com, the first financial Internet portal established by a bank in Argentina.

Contents

- . Consolidated Financial Highlights
- . Letter from the Chairman
- . Board of Directors
- . Executive Officers
- . Annual Report
 - . The Argentine Economy and Financial System
 - . Description of Operations
 - . Corporate Organization, Decision-Making, Internal Control, and Compensation of the Board of Directors and Officers
 - . Management's Discussion and Analysis of Financial Condition and Results of Operations
- . Annual Financial Statements
- . Notice of Shareholders' Meeting
- . Additional Information

Banco Galicia does not abide by the Optional System for the Mandatory Acquisition of Shares in a Public Offering under Argentine law.

Shareholders and any other readers of this Annual report must note that this is a translation made from an original version written and expressed in Spanish; therefore, any matters of interpretation should be referred to the original version in Spanish.

CONSOLIDATED FINANCIAL HIGHLIGHTS ^(*)

	December 31,		
	2005	2004	2003
	<i>In millions of pesos</i>		
	<i>(except per share data, ratios and market shares)</i>		
For the Year			
Net Income	191.0	(108.6)	(204.5)
Adjusted Net Income ⁽¹⁾	221.0	205.7	5.7
Average Shares Outstanding (in millions) ⁽²⁾	468.7	468.7	468.7
Earnings per Share ^{(2) (3)}	0.407	(0.232)	(0.436)
At Year-End			
Total Assets	25,456.2	23,465.3	22,636.0
Loans, Net	10,507.7	8,393.2	7,461.2
Deposits	8,437.7	6,777.4	5,595.1
Shareholders' Equity	1,389.2	1,198.2	1,306.8
Primary Shares Outstanding (in millions) ⁽²⁾	468.7	468.7	468.7
Book Value per Share ⁽²⁾	2.96	2.56	2.79
Selected Ratios (%)			
Return on Average Shareholders' Equity ⁽³⁾	14.77	(8.47)	(14.23)
Return on Average Assets ⁽³⁾	0.88	(0.38)	(0.81)
Financial Margin ⁽⁴⁾	2.26	0.81	0.64
Efficiency Ratio ⁽⁵⁾	73.82	97.72	112.08
Shareholders' Equity as a Percentage of Total Assets	5.46	5.11	5.77
Market Share ⁽⁶⁾ (%)			
Total Deposits	5.95	5.18	4.59
Private Sector Deposits	7.97	7.07	5.62
Total Loans	9.71	9.16	13.18
Private Sector Loans	7.31	6.43	7.21
Exchange Rate (pesos per US dollar)	3.032	2.974	2.933

^(*) Banco de Galicia y Buenos Aires S.A., Banco Galicia Uruguay S.A. and its subsidiaries, Tarjetas Regionales S.A. and its subsidiaries, Galicia Factoring y Leasing S.A. and Galicia Valores S.A. Sociedad de Bolsa. Until the first quarter of FY 2005, the Bank's consolidated financial statements and the amounts included in the tables of this annual report included Galicia Capital Markets S.A. (in liquidation) and Agro Galicia S.A. Given that their activities have been absorbed by the Bank, and that these companies were in liquidation and liquidated, respectively, their consolidation was discontinued during the second quarter of FY 2005. See the notes to the Consolidated Financial Statements.

(1) Adjusted Net Income = Net Income excluding losses from the valuation of public-sector assets, in accordance with Argentine Central Bank Communiqué "A" 3911 and complementary ones, and the losses related to the amortization of "amparo" claims. These amounted to Ps. 132.3 million and Ps. 77.9 million, respectively, for FY 2003, and to Ps. 193.3 million and Ps. 121.0 million, respectively, for FY 2004. In FY 2005, the adjustment to the valuation of public-sector assets, in accordance with Com. "A" 3911, was a Ps. 92.3 million profit and the loss from the amortization of "amparo" claims amounted to Ps. 122.3 million.

(2) Banco Galicia has a simple capital structure and, therefore, does not present fully-diluted earnings per share.

(3) Calculated by using Net Income.

(4) Financial Income minus Financial Expenses, divided by Average Interest-earning Assets.

(5) Administrative Expenses plus Monetary Gain from Operating Expenses, as a percentage of Net Operating Income (Financial Income minus Financial Expenses plus Monetary Loss from Financial Intermediation plus Net Income from Services).

(6) Considering the Bank's deposits and loans in the Argentine market only. Based on daily information prepared by the Argentine Central Bank. End-of-period data.

LETTER FROM THE CHAIRMAN

To our Shareholders,

It is with great pride and pleasure that I address you in connection with the Annual Report for fiscal year 2005, considering the Bank had such a special year. During 2005, the Bank celebrated its 100-year anniversary, a milestone in the history of any organization.

It is also with pride and pleasure that I refer to this fiscal year that was excellent for the Bank. In fact, business in 2005 was very dynamic, reflected by the fact that the Bank continued to increase its services and financial intermediation activities, thereby increasing its customer base and improving the quality of its assets. At the same time, the Bank's loans and deposits grew at a rate higher than that of the financial system as a whole, strengthening our position as a leading national private-sector entity. All of which resulted in a significant improvement in our operating profitability.

As in fiscal year 2004, the good performance of the Bank occurred within the framework of an expanding economy. In 2005, the Argentine economy continued to grow at an accelerated rate, higher than was expected at the beginning of the year. In fact, the Argentine gross domestic product increased by 9% as compared to 2004. The completion, on February 25, 2005, of the restructuring of the defaulted sovereign foreign debt, with a high participation rate in the related exchange offer, contributed to the improvement in the overall economic situation. As for the Argentine financial system, it continued to show a strong growth in private-sector deposits, along with a significant expansion of loans during the past fiscal year.

In this environment, the Bank's customer base that is comprised of both corporate customers and individuals (including customers of the regional credit-card companies that are the Bank's subsidiaries through Tarjetas Regionales S.A.), exceeded 2.9 million at the end of fiscal year 2005. These individuals alone accounted for close to 16% of Argentina's economically active population.

The Bank's private-sector deposits, sourced exclusively in Argentina, increased by 34.9%, exceeding the increase recorded by the financial system as a whole. The Bank's estimated market share of the total of private-sector deposits in the Argentine financial system (the relevant segment for the Bank), increased by 0.90 percentage points to 7.97%.

In connection with the loan portfolio, the Bank's portfolio of private-sector loans in Argentina grew by 48.1% and loans of the regional credit-card companies increased by 50.3% in fiscal year 2005. It is important to mention that these amounts do not include certain portfolios that were securitized during the last fiscal year. All included, the Bank's total exposure to the private-sector exceeded Ps. 7,100 million, as of December 31, 2005, an increase of 29.8% as compared to fiscal year 2004. The Bank's estimated market share of private-sector loans in the Argentine financial system also grew to 7.31% at December 31, 2005.

Our asset quality also showed significant improvement. The ratio of non-accrual loans to total private-sector loans decreased from 15.93% at the end of fiscal year 2004 to 6.78% at the end of fiscal year 2005. Such decrease was a result of the growth recorded in the loan portfolio, the improvement in the quality of assets associated with the general favorable trends in the economy, and the sale of a non-accrual loan portfolio at year-end 2005. As in fiscal year 2004, such improvement in the quality of assets had a positive impact on the Bank's results of operations, resulting in lower provisions for loan losses and significant recoveries of credits and reversal of allowances.

The good performance, in commercial, operating and risk terms, was reflected in the significant expansion of the Bank's activity, which had a positive impact on our financial and services results, and on the improvement of the quality of assets, which led to a significant increase in the Bank's operating results. Such increase occurred in spite of the increase in our administrative expenses, which was consistent with the considerable growth in our business, and which also reflected the rise in inflation and the adjustment of real salaries, that occurred during fiscal year 2005.

Our continued improvement of operating profits demonstrates the Bank's success in strengthening our recurrent sources of income.

The Bank's net income for fiscal year 2005 was Ps. 191.0 million, compared to a loss of Ps. 108.6 million for fiscal year 2004. As of December 31, 2005, shareholders' equity was Ps. 1,389.2 million, compared to Ps. 1,198.2 million at December 31, 2004.

In July 2005, Grupo Financiero Galicia S.A., the Bank's holding company, announced that, in order to strengthen the financial condition of its subsidiaries, it had decided to forgive US\$ 43 million of subordinated negotiable obligations issued by Banco Galicia Uruguay S.A. Such debt forgiveness increased the shareholders' equity of Banco Galicia Uruguay S.A., as well as that of the Bank because it meant an increase in the shareholders' equity of Banco Galicia Uruguay S.A. for the same amount, which was consolidated into the Bank's results as an equivalent increase of the value of its 100% interest in such company. In addition, Banco Galicia Uruguay S.A., during fiscal year 2005, offered to exchange new restructured liabilities for Boden 2012 and cash, which, together with the payments carried out in accordance with the repayment schedule for such liabilities, reduced its debt to approximately 12% of the original amount.

The Bank's favorable results were recognized by, among others, LatinFinance, which awarded the Bank with the 2005 prize for Bank of the Year in Argentina, and by Standard & Poor's, which upgraded the Bank's local rating of mid- and long-term debt and deposits to "raA" after the sovereign debt exchange, and the Bank's short-term deposits rating to "raA1" at the beginning of 2006. In its reports, Standard & Poor's credits the upgrade to the strengthening of the Bank's balance sheet, the increase in financial intermediation with the private sector, the improvement in the quality of the Bank's assets and the recovery of the Bank's operating and bottom-line profitability.

Continuing with our long history as a leading financial entity, the Bank closed fiscal year 2005 with an outstanding market position and having consolidated its financial position and operating profitability. Having recorded such improvements, the goal for the present fiscal year is to continue strengthening shareholders' equity and the Bank's position in the domestic banking sector, as well as our operating profitability.

In order to accomplish such goals, within the framework of a growing economy, a new cycle of financial re-intermediation, and significant competition, the Bank is now working hard on significantly growing in all lines of business, both in private-sector deposits and loans and volume of products and services, and in number of customers. We expect to achieve a significant expansion during 2006, similar to our growth in 2005, and to again further increase our market share. As for income, our goal is to achieve a significant increase in operating income while maintaining the efficiency of our operations, since we expect the spread between lending and borrowing interest rates will continue to be narrow. Although the challenges are significant, I have no doubt that we will reach our goals.

Having had such a positive and special fiscal year, on behalf of the Board of Directors, which I am honored to preside, I want to especially thank the Bank's staff for their effort and dedication, our customers for their loyalty, and our shareholders for their continued commitment and support.

Antonio R. Garcés

Chairman of the Board of Directors

BOARD OF DIRECTORS

Antonio Garcés
Chairman

Sergio Grinenco
Vice Chairman

Enrique M. Garda Olaciregui
Secretary Director

Daniel Llambías
Luis Ribaya
Guillermo Pando
Pablo Gutierrez
Eduardo O. Del Piano
Pablo M. Garat
Directors

Eduardo A. Fanciulli
Juan C. Fossatti
Raúl H. Seoane
Osvaldo H. Canova
Julio P. Naveyra
Alternate Directors

Supervisory Syndics Committee

Adolfo Melián
Norberto Corizzo
Ricardo Bertoglio
Syndics

Fernando Noetinger
Miguel Armando
Alejandro H. Massa
Alternate Syndics

EXECUTIVE OFFICERS

Daniel Llambías (in charge)	Retail Banking
Miguel Woodyatt	Wholesale Banking
Pablo Gutierrez	Treasury
Juan L'Afflitto	Credit
Miguel Peña	Corporate Services
Enrique M. Garda Olaciregui	Legal Counsel
Enrique Behrends	Human Resources
Luis Díaz	Internal Audit
Nicolás Dujovne	Chief Economist
Raúl Seoane	Planning and Management Control
Benito Silva	Corporate Programs Management
Diego Videla	Institutional Affairs

ANNUAL REPORT

The Board of Directors submits to the shareholders for their consideration this Annual Report of the Board of Directors, the Financial Statements and the Report of the Supervisory Syndics Committee for the 101st fiscal year of Banco de Galicia y Buenos Aires S.A., ended December 31, 2005.

The Argentine Economy and Financial System

Following two years of growth, the Argentine economy again grew at a high rate in 2005. Based on data from the third quarter and projections for the fourth quarter of 2005, the annual Gross Domestic Product (GDP) is estimated to have increased approximately 9%. The excellent performance of the economy during 2005 occurred in a rising inflation rate environment, in spite of which, the nominal exchange rate remained relatively stable, except for a slight increase towards year-end. This was mainly attributable to the significant inflows of foreign currency from exports as well as from investment portfolios. It is worth mentioning too, that the conclusion of the exchange offer to restructure the defaulted sovereign foreign debt, which resulted in the regularization of most of the Argentine foreign debt in default, together with the favorable international environment, advanced the inflow of capitals. Also, the economic situation was supported by a solid fiscal position of the National and Provincial Governments.

Total deposits, as well as loans to the private-sector of the financial system reported a strong performance. In particular, most credit lines reported a significant recovery, including lines collateralized by real goods, which had registered the lowest increase of all lines in previous years. Despite the credit recovery, the ratio of loans to GDP is still below the ratios recorded internationally and domestically in previous years. Unlike 2004, in 2005 the growth in deposits came mainly from the private sector.

The Economy

In the first quarter of 2005, GDP reported a seasonally adjusted increase of 0.9% as compared to the previous quarter, which accelerated during the second quarter reaching 2.8%, and 2.3% in the third quarter. As a result, during the first nine months of the year, the economy grew 9.2% as compared with the same period in 2004 and, considering the fourth quarter's economic activity leading indicators, the annual growth was likely above 9% in 2005.

Domestic demand continued to be one of the main drivers of economic activity. Within domestic demand, fixed gross investment was once again very dynamic, growing by 20.9% during the first nine months of the year as compared to the same period in 2004. It is worth mentioning that investment recovered its pace during the second and third quarters, after a relatively weak first quarter, in which it had grown 13.4%. Likewise, private consumption also had a significant expansion, of approximately 9.4% for the same nine-month period, boosted mainly by the improvement in the labor market. In fact, during 2005, salaries in real terms experienced a significant recovery, increasing 7.1% as compared to the previous year.

Exports of goods and services recorded a significant increase of 15.4% in the first nine months of 2005, compared to 5.4% in 2004. As for imports, although sizable increases continued (imports increased by 21.0% for the first nine months of 2005 compared to the first nine months of 2004), their rate of growth was lower than in 2004.

In terms of aggregate supply, the most dynamic sector was, once again, the construction sector. It reported an average year on year expansion of 18.2% in the first nine months of 2005. The agriculture and livestock sector was the second most dynamic sector, having had an expansion of 15.2%, attributable, to a large extent, to the positive international environment in terms of prices. While the industrial sector reported a growth rate somewhat lower than that of the previous year, the expansion rate remained high, at over 7.7%, based on the *Estimador Mensual Industrial* (Monthly Industrial Appraiser). During the first nine months of the year, the goods producing sector was considerably dynamic, increasing 9.7%

year on year. In turn, the services sector grew 8.3% in the first nine months and, noticeably, the financial sector grew 16.4%.

The good performance of the economy had a positive impact on the labor market, which has been improving since 2004. The unemployment rate fell to 10.1% for the fourth quarter of 2005, compared to 12.1% recorded in the fourth quarter of 2004. Although employment continued to increase, it grew at a lower rate than over-all economic activity, which means reduction of the output elasticity of employment.

The monetary base grew to Ps. 55,827 million as of December 2005 (a 10.5% growth as compared to 2004), almost Ps. 1,000 million below the upper goal set by the monetary program of the Argentine Central Bank. The policy of foreign-exchange market intervention, aimed to strengthen the international reserves of the Argentine Central Bank and keep the nominal exchange rate unchanged, resulted in significant sterilization efforts being called for in order to comply with the aforementioned monetary program. The repayment of liabilities owed to the Argentine Central Bank by financial institutions, the repurchase ("repo") agreements entered into by the Argentine Central Bank and the tender of Argentine Central Bank bills (Lebac) contributed to reduce the expansion of the monetary supply.

The upward trend of the general price level stressed investors' preference for inflation-linked instruments. In this context, the decision of the Argentine Central Bank to cancel the tender of CER-adjustable paper led to a reduction of the average terms for peso-denominated Lebac, which changed from 308 days in 2004 to 104 days in 2005. Because the Argentine Central Bank did not validate the higher nominal yields required by the market for longer-term instruments, offers gradually gathered in the short-term segment of the yield curve. In any event, this was the main sterilization instrument used and it accounted for a reduction of the monetary base in the range of Ps. 10.000 million during the year.

The cut-off rates of the primary market of peso-denominated one-year Lebac increased from 5.9% as of December 31, 2004, to 8.9% as of December 31, 2005. For 30-day Lebac, at the end of December 2005, the rate was 6.8%, which represents a significant increase from the 2.9% rate of placements carried at the beginning of 2005. The rate paid by the Argentine Central Bank in repo transactions with financial institutions increased to 5.0% as of December 31, 2005, from 2.5% as of December 31, 2004, while the corresponding rates for reverse repo transactions increased from 3.0% to 6.0% during the same period. The upward trend in reference rates had an impact on the yields of other financial instruments. For example, the rate of peso-denominated 30-day time deposits, which averaged 3.9% during the year, increased from an average of 3.1% in December 2004 to an average of 5.2% for the same month of 2005. Despite the increase in nominal interest rates, borrowing rates reached negative yields of more than 10% in real terms during certain months of the year.

The general readjustment of relative prices, in an environment of significant increase in domestic demand and high usage levels of the manufacturing industry's capacity, was one of the main causes for the increase in inflation which was, as measured by the Consumer Price Index ("CPI"), 12.3% in 2005, compared to 6.1% in 2004. In turn, wholesale prices, as measured by the Internal Wholesale Price Index ("WPI" or "IPIM" by its initials in Spanish), recorded an increase of 10.7%. Inflation exceeded both the upper ceiling set by the Argentine Central Bank's monetary program and the rate estimated by the 2005 Budget. Consequently, in the second half of the year, the Government took a series of measures aimed to restrain the rise in prices, which mainly consisted in specific-sector agreements to limit these increases, most of them in the foodstuffs and beverage sectors.

The reference exchange rate of the Argentine Central Bank varied from Ps. 2.974 per US dollar to Ps. 3.032 between December 31, 2004 and December 31, 2005. In turn, the

average exchange rate in 2005 was Ps. 2.923 per US dollar, compared to Ps. 2.942 per US dollar in 2004.

As for the public-sector financial situation, tax revenues performed well, rising by 21.3% as of December 2005 compared to December 31, 2004, an expansion that was, nevertheless, considerably lower than that of the previous year. The improvement in tax revenues is attributable, mainly, to the higher level of economic activity, the increase in prices and the significant contribution from taxes on exports and from the tax on bank debits and credits (which taxes reflected, respectively, the outstanding growth of exports and strong growth in the over-all economy and in the financial sector). During 2005, primary spending increased by 21.8%, surpassing the increase of 20.3% in total revenue. The National Government had a primary surplus of Ps. 19,626 million, equivalent to 3.7% of GDP. After interest payments totaling Ps. 10,247 million, the overall fiscal result was a surplus of Ps. 9,379 million.

The current account of the balance of payments once more recorded a surplus, the result of a still high trade-balance surplus and the payment of low amounts of interest, due to the restructuring of the Argentine foreign debt. The current account to GDP ratio, which for 2005 is estimated to be approximately 2.8%, is even greater than that of 2004 (2.2%). The trade balance, based on Argentine foreign trade official data from the *Instituto Nacional de Estadística y Censos* (National Institute of Statistic and Census or "INDEC"), reported a surplus of US\$ 11,322 million during the year, as compared to US\$ 12,105 million in the previous year. Also noteworthy is the excellent performance of exports, which, with a 15.8% increase during the year, reached the record amount of US\$ 40,013 million. While the increase in exports was mainly attributable to higher quantities, the improvement in imports, which expanded 27.8% in 2005, was the result of the joint effect of import prices and quantities. Agriculture and livestock exports continue to be the ones with the highest share in the total exports of the country (33%), followed by industrial goods (30%). In terms of imports, intermediate goods represented 36% of total imports, followed in importance by capital goods (25%).

In terms of the capital account, it reported a net inflow of foreign currency of US\$ 2,324 million in the first nine months of 2005, reversing the negative trend of previous years. The finalization of the sovereign foreign debt exchange, which was concluded by mid-2005, and the favorable reception by foreign investors to the finalization of the exchange explain the increase in the influx of foreign currency.

The finalization of the foreign debt exchange represented an important reduction of public sector liabilities, both with foreign and domestic creditors. From an eligible debt amount of US\$ 81,800 million, holders of 76.24% of such amount accepted the offer. Consequently, the total foreign debt was reduced by US\$ 67,300 million and currently accounts for 73% of the GDP (compared to the 113% before the exchange), excluding debt holders that did not accept the exchange (which account for approximately 13% of the GDP). Likewise, the accrual of interest was significantly reduced, dropping from 8% of GDP to 2% after the exchange offer.

As part of the Government's debt reduction policy, the Ministry of Economy announced, in December of 2005, the decision to pay in advance the entire debt with the International Monetary Fund ("IMF"). The total payment, approximately US\$ 9,500 million, was made using Argentine Central Bank's international reserves. In return, the National Government issued a 10-year term peso-denominated non-transferable note, to restore the assets of the Argentine Central Bank. In this way, the Government was able to ease the financial program for upcoming years.

As of December 31, 2005, the Argentine Central Bank's international reserves amounted to US\$ 28,077 million, compared to US\$ 19,646 million as of December 31, of 2004. It is important to note that, at the beginning of 2006, international reserves fell because of the above-mentioned payment to the IMF, to US\$ 18,580 million as of January 3.

The Financial System

During 2005, the financial system developed well, particularly in terms of intermediation activity. In fact, a significant increase in private-sector deposits and a sustained recovery of loans to the private sector were reported, within an environment of high liquidity levels of the system as a whole. This meant that the ratios of deposits and loans as a percentage of GDP reached in 2004 were surpassed, though they remained below international levels and the domestic levels observed in the past, especially for loans.

Total deposits in the financial system increased by 17.7%, to Ps. 134,669 million by the end of 2005. Private-sector deposits experienced the highest increase, reaching Ps. 99,292 million, which accounted for a 21.4% increase, although real interest rates remained negative through the year. Time deposits from the private sector increased by 22.7% to Ps. 43,131 million at the end of 2005, and transactional deposits (deposits held in current accounts and savings accounts) increased by 26.0%, to Ps. 48,982 million. Deposits from the public sector grew by 7.6%, reaching Ps. 34,200 million, mainly due to the fiscal surplus experienced in 2005. Deposits from the financial sector and from residents abroad increased by 35.3%, to Ps. 1,175 million. Payment of *Certificados de Depósitos Reprogramados* (Certificates of restructured Deposits, "Cedros"), due to the restructuring of deposits ordered by the Government in 2002, ended in August 2005; as a result, restructured deposits with "amparo" claims represented only 0.5% of total deposits by the end of the year.

The favorable results of the financial sector are also demonstrated by the increase in deposits above one million pesos (22.9%) and in time deposits adjusted by CER (35.3%) during 2005. This growth meant an extension of placement terms, as these deposits have a minimum term of 365 days, even though they accounted for 4.9% of total deposits in the system by year-end.

It is estimated that, at the end of 2005, total deposits accounted for 25.4% of GDP, compared to 25.2% at the end of 2004 and a maximum of 29.8% in 2000. At the same time, it is estimated that the ratio of private-sector deposits to GDP at the end of 2005 will be 18.7%, higher than the 18.2% reported for 2004.

As of December 31, 2005, total loans to the private sector amounted to Ps. 53,648 million, equivalent to 10.1% of GDP. This percentage is higher than the 8.7% reported in 2004, but it is still far from the peak of 23.3% reached in 1999. Total loans to the private sector steadily diminished between 1999 and 2003. However, total loans grew by 24.9% in 2004 and continued growing in 2005 at high rates, resulting in a growth of 38.5%.

All lines, except for mortgage loans, reported annual growth rates of over two digits. Commercial loans to the private sector (advances in current accounts and promissory notes) grew by 40.0% to Ps. 16,817 million at year-end, and consumer credit lines (personal loans and credit-card loans) increased by 69.4%, to Ps. 13,015 million. The line that grew the most, for the second consecutive year, was personal loans, which reached Ps. 7,385 million, an outstanding increase of 73.2%, reflecting a third year of high and sustained growth in both domestic consumption and GDP. Mortgage loans were the sole ones that reported low growth rates (0.5% during the year), partially because of the increased origination of new financial trusts notes backed by mortgage loans.

In 2005, the reduction of the financial system's exposure to public sector loans (-35.5%) continued, due to the lowering of loans to that sector (-24.5%), the significant increase in private-sector loans (+38.5%), the growth in the financial and residents abroad sectors (+33.5%), and the incentives from the Argentine Central Bank to reduce public sector assets. The share of loans to the public sector was equal to 33.9% of total loans as of December 2004, and equal to 21.9% at the end of 2005.

As in the previous year, in 2005 banks increasingly turned to the securitization of loans as an alternate source of funding, transferring loan portfolios to financial trusts. This was done as part of a general trend in the market, which reported a significant expansion in the demand and offer of financial trust securities. The placement of these instruments (including bank and non-bank trustors) increased by 214.8%, from Ps. 1,628 million in 2004, to Ps. 5,125 million in 2005.

After the foreign debt restructuring carried out by Argentina in mid 2005, financial markets reported a strong expansion. The fixed-income market reported favorable developments, both in terms of prices and volume of trades. The EMBI+ index of Argentina fell 4,155 basis points ("b.p.") during the year to 499 b.p. at the end of 2005 and, during the twelve months until December 2005, the volume of transactions in fixed-income securities at the *Mercado Abierto Electrónico* ("MAE", the Argentine OTC Market) grew by 88.6%. The repo market, excluding the Argentine Central Bank, also reported significant activity and growth, with a trading volume in December 2005 that was 80.1% higher than that of December 2004, while funds managed by mutual funds increased by 67.6%.

Despite the significant increase in loans to the private sector, the financial sector's liquidity as a whole remained high, due to the marked increase in deposits. Financial institutions' liquid assets (cash and due from banks plus repo agreements) accounted for 19.6% of total deposits as of December 31, 2004, as compared to 29.2% as of December 31, 2004. However, if holdings of Argentine Central Bank bills and notes are included, liquidity amounted to 39.5% as of December 31, 2004 and 34.8% as of December 31, 2005.

As of December 2005, the financial sector consisted of:

- 13 government-owned banks (which accounted for 44.4% of total deposits, a decrease of 2.0 percentage points as compared to December 2004),
- 58 private-sector banks (which accounted for 55.4% of total deposits), 23 of which were foreign-owned institutions (which accounted for 28.6% of total deposits, a decrease of 0.9 percentage points compared to December 2004), and 35 were domestic banks (which accounted for 26.8% of total deposits, an increase of 2.9 percentage points), and
- 18 non-bank financial institutions (which accounted for 0.2% of total deposits).

The number of banking institutions decreased from 73 to 71 between December 2004 and November 2005. This was due to the revocation of a national co-operative bank's license to operate and to the acquisition of an institution managed by Banco Nación by a domestic private-sector bank.

Finally, the financial system's concentration, as measured by the ten leading entities' deposit market share, increased from 75.1% in December 2004 to 77.1% in December 2005⁽¹⁾, partly due to the acquisitions made by one of the top ten entities.

⁽¹⁾ For the calculation of deposit concentration, all mergers and/or acquisitions mentioned in different media were taken into account, even if they have not been formalized yet.

Main Regulatory Changes

Public Emergency Law

As in previous years, Law No.26,077, promulgated on January 9, 2006, extended the period of effectiveness of Law No.25,561, the Public Emergency and Foreign-Exchange System Reform Law and its amendments, thus extending the national emergency in terms of social, economic, financial and foreign-exchange issues until December 31, 2006.

Valuation of Securities Issued under Argentina's Foreign Debt Exchange

On January 14, 2005, the Government launched an exchange offer to restructure its defaulted foreign debt. The exchange offer expired on February 25, 2005. During that period, creditors opted to exchange its securities for new securities, the terms and conditions of which were established in Exhibits IV and V, respectively, of Decree No.1735/04. In the Bank's case, it opted to exchange its External Notes for "Peso-Denominated Discount Bonds" and "GDP-Linked Units". In accordance with that Decree, the Bank's acceptance of the offer resulted in the receipt of new debt instruments for a principal amount equal to 33.7% of the eligible debt, the latter being equivalent to the non-amortized principal amount as of December 31, 2001, plus unpaid past-due interest up to that date.

In terms of the recording of the new securities, in order to reduce the impact on bank balance sheets of participating in the exchange offer, the Argentine Central Bank, through Communiqué "A" 4270, allowed the aforementioned "Peso-denominated Discount Bonds" and the "GDP-Linked Units" to be recorded at the lowest of: (i) the carrying value in accordance with the prevailing valuation rules (Communiqués "A" 4084, section 1 v) and section 5, and complementary ones), and (ii) the total future nominal cash payments up to maturity specified by the terms and conditions of the new securities. This valuation will be reduced in the amount of the perceived service payments and accrued interest shall not be recognized.

Losses Related to Legal Actions of "Amparo"

In order to promote long-term financing, through Communiqué "A" 4439 dated November 17, 2005, the Argentine Central Bank established that, beginning in December 2005, financial institutions having granted, as from that date, new commercial loans with an average life of more than two years could defer the losses related to the amortization of "amparo" claims. The maximum amount to be deferred cannot exceed 10% of financial institutions' computable regulatory capital ("RPC") nor 50% of the new commercial loans. Likewise, financial institutions will not be able to reduce the rest of their commercial loan portfolio. This methodology will be applied until December 2008, when the balance recorded as of that date will begin to be amortized in up to 36 monthly equal and consecutive installments. The application of this rule by the Bank resulted in the deferral of losses related to "amparo" claims for Ps. 11.3 million in 2005.

Foreign-Exchange Market

On June 9, 2005, the National Executive Branch issued Decree No.616/05, which established new rules for capital movements into and from Argentina. This Decree, regulated by Resolution No.325/05 of the Ministry of Economy and Argentine Central Bank Communiqués "A" 4359, "A" 4360", and "A" 4377, mainly established that: (i) Foreign-exchange flows into and from the local foreign-exchange market and all resident new indebtedness transactions that may imply future foreign-exchange payments to nonresidents must be registered with the Argentine Central Bank; (ii) all new debt of the private sector with nonresidents must be for a

minimum term of 365 days, except for foreign-trade financing and primary issuances of debt securities, which public offering has been duly authorized and which are listed in self-regulated markets in Argentina; (iii) all foreign-exchange inflows resulting from such indebtedness, with the exceptions mentioned in (ii), and all foreign-exchange inflows by nonresidents, excluding direct-foreign investment and certain portfolio investments (subscription of primary issuances of debt and equity securities, which public offering has been duly authorized and which are listed in self-regulated markets in Argentina, and government securities acquired in the secondary market), must be for a term of at least 365 days and 30% of the funds involved will be required to remain as an unremunerated dollar-denominated deposit in a local financial institution, for a term of at least 365 days; (iv) the proceedings of sales of foreign assets brought into the country by residents (capital "repatriation"), will be subject to the 30% deposit requirement, which will apply to amounts exceeding US\$ 2 million per month; and (v) debt with multilateral and bilateral credit agencies is exempted from the 30% deposit requirement.

In addition, by means of Resolution No.637/05 dated November 16, 2005, the Ministry of Economy established that, beginning on November 17, 2005, the restrictions established in Decree No.616/05 will be applicable also to all inflows of funds to the local foreign-exchange market for the subscription of primary issuances of debt securities or certificates of participation by financial trusts, if such restrictions were applicable to capital inflows to be applied to the acquisition of any of the trusts' underlying assets.

Global Foreign Currency Net Position

Through Communiqué "A" 4350, dated May 12, 2005, the Argentine Central Bank suspended, effective May 1, 2005, the limit on the positive Global Foreign Currency Net Position. This limit was the lower between 30% of a bank's computable capital and its liquid shareholders' equity at the close of the previous month. This Communiqué also suspended the additional short-term limit, described under Item 1 of Communiqué "A" 3889 (according to Exhibit II of Communiqué "A" 4140). The limit on the negative Global Foreign Currency Position was maintained at 30% of computable capital.

Trading of National Government Securities

Pursuant to Communiqué "A" 4455, dated December 12, 2005, the Argentine Central Bank established that, beginning on December 1, 2005, financial institutions carrying an excess over the regulatory limits to credit risk concentration applicable to public-sector assets, due to operations prior to March 31, 2003, would be allowed to trade national government securities subject to capital requirement to cover market risk (that is, with volatility informed by the Argentine Central Bank), without the obligation of reducing the excess, only if they had generated the margin within which they wished to operate. The margin admitted, which may not exceed 15% of the computable regulatory capital recorded in the last day of the prior month, is generated by funds received as amortization of comprised assets and for the realization of such assets and by recording comprised assets as held for trading.

Mortgage Refinancing Regime

Law No.26.062, enacted on November 3, 2005, suspended for 120 days, beginning on November 5, 2005, foreclosure proceedings on mortgages on real property constituting the debtor's (individuals or individual estates) sole family residence, in the case of loans granted for purchasing, renovating, building and/or enlarging a home, or for canceling loans originally granted for any of the aforementioned purposes, for loans the original amount of which was over Ps. 100,000. Additionally, this Law granted a new 120-day term, beginning on November 5, 2005, to decide whether to enter the Mortgage Refinancing Regime.

Subsequently, Argentine Central Bank's Communiqué "A" 4476 established March 6, 2006 as deadline to exercise this option.

In 2004, the Bank informed the Argentine Central Bank, by means of a note, of its decision not to participate in the aforementioned system.

Credit Cards

Law No.26.010, issued on January 10, 2005, established a limit for fees and other charges that credit-card issuers are allowed to charge, of a 3% for credit cards and 1.5% for debit cards.

Outlook

The outlook for this year in terms of the real economy is positive, given that on the basis of the strong GDP growth in 2005, 2006 will have a year on year growth rate, due exclusively to a statistical effect, of approximately 3.9%. The growth will be higher if, as expected, domestic demand continues to expand at a high rate. It is estimated that in 2006, GDP will grow at an annual rate higher than 6%.

In terms of the financial system, expectations are that the level of activity will continue to increase at a significant rate, particularly as regards the intermediation activity. The low ratio of loans to GDP and, to a lesser extent, of deposits to GDP allow us to expect significant future growth in these aggregates, in order to replace the high level of currency (notes and coins) in circulation in the economy, as compared to the pre-crisis levels. Likewise, loans to the private sector are expected to continue to grow at a higher rate than deposits from this sector. On the other hand, a growing commercial banking disintermediation is also expected, with an increase in the volume of funding raised through instruments such as short- and long-term securities from financial trusts and negotiable obligations.

In terms of the financial system's profitability, the increase in the volume of intermediation will be the main driver of the increase in operating income since nominal interest rates are expected to show a moderate increase, while real interest rates are expected to remain negative, and spreads would decrease. In this environment, and within the framework of increasing capital requirements and strong competition, it is also expected that the trend of concentration will continue.

Description of Operations

Wholesale Banking

Retail Banking

Quality Assurance

Treasury and Asset Management

Corporate Services

Human Resources

Banco de Galicia y Buenos Aires Foundation

Corporate Social Responsibility Program

Wholesale Banking

The Wholesale Banking Division is in charge of the Bank's business with the corporate sector, and comprises the areas that provide corporate customers with commercial and investment banking services, as well as capital-markets and foreign-trade services. Strengthening the relationship with customers by attending to their needs and innovating in financial solutions has been a constant objective of the Bank.

The Division's goal is to support its customers during this period of development and growth of the country, providing those customers, through the different business, with financial and non-financial services that optimize their daily operations and improve their business turnover. During 2005, the Division continued strengthening its relationship with customers and, based on the knowledge on the particular needs of each company, it developed products and services that translated into solutions for their daily activities and provided advice and support tools. Therefore, goals were met, and our customer loyalty strategy was reinforced.

The Bank was the first bank to provide customer support in the implementation of the AFIP's (Argentine Tax Authority) new on-line tax-payment system, thereby becoming a leader in terms of the number of related transactions and increasing its market share.

Likewise, there were innovative developments in Galicia Office, the e-banking channel for corporate customers aimed at offering technological solutions. The foreign-trade section is especially worth mentioning, through which customers may submit on-line inquiries and transactions. Since the end of the year, this system added the ability to request transfers abroad. As in previous years, Galicia Office continued to grow and exceed the levels reached since its launch, both in terms of users, queries and transactions, thereby remaining a leader in electronic corporate banking.

The offering of collection and payment products was increased thanks to improvements that added value to the customer and let the Bank sustain competitive market levels. At the same time, Visa Business Banco Galicia reached first place in market share over the total of Visa commercial cards, both in number of active accounts and cards and amount of purchases. Likewise, Galicia Rural consolidated its place as the first card for the agribusiness sector.

In terms of financial intermediation, the Wholesale Banking loan portfolio continued to grow with an increase of over Ps. 800 million compared to the previous year. The Bank kept its leadership in the purchase of checks and leasing transactions. There was also an important expansion of the portfolio of peso-denominated loans, both at floating, as well as fixed interest rates. In terms of dollar-denominated loans, the Bank entered into an agreement with the International Finance Corporation (IFC) to finance investment projects of export-oriented enterprises, the Bank being the first bank to achieve such an agreement with the IFC after the crisis.

We expect important challenges in 2006, but we also expect that this year will be highly positive for the Bank and its customers.

Corporate Banking

In terms of asset-side transactions, in 2005 syndicated loans with other banks in the market were again granted, with the Bank participating as organizer. Furthermore, the Bank, along with other banks signed an agreement to issue a credit card for a company that sells consumer goods, and trusts for financing semi-durable goods were structured. Moreover, a higher market share of the financing of foreign-trade operations was achieved.

On the liability-side, deposits, both time and transactional, continued to grow beyond budgeted guidelines.

Likewise, during 2005, the Bank was able to increase its share of the treasury business of large corporations, especially through the offering of collection and payment services, achieving an increase of more than 40% in non-financial income. The use of Visa Business cards and supplier payment services also increased, and efforts led towards the offering of the direct deposit of salaries service led to a significant capita increase during the fiscal year.

Middle-market Banking

During 2005, the Bank consolidated its leadership in the PYME (small- and medium-sized businesses) and agribusiness segments and became an important player in the large middle-market corporations sector, due to its active participation in the financing of working capital as well as investment projects, and to its leasing activity.

Likewise, Galicia Rural solidified its position as the most functional method of payment and credit in the agribusiness sector. More than fifteen new agreements were entered into with suppliers of intermediate goods used by the agribusiness sector, for financing at preferential rates and terms, incorporating new items (such as seeds, fuels and lubricants, dairy farm and liquefied gas in bulk). Its use was extended and generalized in areas such as Santiago del Estero, Salta and Jujuy, outside the main agriculture regions. Likewise, more than sixty diesel-fuel distributors countrywide were incorporated to the agreement entered into with one of the most important oil companies in the country. It is worth mentioning that the Bank has entered into a new agreement with the Sociedad Rural Argentina, in order to provide services to the members of such organization.

As in previous years, the Bank's participation in the National Government subsidies programs was very active, providing benefits to our customers and contributing to the increase in investment in capital goods.

Investment Banking and Capital Markets

The purpose of these business units is to contribute to the achievement of the long-term strategic goals of the Bank's Wholesale Banking customers as well as of the Bank itself, through the integral development of complex capital market products and services.

During 2005, the Bank provided its Wholesale Banking customers with investment banking services in the areas of mergers and acquisitions, syndicated loans, swaps, debt restructurings, investment projects and securitizations.

In terms of capital markets activity during 2005, the Bank actively worked to optimize its financing strategy. Four trusts the underlying assets of which were Bank assets were structured and placed, thus creating a total funding of Ps. 258 million, to support the creation of new assets.

Similarly, the total volume of negotiable obligations and trust structuring and placement for customers, among them the regional credit-card companies that are the Bank's subsidiaries, amounted to Ps. 432 million in 2005, thus again positioning the Bank as an active player in the local capital markets.

Foreign Trade

During 2005, the Argentine Central Bank continued relaxing foreign-exchange regulations and shortening payment terms for certain imports of goods, despite the introduction of certain controls and deposit requirements on capital inflows.

The volume of foreign-trade transactions routed through the Bank increased by 46.7% as compared to 2004, to US\$ 3,675 million. Considering exclusively commercial transactions (i.e., imports and exports), the increase was of 63.8%, higher than the increase in the total amount of foreign-trade transactions for the country as a whole, which was 20.6%. The amount of these items for the Bank was US\$ 3,219 million, equivalent to 4.7% of Argentina's foreign trade during 2005, even higher than the 3.4% for 2004.

This positive result was due to the strengthening of the "Relationship Banking" concept, specific actions implemented and, in general, the efforts made in order to be recognized by our customers as important players in this business. This allowed us to increase our involvement in our customers' businesses and expand our client base, incorporating companies that were already customers of the Bank but did not perform foreign-trade operations through us, as well as new customers. Likewise, the Bank continued to invest in developing and perfecting flexible technology tools and products that allow customers to operate on-line, which, apart from differentiating us from the competition, simplified companies' transactions and contributed to their efficacy.

Galicia Factoring y Leasing S.A. ended its tenth fiscal year. The company maintained its international factoring offering and recorded a volume of transactions more than three times higher than in the previous year, for a total of US\$ 27.9 million. With this company, the Bank is able to complement the services it offers and allow customers access to all the necessary tools in order to conduct their foreign-trade business.

Retail Banking

The Retail Banking Division manages the Bank's business with individuals, small retailers, and the distribution channels. It is made up of the following departments: Retail Marketing and Quality, Traditional Channels, Alternative Channels, Consumer Banking and Private Banking. The latter provides services to high net worth customers. Retail Marketing and Quality is in charge of maintaining and creating a wide offer of financial products and services aimed at meeting the needs of the Bank's customers, with optimum quality standards. These products and services are marketed through the Bank's distribution platform, made up of the branch network (managed by the Traditional Channels Department) and through self-service channels, electronic banking and Internet banking (managed by the Alternative Channels Department). The Consumer Banking Department is responsible for the consumer finance business that the Bank conducts through the regional credit-card companies.

Year after year, the Bank renews its commitment of working in the best interest of its customers. Its working philosophy consists in two basic strategies: first, "to think" constantly of the customer through *one-to-one* marketing, and second, to work on the cultural change that this provokes throughout the organization.

During 2005, the Bank launched more than 600 campaigns with customized offers to more than 80% of its customer base. Cross-selling, up-selling, customer retention and loyalty actions are all examples of efforts the response to which improves as we improve our customer knowledge. The Bank's effort in this direction is backed up by continuous technical and technological advances (the corporate data warehouse, marketing data marts, analytical

tools and data mining) and by all of the tools that form part of the CRM (Customer Relationship Management) strategy initiated by the Bank over 15 years ago.

Information is one of the basic pillars of this strategy. We therefore focus on the enrichment and exploitation of our corporate data warehouse and the Division's data mart, which has allowed us to increase our knowledge of our customers, in order to guarantee them the best service based on their needs, on time and through the most appropriate contact channels. Likewise, the Bank has continued developing its portfolio segmentation, by working in micro-segmentation and the identification of even more precise targets, based on the combination of new and different variables. In this sense, the "customer value" vision combined with the segmentation by socioeconomic levels has proven to be highly useful to improve our knowledge of customers and design our strategy. Likewise, the Division's decision-making process is also based on behavior patterns and customer profiles, predictive models and statistics elaborated by Retail Marketing.

Individual Banking

In 2005, peso-denominated retail deposits grew by more than Ps. 700 million, which represents an increase of 34%. This increase was higher than the one experienced by the financial system as a whole. Taking into account only retail time deposits, the Bank recorded a 35% growth, which also exceeded the system's performance. The Bank's performance was also notable in terms of dollar-denominated retail-deposits, which grew by 60%, while the same private-sector deposits in the system increased by 45%. The Bank's superior performance compared to the market in terms of deposits is attributable to its sales and marketing policies, including its larger media campaign, its new products and the efforts aimed at retaining funds released by the payment of post-default government bonds.

During 2005, the portfolio of individual's current accounts increased 15%, with monthly sales reaching 2,500 new accounts per month. As far as savings accounts are concerned, there was an increase of 9% in the number of accounts and an increase of 19% in the average balances per account.

In terms of personal loans, in 2005, the Bank put special emphasis on its customer base in order to grow while at the same time preserve the quality of its portfolio, limit credit risk and improve customer loyalty. On this basis, the Bank continued to develop and improve the assignment of a credit limit to those customers whose salaries are directly deposited in the Bank or those that already possess an outstanding risk product, and response times were shortened. Likewise, the Bank developed the granting of personal loans through a telephone system. Through the year, this new product showed great acceptance by customers and a significant increase (110%). The personal loans goals and expectations for 2005 were extensively fulfilled, with a 130% growth in origination and a 267% growth in the portfolio (unconsolidated), as compared to December 2004.

The mortgage loan market reported no significant growth, since there is still a very wide gap between real estate values and the purchasing power of salaries, that limits the number of individuals that can afford the installments on mortgage loans. Despite the trends in the market, in June of 2005, the Bank relaunched its mortgage credit lines. These lines were newly designed so that the offer could cover the existing needs of current mortgage loan borrowers, while incorporating a wide variety of loan purposes, terms of up to 240 months, and fixed, floating, and combined interest rates. Expectations were met, with the portfolio recording growth by the end of 2005 and a 300% increase in the average monthly origination as compared to 2004.

As a broker for insurance products, in 2005 the Bank continued to offer a wide range of products, thus solidifying its position as an integral provider of financial services. The Bank's network of branches continued to lead in the sale of insurance products, while non-traditional channels reported significant growth. The product "*Protección Hogar*" (Home Protection), insurance for residential units, strengthened its position and car insurance products were successfully marketed. In this line of business, the Bank's portfolio experienced a 30% increase during the year. Additionally, the Bank reached 330,000 PG24 insurance policies (an insurance to cover robberies at ATM's).

In 2005, the credit-card and debit-card business reported significant growth. MasterCard was re-launched into the market with a very good response by customers. The volume of purchases carried out with the Bank's credit and debit cards (Visa, Visa Electrón, American Express and MasterCard) reached approximately Ps. 3,000 million, and the corresponding purchase amount amounted to 34.5 million. At the same time, the number of credit cards managed by the Bank (not including the regional credit cards) increased by 39% during 2005.

The figures reached were attributable to the aggressive promotional campaigns at different stores, along with the special offers of non-interest payment plans promoted by the credit-card companies within an economy showing great expansion. In addition, the Bank offers a program named *Aerolíneas Plus*, as an additional benefit, which constitutes a competitive advantage. During 2005, more than 60,000 customers traveled with the rewards accumulated through the use of the Bank's cards. Another factor of success was the Bank's ongoing analysis of the customer base in order to raise customers' purchase limits without neglecting the risks. As a result, today, the Bank's active customers show an average of purchases 70% above the market average. Delayed payments and defaults were kept significantly low.

Another business that reported a large increase was payroll direct deposit. The number of individuals with direct deposit of their salary at the Bank increased more than 25% and the amounts deposited more than 45%. The latter is attributable to the progressive salary increases recorded during 2005.

Consumer Banking

During 2005, the Bank's regional credit-card subsidiaries through *Tarjetas Regionales S.A.* (*Tarjeta Naranja S.A.*, *Tarjetas Cuyanas S.A.* and *Tarjetas del Mar S.A.*, collectively the "Companies"), continued growing significantly, increasing their client base, their loan portfolio and their branch network, while at the same time achieving very good financial results that exceeded this fiscal year's forecasts.

The aggregate number of credit card statements issued by the Companies increased 22%, the gross loan portfolio ⁽¹⁾ exceeded Ps. 1,200 million, a 53% increase, and the number of cards managed grew by 19%. Twenty-two new service centers and branches were opened and their staff increased by 370 employees, which represented a growth of 16% and 17%, respectively. In addition, operations were started in two new provinces, La Pampa and Buenos Aires.

This growth was boosted by a strong demand for the services provided by the Companies, based on the prestige gained by the brands, and on strong and creative sales activity. In this manner, the Companies managed to maintain users' loyalty and also attracted new customers. New products were designed, such as insurance packs. Campaigns for the placement of

(1) Including the portfolio transferred to various trusts.

Tarjeta Visa-Nevada card and the Tarjeta Naranja MasterCard were carried out. A new credit line was developed and the usual promotions were maintained. The latter being essential for the public and retailers to prefer the Companies' cards over others.

The card users' payment behavior was excellent. At the end of 2005, the Companies' aggregate non-accrual to total portfolio ratio was 2.9%, with minimums of 2.7% in certain months.

In terms of funding, our financing sources expanded, with funding being smooth and stable and in line with the portfolio's growth. The capital markets contributed resources amounting to more than Ps. 378 million, absorbing all of the paper issued, i-e, five series of negotiable obligations for Ps. 160 million, and the notes of five financial trusts for Ps. 218 million. All of the debt instruments obtained the best ratings in the market for paper issued by similar companies, which made them attractive to institutional investors and individuals alike. The banking sector contributed short- and long-term resources, especially through overdrafts and structured loans. Finally, also worth mentioning, is the profit reinvestment made by shareholders, who continue to show their commitment to the business.

With the amendment to the Credit Cards Law in January 2005, the average fee collected from retailers was reduced, with a significant decrease in the income for that item during 2005. Similarly, there was an increase of competition in the socioeconomic segments that the Companies target, partly from the banking system, in search for new business niches, and partly from other players, both domestic and foreign.

The higher volume of business counteracted the factors that adversely impacted profitability. Thus, the good level of net income for 2004 was maintained, with an increased customer base and higher income. In 2005, the Companies, in aggregate, had net income of Ps. 94.2 million, of which Ps. 73.1 million corresponded to the Bank through Tarjetas Regionales S.A.

For 2006 the scenario is expected to be, in general, similar to 2005. Within that context, the Companies will undertake to maintain their leadership, competitiveness, growth rate and results. A significant growth in customers is expected in the locations where service centers were opened, as well as in new areas that are not currently covered but for which branches are planned, particularly in places with significant population density within the Province of Buenos Aires.

Private Banking

Galicia Private Banking's mission is to provide differentiated and professional financial services for medium-and-high-net worth customers, managing their investment portfolios and providing financial advice.

During the first quarter of 2005, Galicia Private Banking reorganized its customer base, selecting those customers that complied with the segment's profile; and, following the Bank's strategy of differentiating from the competition based on quality of service, it conducted a series of efforts aimed to improve customer loyalty. Likewise, three main commercial goals were set: (i) increase the number of customers in the targeted segment; (ii) increase the portfolio volume managed, and (iii) place the specific products in which the Bank operates as underwriter, such as financial trust notes and negotiable obligations.

Although after the customer reassignment the absolute number of portfolios fell, with the new goals, deposits increased significantly, which resulted, at the same time, in an important growth in the total average deposits per customer. Also, during 2005, the Galicia Private

Banking managed to achieve significant placement of trust notes and negotiable obligations, mainly issued by the regional credit-card companies.

Traditional Channels

At the end of 2005, the geographical coverage of the Bank's network of branches in Argentina was as follows:

Geographical area	Number of branches
City of Buenos Aires	76
Greater Buenos Aires	59
Rest of the Province of Buenos Aires	29
Santa Fe	13
Córdoba	12
Mendoza	9
Entre Ríos	4
Chubut	2
Corrientes	2
La Pampa	2
Misiones	2
Río Negro	2
Catamarca	1
Chaco	1
Formosa	1
Jujuy	1
La Rioja	1
Neuquén	1
Salta	1
Santa Cruz	1
Santiago del Estero	1
San Juan	1
San Luis	1
Tucumán	1
Total	224

Deposits in the branch network increased by 36% and its total loans grew by 117% during the fiscal year. Total staff grew with by 100 employees to 2,036 as of December 31, 2005.

In order to increase the commercial effectiveness, achieve a higher integration among distribution channels, and improve the service quality to our customers, the Bank redefined the service model at the branch level. In furtherance of the specified goals, the Bank worked on the service to mid-and-high income segments, and personnel specialized in the segment were sent to 92 of the branches. At the same time, corporate customers received preferential service, with a focus set on the development of portfolios from the agribusiness segment and all the range of the PYME (small- and medium-sized businesses) segment, assigning officers specialized in corporate customers to 150 branches. In addition, the Bank reinforced the retail sales force and created an exclusive sales force for the development of the payroll direct deposit business for small- and medium-sized businesses.

During 2005, the Bank continued with its schedule for the incorporation of branches into the Sales Coaching Program. Eighty branches were added, and there are only 50 branches left to finish the implementation of the program in the whole network.

Alternative Channels

Service, transactions and sales channels other than traditional branches, that service both individual and corporate customers, encompass the Customer Contact Center, e-galicia.com and "Red Galicia 24". As in previous fiscal years, the use of these channels by the Bank's customers reported an upward trend. As of December 31, 2005, 76.9% of customer transactions were made through the Bank's alternative channels, representing an increase compared to December 31, 2004.

Customer Contact Center

During 2005, the Customer Contact Center ("CCC") handled over 12 million incoming and outgoing calls. This volume was similar to that of 2004. The CCC has support areas for the continuous improvement in the quality of service and includes:

- Fonobanco, the Bank's telephone-banking service, which grew by 12% as measured by incoming customer calls.
- Fonobanco Seguros, the insurance post-sale service which answers customer queries and requests, focusing on customer retention and comprehensive counseling. The number of calls received increased by 8% during the fiscal year.
- Comercio Exterior (Foreign Trade), the Bank's customer service for assisting customers in connection with international trade operations and its regulation, formed by a team of specialized personnel, which grew by 32% and sustained the Bank's development.
- Galicia Responde, the service for suggestions, complaints and claims, that recorded a 38% increase in incoming calls during 2005, associated with an increase in the business activity and the concentration of queries through this channel.
- Telemarketing, the sales and advice telephone service, which received 600,000 calls through the toll-free business line, is where customers and non-customers receive information and advice about products, benefits and special campaigns. 2.1 million outgoing calls were made, with an increase of 53% over 2004. Through this channel, the Bank contacted and reached customers quickly and efficiently to offer its products and benefits, focusing on sales with immediate closure and without other intermediaries, which was a competitive advantage in terms of service.
- Centro de Inversiones (Investment Center), which is dedicated to meet the customers' investment needs, with more than 180,000 contacts had a high productivity level. The wide range of investment products places this service among the leaders of the segment. Apart from standing out in the marketing and management of customers' assets, in an amount that doubled that of 2004, customer surveys reported a good performance in quality of service.
- Centro de Cobranzas (Collection Center), which conducted follow-up of customers with loans up to 150 days past due. During 2005, the Collection Center managed more than 980,000 calls, attaining good results in the collection of past due loans of various delinquency

periods. Over the year, this service added the collection of payments of insurance products and safety boxes, as well as the risk analysis of unsecured products, with outstanding results.

For 2006, the Bank expects an important growth in the use of these channels. At the same time, the Bank plans to add new functions to these services.

e-galicia.com

The number of Internet users is rapidly growing, as is the number of customers operating through this channel. Furthermore, the market shows signs of maturity in terms of the use of technology-based channels, acknowledging its virtues and demanding better services. In addition, this channel facilitates the interaction between customers and the Bank, and strengthens the relationship between them.

Through e-galicia.com, the Bank provides a wide range of services and financial and non-financial content. Through Home Banking (the service for individuals) and Galicia Office (the service for corporate customers), the Bank tries "to put the Bank into the PC" and offers a wide range of transactional capabilities, as the differentiating feature of the service. Through its financial and non-financial content, the Bank provides advice and information on the Bank's products and services, plus general and market news, to all site visitors. Through alliances with different companies, customers have access to certain benefits that at the same time promote the use of the channel. The site has shown an exponential growth since it was launched and at present receives more than 2 million visits a month. In 2005, the channel focused on the sale of products through the web and the incorporation of value-adding services for Internet users, which led to a high rating among customers and the market in general.

During the fiscal year, Home Banking and Galicia Office, bases of the Bank's Internet strategy increased their transaction levels.

Three million queries and transactions per month are carried out through Home Banking. This represents a growth of approximately 40% as compared to 2004. The upward trend in the number of customers has also continued, with an 18% growth as of December 31, 2005 as compared to December 31, 2004. Among the large variety of products available, the payment of taxes and bills through the direct connection to the web site Pagomiscuentas.com, as well as the transfer of funds to third party accounts, continued showing a sustained growth, with increases of 34% and 40%, respectively, compared to 2004.

Red Galicia 24

At the end of 2005, Red Galicia 24 was made up of 563 ATMs and 527 self-service terminals for a total of 1,090 state-of-the-art technology terminals located throughout the country, in traditional branches as well in strategic places, mainly gas stations and supermarkets. This channel provides customers and users of interconnection networks, the means to solve their transactional requirements in a dynamic, simple, safe and affordable way, on a 24-7 basis.

The ATM network, one of the most extensive in the country, recorded an increase in the volume of transactions of 9% as compared to 2004. Self-service terminals that allow customers to make deposits, payments and queries on their products, reported a 3% increase in the volume of transactions conducted as compared to 2004.

In order to continue improving the service level recorded in 2005, during the last quarter of the year, the Bank started to renovate approximately 48% of its ATMs, a process that will continue throughout 2006. A technical improvement is also planned for all terminals with the main purpose of increasing the terminal capabilities and functions.

Quality Assurance

The Bank considers quality of service as an element capable of distinguishing it from competitors.

With this purpose, during 2005, the Bank implemented new measures and activities, especially at the branch level while continuing with the assessment of service quality at the branches. This assessment is part of the incentive program and is based on the ongoing monitoring of the following indicators: customer satisfaction, service quality and the response to claims. The general score received by the branches in terms of quality of service averaged 9.08 points (over 10), its highest level since 2001. In terms of the customer's satisfaction survey, the general average was 8.70 points.

A new sales and service model was designed and implemented, with the purpose of increasing commercial efficacy, establishing an integrated strategy among the different distribution channels and improving the quality of service. In order to achieve these goals, the Bank made progress in the specialization of the distribution channels (readjusting the product offering by segment/channel), the development of the payroll direct deposit business, the redesign of the customer service model at the branches, and the attraction of new open-market customers. A plan for the migration of cash operations to automatic means in order to reduce the operating burden and waiting at the branches was also added.

In June 2005, based on the importance customers assigned to this aspect of the service, the Bank launched a survey on waiting times at cashiers, more specifically, to monitor customer satisfaction in connection with this issue. This led to the development of a plan for the improvement of waiting times that started in the low-scoring branches and that will be gradually extended to the whole network of branches.

Finally, in November 2005, the Bank adhered to the "Code of Banking Practice" established by the four bank associations of Argentina, which will further contribute to the improvement of the quality of service.

Treasury and Asset Management

The Treasury Division is responsible for the management of the Bank's treasury operations and its liquidity, as well as the Bank's foreign-exchange and securities positions, and it participates in the management of market, liquidity, interest-rate and currency risks. To this end, it develops the necessary data and strategies to keep such risks within the limits established by the Board of Directors. Similarly, it is responsible for the administration of third-party assets, mainly portfolios managed by the FIMA mutual fund family, and provides services and distributes financial products, among others, to corporations, financial entities, mutual funds, pension/retirement funds (AFJPs), insurance companies, etc. The Bank carries out intermediation services in the different markets, sometimes in its capacity as agent of the MAE and through Galicia Valores S.A., a brokerage firm that operates on the Buenos Aires Stock Exchange. Finally, the Division is responsible for the international business relations and, at the same time, provides support to the units abroad.

Financial Operations

During 2005, the positive trend of the previous year continued and the capital markets reported a significant improvement, since the restructuring of the National Government's foreign debt. This led to a significant contraction in the sovereign risk, due to the reduced risk aversion and a favorable foreign environment, given the high liquidity level in the international market. In addition, there was a sustained growth in the corporate sector, supported by the strong ongoing growth in the country's economic activity.

Volumes traded in the domestic capital markets continued increasing significantly. The volume of government securities traded on the MAE reached a total of US\$ 73,112 million in 2005, as compared to US\$ 35.485 million in 2004, which represented a 106% increase. Total volume traded by the Bank during 2005 reported a significant increase, to US\$ 1,585 million, which amounted to a 366% increase as compared to 2004. In turn, in the equity market, the total volume traded during 2005 was Ps. 85,952 million, to which Galicia Valores S.A. contributed with a total of Ps. 1,524 million, a share of 1.77%.

In terms of the foreign-exchange market, the Bank significantly increased the volume traded with corporate and institutional customers. During fiscal year 2005, the Bank kept focused especially on foreign-exchange transactions related to foreign trade, reaching a 47% increase in the volume traded as compared to 2004. In the foreign-exchange wholesale market, the Bank's activity through the MAE amounted to US\$ 5,089 million, ranking as one of the three leading private-sector banks this last December.

In addition, during 2005, the Bank successfully placed 20 issuances (its own and of third parties) of financial trust securities and negotiable obligations, for a total of Ps. 630 million, and was positioned as one of the primary players in this market.

Asset Management

In terms of FIMA mutual funds, Galicia Administradora de Fondos S.A. ("GAF") is the fund manager and the Bank acts as distributor and custodian. The mutual funds invest in a variety of assets, such as government and corporate debt securities, equity or bank deposits, depending on each mutual fund risk profile.

During 2005, interest in these kinds of products continued to grow, mainly in fixed-income funds (bonds) and "money-market" funds (basically, investing in remunerated bank accounts and time deposits). This led to a significant increase in the assets managed by GAF, which totaled Ps. 296.7 million at year-end.

The fund that grew most was the FIMA Renta Pesos (mainly made up of peso-denominated instruments adjusted by CER), with a high increase in volume. Among the reasons that boosted this growth were the good performance reported by this fund, 13.9% during 2005, and the sustained demand by investors, both corporate and individuals, who saw this product as a way to diversify their assets and maximize their profitability at a low risk. Another product that maintained a good performance, in terms of its investment profile, was FIMA Obligaciones Negociables, introduced the previous year, with a net yield of 4% in US dollars. It is a fund made up of a diversified portfolio of top-line corporate bonds and United States Treasury Bonds. Traditional local equity funds reported significant increases, in line with the reference index (MERVAL), with yields of 12.0% and 13.9% for FIMA Acciones and FIMA PB Acciones, respectively.

The outlook for the mutual funds sector in 2006 is of continuous growth in volume and competitiveness. The Bank expects to launch new products, some of them focused on the

international market, both of bonds and equity, to take advantage of a growing interest of investors (individuals, corporate and institutional customers) towards the improvement of their positions in mutual funds, in order to diversify their assets, assuming a risk somewhat higher than in the past, and thus, with a likely higher profitability.

International

The Office of International Banking and Financing Relations, which reports to the Treasury Division since 2005, is responsible for managing the Bank's business relations with correspondent banks, international credit agencies and international mutual funds.

As a result of the successful sovereign foreign-debt restructuring, the improved position of Argentina in the international economic community and the Bank's good image in the international markets, a gradual increase in trade facilities from our correspondent banks was reported, with gradual reduction of spreads and extension of terms, which allowed the Bank to attend to all of the foreign-trade transactions of its customers. In May 2005, the IFC granted the Bank a US\$ 40 million loan, with a tenor of up to 7 years, for the financing of investment projects of small- and medium-sized companies active in the agribusiness sector or export oriented.

As for Banco Galicia Uruguay S.A. ("Galicia Uruguay"), on April 15, 2005, it opened a period for the receipt of irrevocable expressions of interest from its creditors to participate in a new offer to exchange their restructured deposits (restructured as time deposits or negotiable obligations), for a 14% cash payment and Boden 2012 at par for the remaining 86%. On the same date, Galicia Uruguay also opened a period for the receipt of expressions of interest from holders of certificates issued by Banco de Galicia Cayman Ltd. ("Galicia Cayman") as a result of the restructuring of its deposits in 2003 to sell such certificates. The economic terms of the offers were similar. The purpose of these exchanges, as well as of the previous ones, was to voluntarily modify the profile of the already restructured debt and thus to meet the different preferences of customers for diverse combination of liquidity and return, and to improve cash flow distribution over time. The period for the reception of expressions of interest expired on May 27. Galicia Uruguay received expressions of interest from its creditors for a total of approximately US\$ 243 million. As part of the exchange, the Argentine Central Bank authorized the transfer of BODEN 2012 to Galicia Uruguay for a face value of US\$ 196 million. These bonds were used by Galicia Uruguay to settle the exchange offer, pursuant to the expressions of interest received from its creditors. Likewise, in September 2005, the third installment included in the restructuring agreement of both entities was paid.

On July 13, 2005, Grupo Financiero Galicia S.A. ("Grupo Galicia") announced that, in order to strengthen the financial condition of its subsidiaries, it had resolved to forgive US\$ 43 million of subordinated negotiable obligations issued by Galicia Uruguay. Such debt forgiveness increased Galicia Uruguay's shareholders' equity and that of the Bank, since it involved an increase of US\$ 43 million in Galicia Uruguay's shareholders' equity, which translated in the Bank as an equivalent 100% rise of its share value in Galicia Uruguay.

The exchange offer together with the debt forgiveness by Grupo Galicia, were of direct benefit to the Bank, not only because of the increase in its shareholders' equity but also because of the significant reduction in its consolidated liabilities. As of December 31, 2005, the consolidated principal amount of Galicia Uruguay's restructured liabilities (time deposits and negotiable obligations) had fallen to US\$ 140.7 million, i.e., to approximately 12% of the original amount, in three years.

After the end of the fiscal year, on February 2, 2006, and as a consequence of the presentation filed by the Administrators of the Restructuring Plan of Galicia Cayman, the

Grand Court of the Cayman Islands declared the plan as terminated, thus returning the company to its legal authorities beginning February 23, 2006.

Corporate Services

At the end of 2004, the Bank decided to create the Corporate Services Division with the purpose of concentrating most of the internal operating and service divisions under a medium- and long-term project to improve the efficiency and quality in all the Bank's processes and to contribute with the goal of distinguishing the Bank from its competition in an increasingly competitive market. Since then, the following areas report to this Division: IT, Organization, Operations and Administrative Services.

IT

The primary objective of the IT Department during the fiscal year was to support the Bank's strategy to consolidate its position as market leader. To that extent, the IT Department focused on a series of projects and efforts aimed at, mainly, the renewal of the technological infrastructure, the improvement of the quality of products and services, the development of key projects for the business and the incorporation of new technologies, taking into account the guidelines of cost-reduction and automation-based efficiency.

In terms of the renewal of the technological infrastructure, the IT Department focused in the promotion of the growth of both its functionality and transaction processing capability. Among others, part of the total number of PCs and ATMs was renovated, the operating system on the PCs at the branches was updated, and the central computer's capacity was expanded.

The IT Department approached improvement in the quality of the service it provides through two different programs (known as "CMM" and "ITIL") that involve compliance with best international practices and the definition of processes for the whole life cycle of IT products.

In terms of the development of key business projects, the IT Department worked along with user sectors and the Organization Department in the prioritization of the improvements and changes needed. Among them, especially noteworthy is the work carried out in the re-launching of the MasterCard credit card, in the on-line banking channels Home Banking and Galicia Office, and in the integration of distribution channels for corporate customers. Additionally, the IT Department worked on the documentation of system processes and controls required to comply with the US Sarbanes-Oxley Act of 2002, as well as on issues related to corporate architecture, primarily the incorporation of new technology and the integration of such tools to the Bank's existing resources.

These efforts allow the Bank to count with new applications and remain in line with current technological advances available in the market.

Organization

The Organization Department supported the different areas of the Bank in their search for innovation and efficiency, within a safe environment. In terms of this purpose, the Department:

- Participated actively in the definition and implementation of projects proposed by the various areas of the Bank. These projects were aimed at improving the Bank's relations with customers, increasing efficiency levels, increasing sales efficacy, establishing an

integrated strategy among the different distribution channels, improving the service quality and customer loyalty and providing support in view of the significant growth in the existing volume of the business and the development of new products.

- Implemented and strengthened certain procedures related to information security.
- Started to assess the processes of the Corporate Services Division in order to comply with the Basel II standards and implemented an operating risk control board.
- Began to develop a Process Strategic Plan, which will be finished during the first quarter of 2006, and will provide the bases for the future tasks that the Bank will implement in connection with processes.

Because it is expected that 2006 will bring strong business growth, the Organization Department will prioritize activities in order to provide support to this year's business plan. In parallel with this, it will implement medium- and long-term plans to promote further structural changes, aimed at improving the Bank's flexibility as an organization, and thus contributing to distinguish it from the competition. For example, it is worth mentioning the review of the approval process for retail products, the implementation of initiatives considered priorities within the CRM project of the Wholesale Banking Division, the outline of the future branch and the definition of the new service model of the CCC.

At the in-house level, the Department will seek to contribute to deepening the cultural change, by means of a new stage in the e-Company Project and will work jointly with the Human Resources Department in the automation of its processes.

Operations

In line with the expansion of the Bank's overall level of activity, the total number of transactions processed reported a strong increase in 2005.

Due to the consistent increase in the volume and number of transactions, in mid 2005, the Bank launched a survey among the different sectors that compose the Operations Department, to review the main processes and circuits and their automation potential. The purpose is to prepare the Bank to cope with a significant increase in the number of transactions with a higher efficiency, without adversely impacting staff levels. In 2006, this analysis will lead to the development of a new management model, with a focus on specializing roles.

Additionally, during the fiscal year, all sectors within the Department (Documents Processing, Special Operations, Credit Operations, Financial Transactions, Foreign-Trade Operations, Traditional Channel Operations, and Corporate Operations) executed specific projects with a positive impact on processes, in terms of an increased efficiency in the control and processing of transactions, and the incorporation of new transactions.

Administrative Services

In terms of infrastructure and maintenance, during the fiscal year, emphasis was placed on the improvement of the image of the branches, which took place in 150 branches and included redesigns and expansions, as well as transfers and reopening of several branches, and improvements in their existing safety systems and measures. In terms of corporate buildings, general maintenance activities were carried out with layout changes in different areas, involving the transfer of 1,938 workstations.

Also noteworthy is the construction of the Torre Galicia, the Bank's new corporate building, which progressed according to the established work schedule. This building will allow the concentration of activities presently carried out in several buildings, thus reducing costs and improving efficiency.

Human Resources

As of December 31, 2005, the Bank's total staff, on a consolidated basis, was made up of 6,735 employees, 8.7% higher than at the end of 2004. This growth, consistent with the strong increase in the Bank's overall level of activity, was mainly due to the staff increase of the regional credit-card companies, in accordance with their expansion to new areas, and to the increase in sales officials at the branches. During the last quarter of the fiscal year, the staff of the network of branches increased by 4%, in order to face the new commercial challenges.

In terms of staff training, 11,985 distance-training courses took place through the e-learning system, accounting for 27,000 training hours. Additionally, 2,440 employees attended face-to-face training courses, for a total of 25,000 hours. Training per position at the branch level is thereby kept up to date; a methodology that is being gradually developed at the different centralized areas. Also noteworthy is the emphasis placed on the "continuous improvement" of the sales performance, through training programs sponsored by the Sales Coaching Program at the employees' own workplaces.

In August, the Bank conducted the 2005 Internal Opinion Poll among all the Bank's employees. It had an 89% response rate and a very high satisfaction rate, which reached 93%.

To celebrate the one-hundred-year anniversary of the Bank, several activities such as ceremonies and celebrations were conducted. More specifically, in November 12, 2005, we celebrated the Bank's annual party, at the *Sociedad Rural Argentina*. All of the Bank's employees were invited, including those from related companies, and 6,000 invitations were extended.

Regarding the staff's adhesion and participation, and as part of the Bank's first centennial anniversary, multiple social and cultural events were carried out in the City of Buenos Aires, as well as other regions of the country. The National Centennial Games were organized and employees from all around the country participated in sports activities representing their regions. As a closing event, the Centennial Games Finals were played at the Banco Galicia's Employees Club. During the fiscal year, the Bank continued to develop the *Beneficios Internos Programados* (Scheduled Internal Benefits, "BIP") program.

Banco de Galicia y Buenos Aires Foundation

As has been continuously done since the beginning of its activities, during 2005, the Banco de Galicia y Buenos Aires Foundation (the "Foundation") provided help and priority assistance to the employees and former employees of the Bank, as well as to their respective families. As a brief summary, we include the main components of the aid provided:

- Medical assistance: continues to be provided, in every medical specialty, with an excellent quality level through Santiago Salud S.A., an entity in which the Foundation has a majority interest, and that celebrated its 10th anniversary last June 12.
- Student's Plan: consists of the distribution of a complete set of school elements that cover students' needs throughout the school year. Likewise, the Foundation supplies and distributes school over-alls.

- Vacation camps: during summer and winter times activities are carried out in the facilities of the Banco Galicia's Employees Club, Pilar (Province of Buenos Aires).
- School grants: consist of six monthly payments of Ps. 200, which are renewable. The awarding of these grants began in the second semester of 2004 when the Foundation celebrated its fortieth anniversary and during the last fiscal year has benefited more than 100 employees with good grades in their university or higher studies in fields related to the banking sector. With the support of the Bank, the Foundation will be able to maintain the grants during the 2006 semesters.
- Twelve grants were also awarded to provide training to workers at the *Fundación Instituto Vasco Argentino de Formación Tecnológica* (Argentine Basque Institute of Technology Formation Foundation), and at the beginning of the 2005 school year, Ps. 100 Ps. were established as a one time only aid grants for those Bank employees with children in school, from kindergarten to high school.

Likewise, the Foundation continued with the distribution of layettes to the newly born babies of Bank employees and with the approval of non-interest loans for emergencies, as well as monthly subsidies, of different amounts, to mitigate serious problems or deficiencies in housing, health, feeding, medication and education.

Apart from the aforementioned, the Foundation made contributions to people in need that lack economic resources, as well as various welfare institutions, such as churches, schools, hospitals, institutional homes, community kitchens for children, etc. throughout the country. Especially noteworthy among the latter is the support provided by the Foundation to the PRIAR (Region-based Interactive Assistance Program), an organization formed and managed by employees and former employees of the Bank; whose many assistance and welfare projects are distributed in impoverished districts and areas of the country. Finally, the Foundation also provides monthly contributions to the *Plaza San Martín* Foundation, Favaloro Foundation and *Producir Conservando* Foundation.

Corporate Social Responsibility ("CSR") Program

In terms of CSR, the Bank continued to work in the alignment of our practices in order to maximize the development of the social capital of both the internal and the external community. This process, which started with the coordination of our actions towards the community under a strategic approach, in 2005 advanced towards the integration of the present CSR practices into all the Bank's departments.

A fact that reflects the increasing importance of the CSR-associated issues at the Bank is the creation of a specific area to continue to promote and coordinate the related activities. In addition, together with our one-hundred anniversary and in accordance with global trends, we drafted our first Social Report, verified by PriceWaterhouse Coopers. This document intends to demonstrate, from the CSR standpoint, our view on the value contributed by the Bank as a financial institution to the community, not only through community actions, but also through the direct and indirect creation of employment and the offer of quality products and services. This document is intended as a first step towards a constructive dialogue that will allow us to increase our understanding of and to further contribute to our community.

Additionally, this document is consistent with the commitment undertaken through our endorsement of the international initiative of the United Nations and business organizations around the world (the Global Compact), with the purpose of safeguarding sustainable economic growth, through the promotion of a set of universal values considered essential to meet the needs of the world's population.

In terms of the community, the Bank participated in several projects, and continued to support the Corporate Volunteer-Work Program. The activities implemented focused on three main areas:

- Education: during 2005 we continued to work with the *Cimientos* Foundation, through the grants program, as well as other joint initiatives with the *Sociedad Rural Argentina* Foundation, *Misiones Rurales* and the San Andrés University, among others.
- Labor Promotion: throughout the year, we supported the Par Foundation in the competition called "Qualified to undertake", and the *Impulsar* Foundation and Grameen Mendoza Foundation in their efforts to help small businessmen by offering them initial training and funding, among other projects.
- Health and Social Integration: we developed activities related to the Solidagro Foundation, the *Corporación para la Nutrición Infantil* (Association for Children Nutrition) and the *Foro del Sector Social* (Social Sector Forum), and supported various hospital foundations, among others.

Corporate Volunteer Work Program

Only three years ago, faced with a difficult social situation, the Bank employees created the PRIAR (Region-based Interactive Assistance Program) and, since then, they have provided active and specific solutions to countless social, human and material problems. Both at the level of our branches surroundings as in case of national emergencies, the program supported sustainable projects that promoted economic development or fostered education, health or food programs.

Achievements grow year after year. During 2005, 73 projects were carried out, of which 42 ended successfully and 31 are still in progress. More than 13,000 people, including children, young and elderly, men and women, people with disabilities and with illnesses throughout the country, have benefited from the joint work and effort of more than 2,900 volunteers that form the PRIAR.

In order to support these actions, the PRIAR implemented several financing modalities, such as the voluntary adhesion to automatic debit services for donations, funds raising campaigns and activities and raffles. Likewise, it formed alliances with different organizations in order to achieve higher efficiency, and continued taking special care, together with the Supervisory Syndics Committee of the *Asociación Civil Ayudando a Ayudar* (Helping to Help Civil Association), that groups the PRIAR's volunteers, that every peso, ticket, garment or donation reached its intended recipients.

The Annual Report of the *Asociación Civil Ayudando a Ayudar* is available in the web page "www.priar.org.ar", which reflects its progress and organization.

Corporate Organization, Decision-Making, Internal Control, and Compensation of the Board of Directors and Officers

Composition and Functions of the Board of Directors

The Ordinary and Extraordinary Shareholder's Meeting held on April 28, 2005, established the size of the Board of Directors at nine directors and five alternate directors, and appointed Messrs. Enrique Mariano Garda Olaciregui, Luis María Ribaya, Guillermo Juan Pando and Pablo Gutierrez, as directors, and Mr. Raúl Héctor Seoane, as alternate director to fill the vacancy left after Mr. Guillermo Alejandro Laje's resignation.

The composition of the Board of Directors is as follows:

Name	Position	Expiration of Term
Antonio R. Garcés	Chairman	31/12/2005
Sergio Grinenco	Vice Chairman	31/12/2005
Enrique M. Garda Olaciregui	Secretary Director	31/12/2007
Daniel A. Llambías	Director	31/12/2006
Luis M. Ribaya	Director	31/12/2007
Guillermo J. Pando	Director	31/12/2007
Pablo Gutierrez ⁽¹⁾	Director	31/12/2007
Eduardo O. Del Piano ⁽²⁾	Director	31/12/2006
Pablo M. Garat ⁽²⁾	Director	31/12/2006
Eduardo A. Fanciulli	Alternate Director	31/12/2006
Juan C. Fossati ⁽³⁾	Alternate Director	31/12/2005
Raúl H. Seoane ⁽¹⁾	Alternate Director	31/12/2005
Oswaldo H. Canova ⁽³⁾	Alternate Director	31/12/2006
Julio P. Naveyra ⁽³⁾	Alternate Director	31/12/2006

(1) Authorization from the Argentine Central Bank required by Communiqué "A" 2794 is pending.

(2) In accordance with the rules of the National Securities Commission ("CNV"), and pursuant to the criteria adopted by the CNV, Messrs. Eduardo O. Del Piano and Pablo M. Garat are independent directors. They were elected at the Ordinary Shareholders' Meeting held on April 29, 2004 and appointed by the Board of Directors' minutes dated April 30, 2004 as members of the Audit Committee.

(3) In accordance with the rules of the CNV, and pursuant to the criteria adopted by the CNV, Messrs. Fossati, Canova and Naveyra are independent alternate directors. Messrs. Canova and Naveyra were elected at the Ordinary Shareholders' Meeting held on April 29, 2004. They shall replace the independent directors in case of vacancy.

The Bank's Board of Directors meets formally twice each week and informally on a daily basis, and is responsible for all major decisions, including those related to credit, the Bank's securities portfolio, and the design of the network of branches, or entering into new businesses.

Members of the Bank's Board of Directors serve in the following committees:

RISK MANAGEMENT COMMITTEE: Six Directors, the Wholesale Banking Division manager, the Retail Banking Division manager, the Treasury Division manager and the Risk Management

Department manager, are members of this Committee. The Committee is responsible for establishing general limits (both in accordance with regulatory requirements and with the Bank's internal guidelines) and verifying compliance with such limits with respect to the following risks: credit, cross border, currency, interest rate, liquidity, market, securities holding, operational, etc. The Committee meets at least once every two months. The Committee acts formally by written resolutions.

CREDIT COMMITTEE: This Committee is composed of four Directors and the Credit Division manager. The Wholesale Banking Division manager, the Retail Banking Division manager and the Treasury Division manager may be present in case the account subject to the Committee's approval belongs to any of those departments. The Committee meets at least four times a week with a quorum of at least one director. This Committee's function is to decide on loans greater than Ps. 3.5 million in the case of corporate customers, on loans greater than Ps. 1 million in the case of individuals, and on all loans to be granted to financial institutions (local or foreign) and related companies. Approved operations are recorded in signed and dated documents.

FINANCIAL RISK POLICY COMMITTEE: This Committee is made up of six Directors, the Retail Banking Division manager, the Treasury Division manager, and the Risk Management Department manager. It is responsible for analyzing the evolution of the Bank's business from a financial point of view, as regards fund-raising and placement of assets. Moreover, this Committee is in charge of the follow-up and control of liquidity, interest-rate and currency mismatches. In all cases, it is responsible for the creation of the Bank's policies related to each of these areas. The Committee meets at least once every fifteen days and acts formally by written resolutions.

SYSTEMS COMMITTEE: This Committee is composed of six Directors, the Retail Banking Division manager, the Wholesale Banking Division manager, the Treasury Division manager, the Corporate Services Division manager, the Operations Department manager, and the Organization Department manager. This Committee is in charge of supervising and approving new systems' developments plans and budgets, as well as supervising these systems' budget controls. It is also responsible for approving the general design of the systems' structure implemented and for supervising the quality of the Bank's systems. The Committee meets at least once every three months. The Committee acts formally by written resolutions.

AUDIT COMMITTEE: In accordance with the requirements set forth by the Argentine Central Bank, the Bank has an Audit Committee composed of two Directors, one of which is an independent director, and the Internal Audit manager. In addition, in its capacity as a publicly listed company (in Argentina), the Bank must comply with the *Régimen de Transparencia de la Oferta Pública* ("System for the Transparency of Public Offerings") set forth by Decree No.677/2001 and by the rules established by the CNV in its resolutions No.400, 402 and complementary ones. In order to comply with the CNV rules regarding the composition of the audit committee, that require such committee to be composed of at least three directors with a majority of independent directors, the Ordinary Shareholders' Meeting held on April 29, 2004, appointed Messrs. Eduardo O. Del Piano and Pablo M. Garat as independent directors, and the Board of Directors minutes dated April 30, 2004 appointed them as members of the Audit Committee. The third member, Daniel A. Llambías, a non-independent director, was appointed by the Board of Directors as member of the Audit Committee.

COMMITTEE FOR THE CONTROL AND PREVENTION OF MONEY LAUNDERING: This Committee is responsible for planning, coordinating, and promoting compliance with the policies for the prevention and control of money laundering established and agreed by the Board of Directors, based on current regulations. It is composed of three Directors, the Treasury Division manager, the Corporate Services Division manager, the Wholesale Banking

Division manager, the Risk Management Department manager, the Internal Audit manager, a representative of the Syndics Committee, and the head of the Anti-laundering Unit. The Anti-laundering Unit reports directly to this Committee. In addition, in accordance with the regulations set forth by the Argentine Central Bank, Director Dr. Enrique M. Garda Olaciregui was appointed as the Bank's officer responsible for the control and prevention of money laundering. The Committee is scheduled to meet at least once every two months. Resolutions must be registered in a minutes book bearing folios and seals.

DISCLOSURE COMMITTEE: This Committee was created to comply with the provisions of the US Sarbanes-Oxley Act of the United States of America issued in 2002. This Committee is composed of two Directors, the Wholesale Banking Division manager, the Retail Banking Division manager, the Treasury Division manager, the Planning and Management Control Division manager, the Accounting Department manager, the Financial Analysis and Planning Department manager, the Relations with Investors and Rating Agencies Department manager, and the Internal Auditor, as well as of a representative of the Bank's Supervisory Syndics Committee. A member of the committee that was created for the same purpose by Grupo Galicia also attends the meetings held by this committee.

HUMAN RESOURCES COMMITTEE: The Human Resources Committee is in charge of the appointment and assignment of staff, transfers, rotation and development of staff and headcount. This Committee works at two levels: (i) the Restricted Human Resources Committee which deals with the issues of staff included in the 1 to 6 salary levels, is scheduled to meet at least every two weeks and acts formally by written resolutions; and (ii) the Human Resources Committee which deals with the issues of staff included in salary levels 7, 8 and 9. It also deals with the issues of staff included in level 10 and above, in which case it submits its recommendations to the Board of Directors. The Committee meets whenever there are issues that require consideration, and acts with a quorum of at least one director. The Committee acts formally by written resolutions.

ASSETS AND LIABILITIES COMMITTEE (ALCO): This Committee is in charge of analysis and recommendations to the business divisions in connection with the management of interest-rate, currency and maturity mismatches, with the goal of maximizing financial and foreign-exchange results within acceptable parameters of risk and capital use. This committee is also responsible for suggesting changes of these parameters, if necessary, to the Board of Directors. Two Directors, the manager of the Planning and Management Control Division (this Division being the Funding Unit manager), the Wholesale Banking Division manager, the Retail Banking Division manager, and the Treasury Division manager are members of this Committee.

CUSTOMER ASSISTANCE COMMITTEE: This Committee is in charge of the general supervision of the activities related to the attention, follow-up and resolution of customer complaints. The Committee will establish the standards for customer service, with the purpose of implementing improvements to minimize the number of complaints and shorten response times. This Committee is composed of two Directors and the division and department managers and other officers whose participation is deemed relevant. The Committee is scheduled to meet at least once every two months. It acts formally by written resolutions.

Periodically, the Board of Directors is informed of the actions taken by the Committees, which are written down in the minutes.

Corporate Organizational Structure

The following divisions report to the Board of Directors:

WHOLESALE BANKING: This Division is responsible for managing the Bank's business related to corporate customers. The areas reporting to Wholesale Banking are: Corporate Banking, Middle-market Banking, Investment Banking, Capital Markets, Wholesale Marketing and Foreign Trade.

RETAIL BANKING: This Division is responsible for managing the Bank's business relating to individuals. The areas reporting to Retail Banking are: Consumer Banking, Retail Marketing and Quality Assurance, Private Banking, Traditional Channels and Alternative Channels.

TREASURY: This Division is responsible for planning and managing the correct use of financial resources and providing the appropriate funding for the Bank's businesses, establishing and applying the Bank's deposit-raising and funding policies within the parameters established by the Bank's risk policies. It also manages short-term funds and the investment portfolio, ensuring the correct execution of transactions. The following areas report to this Division: Financial Analysis and Planning, Asset Management, Financial Operations, and International Banking and Financing Relations.

CREDIT: this Division is responsible for defining credit risk management policies, verifying compliance with these policies, and developing the credit assessment models to be applied to the different risk products. It is also responsible for approving credit extensions to the Bank's customers while ensuring that the credit quality of the Bank's portfolio is preserved and generating the information on credit risk required by the Bank's Board of Directors and by the regulatory authorities. The following areas report to this Division: Corporate Credit, Retail Credit and Corporate Recovery.

CORPORATE SERVICES: this Division is responsible for providing logistic support for all the organization's operations. The following areas report to this Division: IT, Operations, Administrative Services and Organization.

The Legal Counsel, Planning and Management Control, Internal Audit, Corporate Programs Management, Human Resources, Institutional Affairs and Chief Economist offices report to the Board of Directors. Likewise, during the fiscal year under examination, the hierarchy of the Anti-Laundering Unit was increased to that of a department that began to report to the Board of Directors.

Banco Galicia's Supervisory Syndics Committee

The Bank's Bylaws provide for a Supervisory Syndics Committee consisting of three regular members (syndics) and three alternate members (alternate syndics). The following chart shows the composition of the Supervisory Syndics Committee as appointed by the Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2005.

Name	Position	Expiration of Term
Adolfo H. Melián	Syndic	31/12/2005
Norberto D. Corizzo	Syndic	31/12/2005
Ricardo A. Bertoglio	Syndic	31/12/2005
Fernando Noetinger	Alternate Syndic	31/12/2005
Miguel N. Armando	Alternate Syndic	31/12/2005
Alejandro H. Massa	Alternate Syndic	31/12/2005

Pursuant to the Argentine Law and to the provisions of the Bank's Bylaws, the regular and alternate members of the Supervisory Syndics Committee are responsible for ensuring that all of the Bank's actions are in accordance with applicable regulations. Syndics and alternate syndics do not participate in business management and cannot have managerial functions of any type. Syndics are responsible, among other things, for the preparation of a report to the shareholders analyzing the Bank's financial statements for each fiscal year. The three alternate syndics act in the temporary or permanent absence of one or more syndics. The syndics and the alternate syndics are elected at the annual ordinary shareholders' meeting for a one-year term and they can be reelected.

Policy for Compensation of Directors and Officers of Banco Galicia

Article 25, section 2 of the Bank's Bylaws establishes that among the powers and duties of the Board of Directors, the Board may determine, whenever it so deems convenient to corporate interests, whether its members shall perform technical or administrative duties within the Company and receive remuneration for such activities, with such remuneration having to be reported at the Shareholders' Meeting. In such cases, compensation for the relevant directors set by the Shareholders' Meeting shall be charged to general expenses.

The Bank's Bylaws also provide that the Board of Directors will receive incentive compensation in an amount approved by the Shareholders' Meeting. Such amount cannot exceed six per cent (6%) of the Bank's net income before income tax or any other tax that may replace it.

The Board of Directors sets the policy for compensation of the Bank's personnel. Managers receive a fixed compensation and they may also receive a variable compensation based on their performance.

Seven of the directors and two of the alternate directors are employees of the Bank and, therefore, receive fixed compensation and are entitled to variable compensation based on their performance, provided that these additional payments do not exceed the standard payments made by similar entities in the Argentine financial system, a provision that is applicable to managers as well.

The compensation regime includes the possibility of acquiring a retirement insurance policy. The Bank does not maintain any options plan.

The compensation of the Board of Directors must be approved by the Shareholders' Meeting after the close of the fiscal year.

During 2005, provisions were established to cover the variable compensations of the Board of Directors and managers for the fiscal year.

During June 2005, the Board of Directors decided to pay a compensation to managers and certain Bank employees, based on the compensation for similar or equivalent positions in the labor market, in recognition of the performance and professional development of the respective beneficiaries between July 2001 and December 2004, and with the purpose of retaining the personnel in positions of responsibility. The corresponding amount was funded with reserves established in prior fiscal years.

As a consequence of the finalization of the negotiations for the restructuring of the Bank's foreign debt in 2004, a limit per fiscal year to the aggregate amount that the Board of Directors can perceive as honorarium was established. Those members of the Board of Directors who hold executive offices may receive additional payments as compensation for performing said functions, provided that these additional payments do not exceed the standard levels of Argentina's financial market.

The Bank had a bonus program with Grupo Galicia's shares and ADSs, for the benefit of certain individuals who held managerial positions at the Bank and at its controlled or related companies. To this effect, in 2000, the 2004 Galicia Trust was created which purchased Grupo Galicia's shares and ADSs. In 2001, the beneficiaries were named and 157,669.40 Grupo Galicia's ADSs that were part of the 2004 Galicia Trust were transferred to the 2005 Galicia Trust, which was subsequently extended to May 31, 2006. In 2003, the 2004 Galicia Trust was early terminated and the Grupo Galicia's shares and ADSs were distributed to the appointed beneficiaries. The beneficiaries of the 2005 Galicia Trust have not been designated.