

Management Discussion and Analysis of Financial Condition and Results of Operations

- ✓ **Selected Financial Information**
- ✓ **Consolidated Assets and Liabilities**
- ✓ **Income Statement**
- ✓ **Risk Management**
 - Credit Risk
 - Liquidity, Interest-Rate and Currency Risks
- ✓ **Regulatory Capital**
- ✓ **Capital and Reserves and Proposed Distribution of Profits**

In the following analysis of the Bank's financial condition and results of operations, data for Banco de Galicia y Buenos Aires S.A. is consolidated with the companies it controls directly or indirectly, as explained in the Notes to the Consolidated Financial Statements, unless there is clarification to the contrary. The "Bank" refers to the consolidated Banco de Galicia y Buenos Aires S.A.

The Bank's consolidated financial statements and the figures shown in this section correspond to Banco de Galicia y Buenos Aires S.A., Banco Galicia Uruguay S.A. ("Galicia Uruguay") consolidated with its subsidiary Banco de Galicia (Cayman) Ltd. ("Galicia Cayman"), 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 fiscal year 2005, the Bank's consolidated financial statements and the figures shown in the tables herein included Galicia Capital Markets S.A. (in liquidation), as well as Agro Galicia S.A. Given that the Bank has taken over these companies' business activities and that they were in liquidation and liquidated, respectively, in the second quarter of 2005 their consolidation was discontinued. See the Notes to the Consolidated Financial Statements.

On July 17, 2002, the Argentine Government published Decree No.1269/02, which repealed Decree No.316/95 and reestablished the restatement of financial information for inflation for periods beginning on or after January 1, 2002. Consequently, the Bank's financial statements as of and for the fiscal year ended December 31, 2002 have been adjusted for inflation by using the wholesale price index (the "IPIM" by its initials in Spanish) published by INDEC (National Institute of Statistic and Census). The IPIM increased approximately 118.44% in the period from January 1, 2002 to December 31, 2002.

Subsequently, through Decree No.664/03 regulated by Argentine Central Bank's Communiqué "A" 3821 dated April 8, 2003, the requirement that financial statements be adjusted for inflation was eliminated. Said regulations came into force for financial periods ended on or after March 1, 2003. Also, on April 8, 2003, the CNV issued Resolution No.441/03 setting forth the discontinuation of the financial statements' adjustment for inflation as of March 1, 2003. Therefore: (i) the Bank's financial statements corresponding to the fiscal year ended December 31, 2003 include the effects of inflation accounting through February 28, 2003, with the IPIM increasing 0.87% between January 1, 2003 and February 28, 2003, (ii) the Bank's consolidated financial statements as of and for the fiscal year ended December 31, 2002 and the financial data for prior periods have been restated in constant pesos of February 28, 2003 by applying a coefficient of 2.2035 based on the IPIM variation between January 1, 2002 and February 28, 2003, of approximately 120.35%.

Until December 31, 2001, the exchange rate to be used for the valuation of foreign currency balances was that published by the Banco de la Nación Argentina ("Banco Nación"). For US dollars, until December 31, 2001, the exchange rate published by Banco Nación was Ps. 1.0 per US\$ 1.0, the peso-dollar parity introduced in 1991 by the Convertibility Law. On January 7, 2002, Argentina abandoned such parity and, after an initial devaluation and the temporary setting of an official exchange rate at Ps. 1.4 per US\$ 1.0, the peso was allowed to float. By means of Communiqué "A" 3671 dated July 25, 2002, the Argentine Central Bank established that, for the valuation of foreign currency balances, financial institutions had to use the reference exchange rate published by the Argentine Central Bank instead of the exchange rate informed by Banco Nación. Therefore, beginning in fiscal year 2002, all assets and liabilities stated in foreign currency were valued using that exchange rate which, at the close of fiscal year 2004 was Ps. 2.9738 per US dollar, and at the close of fiscal year 2005 was of Ps. 3.0315 per US dollar.

In the Ordinary and Extraordinary Shareholders Meeting held on September 26, 2001, the Bank's shareholders modified the closing date of the Bank's fiscal year, which was changed from June 30 to December 31 of each year. Upon this decision, there was a six-month irregular fiscal year ended December 31, 2001. On its turn, all the companies under the Bank's direct or indirect control adjusted the closing date of their fiscal years to that of the Bank. This situation caused, in the case of the regional credit-card companies, an irregular seven-month fiscal year.

SELECTED FINANCIAL INFORMATION

			December 31,		June 30,	
	2005	2004	2003	2002	2001 ⁽¹⁾	2001
	<i>In millions of pesos</i>			<i>In millions of February 28, 2003, constant pesos</i>		
	<i>(Except as noted)</i>					
Consolidated Income Statement						
Financial Income	2,370.5	1,367.3	1,420.5	5,580.3	1,770.6	3,641.9
Financial Expenses	1,876.6	1,198.8	1,288.2	4,555.4	1,183.6	1,961.8
Net Financial Income	493.9	168.5	132.3	1,024.9	587.0	1,680.1
Provision for Losses on Loans and Other Receivables	76.7	190.2	286.4	1,648.6	690.8	590.3
Net Income from Services	525.5	437.2	361.1	377.0	473.9	898.4
Monetary Loss from Financial Intermediation	-	-	(13.0)	(1,269.3)	-	-
Administrative Expenses	752.5	591.8	538.4	911.0	673.9	1,327.4
Monetary Gain from Operating Expenses	-	-	0.1	20.8	-	-
Minority Interests	(21.2)	(22.9)	(22.2)	77.0	0.1	(4.4)
Income from Equity Investments	6.3	3.6	(21.1)	(40.0)	1.9	17.4
Miscellaneous Income (Loss), Net	72.8	116.8	175.0	(520.8)	373.0	24.6
Monetary Gain (Loss) on Other Transactions	-	-	8.1	(146.4)	-	-
Net Income before Income Tax	248.1	(78.8)	(204.5)	(3,036.4)	71.2	698.4
Income Tax	(57.1)	(29.8)	-	(6.5)	(23.2)	(250.8)
Net Income ⁽²⁾	191.0	(108.6)	(204.5)	(3,042.9)	48.0	447.6
Loss Absorption Approved by the Annual Shareholders' Meeting	-	-	-	1,817.6	-	-
Net Income ⁽²⁾	191.0	(108.6)	(204.5)	(1,225.3)	48.0	447.6
Consolidated Balance Sheet						
Cash and Due from Banks	1,039.9	985.7	819.6	572.1	1,134.7	3,281.7
Government Securities	5,959.8	5,497.5	6,401.8	1,785.3	261.8	2,064.2
Loans, Net	10,507.7	8,393.2	7,461.2	10,626.9	20,019.4	20,594.4
Total Assets	25,456.2	23,465.3	22,636.0	23,714.9	27,671.1	33,932.9
Deposits	8,437.7	6,777.4	5,595.1	5,242.0	13,690.5	20,416.7
Other Funds ⁽³⁾	15,629.3	15,489.7	15,734.1	16,961.6	10,890.3	10,348.3
Total Shareholders' Equity	1,389.2	1,198.2	1,306.8	1,511.3	3,090.3	3,167.9
Average Total Assets	24,172.1	22,702.7	22,490.8	29,532.0	30,129.5	33,589.6
Percentage of Period-End Balance Sheet Items Denominated in US Dollars (%)						
Total Assets	26.70	33.07	36.59	43.38	80.31	76.66
Total Liabilities	27.05	31.37	37.63	44.81	75.27	79.04

SELECTED FINANCIAL INFORMATION (CONT.)

	December 31, June 30,					
	2005	2004	2003	2002	2001 ⁽¹⁾	2001
Ratios in Accordance with Argentine Banking GAAP						
Profitability and Efficiency						
Net Yield on Interest-Earning Assets ⁽⁴⁾	2.24 %	0.86 %	0.87 %	3.60 %	6.89 %	6.06 %
Financial Margin ⁽⁵⁾	2.26	0.81	0.64	3.80	4.48	5.94
Interest Spread, Nominal Basis ⁽⁶⁾	1.37	0.30	0.30	0.78	5.79	5.22
Return on Average Assets ⁽⁷⁾	0.88	(0.38)	(0.81)	(5.61)	0.32	1.33
Return on Average Shareholders' Equity ⁽⁸⁾	14.77	(8.47)	(14.23)	(66.50)	3.05	14.91
Efficiency Ratio ⁽⁹⁾	73.82	97.72	112.08	55.76	63.54	51.48
Net Income from Services as a Percentage of Net Operating Income ⁽¹⁰⁾	51.55	72.19	75.18	23.03	44.68	34.84
Net Income from Services as a Percentage of Administrative Expenses	69.83	73.88	67.07	42.36	70.32	67.68
Capital						
Shareholders' Equity as a Percentage of Total Assets	5.46 %	5.11 %	5.77 %	6.37 %	11.17 %	9.34 %
Tangible Shareholders' Equity as a Percentage of Total Assets ⁽¹¹⁾	3.54	2.41	2.61	5.10	9.47	8.24
Total Liabilities as a Multiple of Shareholders' Equity	17.32 X	18.58 x	16.32 x	14.69 x	7.95 x	9.71 x
Liquidity						
Cash and Due from Banks as a Percentage of Total Deposits	12.32 %	14.54 %	14.65 %	10.91 %	8.29 %	16.07 %
Loans, Net as a Percentage of Total Assets	41.28	35.77	32.96	44.81	72.35	60.69
Credit Quality						
Past Due Loans ⁽¹²⁾ as a Percentage of Total Loans	2.34 %	4.97 %	11.70 %	9.93 %	4.96 %	3.86 %
Non-Accrual Loans ⁽¹³⁾ as a Percentage of Total Loans	3.50	7.74	15.04	13.08	6.74	4.38
Allowance for Loan Losses as a Percentage of Total Loans (Excluding Interbank Loans)	4.00	7.33	13.91	13.84	5.08	3.45
Non-Accrual Loans ⁽¹³⁾ as a Percentage of Total Loans (Excluding Interbank Loans)	3.57	8.10	15.35	13.25	6.87	4.77
Allowance for Loan Losses as a Percentage of Non-Accrual Loans ⁽¹³⁾	111.90	90.51	90.61	104.45	73.93	72.29
Inflation and Exchange Rate						
Inflation (Deflation) ⁽¹⁴⁾⁽¹⁵⁾	10.69 %	7.84 %	2.03 %	118.44 %	(4.30) %	(1.61) %
Exchange Rate Variation ⁽¹⁶⁾	1.94	1.39	(12.79)	236.30	-	-
CER ⁽¹⁷⁾	11.75	5.48	3.66	40.53	-	-
CVS ⁽¹⁸⁾	-	5.32	15.85	0.83	-	-

(1) Six (6) months ended December 31, 2001. For comparison purposes rates have been annualized.

(2) For FY 2002 the reported net loss was Ps. 1,225.3 million, because the Bank made use of the option, established by the Argentine Central Bank in its Communiqué "A" 3800, to absorb in advance the losses recorded during fiscal year 2002, with and up to the balances of the shareholders' equity accounts "Retained Earnings" and "Unrealized Valuation Difference," with the approval of the Board of Directors and subject to the approval of the annual shareholders' meeting. Before this loss absorption mechanism, the net loss for FY 2002 amounted to Ps. 3,042.9 million. The variation in the Bank's shareholders' equity in FY 2002 showed a Ps. 1,579.0 million loss.

(3) Includes, mainly, liabilities with the Argentine Central Bank, other banks and international entities and negotiable obligations.

(4) Net interest earned divided by average interest-earning assets. For a description of net interest earned, see the "Interest-Earning Assets-Net Yield and Spread" table.

(5) Financial Income less Financial Expenses, divided by average interest-earning assets.

(6) Represents the difference between the average nominal interest rates earned on interest-earning assets and the average nominal interest rates paid on interest-bearing liabilities.

(7) Net Income plus Minority Interest plus Unrealized Valuation Difference, divided by average assets. For FY 2002, calculated based on the shareholders' equity variation.

(8) Net Income plus Unrealized Valuation Difference, divided by average shareholders' equity. For FY 2002, calculated based on the shareholders' equity variation.

(9) 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). For FY 2002, Operating Income includes the balance of the "Unrealized Valuation Difference" account.

(10) For FY 2002, Operating Income includes the balance of the "Unrealized Valuation Difference" account.

(11) Tangible shareholders' equity is defined as shareholders' equity minus intangible assets.

(12) Past due loans consist of principal and interest amounts relating to loans for which either any principal or interest payments is 91 days or more past due.

(13) For a description of non-accrual loans, see " - Risk Management - Credit Risk - Loan Portfolio Quality".

(14) In accordance with the variation of the Wholesale Price Index in Argentina (the "WPI", or IPIM by its initials in Spanish).

(15) Source: Instituto Nacional de Estadística y Censos (National Bureau for Statistic and Census, "INDEC").

(16) Variation of the exchange rate of the peso vis-à-vis the US dollar.

(17) "Coeficiente de Estabilización de Referencia": adjustment coefficient based on the variation of consumer prices, effective as from February 3, 2002.

(18) "Coeficiente de Variación de Salarios": adjustment coefficient based on the variation of salaries, applicable from October 1, 2002 up to March 31, 2004.

Physical Data

	December 31,				
	2005	2004	2003	2002	2001
Employees					
Banco de Galicia y Buenos Aires S.A.	4,118	3,946	3,831	4,066	5,870
Banco Galicia Uruguay S.A.	18	19	40	47	52
Other Consolidated Companies	2,599	2,230	1,988	1,941	2,522
Total Employees	6,735	6,195	5,859	6,054	8,444
Bank Branches					
Banco de Galicia y Buenos Aires S.A.	225	224	227	229	290
Banco Galicia Uruguay S.A.	1	2	2	3	5
Total Bank Branches	226	226	229	232	295
Other Points of Sale					
Galicia Ahora Service Centers	-	-	-	-	118
Regional Credit-Card Companies Branches	103	91	81	87	103
Total Other Points of Sale	103	91	81	87	221
Deposit Accounts					
Banco de Galicia y Buenos Aires S.A.	1,103,522	990,557	943,344	1,038,119	2,150,347
Banco de Galicia Uruguay S.A.	6,904	10,236	11,320	25,222	24,196
Total Deposit Accounts	1,110,426	1,000,793	954,664	1,063,341	2,174,543

CONSOLIDATED ASSETS AND LIABILITIES

Assets

The structure and main components of the Bank's consolidated assets as of December 31, 2005 were as follows:

Assets		
<i>In millions of pesos</i>	December 31, 2005	%
Cash and Due from Banks	1,039.9	4.1
Government and Corporate Securities	5,964.2	23.4
Loans to the Non-Financial Public Sector	5,187.5	20.4
Other Loans, Net	5,320.2	20.9
Hedge Bond To Be Received	4,155.0	16.3
Other Assets	3,789.4	14.9
Total	25,456.2	100.0

The percentage participation of the different items that make up the Bank's assets show, when compared with the prior fiscal year, an increase in the participation of total loans and a decrease in the participation of government and corporate securities, including in this item the Hedge Bond to be Received.

Cash and Due from Banks

The item "Cash and Due from Banks" includes cash for Ps. 551.8 million, balances held at the Argentine Central Bank for Ps. 413.6 million, and balances in correspondent banks for Ps. 74.5 million. Both cash and the balance held at the Argentine Central Bank are computable for meeting the minimum cash requirements. These minimum cash requirements correspond to a requirement set forth by the Argentine Central Bank explained in the "Liquidity, Interest-Rate and Currency Risks" section.

Government and Corporate Securities

The following table shows the components of the balance sheet item "Government and Corporate Securities" in terms of holdings and net position (holdings plus forward purchases and spot purchases pending settlement, minus forward sales and spot sales pending settlement).

Government and Corporate Securities – Holdings and Net Position

<i>In millions of pesos</i>	December 31, 2005					
	Holdings	Forward Purchases	Forward Sales	Spot Purchases to be Settled	Spot Sales to be Settled	Net Position
Government Securities						
Held for Investment						
Pesos						-
Dollars	650.9	337.0				987.9
Held for Trading and Brokerage Purposes						
Pesos	9.5			0.4	0.3	9.6
Dollars	6.3			1.6	1.4	6.5
Other - Delivered as Collateral						0.9
Government Securities Without Quotation						
Pesos	4,591.1					4,591.1
Dollars						-
Securities Issued by the Argentine Central Bank						
Pesos	702.0		293.4			408.6
Dollars						-
Other - Delivered as Collateral						28.9
Total Government Securities	5,959.8	337.0	293.4	2.0	1.7	6,033.5
Corporate Debt Securities – Quoted	4.4					4.4
Total Government and Corporate Securities	5,964.2	337.0	293.4	2.0	1.7	6,037.9

Holdings

As of December 31, 2005, the Bank's holdings of government and corporate securities amounted to Ps. 5,964.2 million, of which Ps. 5,959.8 million corresponded to government securities. Total government securities mainly included:

- Under "Investment Portfolio - In US dollars": Boden 2012 for Ps. 650.9 million.
- Under "Government Securities Without Quotation – In Pesos": Secured Bonds ("Bogar") for Ps. 3,823.3 million, Discount Bonds and GDP-Linked Units for Ps. 733.3 million, and Fiscal Tax Credit Certificates (which may be used to pay taxes even though they are in default) for Ps. 34.5 million.
- Under "Securities Issued by the Argentine Central Bank – In Pesos": Lebac corresponding to the Bank's own portfolio for Ps. 391.3 million, Lebac acquired in connection with repo transactions for Ps. 293.4 million, and Argentine Central Bank's notes (Nobac) for Ps. 17.3 million.
- Under "Held for Trading and Brokerage Purposes": mainly Bogar and Boden 2012.

All these securities corresponded to the Bank's Argentine operation.

In March 2005, after a thorough analysis of the adjustments requested by the Argentine Central Bank and of the consequences of keeping undefined the final amount of Boden 2012 corresponding to the Bank as compensation for the asymmetric pesification, as established by Decree No.905/02 (Compensatory and Hedge Bonds), the Bank decided to accept the amount determined by the Argentine Central Bank. Accordingly, the total amount of the compensation to the Bank for the asymmetric pesification was US\$ 2,178.0 million of face value of Boden 2012. The difference arising from the adjustments required by the Argentine Central Bank and

accepted by the Bank was offset against provisions previously established for such purpose. In November 2005, the Bank received Boden 2012 for a face value of US\$ 236.9 million. Having received such bonds, the receipt by the Bank of the Boden 2012 corresponding to the Compensatory Bond (face value US\$ 906.3 million) was completed.

The balance of the Boden 2012 corresponding to the Hedge Bond (face value US\$ 1,271.7 million) is recorded under "Other Receivables Resulting from Financial Brokerage – In Foreign Currency – Bonds to be Received from the National Government", for Ps. 4,155.0 million. To date, the final settlement of the Hedge Bond, as well as the final settlement of the advance for their acquisition and the acceptance by the Argentine Central Bank of the assets offered as collateral for such advance, are still pending. After the end of the fiscal year, the formal request was made to the Argentine Central Bank of the advance for the partial subscription of the Hedge Bond, for Ps. 1,616.9 million, equivalent to US\$ 1,154.9 million of face value of Boden 2012. The request of the advance for the difference (US\$ 116.8 million of face value of Boden 2012) to reach the total amount of the Hedge Bond shall be duly made. Holdings of Boden 2012 are recorded at par value.

At the fiscal year end, the holdings of Bogar had been granted as collateral for liabilities with the Argentine Central Bank, both the financial assistance and the advance for the subscription of the Hedge Bond, and were valued pursuant to the guidelines established by Communiqué "A" 3911 and complementary ones. That is, Bogar granted as collateral for the financial assistance were valued at their present value calculated by using the increasing discount rate established by this rule; and Bogar granted as collateral for the advance for the subscription of the Hedge Bond were recorded at the value admitted by the Argentine Central Bank for assets used as collateral.

The exchange offer by the National Government to restructure Argentina's defaulted sovereign debt took place between January 14 and February 25, 2005. The Bank held "Argentine Republic External Notes in US Dollars at Survey Rate + 4.95% 2001-2004" and "Argentine Republic External Notes in US Dollars Badlar + 2.98% 2001-2004" (together the "External Notes"), for an aggregate nominal amount of US\$ 281 million. During January 2005, the Bank opted to receive in exchange of said External Notes, "Discount Bonds in Pesos" and "GDP-Linked Units" to be issued under the terms and conditions established by Decree No.1735/04, exhibits IV and V, respectively. In accordance with this Decree, the chosen option implied receiving new debt instruments for a principal amount equal to 33.7% of the eligible debt, the latter being equal to the non-amortized principal amount as of December 31, 2001, plus unpaid past-due interest up to that date. Given that the Bank decided to accept the aforementioned proposed exchange offer, in an offer not subject to proration, as of December 31, 2004, the External Notes were recorded at a value equal to the present value of the cash flow of the Bogar, and past due interest accrued on such Notes after December 31, 2001, was reversed, as specified in section 1 v) and section 5 of Communiqué "A" 4084.

As regards the registration of the new securities, in order to reduce the effect on bank balance sheets of participating in the exchange offer, through Communiqué "A" 4270, the Argentine Central Bank allowed the "Discount Bonds in Pesos" and the "GDP-Linked Units" to be recorded at the lowest of: (i) the carrying value in accordance with the prevailing valuation rules (Communiqué "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 said securities. This valuation will be reduced in the amount of the perceived service payments and accrued interest shall not be recognized.

Net Position

As of December 31, 2005, the Bank's total net position in government securities amounted to Ps. 6,033.5 million. This amount stems mainly from adding to the total government securities' holdings (Ps. 5,959.8 million), Ps. 337.0 million in forward purchases of Boden 2012 under repo transactions (face value of Ps. 125.0 million) and Ps. 28.9 million in Nobac delivered as collateral for transactions to be carried out in the Rosario Futures Exchange, and subtracting Ps. 293.4 million corresponding to forward sales of Lebac under reverse repo transactions.

The Bank's Boden 2012 net position in investment accounts, for Ps. 987.9 million (face value of US\$ 366.4 million), corresponds to the bonds actually received by the Bank as Compensatory Bond, net of transfers made to Galicia Uruguay and used by such company for the reimbursement of deposits and of the amounts used for the payment of foreign debt in the Bank's foreign debt restructuring completed in May 2004.

Loans

As of December 31, 2005, total loans amounted to Ps. 10,507.7 million and continued representing the Bank's most important asset.

Total loans included loans to the non-financial public sector, for a total amount of Ps. 5,187.5 million (principal, adjustment and interest), which corresponded to Secured Loans created by Decree No.1387/01. Pursuant to said Decree, the Bank received those Secured Loans in exchange for its eligible portfolio of debt instruments of the National Government. At the fiscal year end, said loans were granted as collateral for the financial assistance of the Argentine Central Bank and were valued pursuant to the guidelines established by Communiqué "A" 3911 and complementary ones; that is, at their present value calculated by using the increasing discount rate established by said rule.

The category "Other Loans" included, as principal and interest, Ps. 105.9 million of loans granted to the financial public sector, Ps. 20.0 million of loans granted to the domestic financial private sector, with the remaining Ps. 5,194.7 million corresponding to loans to the non-financial private sector (net of provisions, plus adjustments and accrued interest).

For more information, see "--Risk Management--Credit Risk".

Hedge Bond To Be Received

The caption "Hedge Bond To Be Received" corresponds to the item explained under "Government Securities".

Other Assets

The category "Other Assets" mainly corresponds to:

- i) Ps. 816.1 million of bank premises and equipment, miscellaneous assets and intangible assets, excluding the deferred losses from "amparo" claims (i.e., legal actions requesting protection of constitutional guarantees).
- ii) Ps. 536.5 million of the Bank's holdings of debt securities and participation certificates issued by the Galtrust I Financial Trust, as a result of the securitization of loans to the provincial public sector in late 2000, recorded under the balance sheet caption "Other Receivables from Financial Brokerage."

- iii) Ps. 347.8 million, corresponding to the deferred losses from *"amparo"* claims, recorded as an intangible asset. This amount reflects the Bank's losses due to the difference between the amount paid to depositors (the deposit's original contractual amount, collected by depositors in US dollars or at the free market exchange rate) as a consequence of legal actions, and the amount established by the pesification rules (conversion at the Ps. 1.40 per US dollar exchange rate, plus CER adjustment and interest), net of the accumulated amortization (set forth by Communiqué "A" 3916), plus the amount of the deferred amortization (set forth by Communiqué "A" 4439). The accumulated amortization, between April 2003 and December 31, 2005, including the deferred amortization amount, was Ps. 332.4 million. See "The Argentine Economy and Financial System—Main Regulatory Changes."
- iv) Ps. 289.5 million, recorded under the balance sheet item "Other receivables from Financial Brokerage," corresponding to the Bank's interest in the special fund jointly formed by the Bank with other private-sector banks in order to facilitate the recovery of the assets of former Almafuerde Bank ("Special Fund Former Almafuerde Bank").
- v) Ps. 262.1 million, recorded under "Other Receivables Resulting from Financial Brokerage," corresponding to receivables for forward purchases of Lebac in connection with reverse repo transactions.
- vi) Ps. 203.1 million, recorded under the balance sheet item "Other Receivables from Financial Brokerage," corresponding to participation certificates in, and debt securities of, different financial trusts.
- vii) Ps. 191.2 million corresponding to "Assets under Financial Leases."
- viii) Ps. 102.8 million corresponding to balances deposited at the Argentine Central Bank in favor of clearing houses, which are recorded under the caption "Other Receivables from Financial Brokerage."
- ix) Ps. 90.6 million of equity interests in other companies.
- x) Ps. 50.8 million, recorded under the balance sheet item "Other Receivables from Financial Brokerage," corresponding to the Bank's holdings of participation certificates issued by the Galicia Secured Loans Financial Trust created in May 2002.
- xi) Ps. 47.6 million, recorded under item "Other Receivables from Financial Brokerage," of debt securities and participation certificates issued by the Galtrust II and V financial trusts created in late 2001 as a result of the securitization of part of the Bank's mortgage loan portfolio, held by the Bank in Argentina and by Galicia Uruguay.

Funding and Liabilities

Traditionally the Bank has had three main sources of funding, besides collected income: private-sector deposits, loans from international banks and credit agencies and funds obtained through the placement of medium and long-term debt securities in the international capital market.

In 2005, the Bank's main sources of funds were, basically, the net increase of its deposits, followed by financial income and services collected, as shown by the Statement of Cash Flows of the Bank's Consolidated Financial Statements. In addition, during 2005, the Bank generated funds through: (i) the securitization of loan portfolio and the sale of non-accrual and off-balance sheet portfolio, for an aggregate amount of Ps. 478.1 million, and (ii) the sale of securities issued by the Galtrust I Financial Trust, for Ps. 183.7 million. These transactions are recorded in the Statement of Cash Flows of the Bank's Consolidated Financial Statements, under "Increase in Loans, Net," under "Other Sources of Cash" and under "Increase in Other Receivables Resulting from Financial Brokerage, Net," respectively.

As of December 31, 2005, the structure and main components of the Bank's consolidated liabilities were as follows:

Liabilities and Shareholders' Equity

<i>In millions of pesos</i>	December 31, 2005	%
Deposits	8,437.7	33.1
Credit Lines		
Argentine Central Bank		
Financial Assistance	5,314.9	20.9
Advance to Purchase the Hedge Bond	3,296.6	12.9
International Banks and Credit Agencies	762.1	3.0
Debt Securities ⁽¹⁾	3,795.0	14.9
Other Liabilities	2,460.7	9.7
Shareholders' Equity	1,389.2	5.5
Total	25,456.2	100.0

(1) Includes subordinated negotiable obligations.

At the end of 2005, the Bank's liabilities' structure shows a change in comparison to the prior fiscal-year end, as a consequence of the increase in deposits and the decrease in the relative weight of the financial assistance of the Argentine Central Bank.

As of December 31, 2005, the Bank's total deposits amounted to Ps. 8,437.7 million (principal, CER adjustment and interest), which accounts for 33.1% of total funds (including shareholders' equity), compared to 28.9% as of the same date of the prior year. This total includes deposits in the Bank in Argentina for Ps. 8,103.8 million, and deposits in Galicia Uruguay consolidated for Ps. 418.3 million.

As of December 31, 2005, the Bank's deposits included, in terms of principal amounts: (i) deposits in current accounts for Ps. 1,658.1 million, (ii) deposits in savings accounts for Ps. 2,213.6 million, (iii) time deposits for Ps. 4,277.2 million, of which Ps. 994.6 million corresponded to CER-adjusted time deposits, and (iv) other deposits for Ps. 192.9 million, of which Ps. 34.9 million corresponded to restructured deposits under "amparo" claims, since the scheduled redemption of Cedros stemming from the restructuring of deposits originally denominated in US dollars, set forth by the Government in 2002, ended in August 2005.

During the fiscal year, the Bank's total deposits increased by 24.5% as a consequence of the increase in private-sector deposits raised by the Bank in Argentina, which reached 34.9%. The increase in total deposits is net of the reimbursement of restructured deposits of Galicia Uruguay, resulting both from payments in connection with the original restructuring agreement and the participation of creditors in the exchange offered by Galicia Uruguay in April 2005.

Contractual Maturity of Deposits as of December 31, 2005 ⁽¹⁾

<i>In millions of pesos</i>	Peso-Denominated		Dollar-Denominated		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Current Accounts and Demand Deposits	1,658.2	23.6	-	-	1,658.2	19.9
Savings Accounts	1,664.9	23.7	548.7	41.9	2,213.6	26.5
Time Deposits	3,574.6	50.8	702.1	53.6	4,276.7	51.3
Maturing within 30 Days	439.6	6.3	123.6	9.4	563.2	6.8
Maturing after 31 Days but within 59 Days	811.1	11.5	116.5	8.9	927.6	11.1
Maturing after 60 Days but within 89 Days	491.2	7.0	70.4	5.4	561.6	6.7
Maturing after 90 Days but within 179 Days	537.6	7.6	74.1	5.7	611.7	7.3
Maturing after 180 Days but within 365 Days	905.7	12.9	66.6	5.1	972.3	11.7
Maturing after 365 Days	389.4	5.5	250.9	19.1	640.3	7.7
Other Deposits	133.4	1.9	59.6	4.5	193.0	2.3
Maturing within 30 Days	98.8	1.4	58.9	4.5	157.7	1.9
Maturing after 31 Days but within 59 Days	-	-	-	-	-	-
Maturing after 60 Days but within 89 Days	-	-	-	-	-	-
Maturing after 90 Days but within 179 Days	-	-	-	-	-	-
Maturing after 180 Days but within 365 Days	-	-	-	-	-	-
Maturing after 365 Days	34.6	0.5	0.7	-	35.3	0.4
Total	7,031.1	100.0	1,310.4	100.0	8,341.5	100.0

(1) Only principal. Does not include CER adjustment or interest.

The preceding table shows that the categories with the highest concentration of maturities per original term are the following: (i) "from 31 to 59 days" (pesos plus US dollars), which account for 11.1% of the total and correspond, mainly, to time deposits in pesos, and (ii) "over 180 days" (pesos plus US dollars), which account for 19.4% of the total and correspond, mainly, to CER-adjusted time deposits and to time deposits in US dollars in Galicia Uruguay resulting from its debt restructuring process.

Dollar-denominated deposits, for Ps. 1,310.4 million (excluding interest), account for 15.7% of the total. This amount includes Ps. 411.0 million (excluding interest) corresponding to Galicia Uruguay consolidated.

Liabilities with the Argentine Central Bank

The caption "Argentine Central Bank – Financial Assistance," for Ps. 5,314.9 million (principal plus CER adjustment and interest), reflects debt with this entity due to financial assistance. This liability was restructured in 2004 in accordance with the reimbursement schedule submitted by the Bank to the Argentine Central Bank pursuant to the provisions of Decree No.739/03 and Decree No.1262/03. In accordance to said decrees, the financial assistance of the Argentine Central Bank was restructured as a liability to be amortized in 92 monthly installments of principal and interest beginning in March 2004, with the principal thereof adjusted by CER and with an annual interest rate of 3.5% on the adjusted principal. In December 2004, through Communiqué "A" 4268 and supplementary regulations, the Argentine Central Bank set forth a system through which financial institutions can make advance payments in order to settle debt related to financial assistance, for which banks bid the amount they are willing to advance, in terms of installments of the respective repayment schedule, and the nominal rate they are willing to pay. Funds are applied to the settlement of installments at the contractual maturity date thereof.

During 2005, the Bank made payments under this system for Ps. 211.9 million, equivalent to 6 future installments, of which Ps. 153.6 million were pending application as of year-end. On

the other hand, since March 2004, the Bank has made the monthly payments set forth in the repayment schedule it submitted and, in October 2005, Ps. 450 million were applied to the partial settlement of the CER adjustment.

After the close of the fiscal year, the Bank applied Ps. 2,023.1 million to the settlement of all of the CER adjustment and part of this liability's principal.

The caption "Argentine Central Bank – Advance to Purchase the Hedge Bond" for Ps. 3,296.6 million (principal, CER adjustment and interest) corresponds to the advance to be granted by the Argentine Central Bank for the purchase of the Boden 2012 relating to the Hedge Bond. As mentioned in "Government Securities", after the end of the fiscal year, the Bank made the formal request of said advance for the partial subscription of the Hedge Bond, and the request of the remaining advance shall be duly made. The increase in the advance's amount during the fiscal year is mainly due to the principal adjustment by the CER and to the final determination of the amount of the compensation for the asymmetric pesification.

International Banks and Credit Agencies

As of December 31, 2005, credit lines from international banks and credit agencies amounted to Ps. 762.1 million. This amount accounts for debt in US dollars subject to foreign law. Of this total, Ps. 19.6 million corresponded to debt of the former New York Branch restructured in 2002, Ps. 15.2 million to the IFC loan granted in 2005, and the remaining amount to debt of the Bank in Argentina (and its Cayman Branch) which restructuring process ended in May 2004.

Debt Securities

The following table shows the Bank's outstanding debt securities as of December 31, 2005.

Debt Securities (*)

<i>In millions of pesos, except rates en %</i>	Currency	Maturity	Annual Interest Rate	Balance as of Dec. 31, 2005
Banco Galicia				
- 7.875% Notes Due 2007 ⁽¹⁾	Dollars	August 3, 2007	7.88%	146.8
- Floating Rate Notes Due 2007 ⁽¹⁾	Dollars	August 3, 2007	Libor + 400 bp	87.2
- Class B Floating Rate Notes Due 2010 ^{(2) (3)}	Dollars	January 1, 2010	Libor + 350 bp	1,059.9
- Class A Step Up Notes Due 2014 ^{(2) (4)}	Dollars	January 1, 2014	4.00%	1,391.7
- Subordinated Negotiable Obligations Due 2019 ⁽⁵⁾	Dollars	January 1, 2019	11.00%	742.6
- Other ⁽⁶⁾	Dollars	Past due	-	22.1
Tarjetas Cuyanas S.A.				
- XVI Series	Pesos	December 11, 2006	CER + 1.5% ⁽⁷⁾	21.5
Tarjeta Naranja S.A.				
- Class II	Pesos	March 13, 2006	11.00%	41.5
- Class III	Pesos	November 8, 2006	CER + 1.75% ⁽⁸⁾	41.0
- Class IV	Dollars	September 15, 2006	6.50%	27.0
- Class I	Pesos	December 14, 2007	CER + 1.68% ⁽⁷⁾	40.8
Galicia Uruguay	Dollars	2008-2011	Various	172.9
Total				3,795.0

(*) Only principal (does not include interests). Includes the CER adjustment, where applicable.

(1) Interest payable in cash, semiannually, on February and August of each year, beginning on February 2003. Principal amortizes in three equal annual installments, beginning on August 3, 2005, until maturity.

(2) Interest payable in cash, semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004.

(3) Principal amortizes semiannually, on January 1 and July 1 of each year, beginning on July 1, 2006, in equal installments of 12.5% of principal at origin, until maturity, when the remaining 12.5% is due.

(4) Principal amortizes semiannually, on January 1 and July 1 of each year, beginning on July 1, 2010, in equal installments of 11.1% of principal at origin, until maturity, when the remaining 11.12% is due.

The interest rate increases 1% on January 1 of each year, until reaching 7% on January 1, 2008.

(5) Interest paid in cash: 6% per annum from January 1, 2004, until (but not including) January 1, 2014, payable semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004. Unless the notes are previously redeemed, the annual interest rate will increase to 11% per annum from that date until (but not including) January 1, 2019.

Interest paid in additional subordinated negotiable obligations due 2019: 5% per annum from January 1, 2004, to be paid on January 1, 2014 and January 1, 2019.

Principal amortizes in full on January 1, 2019, unless the notes are previously redeemed at par plus accrued but unpaid interest and additional amounts, if any, in whole or in part at the Bank's option, at any time after the notes due 2010 and the notes due 2014 have been repaid in full.

(6) The balance represents debt (9% Notes Due 2003, for Ps. 19.4 million and Floating rates Notes Due 2005 for Ps. 2.7 million) not tendered by its holders to the exchange offered by the Bank to restructure its foreign debt, which was completed in May 2004.

(7) Floating rate, with an 8% floor and a 20% cap, the greater between CER + 1.5% or CER + 1.68%, and "Tasa Encuesta" + 2%.

(8) Floating rate, with an 8% floor and a 20% cap, of CER + 1.75% plus a variable percentage.

Out of total debt securities for Ps. 3,795.0 million at the end of the fiscal year, Ps. 3,650.2 million corresponded to US dollar-denominated debt pursuant to the following breakdown:

- Ps. 234.0 million in negotiable obligations issued by the Bank in Argentina as part of the restructuring of the liabilities of its former New York Branch, a process that took place in 2002.
- Ps. 172.9 million in negotiable obligations issued by Galicia Uruguay to restructure its deposits, securities that arose either from the original restructuring or from the exchange offers subsequently made by Galicia Uruguay to its customers.
- Ps. 1,059.9 million and Ps. 1,391.7 million in negotiable obligations maturing in 2010 and 2014, respectively, and Ps. 742.6 million in subordinated negotiable obligations

maturing in 2019, all of them issued in 2004 and corresponding to new debt of the Bank in Argentina resulting from the foreign debt restructuring completed in May of said year.

- Ps. 27.0 million in negotiable obligations maturing in 2006, issued by Tarjeta Naranja S.A. (IV Class) in 2005.
- Ps. 22.1 million in foreign debt past due, included in the restructuring process ended in May 2004, the holders of which did not participate in such restructuring.

The difference with the total, for Ps. 144.8 million, corresponds to debt in pesos for negotiable obligations of the regional credit-card companies.

Other Liabilities

The item "Other Liabilities" mainly includes:

- (i) Ps. 591.6 million of debt with retailers in connection with the credit-card activity of the Bank and the regional credit-card companies;
- (ii) Ps. 220.5 million of debt for forward purchases of Boden 2012 in connection with repo transactions;
- (iii) Ps. 293.4 million stemming from the obligation to deliver Lebac as a result of forward sales in connection with reverse repo transactions;
- (iv) Ps. 220.4 million of debt with domestic banks;
- (v) Ps. 195.6 million of debt with Seguros de Depósito S.A. ("Sedesa") and
- (vi) Ps. 181.7 million in provisions.

Ratings

In May 2005, after the completion of the exchange offered by the Argentine Government to restructure the country's foreign debt, Standard & Poor's raised its local scale ratings for the Bank's medium- and long-term deposits and debt to "raA" from "raBBB-" and its short-term deposits rating to "raA2" from "raA3." After the close of the fiscal year, based on the progress achieved by the Bank in strengthening its balance sheet, increasing financial intermediation with the private sector, improving the quality of assets and recovering its operating and bottom-line profitability, the Bank's short-term rating was raised to "raA1."

Exposure to the Public Sector

As of December 31, 2005, the Bank's exposure to the public sector amounted to Ps. 16,358.7 million, similar in absolute terms to that of the prior fiscal year, which meant a decrease in relative terms, as a percentage of total assets, from 69.6% as of December 31, 2004 to 64.3% as of the fiscal-year end. This decrease was mainly due to the use of Boden 2012 for the payment of Galicia Uruguay liabilities in the exchange offered by said entity, which ended in May 2005, and the sale of debt securities issued by the Galtrust I Financial Trust during the fourth quarter of 2005. It is worth mentioning that, at the fiscal-year end, the Boden 2012 held by the Bank or receivable, corresponding to the compensation for the asymmetric pesification (Compensatory and Hedge Bonds) accounted for 20.2% of the Bank's assets.

The Bank's net exposure to the public sector amounted to Ps. 7,746.8 million at the fiscal-year end, equivalent to 30.4% of the Bank's total assets.

Exposure to the Public Sector ^(*)

<i>In millions of pesos</i>	December 31, 2005
Government Securities' Net Position	6,033.5
Trading	454.5
Boden 2012 (Compensatory Bond)	987.9
Bogar	3,823.3
Discount Bonds and GDP-Linked Units	733.3
Fiscal Credit Certificates	34.5
Loans	5,293.4
Financial Sector	105.9
Secured Loans	5,187.5
Other Receivables Resulting from Financial Brokerage	5,031.8
Boden 2012 (Hedge Bond)	4,155.0
Trust Certificates of Participation and Securities	876.8
Total Assets	16,358.7
Liabilities with the Argentine Central Bank	8,611.9
Net Exposure	7,746.8

() Does not include deposits with the Argentine Central Bank.*

As of December 31, 2005, the Bank had granted public-sector assets for Ps. 5,484.0 million as collateral for the financial assistance of the Argentine Central Bank. It is worth mentioning that the advance for the subscription of the Hedge Bond shall be secured with public-sector assets.

Pursuant to item 12 of Communiqué "A" 3911 of the Argentine Central Bank and supplementary regulations, beginning in January 2006, financial institutions' total exposure to the non-financial public sector cannot exceed 40% of the respective total assets. Pursuant to the provisions of the new regulations, the Bank has submitted a plan in order to comply with said rule. The Argentine Central Bank has approved this plan.

INCOME STATEMENT

During fiscal year 2005, the Bank recorded a Ps. 191.0 million net income, compared with a net loss of Ps. 108.6 million in the prior fiscal year. Net income per share was of Ps. 0.407 during fiscal year 2005, while in the prior fiscal year the Bank recorded a net loss per share of Ps. 0.232. Return on average assets was 0.88% and return on average shareholders' equity was 14.77%, compared with a 0.38% negative return on average assets and an 8.47% negative return on shareholders' equity in the prior fiscal year.

This significant improvement can be attributed mainly to:

- a 73.4% increase in financial income, from Ps. 1,367.3 million to Ps. 2,370.5 million,
- a 59.7% reduction in loan loss provisions, from Ps. 190.2 million to Ps. 76.7 million, and
- a 20.2% increase in net income for services, to Ps. 437.2 million from Ps. 525.5 million.

These factors were partially offset by:

- a 56.5% increase in financial expenses, from Ps. 1,198.8 million to Ps. 1,876.6 million,
- a 27.2% increase in administrative expenses, from Ps. 591.8 million to Ps. 752.5 million,

- a 37.7% reduction in net miscellaneous income, from Ps. 116.8 million to Ps. 72.8 million, and
- an income tax charge for Ps. 57.1 million, 91.6% higher than the Ps. 29.8 million corresponding to the prior fiscal year.

Excluding the Ps. 92.3 million profit from the valuation adjustment of public-sector assets (in accordance with Communiqué "A" 3911 and supplementary ones of the Argentine Central Bank) and the Ps. 122.3 million loss from the amortization of "amparo" claims, the Bank's adjusted net income for the fiscal year amounted to Ps. 221.0 million, compared with Ps. 205.7 million for fiscal year 2004, resulting in a 7.5% increase. The highest adjusted net income for the fiscal year is mainly attributable to higher adjusted net financial income (excluding the adjustment to the valuation of public-sector assets) and net income from services, and lower loan loss provisions, partially offset, mainly, by higher administrative expenses and lower reversals of loan loss provisions.

The adjusted net operating income (adjusted net financial income plus net income from services) amounted to Ps. 927.1 million during the fiscal year, with a 36.5% increase in comparison with the Ps. 679.3 million recorded the prior year (which exclude net profits for Ps. 119.7 million corresponding to the Bank's foreign debt restructuring that took place in 2004). This increase was due both to an increase of the adjusted net financial income (which showed an increase of Ps. 159.5 million) and to a higher net income for services (with an increase of Ps. 88.3 million).

The adjusted net operating income less administrative expenses and loan loss provisions amounted to Ps. 98.0 million, compared to a Ps. 102.8 million loss in the previous fiscal year (which excludes the above-mentioned net earnings, for Ps. 119.7 million, from the Bank's foreign debt restructuring that took place in 2004).

The improvement in the net income from services and an increase in expenses which was consistent with the business expansion, translated into high levels of operating efficiency. The coverage of cash operating expenses⁽¹⁾ with income from services⁽²⁾ reached 86.13%. Another efficiency ratio, the "break-even operating spread before provisions for loan losses⁽³⁾" ratio reached only 0.88% for the fiscal year.

Financial Income

Financial income for the fiscal years indicated comprised:

Financial Income

<i>In millions of pesos</i>	December 31,		
	2005	2004	2003
Income on Loans and Other Receivables Resulting from Financial Intermediation and Premiums Earned on Reverse Repos	885.3	733.6	869.2
Income from Government and Corporate Securities, Net	328.9	-	50.6
Other ⁽¹⁾	1,156.3	633.7	500.7
Total	2,370.5	1,367.3	1,420.5

(1) Reflects income from financial leases, net, differences in quotation of gold and foreign currency and premiums on forward sales of foreign exchange. For FY 2005 includes CER adjustment in the amount of Ps. 1,085.1 million. For FY 2004 includes CER adjustment in the amount of Ps. 555.8 million and CVS adjustment in the amount of Ps. 28.9 million. For FY 2003 includes CER adjustment in the amount of Ps. 462.4 million and CVS adjustment in the amount of Ps. 35 million.

(1) Defined as Administrative Expenses less amortization, depreciation and restructuring charges, plus expenses for services.

(2) Includes income from foreign-exchange brokerage and excludes financial fees.

(3) Defined as Administrative Expenses less income from services, as defined in (2), divided by average interest-earning assets.

For the fiscal years indicated, the average balance of interest-earning assets and interest-bearing liabilities and the yields on interest-earning assets and the cost of interest-bearing liabilities was as follows:

Yield on Interest-Earning Assets and Cost of Funds

<i>In millions of pesos, except rates (%)</i>	2005		2004		December 31, 2003	
	Av. Balance	Rate	Av. Balance	Rate	Av. Balance	Rate
Interest-Earning Assets	21,844.2	10.60	20,735.4	6.06	20,725.1	6.44
Government Securities	5,747.7	11.78	3,238.7	-0.29	2,082.8	3.43
Loans	9,746.9	14.00	11,137.9	9.87	11,556.7	9.84
Other Interest-Earning Assets ⁽¹⁾	6,349.6	4.30	6,358.8	2.61	7,085.6	1.77
Interest-Bearing Liabilities	19,792.9	9.23	18,694.3	5.76	18,781.8	6.14
Current Accounts	615.0	2.49	434.0	1.11	215.5	1.39
Savings Accounts	1,388.0	0.34	1,034.7	0.41	615.0	0.55
Time Deposits and Restructured Deposits ⁽²⁾	4,132.8	5.99	3,323.8	4.06	3,617.6	7.17
Argentine Central Bank ⁽³⁾	8,341.6	14.11	8,165.6	8.56	8,062.7	5.87
Debt Securities	3,870.0	6.81	3,505.9	1.70	2,843.4	5.47
Other Interest-Bearing Liabilities	1,445.5	8.16	2,230.3	7.86	3,427.6	7.56
Spread and Net Yield						
Interest Spread, Nominal Basis ⁽⁴⁾		1.37		0.30		0.30
Net Yield on Interest-Earning Assets ⁽⁵⁾		2.24		0.86		0.87
Financial Margin ⁽⁶⁾		2.26		0.81		0.64

(1) Includes, among others, the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

(2) Includes Cedros and restructured deposits with "amparo" claims.

(3) Includes, among others, the financial assistance of the Argentine Central Bank and the advance to be granted by this institution for the subscription of the Hedge Bond.

(4) Reflects the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities. Interest rates include the CER adjustment.

(5) Net interest earned divided by average interest-earning assets. Interest rates include the CER adjustment.

Net interest earned corresponds to the Bank's net financial income ("Financial Income" minus "Financial Expenses", as set forth in the Income Statement), plus:

.Financial fees (included in "Income from Services - In Relation to Lending Transactions" in the Income Statement).

.Contributions to the deposit insurance system, and contributions and taxes on financial income included in the Income Statement line "Financial Expenses - Others"; minus:

.Net income from corporate securities, included under "Financial Income/Expenses - Interest Income and Gains/Losses from Holdings of Government and Corporate Securities", in the Income Statement, and,

.Differences in quotation of gold and foreign currency and premiums on foreign currency transactions, included in "Financial Income/Expenses - Other", in the Income Statement.

Net interest earned also includes income from the portion of loans and government securities used to over-collateralize repo transactions. This income/loss is included in "Miscellaneous Income/Loss - Others" in the Income Statement. Net income from government securities includes both interest and gains/losses due to mark-to-market valuation.

(6) Represents Net Financial Income minus Financial Expenses, divided by average interest-earning assets.

Financial income amounted to Ps. 2,370.5 million, showing a 73.4% increase compared to the Ps. 1,367.3 million recorded in fiscal year 2004.

The increase in financial income was the result of a higher average yield on interest-earning assets as well as of the higher average volume of such assets. The average yield on interest-earning assets was 10.60%, with a 454 basic point (b.p.) increase, which can be explained by: i) a 1,207 b.p. increase in the average yield on government securities, ii) a 413 b.p. increase in average yield on loans, and iii) a 169 b.p. increase in the yield on other interest-earning assets. Average interest-earning assets increased by 5.3%, up from Ps. 20,735.4 million to Ps. 21,844.2 million, mainly as a consequence of a 77.5% increase in the net position in government securities and a 12.5% decrease in the average total loan portfolio.

The average total loan portfolio amounted to Ps. 9,746.9 million, 12.5% lower than the Ps. 11,137.9 million for fiscal year 2004. This decline was due to a Ps. 2,176.9 million decrease in average loans to the public sector, partially offset by a Ps. 785.9 million increase in average

loans to the private sector. The decrease in average loans to the public sector was mainly due to the reclassification of the holdings of Bogar from "Loans" to "Government Securities," in the last quarter of 2004.

As regards loans to the private sector, there was a significant increase in the volume of loans granted during the fiscal year, which implied a 19.1% increase in the average balance for the fiscal year when compared to that of the prior fiscal year. It is worth mentioning that this increase is net of the portfolio transferred to financial trusts and of the fiscal year write offs.

Based on the daily information published by the Argentine Central Bank, the estimated loan market share in the Argentine financial system of the Bank (on an unconsolidated basis and excluding the regional credit-card companies' loan portfolio) was 9.71% as of December 31, 2005 and 9.16% as of December 31, 2004. Also, if we take into consideration only the loans to the private sector, the Bank's participation reached 7.31%, with an increase of 0.88 percentage points from December 31, 2004.

Market Share ^(*)

	December 31,		
	2005	2004	2003
Total Deposits	5.95	5.18	4.59
Private-Sector Deposits			
Total	7.97	7.07	5.62
Deposits in Current and Savings Accounts and Non-Restructured Time Deposits	8.41	7.45	5.80
Total Loans	9.71	9.16 (1)	13.18
Private-Sector Loans	7.31	6.43	7.21

() Banco de Galicia y Buenos Aires S.A., only, within the Argentine financial system. Based on the daily information on deposits and loans prepared by the Argentine Central Bank. End-of-period data.*

(1) The decrease in the total loan market share, in 2004, was mainly due to the reclassification of the holdings of Bogar from "Loans" to "Government Securities", in the last quarter of that year.

The average yield on total loans, including the CER adjustment, was 14.00% compared to 9.87% in fiscal year 2004. The private-sector loan portfolio accrued a 13.24% average interest rate and the public-sector loan portfolio accrued a 14.77% average interest rate. It is worth noting that the yield on public-sector loans, mostly Secured Loans, increased due to the increase in the CER adjustment, which went from 5.48% in 2004 to 11.75% in 2005.

The average interest rate on peso-denominated private-sector loans increased by 31 b.p., from 15.27% to 15.58%. This variation was mainly due to the increase in the average yield on CER adjusted operations, since this index increased 5.48% in fiscal year 2004 and 11.75% in fiscal year 2005. This effect was partially offset, mainly, by the decrease in the average interest rate accrued during fiscal year 2005 on the peso-denominated portfolio of the regional credit-card companies, which stemmed, mainly, from the trend of the reference interest rate to be applied to these transactions published by the Argentine Central Bank.

The average position in government securities was Ps. 5,747.7 million, 77.5% higher than the Ps. 3,238.7 million for fiscal year 2004. This variation is composed of a Ps. 3,719.1 million increase (from Ps. 1,226.7 million in 2004 to Ps. 4,945.8 million in 2005) in the average balance of the government securities position in pesos and a Ps. 1,210.1 million decrease (from Ps. 2,012.0 million to Ps. 801.9 million) in the average balance of the government securities position in US dollars. The higher position in pesos was mainly due to: i) the above-mentioned reclassification of Bogar and ii) the option by the Bank, in January 2005, to receive Discount Bonds in Pesos and GDP-Linked Units in exchange for External Notes, which were denominated in US dollars, which implied a decrease in US dollar-denominated assets and the

corresponding increase in peso-denominated assets. The lower position in US dollars was mainly due to the above and to a lower balance of Boden 2012, essentially due to the use of said securities for US\$ 196 million of face value in the debt exchange offer carried out by Galicia Uruguay during May 2005.

The average yield of the government securities position increased by 1,207 b.p., from a negative rate of 0.29% in 2004 to 11.78% in fiscal year 2005. This variation is composed by a 696 b.p. increase in the average interest rate on government securities in pesos and a 641 b.p. increase in the average interest rate on government securities in US dollars. The increase in the average interest rate on peso-denominated government securities was mainly due to: i) the Bogar valuation, since they are adjusted by the CER, which increased 5.48% during fiscal year 2004 and 11.75% in fiscal year 2005, and ii) to the adjustment to the valuation of peso-denominated securities pursuant to Communiqué "A" 3911 and supplementary ones, which yielded a positive result for the fiscal year of Ps. 92.3 million, while in the previous fiscal year it had represented a Ps. 87.3 million loss. This was the result of the fact that, during 2005, Bogar delivered as collateral for the financial assistance of the Argentine Central Bank were released (as a result of the payments made and the replacement thereof by Secured Loans) and used as collateral for the advance for the subscription of the Hedge Bond. The assets used as collateral for the above-mentioned advance are excluded from the valuation at present value, pursuant to Communiqué "A" 3911 and supplementary ones. The application of said regulations resulted in a Ps. 92.3 million net profit from the valuation of public sector assets.

It is worth mentioning that, in order to reduce the effect on bank balance sheets of participating in the exchange offer, through Communiqué "A" 4270, the Argentine Central Bank allowed the above-mentioned Discount Bonds in Pesos 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 said securities. This valuation will be reduced in the amount of the perceived service payments and accrued interest shall not be recognized.

The increase in the average yield on the government securities position in US dollars was mainly due to: i) the adjustment to the valuation of the External Notes during fiscal year 2004, pursuant to the provisions of Communiqué "A" 4084 and supplementary regulations by the Argentine Central Bank, which entailed a Ps. 106 million loss during said fiscal year, and ii) the increase of the Libo rate, related to the Boden 2012 yield, during 2005.

The "Other Interest-Earning Assets" item is mainly comprised of the Compensatory and Hedge Bonds to be received, as compensation for the "asymmetric pesification," and recorded under "Other Receivables from Financial Brokerage."

The average yield on the item "Other Interest-Earning Assets" increased 169 b.p., mainly due to: i) a 183 b.p. increase in the average yield of other assets denominated in pesos, mainly as a consequence of the higher variation of the CER during the twelve months of fiscal year 2005 (as was discussed in previous paragraphs), which influenced the yield of the securities issued by the Galtrust I Financial Trust, the principal of which is adjusted by such coefficient and which are recorded under this item, among others; and ii) a 143 b.p. increase in the average yield of other assets denominated in dollars, mainly due to the increase in the Libo rate during fiscal year 2005, at which rate the Compensatory and Hedge Bonds accrue interest.

Financial income for fiscal year 2005 include a Ps. 56.1 million profit from foreign-exchange quotation differences, which includes a Ps. 54.3 million profit from foreign exchange brokerage. During fiscal year 2004, profits due to quotation differences amounted to Ps. 43.7 million, which amount included a Ps. 54.0 million profit from foreign exchange brokerage.

Financial Expenses

Financial expenses comprised:

Financial Expenses

<i>In millions of pesos</i>	December 31,		
	2005	2004	2003
Interest on Deposits	173.1	115.9	230.6
Negotiable Obligations	263.7	122.3	155.6
Net Expenses from Government and Corporate Securities	-	6.1	-
Contributions and Taxes	48.8	48.8	31.7
Other ⁽¹⁾	1,391.0	905.7	870.3
Total	1,876.6	1,198.8	1,288.2

(1) Includes accrued interest on liabilities resulting from financial brokerage with banks and international entities, and premiums payable on repos. For FY 2005, 2004 and 2003, includes Ps. 1,007.3 million, Ps. 486.3 million and Ps. 187.5 million, respectively, of CER adjustments.

Financial expenses for the fiscal year amounted to Ps. 1,876.6 million, thus increasing 56.5% in comparison with the Ps. 1,198.8 million of 2004. This variation stemmed from an increase of 347 b.p. in the average cost of funds and a 5.9% increase in the average balance of interest-bearing assets.

Average interest-bearing liabilities amounted to Ps. 19,792.9 million, compared to Ps. 18,694.3 million for fiscal year 2004. This increase is mainly explained by a 28.0% increase in interest-bearing deposits, which grew from Ps. 4,792.5 million to Ps. 6,135.8 million.

The increase in the average balance of interest-bearing deposits was mainly the result of the strong increase in the Bank's deposits in Argentina, in current accounts, savings accounts and time deposits. Taking into account the final balances of the Bank's total deposits, said increase was of Ps. 2,138.7 million for the year, equivalent to a 35.9% increase compared to the prior fiscal year-end total.

The increase in the average balance of interest-bearing deposits was partially offset by: (i) the exchange of US dollar-denominated restructured liabilities (deposits and negotiable obligations) for cash and Boden 2012, carried out by Galicia Uruguay and finalized in May 2005, and (ii) the payment by said entity, in September 2005, of the installment established in the restructuring schedule of said liabilities.

Of the total average interest-bearing deposits, Ps. 1,210.4 million were dollar-denominated and Ps. 4,925.4 million were peso-denominated, compared with Ps. 1,427.1 million and Ps. 3,365.4 million, respectively, in fiscal year 2004.

Considering only private-sector deposits in current and savings accounts and time deposits (excluding restructured deposits), raised only by the Bank in Argentina, the estimated deposit market share of the Bank in the Argentine financial system increased to 8.41% as of December 31, 2005, compared to 7.45% as of December 31, 2004.

The average cost of interest-bearing deposits was 4.36%, 136 b.p. greater than the 3.00% average cost for the prior fiscal year. Peso-denominated deposits (including those adjusted by

CER) accrued a 5.27% average interest rate, compared to a 3.73% average interest rate in fiscal year 2004. This growth was a result, mainly, of the increase in the peso borrowing interest rates experienced by the market as a whole during 2005, together with the higher CER adjustment in fiscal year 2005 compared to 2004 (as already mentioned above), which is applied to adjustable deposits. Likewise, the cost of US dollar-denominated deposits was 0,65%, 63 b.p. lower than the 1.28% rate corresponding to fiscal year 2004, as a consequence, mainly, of the lower share of Galicia Uruguay's deposits throughout the year.

The item "Argentine Central Bank" recorded an average balance that was Ps. 176.0 million higher than the Ps. 8,165.6 million of fiscal year 2004, and an average cost of 14.11%, 555 b.p. higher than the 8.56% interest rate for fiscal year 2004. This item shows the average balances of the financial assistance of the Argentine Central Bank and of the advance from the Argentine Central Bank to be granted to the Bank for the purchase of the Hedge Bond. End-of-period balances, as of December 31, 2005, amounted to Ps. 5,314.9 million and Ps. 3,296.6 million, respectively, compared to Ps. 5,707.0 million and Ps. 2,720.7 million, respectively, at the close of the previous fiscal year. The Ps. 392.1 million decrease in the balance of the financial assistance of the Argentine Central Bank was a consequence of the payments made during the period on such liability, partially offset by its principal's CER adjustment. The Ps. 575.9 million increase in the balance of the advance for the subscription of the Hedge Bond was due to the CER adjustment during the year and to the determination, during the first quarter of 2005, of the final amount of the compensation due to the Bank for the asymmetric pesification.

The average balance of debt securities was Ps. 3,870.0 million, higher than the Ps. 3,505.9 million corresponding to the prior fiscal year. The increase in the average balance of debt securities is basically related to the decisions made by creditors in the restructuring of the Bank's and the Cayman Branch's foreign debt carried out in 2004. Given the fact that bank creditors chose to receive bonds, the average balance of debt securities in 2004 was higher than that of 2003 but did not reflect the whole impact of such elections, which was indeed recorded in 2005, since the restructuring took place by mid 2004. This effect was partially offset, mainly, by: i) the exchange of liabilities restructured as negotiable obligations for cash and Boden 2012 carried out by Galicia Uruguay during the second quarter of fiscal year 2005, ii) the forgiveness by Grupo Galicia of the subordinated negotiable obligations issued by Galicia Uruguay for US\$ 43 million, also during the second quarter of 2005, and iii) the payment of the first amortization installment of the debt instruments issued in the restructuring of the former New York Branch's debt. The average cost was 6.81% in 2005, while for the prior fiscal year it had been 1.70%. It is worth mentioning that the average cost for fiscal year 2004 was strongly influenced by the reduction in principal and interest that resulted from the restructuring of the Bank's foreign debt completed in May 2004, which generated a Ps. 142.5 million profit, partially offset by taxes in the amount of Ps. 22.8 million.

The average balance of the caption "Other Interest-Bearing Liabilities" was Ps. 1,445.5 million in fiscal year 2005, with an average rate of 8.16% while, for fiscal year 2004, the average balance amounted to Ps. 2,230.3 million and the average rate was 7.86%. This caption includes, among others, the debt with international banks and credit agencies, which balance decreased in 2005 mainly due to the same reason explaining the increase in the average balance of debt securities, which is mentioned in the previous paragraph. Also, the caption includes obligations in connection with repo transactions of Boden 2012. These liabilities accrue a variable rate based on the Libo rate. The variation of the average rate between both fiscal years is mainly due to the increase in the Libo rate during the period.

Net Financial Income

The Bank's net financial income for fiscal year 2005 amounted to Ps. 493.9 million and the financial margin was 2.26%.

As a consequence of the asymmetric pesification of the financial system's assets and liabilities and of the measures to compensate its effects, after the 2001-2002 crisis, the Bank has a net position in peso-denominated assets adjusted by CER and a net position in assets denominated in foreign currency, and a net position in non-adjusted peso-denominated liabilities. Net financial income for the fiscal year is influenced by the results from the matched portfolios in these currencies and by the funding of the mismatches in assets adjusted by CER and assets denominated in foreign currency with non-adjusted peso-denominated liabilities.

In fact, the net financial income, before the results from the valuation of public-sector assets in accordance with Argentine Central Bank regulations and before quotation differences mainly reflects the profits associated with the peso-denominated and CER-adjusted matched portfolios and the profits generated by the funding of the mismatches in CER-adjusted and foreign-currency assets with non-adjusted peso-denominated liabilities. These profits were partially offset by the loss from the foreign-currency matched portfolio.

In fiscal year 2004, net financial income was Ps. 168.5 million and the financial margin was 0.81%.

Interest-Earning Assets – Net Yield and Spread ^(*)

<i>In millions of pesos, except rates</i>	December 31,		
	2005	2004	2003
Total Average Interest-Earning Assets			
Pesos	15,287.2	12,843.1	12,130.3
Dollars	6,557.0	7,892.3	8,594.8
Total	21,844.2	20,735.4	20,725.1
Net Interest Earned ⁽¹⁾			
Pesos	631.1	346.2	341.0
Dollars	(141.9)	(167.3)	(160.0)
Total	489.2	178.9	181.0
Net Yield on Interest-Earning Assets ⁽¹⁾ (%)			
Pesos	4.13	2.70	2.81
Dollars	(2.16)	(2.12)	(1.86)
Weighted-Average Yield	2.24	0.86	0.87
Interest Spread, Nominal Basis ⁽³⁾			
Pesos	2.93	2.09	2.21
Dollars	(2.48)	(2.48)	(2.36)
Weighted-Average Yield	1.37	0.30	0.30

() Interest rates include the CER adjustment.*

(1) Net interest earned, divided by average interest-earning assets. See the "Yield on Interest-Earning Assets and Cost of Funds" table.

(2) Interest Spread, Nominal Basis, is the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities.

Consolidated Nominal Average Balances, Yields and Rates ^(*)

	December 31, 2005								
	Pesos			Dollars			Total		
	Average Balance	Interest Earned/Paid	Av. Yield/Rate	Average Balance	Interest Earned/Paid	Av. Yield/Rate	Average Balance	Interest Earned/Paid	Av. Yield/Rate
<i>In millions of pesos, except rates in %</i>									
Assets									
Government Securities	4,945.8	660.9	13.36	801.9	16.4	2.05	5,747.7	677.3	11.78
Loans									
Private Sector	3,917.2	610.3	15.58	989.9	39.6	4.00	4,907.1	649.9	13.24
Public Sector	4,839.8	714.9	14.77	-	-	-	4,839.8	714.9	14.77
Total Loans	8,757.0	1,325.2	15.13	989.9	39.6	4.00	9,746.9	1,364.8	14.00
Other Interest-Earning Assets ⁽¹⁾	1,584.4	134.6	8.50	4,765.2	138.7	2.91	6,349.6	273.3	4.30
Total Interest-Earning Assets	15,287.2	2,120.7	13.87	6,557.0	194.7	2.97	21,844.2	2,315.4	10.60
Cash and Gold	357.1	-	-	184.2	-	-	541.3	-	-
Equity Investments	446.7	-	-	43.5	-	-	490.2	-	-
Other Assets	1,835.2	-	-	89.3	-	-	1,924.5	-	-
Allowances	(555.7)	-	-	(72.4)	-	-	(628.1)	-	-
Total Assets	17,370.5	-	-	6,801.6	-	-	24,172.1	-	-
Liabilities and Equity									
Deposits									
Current Accounts	536.8	15.3	2.85	78.2	-	-	615.0	15.3	2.49
Savings Accounts	1,023.9	4.7	0.46	364.1	-	-	1,388.0	4.7	0.34
Time Deposits and Restructured Deposits ⁽²⁾	3,364.7	239.5	7.12	768.1	7.9	1.03	4,132.8	247.4	5.99
Total Interest-Bearing Deposits	4,925.4	259.5	5.27	1,210.4	7.9	0.65	6,135.8	267.4	4.36
Argentine Central Bank	8,341.3	1,177.2	14.11	0.3	-	-	8,341.6	1,177.2	14.11
Debt Securities	101.3	9.7	9.58	3,768.7	254.0	6.74	3,870.0	263.7	6.81
Other Interest-Bearing Liabilities	247.8	43.2	17.43	1,197.7	74.7	6.24	1,445.5	117.9	8.16
Total Interest-Bearing Liabilities	13,615.8	1,489.6	10.94	6,177.1	336.6	5.45	19,792.9	1,826.2	9.23
Demand Deposits	1,414.4	-	-	20.8	-	-	1,435.2	-	-
Other Liabilities	1,287.3	-	-	318.0	-	-	1,605.3	-	-
Minority Interests	45.2	-	-	-	-	-	45.2	-	-
Shareholders' Equity	1,293.5	-	-	-	-	-	1,293.5	-	-
Total Liabilities and Equity	17,656.2	-	-	6,515.9	-	-	24,172.1	-	-
Spread and Net Yield (%)									
Interest Rate Spread			2.93			(2.48)			1.37
Cost of Funds Supporting									
Interest – Earning Assets			9.74			5.13			8.36
Net Yield on Interest-Earning Assets			4.13			(2.16)			2.24

(*) Interest earned/paid includes the CER adjustment.

(1) Includes the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

(2) Includes Cedros and restructured deposits with "amparo" claims.

Consolidated Nominal Average Balances, Yields and Rates ^(*)

	December 31, 2004								
	Pesos			Dollars			Total		
	Average Balance	Interest Earned/Paid	Av. Yield/Rate	Average Balance	Interest Earned/Paid	Av. Yield/Rate	Average Balance	Interest Earned/Paid	Av. Yield/Rate
<i>In millions of pesos, except rates in %</i>									
Assets									
Government Securities	1,226.7	78.5	6.40	2,012.0	(87.8)	(4.36)	3,238.7	(9.3)	(0.29)
Loans									
Private Sector	3,213.9	490.9	15.27	907.3	44.1	4.86	4,121.2	535.0	12.98
Public Sector	7,016.7	564.6	8.05	-	-	-	7,016.7	564.6	8.05
Total Loans	10,230.6	1,055.5	10.32	907.3	44.1	4.86	11,137.9	1,099.6	9.87
Other Interest-Earning Assets ⁽¹⁾	1,385.8	92.5	6.67	4,973.0	73.4	1.48	6,358.8	165.9	2.61
Total Interest-Earning Assets	12,843.1	1,226.5	9.55	7,892.3	29.7	0.38	20,735.4	1,256.2	6.06
Cash and Gold	290.1	-	-	150.0	-	-	440.1	-	-
Equity Investments	339.2	-	-	88.5	-	-	427.7	-	-
Other Assets	2,119.8	-	-	104.0	-	-	2,223.8	-	-
Allowances	(840.2)	-	-	(284.1)	-	-	(1,124.3)	-	-
Total Assets	14,752.0	-	-	7,950.7	-	-	22,702.7	-	-
Liabilities and Equity									
Deposits									
Current Accounts	364.5	4.8	1.32	69.5	-	-	434.0	4.8	1.11
Savings Accounts	767.1	4.2	0.55	267.6	-	-	1,034.7	4.2	0.41
Time Deposits and Restructured Deposits ⁽²⁾	2,233.8	116.6	5.22	1,090.0	18.2	1.67	3,323.8	134.8	4.06
Total Interest-Bearing Deposits	3,365.4	125.6	3.73	1,427.1	18.2	1.28	4,792.5	143.8	3.00
Argentine Central Bank	8,165.6	698.8	8.56	-	-	-	8,165.6	698.8	8.56
Debt Securities	10.7	-	-	3,495.2	59.5	1.70	3,505.9	59.5	1.70
Other Interest-Bearing Liabilities	263.9	55.9	21.18	1,966.4	119.3	6.07	2,230.3	175.2	7.86
Total Interest-Bearing Liabilities	11,805.6	880.3	7.46	6,888.7	197.0	2.86	18,694.3	1,077.3	5.76
Demand Deposits	1,038.2	-	-	34.0	-	-	1,072.2	-	-
Other Liabilities	1,197.4	-	-	436.1	-	-	1,633.5	-	-
Minority Interests	21.0	-	-	-	-	-	21.0	-	-
Shareholders' Equity	1,281.7	-	-	-	-	-	1,281.7	-	-
Total Liabilities and Equity	15,343.9	-	-	7,358.8	-	-	22,702.7	-	-
Spread and Net Yield (%)									
Interest Rate Spread			2.09			(2.48)			0.30
Cost of Funds Supporting									
Interest - Earning Assets			6.85			2.50			5.20
Net Yield on Interest-Earning Assets			2.70			(2.12)			0.86

^(*) Interest earned/paid includes the CER adjustment.

⁽¹⁾ Includes the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

⁽²⁾ Includes Cedros and restructured deposits with "amparo" claims.

Consolidated Nominal Average Balances, Yields and Rates (*)

In millions of pesos, except rates in %	December 31, 2003								
	Pesos			Dollars			Total		
	Average Balance	Interest Earned/ Paid	Av. Yield/ Rate	Average Balance	Interest Earned/ Paid	Av. Yield/ Rate	Average Balance	Interest Earned/ Paid	Av. Yield/ Rate
Assets									
Government Securities	250.5	23.3	9.30	1,832.3	48.2	2.63	2,082.8	71.5	3.43
Loans									
Private Sector	2,981.0	705.6	23.67	986.2	89.2	9.04	3,967.2	794.8	20.03
Public Sector	7,589.5	342.6	4.51	-	-	-	7,589.5	342.6	4.51
Total Loans	10,570.5	1,048.2	9.92	986.2	89.2	9.04	11,556.7	1,137.4	9.84
Other Interest-Earning Assets ⁽¹⁾	1,309.3	61.1	4.67	5,776.3	64.4	1.11	7,085.6	125.5	1.77
Total Interest-Earning Assets	12,130.3	1,132.6	9.34	8,594.8	201.8	2.35	20,725.1	1,334.4	6.44
Cash and Gold	207.0	-	-	135.5	-	-	342.5	-	-
Equity Investments	462.1	-	-	140.4	-	-	602.5	-	-
Other Assets	2,235.6	-	-	128.2	-	-	2,363.8	-	-
Allowances	(1,291.7)	-	-	(251.4)	-	-	(1,543.1)	-	-
Total Assets	13,743.3	-	-	8,747.5	-	-	22,490.8	-	-
Liabilities and Equity									
Deposits									
Current Accounts	185.1	3.0	1.62	30.4	-	-	215.5	3.0	1.39
Savings Accounts	436.3	3.4	0.78	178.7	-	-	615.0	3.4	0.55
Time Deposits and Restructured Deposits ⁽²⁾	2,194.5	232.5	10.59	1,423.1	26.8	1.88	3,617.6	259.3	7.17
Total Interest-Bearing Deposits	2,815.9	238.9	8.48	1,632.2	26.8	1.64	4,448.1	265.7	5.97
Argentine Central Bank	8,062.0	473.1	5.87	0.7	-	-	8,062.7	473.1	5.87
Debt Securities	-	-	-	2,843.4	155.6	5.47	2,843.4	155.6	5.47
Other Interest-Bearing Liabilities	220.0	79.6	36.18	3,207.6	179.4	5.59	3,427.6	259.0	7.56
Total Interest-Bearing Liabilities	11,097.9	791.6	7.13	7,683.9	361.8	4.71	18,781.8	1,153.4	6.14
Demand Deposits	700.7	-	-	72.2	-	-	772.9	-	-
Other Liabilities	939.5	-	-	561.9	-	-	1,501.4	-	-
Minority Interests	(2.8)	-	-	-	-	-	(2.8)	-	-
Shareholders' Equity	1,437.5	-	-	-	-	-	1,437.5	-	-
Total Liabilities and Equity	14,172.8	-	-	8,318.0	-	-	22,490.8	-	-
Spread and Net Yield (%)									
Interest Rate Spread			2.21			(2.36)			0.30
Cost of Funds Supporting									
Interest - Earning Assets			6.53			4.21			5.57
Net Yield on Interest-Earning Assets			2.81			(1.86)			0.87

(*) Interest earned/paid includes the CER adjustment.

(1) Includes the amounts corresponding to the Compensatory Bond and the Hedge Bond to be received.

(2) Includes Cedros and restructured deposits with "amparo" claims.

Provision for Losses on Loans and Other Receivables

The provision for losses on loans and other receivables amounted to Ps. 76.7 million, 59.7% lower than the Ps. 190.2 million recorded in the prior fiscal year, thus reflecting the improvement in the quality of the Bank's loan portfolio. This improvement reflects the favorable trends in the Argentine economy in the last three years, the restructuring of the Bank's commercial loan portfolio and the write offs made.

For further information on loan portfolio quality, see "—Risk Management—Credit Risk."

Net Income from Services

Net income from services for the indicated fiscal years consisted of:

Net Income from Services

<i>In millions of pesos</i>	December 31,		
	2005	2004	2003
Credit and Debit Cards	361.5	315.1	260.9
Deposit Accounts	102.7	80.3	66.6
Credit Related Fees	19.6	21.6	12.9
Collections	12.4	10.1	7.5
Utility Bills Collection Services	9.5	8.3	6.6
Foreign Trade	24.5	19.9	13.6
Insurance	34.4	27.3	22.0
Other ⁽¹⁾	77.0	44.0	38.4
Total Income	641.6	526.6	428.5
Total Expenses	116.1	89.4	67.4
Net Income from Services	525.5	437.2	361.1

(1) Includes, among others, fees from investment banking activities, asset management, safety boxes and cash management.

Net income from services amounted to Ps. 525.5 million, 20.2% higher than the Ps. 437.2 million recorded in the previous fiscal year. Nearly all categories grew, mainly as a consequence of a significant increase in the volume of operations together with an increase, in the third quarter of 2005, in the price of certain services.

Income from credit and debit cards of Ps. 361.5 million contains Ps. 233.4 million of income from the regional credit-card companies. These companies managed 1,800.8 thousand cards as of December 31, 2005, a 19.2% increase from December 31, 2004. Income from services of the regional credit-card companies increased 14.8% from the prior fiscal year, due to the increase in the average number of cards managed and to the fact that the purchases made with these cards increased significantly in the fiscal year.

The Bank's income from credit and debit card operations not related to the regional credit-card companies was Ps. 128.1 million, with a 14.6% increase over the Ps. 111.8 million recorded in the prior fiscal year. This higher income was attributable not only to the higher number of credit cards but also to the higher average use of such cards recorded during the year. The number of cards managed by the Bank (excluding those managed by the regional credit-card companies) increased 38.8%, reaching as 997.3 thousand as of December 31, 2005, compared to 718.3 thousand as of December 31, 2004.

Credit Cards

Number of credit cards, except purchases	December 31,		
	2005	2004	2003
Visa	791,937	553,316	411,367
"Gold"	116,299	85,861	66,303
International	483,111	302,115	218,041
Domestic	185,688	163,300	125,832
"Business"	6,839	2,040	1,191
MasterCard	83,020	3,231	4,420
"Gold"	15,827	474	682
MasterCard	67,004	2,704	3,738
Argencard	189	53	-
American Express	122,378	161,799	89,294
"Gold"	47,295	47,829	34,508
International	75,083	113,970	54,786
Regional Credit-Card Companies	1,800,801	1,510,804	1,179,192
Visa	548,199	394,619	368,088
Local Brands (*)	1,252,602	1,116,185	811,104
Total	2,798,136	2,229,150	1,684,273
Amount of Purchases (In millions of pesos)	4,943.6	3,720.1	2,925.7

(*) Corresponds to Tarjeta Naranja S.A., Tarjeta Comfiar S.A., Tarjetas Cuyanas S.A. and Tarjetas del Mar S.A. Tarjeta Naranja S.A. and Tarjeta Comfiar S.A. merged in November 2003.

The Bank's total deposit accounts amounted to 1,110.4 thousand as of December 31, 2005, 11.0% higher than as of December 31, 2004.

Reflecting the expansion of credit activity, the increase in deposit volume and in the number of deposit accounts, the higher sales of products, and the increase in the price of certain services, significant growth was achieved in income from services from the following items: deposit accounts (27.9%), insurance (26.0%), foreign trade (23.1%), collections (22.8%) and utility bills collection services (14.5%).

Expenses from services increased 29.9%, from Ps. 89.4 million in fiscal year 2004 to Ps. 116.1 million.

Administrative Expenses

The following table sets forth the components of administrative expenses for fiscal year 2005 and the fiscal years indicated:

Administrative Expenses

In millions of pesos	December 31,		
	2005	2004	2003
Salaries and Social Security Contributions	321.5	234.7	189.4
Personnel Services	28.7	23.5	15.3
Amount Paid to Directors and Syndics	4.7	3.5	1.5
Advertising and Publicity	67.9	37.6	19.9
Electricity and Communications	30.7	26.6	27.0
Property-Related Expenses (depreciation and rental)	56.2	54.2	69.1
Taxes	35.1	30.2	27.5
Other	207.7	181.5	188.7
Total	752.5	591.8	538.4

Administrative expenses amounted to Ps. 752.5 million, 27.2% higher than the Ps. 591.8 million recorded in the prior fiscal year.

Personnel expenses and expenses due to personnel services increased 35.6% in aggregate, from Ps. 258.2 million in fiscal year 2004 to Ps. 350.2 million in fiscal year 2005. This increase was mainly due to higher salaries and to an increase in staff. The Bank's staff, including the consolidated companies' staff, grew 8.7%, from 6,195 to 6,735 employees, as a consequence of the higher level of activity.

The remaining administrative expenses amounted in aggregate to Ps. 402.3 million, thus reflecting a 20.6% increase in comparison with the Ps. 333.6 million recorded in the prior fiscal year. This increase was due to higher advertising and publicity expenses (80.6%). The other remaining administrative expenses increased 13.0%, a growth that is related to a higher activity level and an increase in inflation during the year.

Income (Loss) from Equity Investments

Income from equity investments amounted to Ps. 6.3 million, as compared to a Ps. 3.6 million profit in fiscal year 2004.

The fiscal year profit was mainly due to the Ps. 2.2 million and the Ps. 1.4 million profits from the Bank's interests in Banelco S.A. and Sudamericana Holding S.A., respectively, while the previous year income was mainly due to the Ps. 1.9 million profit from the interest in Banelco S.A.

Miscellaneous Income, Net

Miscellaneous net income amounted to Ps. 72.8 million, 37.7% lower than the Ps. 116.8 million recorded in the prior year.

This year's profit was mainly due to: i) a Ps. 124.3 million profit stemming from the forgiveness by Grupo Galicia, in the second quarter of 2005, of the subordinated negotiable obligations issued by Galicia Uruguay, ii) loan recoveries for Ps. 35 million, and iii) the net reversal of allowances for loan losses and other contingencies for Ps. 28.5 million. These profits were partially offset by a Ps. 122.3 million loss from the amortization of the deferred losses from "amparo" claims. It should be mentioned that, beginning in December 2005, the Argentine Central Bank authorized financial institutions having granted as from said date new commercial loans with average lives exceeding 2 years, to defer the charge to income in connection with the amortization of the deferred losses from "amparo" claims. As a consequence, the Bank deferred Ps. 11.3 million during the last month of the year.

The profit recorded in fiscal year 2004 was mainly due to the net reversal of allowances for loan losses and other contingencies in the amount of Ps. 123.6 million and to loan recoveries for Ps. 110.1 million. The latter amount included Ps. 56.8 million from the sale of part of the loan portfolio recorded off-balance sheet. These profits were partially offset by the loss from the amortization of "amparo" claims, which amounted to Ps. 121.0 million.

Income Tax

The income tax charge for the fiscal year was Ps. 57.1 million, of which Ps. 56.8 million correspond to Tarjetas Regionales S.A. consolidated with its operating subsidiaries, and Ps.

0.3 million to Galicia Valores S.A. During fiscal year 2004 the income tax charge was Ps. 29.8 million.

The increase in this charge is mainly due to the full use of tax credits by the regional credit-card companies, during fiscal year 2004.

RISK MANAGEMENT

The Bank's purpose is to consolidate an integral approach to risk management, with emphasis on the continuing improvement of risk assessment practices.

As to the internal control structure, the Board of Directors delegates in the Risk Management Committee the executive managing responsibilities of approving policies, procedures and controls of the overall Bank's risk management. The Risk Management Department's main mission is to assure that the Board of Directors has full knowledge of the risks to which the Bank is exposed (financial, credit and operational risks), and to design and propose the necessary policies and/or procedures to mitigate and control said risks. Risk management activities are handled in a decentralized manner in the different departments that are directly responsible for such risks.

The Bank assumes the commitment against the risk of money laundry and terrorism funding by assigning to the Risk Management Department exclusive responsibilities and tasks related to the control and support of those areas with specific control tasks in this area.

Credit Risk

The Bank's credit approval and credit risk analysis is a centralized process based on the concept of "opposition of interests." This is achieved through the existing division between the credit and the origination functions both in the retail and the wholesale businesses, thus enabling the Bank to achieve an ongoing and efficient control of asset quality, a proactive management of problem loans, aggressive write-offs of uncollectible loans, and an adequate loan loss provisioning. The process also includes credit-quality monitoring by borrower, as well as monitoring of problem loans and related losses. The process facilitates early detection of situations that could entail some degree of portfolio impairment and provides appropriate protection of the Bank's assets.

The Credit Division is in charge of defining, upon the approval of the Board of Directors, the Bank's credit risk policies and procedures, the continuous assessment of credit risk and the development of credit assessment models applied to risk products. It is also responsible for loan approval, classification of the loan portfolio and recovery of past due loans.

To perform its tasks, the Division is made up of the Corporate Credit Department, in charge of approving, supervising, classifying and provisioning the commercial and financial institutions' loan portfolio; the Corporate Recovery Department, in charge of the follow-up and recovery of the past due commercial portfolio; and the Retail Credit Department, in charge of approving consumer loans as well as following up and recovering past due consumer loans.

The Internal Audit Division is in charge of overseeing the classification of the loan portfolio, in accordance with the regulations established by the Argentine Central Bank.

Retail Credit

As regards consumer loans, the Bank assesses applications for different products such as credit cards, cash advances in current accounts and personal loans with or without guarantees.

Applications for these products are assessed through computerized credit-scoring systems that take into account different variables to determine the customer's profile and repayment capacity. Analysis of the information required from applicants and the credit approval or refusal decision is made in a centralized manner. Applicants previous credit performance, both at Banco Galicia or in the financial system as a whole, is verified through the information provided by Organización Veraz S.A., a company that provides credit information services.

As regards credit approval, the Retail Credit Department is responsible for approving loans to customers for amounts up to Ps. 1 million. Loans exceeding such amount have to be approved by the Board of Directors Committee. This Department also defines and approves credit policies for the retail banking business, together with the originating sectors. The Retail Credit Department monitors the classification of the loan portfolio pursuant to the Argentine Central Bank regulations and the Bank's internal policies. Accordingly to the rules in force, classification of the retail loan portfolio is based on the borrower's performance.

As regards the recovery of past-due loans, the Retail Credit Department manages individual past-due loans from the early stages until the portfolio returns to a normal status or the recovery procedures are abandoned in the case of loans deemed uncollectible. Recovery procedures throughout Argentina are carried out either directly or through third parties.

When a consumer loan is more than three days past due, recovery procedures are undertaken through the Collection Center (a specialized area of the Bank's Customer Contact Center), or through letters or visits to the borrower. A follow-up system that performs automated telephone calls is also used for loans in early stages of delinquency. For a better coverage of the locations in the provinces, the Department also coordinates actions with the Bank's branch network staff. When these procedures are exhausted, recovery of these loans is turned to collection agencies hired by the Bank to handle recovery through litigation or out-of-court proceedings. The Retail Credit Department oversees the performance of these agencies.

Corporate Credit

Prior to the approval of a loan, the Bank performs an evaluation of the corporate borrower and its financial status. For credits above certain amounts, the Bank carries out a standard analysis of each credit line and of each corporate borrower. For credits below certain amounts, automated risk evaluation systems that provide financial and non-financial information on the borrower are used.

The Bank's information systems provide both financial and non-financial data about customers. They can also perform automated risk evaluations and financial-statements projections and have the capacity to generate automatic warnings when certain situations are verified that may indicate an increase in risk.

The Bank bases the risk assessment on the following factors:

Qualitative analysis	assessment of the quality of the corporate borrower performed by the line officer to which the account has been assigned on the basis of personal knowledge.
Economic and financial risk	quantitative analysis of the borrower's financial statements.
Economic risk of the sector	measurement of the general risk of the sector in which the borrower operates (based on statistical information gathered from internal and external sources).

The primary responsibility of the Corporate Credit Department is to approve loans to corporate customers with a credit limit not exceeding Ps. 3.5 million. In such process, the primary objective is to maintain high credit-quality standards, in accordance with the Bank's policies and procedures. The Department also classifies the performing and non-performing commercial portfolios, in accordance with the regulations set by the Argentine Central Bank regulations and with the Bank's own internal policies, and coordinates the Credit Division's relations with the Argentine Central Bank, the independent auditors, and the rating agencies. Moreover, it reviews all those corporate customers whose total credit exceeds Ps. 500,000, in accordance with a review schedule determined by the level of credit risk.

The Corporate Recovery Department is responsible for monitoring and controlling past-due commercial portfolios and for recovery of the entire commercial portfolio. It establishes procedures, acts proactively, and designs action plans on a case-by-case basis to recover any amounts that exceed the credit limits that are assigned to the different corporate customers. This Department also oversees recovery of problem loans in the corporate portfolio, managing them efficiently and working to regularize the status of those customers that are most attractive to the Bank. Furthermore, this Department manages problem loans for which recovery is being settled through litigation or out-of-court agreements. This includes overseeing lawsuits carried out in various jurisdictions by outside law firms hired to handle these matters.

The Corporate Banking and Middle-Market Banking Departments are responsible for the business relations with the Bank's corporate customers as regards both the management of the various lines of business and credit origination.

The Corporate Restructuring Department, that had been created in 2002 to restructure the debt of certain customers within the large corporations sector, was dissolved in 2004. This decision was taken upon the Bank's restructuring during 2004 of a substantial portion of the portfolio managed by that Department.

All credit extensions must be approved by an officer of the Credit Division. Approval of commercial credits is structured based on the credit limit assigned to each customer, as follows:

- Under Ps. 2.0 million: credit extensions are proposed by the business officers and must be approved by officers of the Corporate Credit Department in accordance with pre-established credit authority levels.
- Over Ps. 2.0 million and up to Ps. 3.5 million: credit proposals are jointly approved by the manager of the Credit Division and the manager of the business department to which the account belongs.
- Over Ps. 3.5 million: credit extensions must be approved by the Board of Directors Committee, with the participation of: (i) one or more directors; (ii) the manager of the

Credit Division; and (iii) the manager of the Wholesale Banking Division. The participation of the managers of the business departments depends on which of these departments manages the account subject to approval.

Main Regulations of the Argentine Central Bank

Although the aggregate amount of credit operations conducted with companies, individuals or economic groups by the Bank, measured for each one of those customers, is limited by Argentine Central Bank rules, pursuant to Communiqué "A" 2140 and subsequent ones, the Bank applies significantly stricter parameters.

Independently of its internal policies and procedures designed to minimize credit risk, the Bank complies with the applicable regulations of the Argentine Central Bank, which are summarized below.

In 1994, the Argentine Central Bank introduced the current loan classification system and the corresponding minimum loan loss provision requirements, applicable to loans and other types of credit (together referred to as "loans" in this section) to private-sector borrowers.

The current loan classification system is a bifurcated system, applying certain criteria to classify loans in a bank's "consumer" portfolio, and another set of criteria to classify loans in its "commercial" portfolio. The loan classification criteria applied to loans in the consumer portfolio are based on delinquency aging, while the principal criterion of classification of loans in the commercial portfolio is each borrower's ability to pay, as measured mainly by such borrower's future cash flow. In the loan classification system, all customers of an economic group are considered as one borrower. If a customer has both commercial and consumer loans, consumer loans will be added to commercial loans to determine eligibility for classification in the consumer portfolio. Loans backed with preferred guarantees will be considered at 50.0% of their nominal value.

Regulations on loan classification allow financial institutions to classify commercial loans of up to Ps. 500,000 (on May 1, 2005, through Communiqué "A" 4310, the Argentine Central Bank changed said limit from Ps. 200,000 to Ps. 500,000), by applying the same parameters described for the consumer portfolio, that is, automatically, according to the number of days the debt is past due. Pursuant to Communiqué "A" 3918 from the Argentine Central Bank, between March 31, 2003 and December 31, 2003, customers with a total debt in the whole financial system of up to Ps. 5 million have been classified in the same manner as consumer loans. In order to determine the arrear, this rule established that one day was to be computed for each three days the loan had been past due in the period between December 1, 2001 and March 31, 2003. This treatment was also applied to the portfolio of commercial loans considered as "consumer loans" which, under the previous rules, was already automatically classified.

The Bank's consumer-loan portfolio is classified in the following categories:

1. Normal Performance: current loans and loans that are up to 31 days past due.
2. Inadequate Performance: occasional late payments, with payment in arrears of more than 31 days and up to 90 days.
3. Deficient Performance: some inability to make payments, with arrears of more than 90 days and up to 180 days.
4. Difficult Collection: judicial proceedings demanding payment have been initiated or with arrears of more than 180 days and up to one year.

5. Uncollectible: loans to insolvent or bankrupt borrowers, or subject to judicial proceedings, with little or no possibility of collection, or with arrears in excess of one year.

6. Uncollectible due to Technical Reasons: loans to borrowers indicated by the Argentine Central Bank to be in non-accrual status with financial institutions that have been liquidated or are being liquidated, or whose authorization to operate has been revoked.

The Bank's commercial-loan portfolio is classified in the following categories:

1. Normal: borrower can easily service all financial obligations.

2. With Special Follow-up: existence of conditions that could compromise the borrower's future repayment capacity. This category is divided into two subcategories:

(2.a). Under observation and

(2.b). Under negotiation or under refinancing agreements.

3. With Problems: borrower is unable to meet commitments in a normal manner.

4. High Risk of Insolvency: borrower is highly unlikely to be able to meet commitments.

5. Uncollectible: loans that are deemed uncollectible at the time of analysis.

6. Uncollectible due to Technical Reasons: same as for consumer loans.

Minimum allowances for loan losses are required for the different categories in which loans are classified. The rates vary by category and by whether the loans are secured or not. The allowances are set forth as follows:

Minimum Allowances for Loan Losses

Category	Secured	Unsecured
1. Normal/Normal Performance	1%	1%
2.		
- With Special Follow-up/Inadequate Performance		
a) Under Observation	3%	5%
b) Under Negotiation or Agreements to Refinance	6%	12%
- Inadequate Performance	3%	5%
3. With problems/ Deficient Performance	12%	25%
4. High Risk of Insolvency / Difficult Collection	25%	50%
5. Uncollectible	50%	100%
6. Uncollectible due to Technical Reasons	100%	100%

The percentages apply to the total customer obligations, considering both principal and interest. Groups of related companies are deemed to be a single customer, and the Bank's total exposure to one customer must be classified in the highest risk category applicable to any part of such exposure. The allowance for loan losses on the performing portfolio is unallocated, while the allowances for the other categories are individually allocated. The regulations suspend accrual of interest or require allowances equivalent to 100% of interest for customers classified as "With Problems", "Deficient Performance," or lower.

In applying the Argentine Central Bank's classification to commercial loans, banks must assess the following factors: management and operating history and present and projected financial situation of the borrower, capability of the borrower's internal information and control systems to provide accurate and timely financial information, as well as the general risk of the sector in which the borrower operates and the borrower's relative position within that sector. In this analysis, special consideration must be given to the assessment of the customer's exposure to currency risk.

An evaluation team independent of banks' loan origination sectors must carry out a periodic review of the commercial portfolio. The evaluation must be carried out on each borrower with outstanding credit equal to the lesser of the following amounts: Ps. 1 million or 1% of the Bank's Computable Capital (regulatory capital or RPC) but, in all cases, this amount shall at least cover 20% of the total loan portfolio.

The Argentine Central Bank requires that the larger the exposure is, the more frequent the review should be. Said review must be conducted every calendar quarter when credit exposure to that borrower is equal to or in excess of 5% of the Banks' RPC on the last day of the month prior to the review, or every six months when exposure equals or exceeds the lesser of the following amounts: Ps. 1 million or 1% of the Bank's RPC, on the last day prior to the review. In any case, at least 50% of the commercial portfolio must be reviewed by the end of each six months, and all other borrowers in the commercial portfolio must be reviewed during the Bank's fiscal year, so that that the entire commercial portfolio is reviewed every fiscal year.

In addition, only one level of discrepancy is permitted between the classification assigned by a bank and the lowest classification assigned by at least two other banks whose combined credit to the borrower represents 20% or more of the total credit of the borrower considering all banks. If a bank's classification differs by more than one level from the lowest of such classification, it must immediately downgrade its classification of the borrower to the same classification, or within one classification level. This mandatory reclassification was discontinued for commercial debtors (including those with debts of up to Ps. 200,000 treated as consumer loans for the purposes of classification) pursuant to the provisions of the Argentine Central Bank's Communiqué "A" 3918, for the period between March 31 and December 31, 2003. However, said mandatory reclassification started to be effective again in 2004, pursuant to the provisions of Communiqué "A" 4070.

With the purpose of facilitating customers access to credit after the 2001-2002 crisis, the Argentine Central Bank resolved, mainly through Communiqués "A" 4070 and "A" 4254 dated January 9 and December 2, 2004, respectively, to make some modifications that aimed at making the effects of said crisis neutral on customers' classification. The most important modifications made were as follows:

- The possibility to classify as normal, at the financial institutions' option, those customers having reached a restructuring agreement, without repayment percentages being required, and having enough cash flows to repay the new debt (this option will be effective until June 2006).
- The reduction in the requirements for loan amortization necessary to improve the customer's classification.
- The possibility to provide customers with new financial assistance and classify as normal customers classified in a non-accrual status in the financial system, thereby restricting this financing assistance to pre-established percentages according to the worst situation a customer registers in the financial system.

Loan Portfolio

The Bank's loan portfolio before the allowance for loan losses totaled Ps. 10,935.6 million at the fiscal year-end, 21.2% higher than the Ps. 9,025.8 million registered at the close of the prior year.

Composition of the Loan Portfolio

	December 31,				
	2005	2004	2003	2002	2001
	<i>In millions of pesos</i>			<i>In millions of February 28, 2003, constant pesos</i>	
Principal and Interest					
Non-Financial Public Sector	5,187.5	4,513.7	4,277.7	7,634.7	8,669.7
Local Financial Sector	128.2	150.5	194.7	134.8	190.8
Non-Financial Private Sector and Residents Abroad ⁽¹⁾					
Advances	223.6	199.8	219.1	227.0	811.1
Notes	1,836.9	1,099.2	1,280.1	1,544.3	3,888.9
Mortgage Loans	503.4	623.9	719.6	864.0	3,298.2
Pledge Loans	121.1	92.9	54.6	191.5	841.8
Personal Loans	258.0	58.2	55.2	120.0	583.4
Credit-Card Loans	1,732.1	1,105.4	818.8	585.0	1,875.3
Placements in Correspondent Banks	212.9	379.2	172.4	158.3	377.5
Other Loans	599.8	393.9	325.7	251.4	196.0
Accrued Interest and Quotation Differences					
Receivable	146.8	414.4	523.1	608.5	392.1
Documented Interest	(14.7)	(5.3)	(2.5)	(10.8)	(55.1)
Total	10,935.6	9,025.8	8,638.5	12,308.7	21,069.7
Allowance for Loan Losses	(427.9)	(632.6)	(1,177.3)	(1,681.8)	(1,050.3)
Total	10,507.7	8,393.2	7,461.2	10,626.9	20,019.4
Loans with Guarantees					
With Preferred Guarantees ⁽²⁾	838.5	1,190.0	1,228.8	9,280.5	13,389.8
Other Guarantees	6,317.3	5,235.8	5,163.0	523.0	1,689.8
Total	7,155.8	6,425.8	6,391.8	9,803.5	15,079.6

(1) Categories of loans above include:

- Advances: short-term obligations drawn on by customers through overdrafts.
- Notes: endorsed promissory notes, negotiable obligations and other promises to pay signed by one borrower or group of borrowers, and factored loans.
- Mortgage loans: loans granted to purchase or improve real estate and collateralized by such real estate and commercial loans secured by a real estate mortgage.
- Pledge loans: loans where collateral (other than real estate) is an integral part of the loan documents.
- Personal loans: loans to individuals.
- Credit-card loans: loans granted through credit cards.
- Placements in correspondent banks: short-term loans to other banks and short-term loans from Galicia Uruguay to international banks outside of Uruguay.
- Other loans: loans not included in other categories.

(2) Preferred guarantees includes mortgages on real estate property or pledges on movable property, pledges of Argentine government securities, or gold or cash collateral.

Loans to the financial and non-financial public sector as of fiscal year-end amounted to Ps. 5,293.4 million, of which Ps. 5,187.5 million corresponded to Secured Loans to the National Government and Ps. 105.9 million corresponded to loans to the financial public sector. Said exposure's share of the total portfolio dropped to 48.4% as of the fiscal year-end, from 51.4% at the close of the prior fiscal year.

As of December 31, 2005, loans to the private sector amounted to Ps. 5,642.2 million, with a 28.6% increase compared to the same date of the prior year, and a 51.6% share of the total portfolio compared with 48.6% for the prior year. Loans to businesses and individuals increased from 44.1% of the total portfolio at the close of the prior year to 49.4% at the fiscal year-end.

Loans by Type of Borrower

<i>In millions of pesos, except percentages</i>	2005		2004		December 31, 2003	
Large Corporations	1,412.9	12.92 %	1,271.9	14.09 %	1,820.4	21.07 %
Middle-Market Companies	1,899.9	17.37	1,195.2	13.24	850.3	9.84
Commercial Loans	3,312.8	30.29	2,467.1	27.33	2,670.7	30.91
Individuals	2,091.6	19.13	1,512.6	16.76	1,324.7	15.33
Financial Sector ⁽¹⁾	343.7	3.14	532.4	5.90	357.4	4.14
Non-Financial Public Sector	5,187.5	47.44	4,513.7	50.01	4,277.7	49.52
Other Loans	-	-	-	-	8.0	0.10
Total ⁽²⁾	10,935.6	100.00	9,025.8	100.00	8,638.5	100.00

(1) Includes local and international financial sectors.

(2) Before the allowance for loan losses.

By sector of economic activity, while services (including loans to the non-financial public sector) remains the most significant item, its share of the total loan portfolio began to show a decline during the fiscal year, in comparison with the remaining sectors of activity. Said share dropped from 55.8% at the close of the prior fiscal year to 53.4% as of December 31, 2005.

Regarding the remaining sectors, loans to consumers (17.9%), to the manufacturing industry (8.9%) and to the primary sector (7.1%) continued being the most significant categories. This last category is mainly composed of loans to the agriculture and livestock sector.

Loans by Economic Activity

<i>In millions of pesos, except percentages</i>	2005		2004		December 31, 2003	
Financial Sector ⁽¹⁾	343.7	3.14 %	532.4	5.90 %	357.4	4.14 %
Services						
Non-Financial Public Sector	5,187.5	47.44	4,513.7	50.01	4,277.7	49.52
Communication, Transportation, Health and Others	409.7	3.75	339.0	3.76	320.2	3.71
Electricity, Gas, Water Supply and Sewage Services	154.2	1.41	134.3	1.49	239.0	2.77
Other Financial Services	83.5	0.76	46.9	0.52	362.2	4.19
Total	5,834.9	53.36	5,033.9	55.78	5,199.1	60.19
Primary Products						
Agriculture and Livestock	768.3	7.02	518.6	5.75	389.6	4.51
Fishing, Forestry and Mining	11.9	0.11	69.3	0.77	93.0	1.08
Total	780.2	7.13	587.9	6.52	482.6	5.59
Consumer	1,959.4	17.92	1,435.4	15.90	1,258.5	14.57
Retail Trade	435.8	3.99	287.7	3.19	278.5	3.22
Wholesale Trade	189.0	1.73	97.5	1.08	67.7	0.78
Construction	388.3	3.55	372.8	4.13	404.2	4.68
Manufacturing						
Foodstuffs	386.0	3.53	233.9	2.59	166.7	1.93
Transportation Materials	68.3	0.62	41.2	0.46	18.6	0.22
Chemicals and Oil	24.8	0.23	124.6	1.38	109.5	1.27
Other	492.0	4.50	229.7	2.54	235.0	2.71
Total	971.1	8.88	629.4	6.97	529.8	6.13
Other Loans	33.2	0.30	48.8	0.53	60.7	0.70
Total ⁽²⁾	10,935.6	100.00	9,025.8	100.00	8,638.5	100.00

(1) Includes local and international financial sectors.

(2) Before the allowance for loan losses.

Loan Portfolio Quality

Like in the two previous fiscal years, the loan portfolio quality continued improving during this fiscal year.

During the fiscal year, a portfolio of Ps. 264.4 million was transferred to the BG Financial Trust, of which Ps. 200 million consisted of non-performing loans which were part of the Bank's assets and Ps. 64.4 million were off-balance sheet portfolio. It is worth mentioning that the securities issued by the trust were fully subscribed by third parties. See note 21 to the Individual Financial Statements.

As a consequence of the above, and due to the increase in the loan portfolio, on one hand, and the progress achieved by the Bank in the restructuring of the commercial loan portfolio, on the other, the non-accrual portfolio as a percentage of total loans dropped from 7.74% as of the prior year-end, to 3.50% at the close of fiscal year 2005. Considering only loans to the private sector, the non-accrual loan portfolio as a percentage of said portfolio dropped from 15.93% as of December 31, 2004, to 6.78% at the end of the fiscal year.

The coverage of the non-accrual loan portfolio with allowances increased from 90.51% as of December 31, 2004, to 111.90% as of the fiscal year-end.

Classification of the Loan Portfolio

<i>In millions of pesos</i>	December 31,								
	2005			2004			2003		
	Amounts not Yet Due	Amounts Past Due	Total	Amounts not Yet Due	Amounts Past Due	Total	Amounts not Yet Due	Amounts Past Due	Total
Normal / Normal Performance	10,168.8	-	10,168.8	7,764.4	-	7,764.4	6,531.3	-	6,531.3
With Special Follow-up / Inadequate Performance	384.4	-	384.4	562.5	-	562.5	807.9	-	807.9
With Problems / Deficient Performance	120.4	206.9	327.3	197.1	251.7	448.8	237.9	426.5	664.4
High Risk of Insolvency / Difficult Collection	6.0	23.0	29.0	52.8	105.8	158.6	50.4	245.4	295.8
Uncollectible	-	22.8	22.8	-	85.5	85.5	-	324.9	324.9
Uncollectible Due to Technical Reasons	-	3.3	3.3	-	6.0	6.0	-	14.2	14.2
Total Loan Portfolio ⁽¹⁾	10,679.6	256.0	10,935.6	8,576.8	449.0	9,025.8	7,627.5	1,011.0	8,638.5
Non-Accrual Loans ⁽²⁾	126.4	256.0	382.4	249.9	449.0	698.9	288.3	1,011.0	1,299.3

<i>In millions of February 28, 2003, constant pesos</i>	December 31,					
	2002			2001		
	Amounts not Yet Due	Amounts Past Due	Total	Amounts not Yet Due	Amounts Past Due	Total
Normal / Normal Performance	9,758.0	-	9,758.0	19,287.1	-	19,287.1
With Special Follow-up / Inadequate Performance	940.5	-	940.5	362.0	-	362.0
With Problems / Deficient Performance	321.5	556.3	877.8	198.9	157.4	356.3
High Risk of Insolvency / Difficult Collection	66.1	453.4	519.5	175.8	624.7	800.5
Uncollectible	-	198.2	198.2	-	217.5	217.5
Uncollectible Due to Technical Reasons	-	14.7	14.7	-	46.3	46.3
Total Loan Portfolio ⁽¹⁾	11,086.1	1,222.6	12,308.7	20,023.8	1,045.9	21,069.7
Non-Accrual Loans ⁽²⁾	387.6	1,222.6	1,610.2	374.7	1,045.9	1,420.6

(1) Before the allowance for loan losses.

(2) Non-accrual loans is defined as those loans classified in the last four categories of the loan classification.

During 2005, provisions for loan losses amounted to Ps. 66.0 million, which reflects a 65% drop compared to Ps. 186.9 million in the prior fiscal year. This drop is directly related to the improvement in the overall Argentine economy situation and the approval procedures used to grant new loans. Allowances for loan losses for Ps. 96.2 million were reversed and direct charges to the income statement, net of recoveries, represented a Ps. 28.9 million gain. Like in the prior fiscal year, the net charge to the income statement was a profit. Said profit amounted to Ps. 64.0 million, accounting for 0.66% of the average loan portfolio for the fiscal year.

Ps. 174.5 million, including Ps. 109.1 million in connection with the transfer of non-performing portfolio to the BG Financial Trust, were written off against the allowance for loan losses.

Loan Portfolio Quality

	December 31,				
	2005	2004	2003	2002	2001
	<i>In millions of pesos</i>			<i>In millions of February 28, 2003, constant pesos</i>	
	<i>(Except ratios)</i>				
Total Loans ⁽¹⁾	10,935.6	9,025.8	8,638.5	12,308.7	21,069.7
Non-Accrual Loans					
With Preferred Guarantees	58.4	383.7	496.5	610.8	578.4
With Other Guarantees	6.5	67.4	275.8	282.9	198.5
Without Guarantees	317.5	247.8	527.0	716.5	643.7
Total Non-Accrual Loans	382.4	698.9	1,299.3	1,610.2	1,420.6
Past Due Loan Portfolio					
Non-Financial Public Sector	-	-	-	-	-
Local Financial Sector	-	-	-	-	-
Non-Financial Private Sector and Residents Abroad					
Advances	14.1	29.9	93.9	64.9	79.8
Promissory Notes	191.6	253.1	528.2	741.0	307.6
Mortgage Loans	14.6	115.1	211.7	217.2	313.6
Pledge Loans	0.5	4.2	28.3	35.7	74.0
Consumer Loans	0.8	4.2	110.2	58.6	94.5
Credit-Card Loans	33.4	24.9	30.6	100.4	174.5
Placements with Correspondent Banks	-	-	-	-	-
Other	1.0	17.6	8.1	4.8	1.9
Total Past Due Loans	256.0	449.0	1,011.0	1,222.6	1,045.9
Past Due Loans					
With Preferred Guarantees	16.1	308.0	415.7	449.3	388.3
With Other Guarantees	4.9	11.4	235.6	172.5	76.1
Without Guarantees	235.0	129.6	359.7	600.8	581.5
Total Past Due Loans	256.0	449.0	1,011.0	1,222.6	1,045.9
Allowance for Loan Losses	427.9	632.6	1,177.3	1,681.8	1,050.3
Ratios (%)					
Past Due Loans as a Percentage of Total Loans	2.34	4.97	11.70	9.93	4.96
Past Due Loans with Preferred Guarantees as a Percentage of Total Loans	0.15	3.40	4.81	3.65	1.84
Past Due Loans with Other Guarantees as a Percentage of Total Loans	0.04	0.13	2.73	1.40	0.36
Past Due Unsecured Amounts as a Percentage of Total Loans	2.15	1.44	4.16	4.88	2.76
Non-Accrual Loans as a Percentage of Total Loans	3.50	7.74	15.04	13.08	6.74
Non-Accrual Loans as a Percentage of Total Loans (Excluding Interbank Loans)	3.57	8.10	15.35	13.25	6.87
Allowance for Loan Losses as a Percentage of Total Loans	3.91	7.01	13.63	13.66	4.98
Allowance for Loan Losses as a Percentage of Total Loans (Excluding Interbank Loans)	4.00	7.33	13.91	13.84	5.08
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	111.90	90.51	90.61	104.45	73.93
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans	16.97	64.54	59.44	55.50	54.69
Non-Accrual Loans as a Percentage of Past Due Loans	149.38	155.66	128.52	131.70	135.83

(1) Before the allowance for loan losses.

Analysis of Loan Loss Experience

				December 31,		June 30,
	2005	2004	2003	2002	2001	2001
	<i>In millions of pesos</i>			<i>In millions of February 28, 2003, constant pesos</i>		
	<i>(Except ratios)</i>					
Total Loans, Average ⁽¹⁾	9,746.9	11,137.9	11,556.7	15,262.4	19,944.5	19,868.1
Allowance for Loan Losses at the Beginning of the Period	632.6	1,177.3	1,681.8	1,050.3	673.6	576.9
Changes in the Allowance for Loan Losses						
Provisions Charged to Income	66.0	186.9	217.1	1,599.5	656.0	546.7
Allowances Reversed	(96.2)	(210.3)	(402.1)	-	-	(4.8)
Write Offs (A)	(174.5)	(521.3)	(267.3)	(305.7)	(279.3)	(445.2)
Inflation Effect	-	-	(52.2)	(662.3)	-	-
Allowance for Loan Losses at Period-End	427.9	632.6	1,177.3	1,681.8	1,050.3	673.6
Charge to the Income Statement						
Provisions Charged to Income ⁽²⁾	61.1	179.3	217.1	1,599.5	656.0	546.7
Direct Write Offs, Net of Recoveries (B)	(28.9)	(101.6)	(38.6)	(17.2)	(19.0)	(22.3)
Allowances Reversed	(96.2)	(210.3)	(402.1)	-	-	(4.8)
Net Charge to the Income Statement	(64.0)	(132.6)	(223.6)	1,582.3	637.0	519.6
Ratios (%)						
Write Offs (-A + B) to Average Loans	1.49	3.77	1.98	1.89	2.61	2.13
Net Charge to the Income Statement to Average Loans	(0.66)	(1.19)	(1.93)	10.37	6.39	2.62

(1) Before the allowance for loan losses.

(2) Includes quotation differences of Galicia Uruguay and the Cayman Branch.

Allocation of the Allowance for Loan Losses by Type of Loan

<i>In millions of pesos, except percentages</i>	December 31,								
	2005			2004			2003		
	Amount	% ⁽¹⁾	% ⁽²⁾	Amount	% ⁽¹⁾	% ⁽²⁾	Amount	% ⁽¹⁾	% ⁽²⁾
Non-Financial Public Sector	-	-	47.44	-	-	50.01	-	-	49.51
Local Financial Sector	-	-	1.17	-	-	1.67	-	-	2.25
Non-Financial Private Sector and Residents Abroad									
Advances	12.3	0.11	2.04	22.7	0.25	2.21	78.8	0.91	2.54
Promissory Notes	186.4	1.70	16.80	270.9	3.00	12.18	441.9	5.12	14.82
Mortgage Loans	21.6	0.20	4.60	97.6	1.08	6.91	142.6	1.65	8.33
Pledge Loans	0.5	-	1.11	3.5	0.04	1.03	22.7	0.27	0.63
Consumer Loans	0.9	0.01	2.36	4.0	0.04	0.64	157.6	1.82	0.64
Credit-Card Loans	14.0	0.13	15.84	10.8	0.12	12.25	14.5	0.17	9.48
Placements with Correspondent Banks	-	-	1.95	-	-	4.20	-	-	2.00
Other	17.1	0.16	6.69	32.1	0.36	8.90	5.6	0.06	9.80
Unallocated	175.1	1.60	-	191.0	2.12	-	313.6	3.63	-
Total	427.9	3.91	100.00	632.6	7.01	100.00	1,177.3	13.63	100.00

<i>In millions of February 28, 2003, constant pesos, except percentages</i>	December 31,					
	2002			2001		
	Amount	% ⁽¹⁾	% ⁽²⁾	Amount	% ⁽¹⁾	% ⁽²⁾
Non-Financial Public Sector	-	-	62.03	-	-	41.15
Local Financial Sector	-	-	1.09	-	-	0.91
Non-Financial Private Sector and Residents Abroad						
Advances	40.1	0.33	1.84	46.1	0.22	3.85
Promissory Notes	569.0	4.62	12.55	219.2	1.04	18.46
Mortgage Loans	122.1	0.99	7.02	154.5	0.73	15.65
Pledge Loans	24.3	0.20	1.56	33.5	0.16	4.00
Consumer Loans	48.4	0.39	0.97	64.8	0.31	2.77
Credit-Card Loans	55.6	0.45	4.75	83.7	0.40	8.90
Placements with Correspondent Banks	-	-	1.29	-	-	1.79
Other	-	-	6.90	3.7	0.02	2.52
Unallocated	822.3	6.68	-	444.8	2.10	-
Total	1,681.8	13.66	100.00	1,050.3	4.98	100.00

(1) Allowance for loan losses as a percentage of total loans.

(2) Loan category as a percentage of total loans.

Total Credit

In accordance with Argentine Central Bank's methodology for preparation of the Statement of Debtor's Status, total credit is defined as the sum of loans, certain accounts under the balance sheet heading "Other Receivables from Financial Brokerage" that represent credit transactions (such as holdings of debt securities or certificates of participation of financial trusts, the assets of which are composed of loans to the public or private sectors, and negotiable obligations without quotation), assets under financial leases, and the off-balance sheet accounts "Guarantees Granted" and "Unused Balances of Loans Granted." Defined in this manner, the Bank's consolidated credit portfolio, including the portfolio of the regional credit-card companies indirectly controlled by the Bank, amounted to Ps. 11,938.3 million at the end of fiscal year 2005.

As of that date, the non-accrual portfolio to total credit ratio was 3.87%, while the coverage of the non-accrual portfolio with allowances was 100.69%.

Total Credit

<i>In millions of pesos, except ratios</i>	December 31,		
	2005	2004	2003
Classification of the Portfolio			
Normal and Normal Performance	11,089.2	8,410.2	7,060.8
With Special Follow-up and Inadequate Performance	387.2	576.4	875.5
With Problems and Deficient Performance	387.7	520.3	752.0
High Risk of Insolvency and Difficult Collection	36.5	173.6	307.5
Uncollectible	34.3	89.0	413.9
Uncollectible Due to Technical Reasons	3.4	6.1	14.7
Total Loan Portfolio ⁽¹⁾	11,938.3	9,775.6	9,424.4
Non-Accrual Portfolio ⁽²⁾			
With Preferred Guarantees	66.4	397.0	533.1
With Other Guarantees	9.6	75.9	299.7
Without Guarantees	385.9	316.1	655.3
Non-Accrual Portfolio	461.9	789.0	1,488.1
Allowances	465.1	672.1	1,311.7
Ratios (%)			
Allowances to Total Portfolio	3.90	6.88	13.92
Non-Accrual Portfolio to Total Portfolio	3.87	8.07	15.79
Allowances to Non-Accrual Portfolio	100.69	85.18	88.15
Non-Accrual Portfolio With Guarantees to Non-Accrual Portfolio	16.45	59.94	55.96

(1) Before the allowance for loan losses.

(2) The non-accrual portfolio is defined as those credits classified in the last four categories of the classification.

Liquidity, Interest-Rate and Currency Risks

Banco Galicia's objective in asset and liability management is to achieve a structure of financial assets and liabilities that maximizes its return on equity, both short-term and long-term, within an overall framework of acceptable risks. The risks involved are those related to liquidity, interest rates and currencies. The Bank's policy regarding these risks is set by the Board of Directors, which delegates, as already mentioned, risk supervision and management to the Treasury Division.

Liquidity

Banco Galicia's policy is to maintain a level of liquid assets that allows it to meet financial commitments at contractual maturity, take advantage of potential investment opportunities, and meet credit demand. To set the appropriate level, forecasts are made based on historical experience and analysis of possible scenarios. This enables management to project funding needs and alternative funding sources, as well as excess liquidity and placement strategies for such funds.

Liquidity Management (unconsolidated)

As of December 31, 2005, the liquidity structure of the Bank in Argentina was as follows:

Liquidity (unconsolidated)	
<i>In millions of pesos</i>	December 31, 2005
Legal Requirements	1,173.6
Excess Liquidity	858.6
Total Liquidity⁽¹⁾	2,032.2

(1) Does not include cash of the Cayman Branch, Galicia Uruguay, and other related companies.

Legal liquidity refers to the “Minimum Cash Requirements” set by regulations of the Argentine Central Bank, minus the permitted reduction in the requirement in the amount of the balance of the “Special Fund Former Almaguero Bank” (Resolution No.408/03 of the Argentine Central Bank).

Excess liquidity consists of the following items: (i) 100% of the balance of overnight placements in banks abroad, (ii) 80% of short-term loans to prime companies, (iii) 90% of the Lebac balance, (iv) Ps. 300 million in available government securities, at market value, due to the potential liquidity that might be obtained in the market through repo transactions, and (v) 100% of the balance in the Argentine Central Bank (including escrow accounts in favor of clearing houses) in excess of the items necessary to cover the Minimum Cash Requirements.

As regards the legal requirements, such requirements correspond to the Minimum Cash Requirements for peso- and dollar-denominated liabilities. At the close of the fiscal year, the percentages of Minimum Cash Requirements applicable in accordance with Communiqué “A” 4449 of the Argentine Central Bank, dated December 2, 2005, were as follows:

- Demand deposits:
 - peso-denominated current accounts and savings accounts: 15%.
 - dollar-denominated savings accounts: 30%.
- Time deposits, including those adjusted by CER (by remaining maturity):
 - denominated in pesos: up to 29 days: 14%; from 30 to 59 days: 11%; from 60 to 89 days: 7%; from 90 to 179 days: 2%; from 180 to 365 days: 1%; and more than 365 days: 0%.
 - denominated in dollars: up to 29 days: 35%; from 30 to 59 days: 28%; from 60 to 89 days: 20%; from 90 to 179 days: 10%; from 180 to 365 days: 6%; and more than 365 days: 0%.

The assets computable for compliance with this requirement are the technical cash, which comprises bills and coins, the balances of the peso- and dollar-denominated accounts at the Argentine Central Bank and that of the escrow accounts held at the Argentine Central Bank in favor of clearinghouses.

The Bank’s Board of Directors has defined a total liquidity objective, which was determined based on the analysis of the behavior of the Bank’s deposits during the crisis that affected the financial system at the end of 2001 and during the first half of 2002 (considered as the “worst-case” scenario). Two liquidity levels were defined: “operational liquidity” (to address the Bank’s daily operations) and “additional liquidity” (excess amount available). Deposits were classified into “wholesale deposits” and “retail deposits”.

During the fiscal year, “operational liquidity” was established at 5% of retail demand deposits and time deposits maturing in less than 10 days, plus the balance in the escrow accounts held at the Argentine Central Bank and the balances in correspondent banks needed to address foreign-trade operations.

“Additional liquidity” varies according to the remaining maturity of the different kinds of deposits and to the currency in which said deposits are denominated. As a result of the analysis performed, the Bank defined a floor for “additional liquidity in pesos” at 50% of the necessary funds to bear the “worst case” scenario and for the “additional liquidity in US dollars” the floor was set at 70% of said funds. Simultaneously, a margin must be kept in order to face a potential drop in deposits, of 5% in pesos and 15% in US dollars, without failing to meet the Minimum Cash Requirements. At fiscal-year end, the “additional liquidity”

included in the above table amounted to Ps. 1,267.0 million and US\$ 144.1 million, equivalent to 58.2% and to 192.0% of the “worst case” scenario, respectively, with both percentages exceeding the policy established by the Bank.

Liquidity Mismatches

The aforementioned concepts refer to liquidity in terms of “stock”. To analyze the mismatches between consolidated financial assets and liabilities, and as a supplement to the above-mentioned liquidity analysis, the “Liquidity Gap” is prepared, showing the mismatches resulting from the contractual maturity of consolidated financial assets and liabilities.

Liquidity Gap

In millions of pesos	December 31, 2005					
	Less than One Year	1 – 5 Years	5 – 10 Years	Over 10 Years	To Be Restructured	Total
Assets						
Cash and Due from Banks	626.3	-	-	-	-	626.3
Argentine Central Bank– Escrow Accounts	516.4	-	-	-	-	516.4
Overnight Placements	212.9	-	-	-	-	212.9
Loans to the Public Sector	65.2	3,555.3	1,625.3	0.1	-	5,245.8
Loans to the Private Sector	3,788.7	981.7	150.4	23.7	-	4,944.5
Government Securities ⁽¹⁾	1,748.9	3,329.2	3,007.0	1,019.6	-	9,104.6
Corporate Debt Securities	12.5	11.4	19.0	0.6	-	43.5
Financial Trusts	57.4	136.1	385.2	224.8	-	803.4
Special Fund Former Almaguer Bank	321.9	-	-	-	-	321.9
Assets under Financial Leases	65.0	125.4	0.8	-	-	191.2
Total Assets	7,415.0	8,139.0	5,187.6	1,268.8	-	22,010.5
Liabilities						
Savings Accounts	2,205.8	-	-	-	-	2,205.8
Demand Deposits	1,811.7	-	-	-	-	1,811.7
Time Deposits	3,936.2	349.4	42.4	-	-	4,328.1
Restructured Deposits ⁽²⁾	59.3	0.3	0.2	-	-	59.8
Argentine Central Bank	1,183.8	5,811.2	1,347.6	-	-	8,342.7
Negotiable Obligations	441.0	1,479.4	1,110.0	703.4	22.1	3,755.9
International Banks and Credit Agencies	42.6	254.9	426.7	37.9	-	762.1
Domestic Banks	117.4	110.1	-	-	-	227.5
Other Liabilities ⁽³⁾	1,038.0	223.3	-	-	-	1,261.3
Total Liabilities	10,835.8	8,228.6	2,927.0	741.3	22.1	22,754.8
Asset / Liability Gap	(3,420.8)	(89.6)	2,260.7	527.4	(22.1)	(744.3)
Cumulative Gap	(3,420.8)	(3,510.4)	(1,249.7)	(722.3)	(744.3)	(744.3)
Ratio of Cumulative Gap to Cumulative Liabilities	(31.6)%	(18.4)%	(5.7)%	(3.2)%	(3.3)%	
Ratio of Cumulative Gap to Total Liabilities	(15.0)%	(15.4)%	(5.5)%	(3.2)%	(3.3)%	

Principal plus CER adjustment. Does not include interest.

(1) Includes Boden 2012 receivable.

(2) Restructured deposits with “amparo” claims.

(3) Includes, mainly, debt with retailers due to credit-card operations, liabilities in connection with repo transactions and debt with Sedesa.

In the table above, the column “to be restructured” includes negotiable obligations for Ps. 22.1 million, corresponding to the total debt not tendered by its holders in the exchange offered by the Bank to restructure its foreign debt, which was completed in May 2004.

Given that the table above was prepared taking into account contractual maturity, all financial assets and liabilities with no maturity date are included in the category “Less than one year”.

The Bank's Board of Directors has defined a limit for liquidity mismatches. This limit has been established at 25% for the ratio of cumulative gap to total liabilities within the first year. As shown in the table above, the Bank complies with the established policy, since such gap was 15.0% at the close of the fiscal year.

Interest Rate and Currency

Together with the "asymmetric pesification" and the measures taken to compensate it, the Government issued measures that modified the yields of pesified assets and the cost of liabilities. In general, maximum and minimum fixed interest rates were established for assets and liabilities pesified, respectively. In addition, the principal of those assets and liabilities was adjusted by the variation of certain indexes (at the end of the fiscal year the only adjustment applicable being the one by CER) and, in most cases, maturities were extended. The terms and conditions of peso-denominated loans to the public sector and of certain peso-denominated deposits were also modified.

Mainly as a consequence of these measures, as of December 31, 2005, the Bank had asset mismatches or net positions in both peso-denominated assets adjusted by CER and foreign currency-denominated assets, and a net position in non-adjusted peso-denominated liabilities. That is, the Bank had more peso-denominated CER adjusted assets and more foreign currency-denominated assets than liabilities; and more non-adjusted peso-denominated liabilities than assets.

The table below shows the composition of the Bank's shareholders' equity as of December 31, 2005, by currency and type of principal adjustment:

Composition of Shareholders' Equity as of December 31, 2005

<i>In millions of pesos</i>	Assets	Liabilities	Gap
Financial Assets and Liabilities	22,963.9	23,489.5	(525.6)
Pesos - Adjusted by CER	10,655.5	9,909.4	746.1
Pesos - Non-Adjusted	5,513.6	7,071.5	(1,557.9)
Foreign Currency ⁽¹⁾	6,794.8	6,508.6	286.2
Other Assets and Liabilities	2,492.3	577.5	1,914.8
Total Gap	25,456.2	24,067.0	1,389.2
Adjustments for Forward Transactions Registered in Memo Accounts			
Financial Assets and Liabilities	22,963.9	23,489.5	(525.6)
Pesos - Adjusted by CER	10,655.5	9,909.4	746.1
Pesos - Non-Adjusted ⁽²⁾	5,501.4	6,811.1	(1,309.7)
Foreign Currency ^{(1) (2)}	6,807.0	6,769.0	38.0
Other Assets and Liabilities	2,492.3	577.5	1,914.8
Total Adjusted Gap	25,456.2	24,067.0	1,389.2

(1) In pesos, at the exchange rate of Ps. 3.0315 per dollar.

(2) Adjusted to reflect forward purchases and sales of foreign exchange without delivery of the underlying asset, registered in memorandum accounts.

Peso-denominated Assets and Liabilities Adjusted by CER

The Bank's assets adjusted by the CER were mainly the following: (i) loans (principal, adjustment and interest) to the Argentine public sector, of which Ps. 5,187.5 million were Secured Loans, accruing interest at a fixed rate which, in the case of the Bank, averages 4% per annum, and most of which mature between 2005 and 2011; and (ii) Ps. 3,823.3 million (principal, adjustment and interest) of Bogar that accrue an annual 2% fixed interest rate and mature in monthly installments beginning in 2005 and ending in 2018. Total assets also

included (i) Ps. 536.5 million of notes from the Galtrust I Financial Trust, which trust resulted from the securitization in 2000, of loans granted by the Bank to the provincial public sector; (ii) Ps. 564.0 million of loans (capital, adjustment and interest) to the private sector with a fixed spread over the CER; (iii) Ps. 321.3 million corresponding to the balance of the Special Fund Former Almafuerce Bank; and (iv) Ps. 178.6 million of Lebac.

The Bank's liabilities adjusted by CER were mainly made up of: (i) deposits for Ps. 1,049.5 million, which correspond to time deposits with a 0.50% spread over the CER, (ii) Ps. 5,314.9 million of financial assistance of the Argentine Central Bank, which accrues CER plus an annual 3.5% fixed interest rate, and the principal of which began to be amortized in March 2004; (iii) Ps. 3,296.6 million of the advance from the Argentine Central Bank for the subscription of the Hedge Bond, which accrues interest at an annual 2% fixed rate, and the principal of which amortizes in 8 annual installments as from August 2005; and (v) Ps. 140.0 million corresponding to local credit lines and negotiable obligations of the regional credit-card companies.

As a result of the aforementioned, the Bank had a Ps. 746.1 million net asset position.

Assets and Liabilities Denominated in Foreign Currency

The Bank's foreign-currency denominated assets mainly comprised: (i) Ps. 5,142.9 million in Boden 2012 received (Compensatory Bond) and to be acquired (Hedge Bonds), which accrue Libor and the principal of which matures in 8 annual installments as from August 2005, (ii) cash and balances held at the Argentine Central Bank for Ps. 512.2 million, and (iii) loans to the non-financial private sector for Ps. 1,076.7 million (principal and interest) at a market interest rate.

The Bank's foreign-currency-denominated liabilities mainly comprised: (i) Ps. 3,650.2 million in subordinated and non-subordinated negotiable obligations, (ii) Ps. 762.1 million in debt with international banks and credit agencies, (iii) Ps. 1,303.3 million in deposits, (iv) Ps. 220.5 million corresponding to debt in connection with repurchase agreements carried out with Boden 2012 and (v) debt with Sedesa for Ps. 196.1 million.

As a result of the aforementioned, the Bank had a Ps. 286.2 million net asset position.

In order to reach an correct measure of the exposure to exchange rate variation, when calculating the Bank's net position in foreign currency, the notional value of forward transactions in foreign currency without delivery of the underlying asset, recorded in memorandum accounts should be considered. As of December 31, 2005, the Bank recorded a balance of net forward sales of Ps. 248.3 million. Therefore, as of that date, the Bank's net position in foreign currency adjusted to reflect these transactions, was an asset position of Ps. 38.0 million only, equivalent to US\$ 12.5 million.

Non-adjusted Peso-denominated Assets and Liabilities

As of December 31, 2005, the Bank's non-adjusted peso-denominated assets mainly comprised: (i) loans to the non-financial private sector for Ps. 4,153.5 million (principal), with this total including Ps. 1,004.0 million of the regional credit-card companies' loan portfolio, being short term loans at market rates, (ii) cash for Ps. 399.7 million; (iii) balances held at the Argentine Central Bank (including the escrow accounts balance) and at correspondent banks for an aggregate amount of Ps. 230.6 million, (iv) the net position in Lebac for Ps. 212.6 million, (v) assets under financial leases for Ps. 176.1 million, and (vi) Ps. 67.3 million

corresponding to participation certificates in various financial trusts set up with the Bank's own assets.

The Bank's non-adjusted peso-denominated liabilities mainly comprised: (i) non-financial private-sector time deposits for Ps. 3,696.2 million (principal), at market rates and with an average remaining maturity of approximately 60 days, (ii) non-financial private-sector deposits in savings accounts for Ps. 1,662.9 million, at market rates, (iii) non-financial private-sector deposits in current accounts for Ps. 1,640.3 million, (iv) liabilities with retailers in connection with the credit-card activity of the Bank and the regional credit-card companies, for Ps. 591.2 million, and (v) forward sales corresponding to reverse repo transactions with Lebac, for Ps. 293.4 million.

The net position in non-adjusted peso-denominated liabilities, of Ps. 1,557.9 million, funded the above-mentioned net asset positions.

Other Assets and Liabilities

In the category "Other Assets and Liabilities", the following were included in the assets column: (i) bank premises and equipment, miscellaneous assets and intangible assets for Ps. 816.1 million (ii) Ps. 347.8 million (recorded under "intangible assets" pursuant to Communiqué "A" 3916 of the Argentine Central Bank) corresponding to the difference for "amparo" claims net of amortization, (iii) equity investments for Ps. 101.0 million; and (iv) Ps. 373.2 million of miscellaneous receivables. Provisions for Ps. 181.7 million were recorded in the liabilities column.

REGULATORY CAPITAL

Through Communiqués "A" 3599 and "A" 3604, dated May 3 and 9, 2002, respectively, the Argentine Central Bank suspended the requirement for financial institutions to submit the information on capital adequacy, due to the significant changes the economy in general and the financial system's operations had underwent. Through Communiqué "A" 3959 of June 2, 2003, the Argentine Central Bank established a new minimum capital requirement rule, but only required financial institutions to present the corresponding information, on a monthly basis, for periods after May 1, 2003. Through Communiqué "A" 3986 of July 25, 2003, the Argentine Central Bank clarified the new rule, introduced certain modifications to it and established that compliance with the new capital adequacy rule would become effective in January 2004. The minimum capital requirements must be complied with individually as well as on a consolidated basis with significant subsidiaries.

The new capital adequacy rule is based on the Basel Committee methodology, like the previous one. The main modifications introduced by the new rule, as compared to the former one were:

- The establishment of an 8.0% minimum capital requirement on risk-weighted assets consistent with the international standard set forth by the Basle Committee; lower than the former requirement. However, as explained in the following paragraph, the new capital requirement is applicable to the exposure to the public sector as well as to private-sector assets, while in the previous rule the capital requirement was applicable to private-sector assets only.
- The establishment of a risk weighting for public-sector assets at 100% (within the previous rule this risk-weighting was nil), the same applicable to loans to the private sector.

- The discontinuation of an increasing capital requirement as a function of loans' interest rates.
- The incorporation of foreign-currency and CER adjusted positions to the assessment of the capital requirements to cover market and interest-rate risks.

Comunicado "A" 3986 also established that, as from January 2004, two coefficients known as "Alfa 1" and "Alfa 2" would be applied in order to temporarily reduce the minimum capital requirement to cover the credit and interest-rate risks, respectively. "Alfa 1" is applied to government securities held in investment accounts, loans granted to the non-financial public sector until May 31, 2003, National Government securities in connection with the "asymmetric pesification" (sections 28 and 29 of Decree No.905/02); and debt instruments issued by the Fondo Fiduciario para el Desarrollo Provincial (Fiduciary Fund for Provincial Development) (Decree No.1579/02). The "Alfa 1" coefficient value increases progressively, in January of each year, until it reaches 1.00 on January 1, 2009, and the value of the "Alfa 2" coefficient increases in the same manner until it reaches 1.00 on January 1, 2007, as shown below.

January 1 st / December 31 st	Alfa 1	Alfa 2
2004	0.05	0.20
2005	0.15	0.40
2006	0.30	0.70
2007	0.50	1.00
2008	0.75	-
2009	1.00	-

In the table below, the Bank's information on regulatory capital and compliance with minimum capital requirements is consolidated with the Bank's significant subsidiaries. The Bank's significant subsidiaries are Galicia Uruguay and the regional credit-card companies indirectly controlled by the Bank through Tarjetas Regionales S.A.

Regulatory Capital ^(*)

				December 31,		June 30,
	2005	2004	2003	2002	2001	2001
	<i>In millions of pesos, except ratios</i>			<i>In millions of February 28, 2003, constant pesos, except ratios</i>		
Shareholders' Equity	1,389.2	1,198.2	1,306.8	1,511.3	3,090.3	3,167.9
Minimum Capital Requirements						
Allocated to Credit Risk	477.2	329.9	-	-	1,465.3	1,741.1
Allocated to Fixed Assets	138.0	142.0	-	-	202.3	171.0
Allocated to Market Risk	16.8	62.6	-	-	0.2	2.8
Allocated to Interest-Rate Risk	87.1	20.2	-	-	64.1	72.3
Allocated to Exposure to the Non-Fin. Public Sector	162.4	58.6	-	-	55.7	53.8
Government Securities in Investment Accounts	-	-	-	-	92.3	92.6
Minimum Capital Required (A)	881.5	613.3	-	-	1,879.9	2,133.6
Computable Capital						
Core Capital	1,207.1	1,339.9	-	-	3,103.1	2,777.1
Supplemental Capital	807.5	580.8	-	-	158.6	440.9
Deductions	(152.1)	(194.7)	-	-	(588.5)	(438.3)
Additional Capital - Market Variation	22.7	20.5	-	-	2.2	-
Computable Capital (B)	1,885.2	1,746.5	-	-	2,675.4	2,779.7
Excess over Required Capital (B)-(A)	1,003.7	1,133.2	-	-	795.5	646.1
Total Risk-Weighted Assets	9,071.5	6,954.8	-	-	15,571.2	17,735.0
Ratios (%)						
Shareholders' Equity to Total Consolidated Assets	5.46	5.11	5.77	6.37	11.17	9.34
Excess over Required Capital as a % of Minimum Capital Required	113.86	184.77	-	-	42.32	30.28
Total Capital Ratio	20.78	25.11	-	-	17.18	15.67

(*) In accordance with Argentine Central Bank rules.

As of December 31, 2005 the Bank's computable capital amounted to Ps. 1,885.2 million, which exceeded by Ps. 1,003.7 million the minimum capital requirement in accordance with Argentine Central Bank's regulations effective as of that date. Said excess amounted to Ps. 1,133.2 million as of December 31, 2004. The drop in the excess was due an increase in the minimum capital requirement that was higher than the increase in computable capital.

The greater minimum capital requirement was mainly due to: i) a Ps. 147.3 million increase in the minimum capital requirement to cover credit risk, as a consequence of the significant growth thereof during the fiscal year, ii) a Ps. 103.8 million increase in the minimum capital requirement related to the exposure to the non-financial public sector, mainly due to the increase in the "Alfa 1" coefficient on January 1, 2005, since it rose from 0.05 to 0.15, and iii) a Ps. 66.9 million increase in the minimum capital requirement to cover interest-rate risk, mainly due to the increase of the "Alfa 2" coefficient, on January 1, 2005, which rose from 0.20 to 0.40.

The computable capital increase was mainly due to a higher supplementary capital of Ps. 226.7 million, resulting mainly from the fiscal year profit. This effect was partially offset by a Ps. 132.8 million decrease in core capital, mainly due to the loss recorded in fiscal year 2004.

CAPITAL AND RESERVES AND PROPOSED DISTRIBUTION OF PROFITS

At the close of the fiscal year ended December 31, 2005, the Bank's capital, non-capitalized contributions, reserves and equity adjustments totaled Ps. 1,198,246,762.86, showing a 52.02% decrease from the previous fiscal year, as consequence of the use of Ps. 1,105,339,597.00 to absorb losses.

Net income for the fiscal year amounted to Ps. 190,971,952.07. Based on the Argentine Central Bank provisions regarding the distribution of profits and the establishment of reserves, which are stated in Note 4 to the Individual Financial Statements, the Board of Directors shall propose the following profit distribution scheme to the Shareholders Meeting:

<i>In pesos</i>	
Legal Reserve	90,514,881.48
To Next Fiscal Year	100,457,070.59

Should the foregoing proposal be approved, the composition of the Bank's shareholders' equity, as of December 31, 2005, pursuant to the applicable regulations, would be as follows:

<i>In pesos</i>	
Capital Stock	468,661,845.00
Adjustment to Shareholders' Equity	
- Capital Adjustment	605,306,191.95
Profit Reserves	
- Legal Reserve	214,793,607.39
Retained Earnings	100,457,070.59
Total Shareholders' Equity as of 12-31-2005	1,389,218,714.93

Antonio R. Garcés

Chairman of the Board of Directors
March 10, 2006

This Annual Report contains statements regarding events, which are currently anticipated to occur in the future, or forward-looking statements. These forward-looking statements or projections reflect the Bank's opinions and expectations with respect to future events and their occurrence in general, as well as with respect to particular events. As a result of factors not considered, which are unforeseen at the time of making such forward-looking statements or which are out of the Bank's control, actual results or their consequences could differ significantly from those that are contemplated or estimated to occur in the future. Shareholders and other readers of this Annual Report are cautioned not to place undue reliance on such forward-looking statements or projections, which speak only as of their dates. The Bank assumes no obligation to publicly update or revise any forward-looking statements or projections, whether as a result of new information, future events, or otherwise.

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.