

GRUPO FINANCIERO GALICIA SA

Form 20-F

June 28, 2006

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 28, 2006

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20 F

(Mark One)

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934
or**
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the
fiscal year ended December 31, 2005
or**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
or**
- Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 0-30852**

GRUPO FINANCIERO GALICIA S.A.

(Exact name of Registrant as specified in its charter)

GALICIA FINANCIAL GROUP

(Translation of Registrant's name into English)

REPUBLIC OF ARGENTINA

(Jurisdiction of incorporation or organization)

Grupo Financiero Galicia S.A.

Tte. Gral. Juan D. Perón 456

C1038 AAJ-Buenos Aires, Argentina

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Class B Ordinary Shares, Ps.1.00 par value, ten shares of which are represented by American
Depositary Shares

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Class A Ordinary Shares, Ps.1.00 par value	281,221,650
Class B Ordinary Shares, Ps.1.00 par value	960,185,367

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and larger accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements consolidate the accounts of Grupo Financiero Galicia S.A. and its subsidiaries. Therefore, our consolidated financial statements include the accounts of:

- Grupo Financiero Galicia S.A. (Grupo Galicia);
- Sudamericana Holding S.A. and its subsidiaries;
- Galicia Warrants S.A.;
- Net Investments S.A. and its subsidiaries;
- Galval Agente de Valores S.A. and
- Banco de Galicia y Buenos Aires S.A., its wholly-owned subsidiary, Banco Galicia Uruguay S.A (Galicia Uruguay) and its subsidiaries and other subsidiaries and affiliated companies required to be consolidated under Argentine Banking GAAP (collectively, the Bank or Banco Galicia).

In this annual report, references to we, our, and us are to Grupo Financiero Galicia S.A. and its consolidated subsidiaries.

We were formed on September 14, 1999, as a financial services holding company to hold all of the shares of capital stock of Banco Galicia held by members of the Escasany, Ayerza and Braun families. Our most significant asset is our ownership in Banco Galicia. As of December 31, 2003, and December 31, 2004, our interest in Banco Galicia was 93.59%. As of December 31, 2005, our interest was 93.6%.

We (and Banco Galicia) maintain our financial books and records in Argentine pesos and prepare our financial statements to conform to the accounting rules of the Argentine Central Bank, which prescribes the generally accepted accounting principles for all financial institutions in Argentina. This annual report refers to those accounting principles as Argentine Banking GAAP. Argentine Banking GAAP differs in certain relevant respects from generally accepted accounting principles in Argentina (Argentine GAAP). Argentine Banking GAAP also differs in certain significant respects from generally accepted accounting principles in the United States (U.S. GAAP). See Item 5.

Operating and Financial Review and Prospects Item 5A. Operating Results U.S. GAAP and Argentine Banking GAAP Reconciliation and note 40 to our consolidated audited financial statements included in this annual report for a description of the principal differences between Argentine GAAP and Argentine Banking GAAP and note 41 to our financial statements for reconciliation of the principal differences between Argentine Banking GAAP and U.S. GAAP for the periods up to December 31, 2005. A reconciliation to U.S. GAAP of our net income and total shareholders equity is presented for the three fiscal years ending December 31, 2005.

In this annual report, references to US\$, U.S. dollars, and dollars are to United States dollars and references to Ps. or pesos are to Argentine pesos. Unless this annual report states otherwise, through December 31, 2001, the exchange rate used to convert foreign currency amounts into pesos on our balance sheets and income statements (as well as those of Banco Galicia) was the exchange rate quoted as of each relevant date or period end by Banco de la Nación Argentina (Banco Nación). In the case of dollars, until December 31, 2001, the Banco Nación quotes for such exchange rates had been Ps.1.0 per US\$1.00, the peso-dollar parity introduced in 1991 by Law No. 23,928 (the Convertibility Law).

On January 7, 2002, Argentina abandoned the fixed peso-dollar parity. After devaluing the peso and setting the official exchange rate at Ps.1.4 per US\$1.0, on February 11, 2002, the Argentine Government allowed the peso to float. Argentine Central Bank Communiqué A 3671, dated July 25, 2002, required that the published reference exchange rate of the Argentine Central Bank be used by banks to value all foreign currency accounts instead of the exchange rate quoted by Banco Nación. We began to use the reference exchange rate quoted by the Argentine Central Bank to value our foreign currency assets and liabilities in July 2002. Unless stated otherwise, in this annual report, references to the exchange rate since that time are to the reference exchange rate published by the Argentine Central Bank.

The exchange rates used in the December 2005, December 31, 2004 and December 2003, consolidated financial statements were Ps.3.0315, Ps.2.9738, and Ps.2.9330 per US\$1.00, respectively, as quoted by the Argentine Central Bank.

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Mainly as a result of the abandonment in 2002 of the fixed exchange rate, Argentina experienced a high rate of inflation. Wholesale prices, as measured by the wholesale price index (the WPI) published by the *Instituto Nacional de Estadística y Censos* (National Institute of Statistics and Census or INDEC), increased approximately 118.44% in 2002. On July 17, 2002, the Argentine Government published Decree No. 1269/02, repealing Decree No. 316/95 and reestablishing the policy of restating financial information to account for inflation for periods beginning on or after January 1, 2002. Consequently, inflation accounting was reintroduced in accordance with Argentine Central Bank Communiqué A 3702, Resolution No. 415/02 of the CNV and Resolution No. 240/02 of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE), the body that establishes Argentine GAAP and, starting January 1, 2002, we began to adjust our financial statements and those of Banco Galicia for inflation based on changes in the WPI.

Primarily as a result of the stabilization of the WPI during the first half of 2003, the Argentine Government published Decree No. 664/03 and the Argentine Central Bank issued Communiqué A 3921, dated April 8, 2003, which eliminated the requirement that financial statements be prepared in constant currency. These rules became effective for financial periods ending on or after March 1, 2003. Likewise, on April 8, 2003, the CNV issued Resolution No. 441/03 discontinuing inflation accounting as of March 1, 2003. Under professional accounting standards, application of that method remained in effect until September 30, 2003, when the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires (C.P.C.E.C.A.B.A.) discontinued the recognition of changes in the purchasing power of currency effective October 1, 2003. From March 2003 to September 2003, prices fell on average approximately 2%.

Therefore, in this annual report and in the financial statements included herein as of and for the fiscal year ended December 31, 2004 and subsequent periods, our figures and Banco Galicia's figures do not include any inflation accounting effect and our figures and Banco Galicia's figures as of and for the fiscal year ended December 31, 2003, include the effects of inflation accounting through February 28, 2003. The WPI increased 0.87% between January 1, 2003 and February 28, 2003. Figures for periods prior to December 31, 2002, have been restated in constant Argentine pesos as of February 28, 2003, applying the approximately 120.35% change in the WPI for the period from January 1, 2002, to February 28, 2003. In addition, for comparison purposes and unless stated otherwise, we have restated in constant pesos of February 28, 2003, all other financial data as of and for periods prior to February 28, 2003, included in this annual report.

Throughout this annual report, asymmetric pesification refers to the compulsory conversion in January 2002 of most dollar-denominated assets and certain liabilities of Argentine financial institutions into peso-denominated assets and liabilities at different exchange rates. In addition, Compensatory Bond and Hedge Bond refer to the bonds that the Argentine Government has issued and will issue to the Bank (as well as other financial institutions), as compensation for the negative effects on its financial condition of the asymmetric pesification. This is more fully described in Item 4. Information on the Company Main Regulatory Changes since 2002.

In accordance with Argentine Central Bank rules, the effects of certain regulatory changes that occurred in 2004 have been recorded under the equity account Adjustments to Prior Fiscal Years Results. As a result of these regulatory changes, and for comparison purposes, previous fiscal years' figures in this annual report have been restated, when corresponding, to reflect these adjustments. For further information, please see note 38 to our financial statements.

As of December 31, 2004, and December 31, 2005, the Bank's Bogar, secured bonds issued by the *Fondo Fiduciario para el Desarrollo Provincial* (Fiduciary Fund for Provincial Development or FFDP) in the provincial governments' debt exchange established by Decree No.1579/02, were recorded under Government Securities, while in previous years they were recorded under Loans. For comparative purposes, throughout this annual report (except as noted) the holdings of Bogar were reclassified as government securities as of December 31, 2003. For more information see Item 4. Information on the Company Selected Statistical Information Loan Portfolio.

Unless otherwise indicated, we have derived all deposit and loan market shares and other financial industry information from information published by the Argentine Central Bank.

This annual report contains forward-looking statements that involve substantial risks and uncertainties, including, in particular, statements about our plans, strategies and prospects under the captions Item 4. Information

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on the Company Business Overview, Item 5. Operating and Financial Review and Prospects Item 5A. Operating Results and Item 5. Operating and Financial Review and Prospects Item 5B. Liquidity and Capital Resources. All statements other than statements of historical facts contained in this annual report (including statements regarding our future financial position, business strategy, budgets, projected costs and management's plans and objectives for future operations) are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of such words as may, will, expect, intend, estimate, anticipate, believe or continue or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we do not provide any assurance with respect to these statements. Because these statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely include but are not limited to:

changes in general economic, business, political, legal, social or other conditions in Argentina or elsewhere in Latin America;

changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;

our inability to obtain additional debt or equity financing on attractive conditions, which may limit our ability to fund existing operations and to finance new activities; and

the other factors discussed under Item 3. Key Information Risk Factors in this annual report.

You should not place undue reliance on forward-looking statements, which speak only as of the date that they were made. Moreover, you should consider these cautionary statements in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to forward-looking statements after completion of this annual report to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

- § The following table presents summary historical financial and other information about us as of the dates and for the periods indicated.
- § The financial statements for the fiscal years ended December 31, 2004 and December 31, 2005 do not include any effect for inflation accounting. The financial statements for the fiscal year ended December 31, 2003 include the effects of inflation accounting through February 28, 2003. The 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.
- § The selected consolidated financial information as of December 31, 2005 and December 31, 2004, and for the fiscal years ending December 31, 2005, 2004 and 2003 has been derived from our audited consolidated financial statements included in this annual report.
- § The selected consolidated financial information as of December 31, 2003, 2002 and 2001 has been derived from our audited consolidated financial statements not included in this annual report.
- § We prepare our financial statements in accordance with Argentine Banking GAAP, which differs from Argentine GAAP and U.S. GAAP. Our audited consolidated financial statements contain a description of the principal differences between Argentine GAAP and Argentine Banking GAAP and a reconciliation to U.S. GAAP of our shareholders' equity as of December 31, 2005, 2004 and 2003, and our net income for the three years ended December 31, 2005. See notes 40 and 41 to our audited consolidated financial statements included in this annual report.
- § You should read this data in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements.

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	Fiscal Year Ended December 31,					
	2005	2005	2004	2003	2002	2001
	<i>(in millions of U.S. dollars, except as noted)⁽¹⁾</i>	<i>(in millions of pesos, except as noted)⁽¹⁾</i>			<i>(in millions of February 28, 2003, constant pesos, except as noted)⁽¹⁾</i>	
Consolidated Income Statement in Accordance with Argentine Banking GAAP						
Financial Income	791.2	2,398.6	1,391.6	1,452.1	5,757.3	3,586.8
Financial Expenses	608.9	1,845.9	1,167.4	1,304.8	4,560.4	2,126.1
Net Financial Income ⁽²⁾	182.3	552.7	224.2	147.3	1,196.9	1,460.7
Provision for Losses on Loans and Other Receivables	25.3	76.7	190.2	286.4	1,648.6	1,008.5
Income / (Loss) before Taxes	41.8	126.5	(66.1)	(221.6)	(2,812.9)	423.7
Income Tax	(6.4)	(19.3)	(43.8)	(0.6)	(66.4)	(159.1)
Net Income / (Loss) before the Absorption	35.4	107.2	(109.9)	(222.2)	(2,879.3)	264.6
Absorption Approved in the Annual Shareholders Meeting					1,370.0	
Net Income / (Loss) after the Absorption	35.4	107.2	(109.9)	(222.2)	(1,509.3)	264.6
Net Income / (Loss) after the Absorption per Share (in Pesos) ^(*)	0.028	0.086	(0.093)	(0.203)	(1.382)	0.242
Cash Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.432	1.310	1.224	1.299	1.465	2.841
Stock Dividends per Share (in Pesos)						
Amounts in Accordance with U.S. GAAP						
Net Income / (Loss)	241.1	731.0	(1.1)	731.3	422.5	(8,638.4)
Adjusted Net Income (Loss) per Share (in Pesos)	0.194	0.589	(0.001)	0.669	0.386	(7.907)
Book Value / (Deficit) per Share (in Pesos)	(0.565)	(1.714)	(2.574)	4.077	(4.964)	(5.390)
Financial Income	976.0	2,958.7	1,448.7	2,752.0	2,613.1	3,569.3
Financial Expenses	608.9	1,845.9	1,167.4	1,502.9	4,560.4	2,125.1
Net Financial Income / (Loss)	367.1	1,112.8	281.3	1,249.1	(1,947.3)	1,444.2

Provision for Losses on Loans and Other Receivables	37.4	113.5	210.0	274.6	928.8	4,731.0
Income Tax	6.4	19.3	35.4	(38.4)	66.5	212.9
Consolidated Balance Sheet in Accordance with Argentine Banking GAAP						
Cash and Due from Banks	343.5	1,041.2	988.7	826.2	576.8	1,139.9
Government Securities, Net	1,968.5	5,967.4	5,518.0	6,407.1	1,786.5	273.3
Loans, Net	3,481.8	10,555.2	8,438.2	7,506.5	10,682.1	20,107.2
Total Assets	8,456.4	25,635.7	23,650.6	22,822.9	23,864.1	27,877.6
Deposits	2,778.1	8,421.7	6,756.9	5,584.0	5,209.4	13,502.8
Other Funds ⁽³⁾	5,141.7	15,587.2	15,374.2	15,819.5	17,053.9	11,271.3
Total Shareholders' Equity	536.6	1,626.8	1,519.5	1,419.4	1,600.8	3,103.5
Average Total Assets ⁽⁴⁾	7,995.4	24,238.1	22,725.9	22,530.3	29,500.9	31,967.4
Percentage of Period-end Balance Sheet Items Denominated in Dollars:						
Loans, Net of Allowances		9.84	10.43	9.36	9.11	86.34
Total Assets		26.55	32.92	36.39	43.20	80.05
Deposits		15.55	20.89	29.67	40.08	81.15
Total Liabilities		25.81	29.57	36.87	43.98	74.07
Amounts in Accordance with U.S. GAAP						
Trading Securities	251.5	762.4	564.7	328.8	35.5	141.9
Available-for-Sale Securities	1,526.4	4,627.3	3,923.1	3,727.9	1,380.6	2,914.3
Total Assets	6,580.7	19,949.3	17,007.3	14,835.2	14,821.9	21,061.8
Total Liabilities	7,282.7	22,077.6	20,203.0	19,288.5	20,244.2	26,949.6
Shareholders' Equity (Deficit)	(702.1)	(2,128.3)	(3,195.7)	(4,453.3)	(5,422.3)	(5,887.8)

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	Fiscal Year Ended December 31,				
	2005	2004	2003	2002	2001
	<i>(in millions of pesos, except as noted)⁽¹⁾</i>			<i>(in millions of February 28, 2003, constant pesos, except as noted)⁽¹⁾</i>	
Selected Ratios					
Ratios in Accordance with Argentine Banking GAAP					
<i>Profitability and Efficiency</i>					
Net Yield on Interest Earning Assets ⁽⁵⁾	2.38%	1.02%	0.89%	3.66%	6.54%
Financial Margin ⁽⁶⁾	2.53	1.08	0.71	4.44	5.36
Return on Average Assets ⁽⁷⁾	0.59	(0.42)	(0.95)	(6.04)	0.90
Return on Average Shareholders Equity ⁽⁸⁾	6.83	(7.32)	(14.53)	(62.06)	8.67
Net Income from Services as a Percentage of Operating Income ⁽⁹⁾	48.65	66.06	73.08	24.95	39.22
Efficiency ratio ⁽¹⁰⁾	72.56	94.46	113.91	61.58	57.00
<i>Capital</i>					
Shareholders Equity as a Percentage of Total Assets	6.35%	6.42%	6.22%	6.71%	11.13%
Total Liabilities as a Multiple of Shareholders Equity	14.76x	14.56x	15.08x	13.91x	7.98x
Total Capital Ratio ⁽¹¹⁾	20.78%	25.11%			17.18%
<i>Liquidity</i>					
Cash and Due from Banks as a Percentage of Total Deposits	12.36%	14.63%	14.80%	11.07%	8.44%
Loans, Net as a Percentage of Total Assets	41.17	35.68	32.89	44.76	72.13
<i>Credit Quality</i>					
Past Due Loans ⁽¹²⁾ as a Percentage of Total Loans	2.34%	4.97%	11.70%	9.93%	4.96%
Non-Accrual Loans ⁽¹³⁾ as a Percentage of Total Loans	3.50	7.74	15.04	13.08	6.74
Allowance for Loan Losses as a Percentage of Non-accrual Loans ⁽¹³⁾	111.90	90.51	90.61	104.45	73.93
Net Charge-Offs ⁽¹⁴⁾ as a Percentage of Average Loans	1.49	3.77	1.98	1.89	2.20
Ratios in Accordance with U.S. GAAP					
<i>Capital</i>					
Shareholders Equity (deficit) as a Percentage of Total Assets	(10.67)%	(18.79)%	(30.02)%	(36.58)%	(27.96)%
Total Liabilities as a Multiple of Total Shareholders Equity	(10.37)x	(6.32)x	(4.33)x	(3.73)x	(4.58)x
<i>Liquidity</i>					

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Loans, Net as a Percentage of Total Assets	50.15%	43.91%	43.32%	55.03%	61.11%
<i>Credit Quality</i>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	139.49%	84.75%	85.98%	101.48%	136.89%
<i>Inflation and Exchange Rate</i>					
Inflation (Deflation) ⁽¹⁵⁾ ⁽¹⁶⁾	10.69%	7.84%	2.03%	118.44%	(4.30)%
Currency Devaluation Rate ⁽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	

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(*) *Before the loss absorption mechanism established by Argentine Central Bank Communiqué A 3800, net loss per share for fiscal year 2002 was Ps.(2.636).*

(1) *The exchange rate used to convert the December 31, 2005 amounts into U.S. dollars was Ps.3.0315 per US\$1.00. All amounts are stated in millions of pesos, except inflation, percentages, ratios, multiples and per-share data.*

(2) *Net financial income represents mainly income from interest on loans and other receivables from financial brokerage plus net income from government and corporate debt securities, including gains and losses, less interest on deposits and other liabilities from financial intermediation and monetary loss from financial brokerage. For fiscal years 2002, 2003, 2004 and 2005, it also includes the CER adjustment.*

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

(4)

The average balances of assets and liabilities, including the related interest receivable and payable are calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales S.A consolidated with its operating subsidiaries, and on a monthly basis for Grupo Galicia and its non-banking subsidiaries.

- (5) *Net interest earned divided by interest-earning assets. For a description of net interest earned, see Item 4. Information on the Company Selected Statistical Information Interest-Earning Assets Net Yield on Interest-Earning Assets.*
- (6) *Financial margin represents net financial income divided by average interest-earning assets.*
- (7) *Net income plus minority interest plus unrealized valuation difference as a percentage of average total assets. Before the loss absorption mechanism allowed by Argentine Central Bank Communiqué A 3800, this ratio was (10.68)% for fiscal year 2002.*
- (8) *Net income plus unrealized valuation difference as a*

*percentage of average
shareholders equity.
Before the loss
absorption mechanism
allowed by Argentine
Central Bank
Communiqué A 3800,
this ratio was (118.40)
% for fiscal year 2002.*

*(9) Operating income is
defined as net financial
income plus net income
from services plus
monetary loss from
financial intermediation
plus the unrealized
valuation difference.
Excluding from the
calculation the
unrealized valuation
difference (in
accordance with
Argentine Central Bank
Communiqué A
3703), this ratio was
278.90% for fiscal year
2002.*

*(10) Administrative expenses
net of the monetary gain
(loss) from operating
expenses as a percentage
of operating income as
defined above. Excluding
from the calculation the
unrealized valuation
difference (in
accordance with
Argentine Central Bank
Communiqué A
3703), this ratio was
688.34% for fiscal year
2002.*

*(11) Compliance with the
capital adequacy rules of
the Argentine Central
Bank was suspended
during 2002 and 2003
(including December 31,*

2002, and December 31, 2003). See

Item 4. Information on the Company Selected Statistical

Information Regulatory Capital.

(12) Past-due loans consist of amounts of entire loan principal and interest receivable for those loans for which either the principal or any interest payment is 91 days or more past due.

(13) Non-Accrual loans are defined as those loans falling into the following categories under the Argentine Central Bank's classification system: (a) consumer: defective fulfillment, difficulty in recovery, uncollectible or uncollectible for technical reasons and (b) commercial: with problems, high risk of insolvency, uncollectible or uncollectible for technical reasons.

(14) Charge-offs plus direct charge-offs minus bad debts recovered.

(15) As measured by changes in the WPI in Argentina.

(16) Source: INDEC.

(17) The CER is the Coeficiente de Estabilización de Referencia, an adjustment coefficient based on changes in the

consumer price index, which became effective February 3, 2002. See Item 4. Information on the Company Main Regulatory Changes since 2002.

(18) The CVS is the Coeficiente de Variación Salarial, an adjustment coefficient based on the variation of salaries, which was effective between October 1, 2002 and March 31, 2004. See Item 4. Information on the Company Main Regulatory Changes since 2002. The percentage disclosed for FY 2004 corresponds to the variation between January 1, 2004 and March 31, 2004.

Exchange Rate Information

On January 6, 2002, the Argentine Congress enacted Law No. 25,561 (the Public Emergency and Foreign Exchange System Reform Law, the Public Emergency Law), abandoning over 10 years of fixed U.S. dollar peso parity. After devaluing the peso and setting the official exchange rate at Ps.1.4 per US\$1.0, on February 11, 2002, the Argentine Government allowed the peso to float. The shortage of dollars and their heightened demand caused the peso to devalue significantly in the first half of 2002. Since mid 2002, the peso appreciated versus the dollar. There can be no assurance that the peso will not depreciate in the future.

The following table sets forth the annual high, low, average and period-end exchange rates for U.S. dollars for the periods indicated, expressed in pesos per dollar and not adjusted for inflation.

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High **Exchange Rate** ⁽¹⁾
Low