

CALLAWAY GOLF CO /CA
Form SC 13G
January 06, 2005

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No.)

Callaway Golf Company

(Name of Issuer)

Common Stock (\$0.01 par value)

(Title of Class of Securities)

131193104

(CUSIP Number)

December 31, 2004

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which
this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 131193104

- 1. NAME OF REPORTING PERSON
 - S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
 - Sterling Capital Management LLC
 - 56-2226389

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2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

(a) []

(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

North Carolina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

None

6. SHARED VOTING POWER

4,984,225

7. SOLE DISPOSITIVE POWER

None

8. SHARED DISPOSITIVE POWER

4,984,225

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,984,225

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

6.5%

12. TYPE OF REPORTING PERSON

IA

CUSIP No. 131193104

1. NAME OF REPORTING PERSON

S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Sterling MGT, Inc.

56-2226391

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2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

(a) []

(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

North Carolina

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None

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4,984,225

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CERTAIN SHARE

Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

6.5%

12. TYPE OF REPORTING PERSON

CO

CUSIP No. 131193104

1. NAME OF REPORTING PERSON

S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Eduardo A. Brea

-----2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

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(a) []
(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON
WITH:

5. SOLE VOTING POWER
0

6. SHARED VOTING POWER
4,984,225

7. SOLE DISPOSITIVE POWER
0

8. SHARED DISPOSITIVE POWER
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9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
4,984,225

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES
Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.5%

12. TYPE OF REPORTING PERSON
IN

CUSIP No. 131193104

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
Alexander W. McAlister

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

(a) []
(b) []

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3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON
WITH:

5. SOLE VOTING POWER
0

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4,984,225

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0

8. SHARED DISPOSITIVE POWER
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4,984,225

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Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.5%

12. TYPE OF REPORTING PERSON
IN

CUSIP No. 131193104

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
David M. Ralston

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable
(a) []
(b) []

3. SEC USE ONLY

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4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON
WITH:

5. SOLE VOTING POWER
0

6. SHARED VOTING POWER
4,984,225

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8. SHARED DISPOSITIVE POWER
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4,984,225

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES
Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.5%

12. TYPE OF REPORTING PERSON
IN

CUSIP No. 131193104

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
Brian R. Walton

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

(a) []

(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

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NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON
WITH:

5. SOLE VOTING POWER
0

6. SHARED VOTING POWER
4,984,225

7. SOLE DISPOSITIVE POWER
0

8. SHARED DISPOSITIVE POWER
4,984,225

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4,984,225

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES
Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.5%

12. TYPE OF REPORTING PERSON
IN

CUSIP No. 131193104

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
Mark Whalen

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

Not Applicable

(a) []

(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON
WITH:

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5. SOLE VOTING POWER
0

6. SHARED VOTING POWER
4,984,225

7. SOLE DISPOSITIVE POWER
0

8. SHARED DISPOSITIVE POWER
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CERTAIN SHARES
Not Applicable

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.5%

12. TYPE OF REPORTING PERSON
IN

Item 1(a) Name of Issuer:
Callaway Golf Company

Item 1(b) Address of Issuer's Principal Executive
Offices:
2108 Rutherford Road
Carlsbad, California 92008

Item 2(a) Name of Person(s) Filing:
Sterling Capital Management LLC ("Sterling")
Sterling MGT, Inc. ("Sterling Management")
Eduardo A. Brea
Alexander W. McAlister
David M. Ralston
Brian R. Walton
Mark Whalen

Item 2(b) Address of Principal Business Office:
Sterling, Sterling Management, Mr. Brea, Mr. McAlister, Mr.
Ralston, Mr. Walton and Mr. Whalen are all located at:
4064 Colony Road, Suite 300
Charlotte, NC 28211

Item 2(c) Citizenship:

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Sterling is a North Carolina limited liability company.
Sterling Management is a North Carolina corporation.
Mr. Brea, Mr. McAlister, Mr. Ralston, Mr. Walton and Mr. Whalen
are U.S. citizens.

Item 2(d) Title of Class of Securities:
Common Stock (\$0.01 par value) (the "Stock")

Item 2(e) CUSIP Number:
131193104

Item 3 Type of Person:

(e) Sterling is an Investment Adviser registered under section
203 of the Investment Advisers Act of 1940, as amended.

(g) Sterling Management is the Managing Member of Sterling. Mr.
Brea, Mr. McAlister, Mr. Ralston, Mr. Walton and Mr. Whalen are
controlling shareholders of Sterling Management. Sterling
Management, Mr. Brea, Mr. McAlister, Mr. Ralston, Mr. Walton and
Mr. Whalen are control persons under 17 C.F.R. 240.13d-
1(b)(1)(ii)(G).

Item 4 Ownership:

(a) Amount beneficially owned:

See Item 9 of Cover Pages.

(b) Percent of class:

See Item 11 of Cover Pages.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

See Item 5 of Cover Pages.

(ii) Shared power to vote or to direct the vote:

See Item 6 of Cover Pages

(iii) Sole power to dispose or direct the disposition of:

See Item 7 of Cover Pages.

(iv) Shared power to dispose or direct the disposition of:

See Item 8 of Cover Pages.

Item 5 Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6 Ownership of More than Five Percent on Behalf of Another
Person:

Sterling is a registered investment adviser whose clients have
the right to receive or the power to direct the receipt of
dividends from, or the proceeds from the sale of, the Stock.
None of these clients to the knowledge of Sterling, Sterling

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Management, Mr. Brea, Mr. McAlister, Mr. Ralston, Mr. Walton or Mr. Whalen beneficially owns more than 5% of the Stock.

Item 7

Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:

Sterling is an Investment Adviser registered under section 203 of the Investment Advisers Act of 1940, as amended.

Sterling Management is the Managing Member of Sterling. Mr. Brea, Mr. McAlister, Mr. Ralston, Mr. Walton and Mr. Whalen are controlling shareholders of Sterling Management.

Item 8 Identification and Classification of Members of the Group:

Not Applicable

Item 9 Notice of Dissolution of Group:

Not Applicable

Item 10 Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: January 7, 2005

STERLING CAPITAL MANAGEMENT LLC

By: Sterling MGT, Inc.
Its Manager

By: /s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

Mark Whalen
President

STERLING MGT, INC.

By: /s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

Mark Whalen
President

EDUARDO A. BREA

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/s/ Kenneth R. Cotner, Attorney in Fact for Eduardo A. Brea

ALEXANDER W. MCALISTER

/s/ Kenneth R. Cotner, Attorney in Fact for Alexander W.
McAlister

DAVID M. RALSTON

/s/ Kenneth R. Cotner, Attorney in Fact for David M. Ralston

BRIAN R. WALTON

/s/ Kenneth R. Cotner, Attorney in Fact for Brian R. Walton

MARK WHALEN

/s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

EXHIBIT INDEX

Exhibit 1

Joint Filing Agreement dated as of January 7, 2005 by and among
Sterling
Capital Management LLC, Sterling MGT, Inc., Eduardo A. Brea,
Alexander W.
McAlister David M. Ralston, Brian R. Walton and Mark Whalen.

Exhibit 1

JOINT FILING AGREEMENT

This will confirm the agreement by and between the undersigned
that the Schedule 13G (the "Statement") to which this Agreement
is attached is being filed on behalf of the persons listed below.
Each of the persons listed hereby acknowledges that pursuant to
Rule 13d-1(k) promulgated under the Securities Exchange Act of
1934, as amended, each person on whose behalf the Statement is
filed is responsible for the timely filing of such statement and
any amendments thereto, and for the completeness and accuracy of
the information concerning such person contained therein, and
that such person is not responsible for the completeness or
accuracy of the information concerning the other persons making
the filing, unless such person knows or has reason to believe
that such information is inaccurate.

Dated: January 7, 2005

STERLING CAPITAL MANAGEMENT LLC

By: Sterling MGT, Inc.
Its Manager

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By: /s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

Mark Whalen
President

STERLING MGT, INC.

By: /s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

Mark Whalen
President

EDUARDO A. BREA

/s/ Kenneth R. Cotner, Attorney in Fact for Eduardo A. Brea

ALEXANDER W. MCALISTER

/s/ Kenneth R. Cotner, Attorney in Fact for Alexander W.
McAlister

DAVID M. RALSTON

/s/ Kenneth R. Cotner, Attorney in Fact for David M. Ralston

BRIAN R. WALTON

/s/ Kenneth R. Cotner, Attorney in Fact for Brian R. Walton

MARK WHALEN

/s/ Kenneth R. Cotner, Attorney in Fact for Mark Whalen

">9.51 10.92 7.69 7.24 8.47

Exchange Rate Variation ⁽¹⁶⁾ (%)

8.23 4.72 9.93 9.61 2.66

CER ⁽¹⁷⁾

9.54 11.04 6.95 7.97 8.50

The ratios disclosed above are considered significant by the management of Grupo Financiero Galicia despite of the fact that they are not a specific requirement of any GAAP.

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- (1) The exchange rate used to convert the December 31, 2011 amounts into Dollars was Ps.4.3032 per US\$1.00. All amounts are stated in millions of Pesos, except inflation and exchange rates, percentages, ratios, multiples and per-share data.
- (2) Net financial income primarily represents income from interest on loans and other receivables resulting from financial brokerage plus net income from government and corporate debt securities, including gains and losses, minus interest on deposits and other liabilities from financial intermediation. It also includes the CER adjustment.
- (3) Includes primarily debt with merchants and liabilities with other banks and international entities.
- (4) The average balances of assets, including the related interest that is due are calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales consolidated with its operating subsidiaries, and on a monthly basis for Grupo Financiero 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 excluding minority interest as a percentage of average total assets.
- (8) Net income as a percentage of average shareholders' equity.
- (9) Operating income is defined as net financial income plus net income from services.
- (10) Administrative expenses as a percentage of operating income as defined above.
- (11) Past-due loans are defined as the aggregate principal amount of a loan plus any accrued interest that is due and payable for which either the principal or any interest payment is 91 days or more past due.
- (12) Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .
- (13) Charge-offs plus direct charge-offs minus bad debts recovered.
- (14) As measured by the annual change in the end-of-period Wholesale Price Index (WPI), published by INDEC.
- (15) As measured by the annual change in the end-of-period Consumer Price Index (CPI), published by INDEC.
- (16) Annual change in the end-of-period exchange rate expressed in Pesos per Dollar.
- (17) The CER is the Coeficiente de Estabilización de Referencia , an adjustment coefficient based on changes in the CPI.

Exchange Rate Information

The following table sets forth the annual high, low, average and period-end exchange rates for Dollars for the periods indicated, expressed in Pesos per Dollar and not adjusted for inflation.

	High	Exchange Rate ⁽¹⁾		Period-End
		Low	Average	
			(in Pesos per Dollar)	
2007	3.1797	3.0553	3.1196 ⁽²⁾	3.1510
2008	3.4537	3.0128	3.1797	3.4537
2009	3.8545	3.4497	3.7478	3.7967
2010	3.9857	3.7942	3.9226	3.9758
2011	4.3035	3.9715	4.1442	4.3032
December 2011	4.3035	4.2780	4.2888 ⁽³⁾	4.3032
January 2012	4.3383	4.3048	4.3206	4.3362
February 2012	4.3565	4.3337	4.3463	4.3565
March 2012	4.3785	4.3345	4.3563	4.3785

- (1) Using closing reference exchange rates as published by the Argentine Central Bank.
- (2) Annual average: based on the last day of each month's closing quotation.
- (3) Monthly average: daily closing quotations.

As of April 17, 2012, the exchange rate was Ps.4.3948 for US\$1.00.

Item 3.B. Capitalization and Indebtedness

Not applicable.

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Item 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

Item 3.D. Risk Factors

You should carefully consider the risks described below in addition to the other information contained in this annual report. In addition, most, if not all, of the risks described below must be evaluated bearing in mind that our most important asset is our equity interest in Banco Galicia, thus, a material change in Banco Galicia's shareholders' equity or income statement would also adversely affect our businesses and results of operations. We may also face risks and uncertainties that are not presently known to us or that we currently deem immaterial, which may impair our business. Our operations, property and customers are located mainly in Argentina. Accordingly, the quality of our customer portfolio, loan portfolio, financial condition and results of operations depend, to a significant extent, on the macroeconomic and political conditions prevailing in Argentina. In general, the risk assumed when investing in the securities of issuers from countries such as Argentina, is higher than when investing in the securities of issuers from developed countries.

Risk Factors Relating to Argentina

Political and economic instability in Argentina, the deterioration of market conditions and the intervention by the Argentine government, among other factors, may adversely affect Grupo Financiero Galicia's business and prospects.

Historically, the Argentine economy has experienced periods of high levels of instability and volatility, low or negative economic growth and high and variable inflation and devaluation levels. During 2001 and 2002, Argentina went through a period of major political, economic and social instability, which led to a partial default by Argentina in the payment of its sovereign debt, and the devaluation of the Peso in January 2002, after over ten years of parity with the Dollar.

The Argentine economy in general, the operating results of Grupo Financiero Galicia and its subsidiaries or the rights of the holders of securities issued by such institutions or their value, may be materially and adversely affected by a number of possible factors, including, among others, Argentina's inability to sustain its current economic recovery, the effects of inflation, Argentina's limited ability to obtain external financing, a decline in the international prices for Argentina's main commodity exports, a significant real appreciation of the Peso against the Dollar, intervention by the Argentine government in the form of an ever-changing regulatory framework (including, for example, the recent nationalization of YPF, Argentina's largest and previously Spanish-owned oil company), the vulnerability of the Argentine economy to external shocks, and a devaluation of the Peso or exchange rate controls.

Argentina's economic growth since the 2001-2002 economic crisis may not be sustainable in light of current economic conditions and any significant decline in Argentina's rate of recovery could adversely affect Grupo Financiero Galicia's financial condition.

Although general economic conditions in Argentina have recovered significantly during the years since the 2001-2002 economic crisis, there is uncertainty as to whether this growth is sustainable. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine Peso, a high excess production capacity resulting from a long period of deep recession and high commodity prices. The global economic crisis of 2008 led to a sudden economic decline in Argentina during 2009, accompanied by political and social unrest, inflationary and Peso depreciation pressures and lack of consumer and investor confidence. According to the Argentine Statistics and Census Agency (*Instituto Nacional de Estadísticas y Censos*, INDEC), Argentina's Gross Domestic Product (GDP), in real terms, grew by 0.9% in 2009, 9.2% in 2010 and 8.9% in 2011. GDP may not increase or remain stable in the future. Even though during 2010 and 2011 the Argentine economy has grown significantly, there is uncertainty as to whether Argentina will be able to maintain this level of economic growth.

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The economic and financial crisis in certain European countries, the United States or any other important commercial partner of Argentina, a decline in the international demand for Argentine products, a lack of stability and competitiveness of the Peso against foreign currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties, among other factors, may affect the development of the Argentine economy and cause volatility in the local capital markets, which could have a material adverse effect on the financial condition and the results of operations of Grupo Financiero Galicia and its subsidiaries.

The Argentine economy still remains fragile, as reflected by the following economic conditions:

capital outflows remain high,

Argentina's ability to attract foreign direct investment is low;

the current fiscal situation is at risk of deterioration;

inflation has risen and threatens to accelerate;

the regulatory environment continues to be uncertain and has been subject to frequent change;

Argentina's international financing is limited; and

the recovery has depended to some extent on high commodity prices, which are volatile and beyond the control of the Argentine government.

If any of the above developments over which we have no control were to occur, including a decline in economic growth or increased economic instability, they may have an adverse effect on our business and financial condition or results of operations.

Inflation could increase from current levels, and materially and adversely affect the Argentine economy and Grupo Financiero Galicia's financial position and business.

According to INDEC, the CPI increased by 7.7% in 2009, 10.9% in 2010 and 9.5% in 2011; while the wholesale price index went up to 10.0% in 2009, 14.6% in 2010 and 12.7% in 2011. The accuracy of these measurements is in doubt, and the actual CPI and wholesale price index could be substantially higher than those indicated by INDEC. If it is determined that it is necessary to correct the consumer price index and other INDEC indices that use the CPI in their calculation, there could be a significant decrease in confidence in the Argentine economy.

In the past, inflation has materially undermined the Argentine economy and the Argentine government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same may materially and adversely affect the business volume of the financial system and prevent the growth of intermediation activity levels. This result, in turn, would adversely affect the level of economic activity and employment.

High inflation would also undermine Argentina's foreign competitiveness and adversely affect economic activity, employment, real salaries, consumption and interest rates. In addition, the dilution of the positive effects of the Peso devaluation on the export-oriented sectors of the Argentine economy will decrease the level of economic activity in the country. In turn, a portion of the Argentine debt is adjusted by the Coeficiente de Estabilización de Referencia, the Stabilization Coefficient Index, or CER Index, a currency index that is strongly tied to inflation. Therefore, any significant increase in inflation would cause an increase in Argentina's debt and, consequently, the country's financial obligations. A high level of uncertainty with respect to these economic variables, and a general lack of stability with respect to inflation could cause a shortening of contract terms and affect the ability of businesses to plan and make decisions, thereby materially and adversely affecting economic activity, and lowering consumers' income and their purchasing power.

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All the above mentioned developments may have a material adverse effect on the financial position, operating results and business of Grupo Financiero Galicia and its subsidiaries.

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Due to a default by Argentina on its debt obligations in 2001 and litigation in respect of the same, the ability of Argentina and of private sector companies in Argentina, to obtain financing and to attract direct foreign investment is and will continue to be limited, which may have material adverse effects on the economy and the financial performance of Grupo Financiero Galicia.

Argentina has very limited access to foreign financing. As of December 31, 2001, Argentina's total public debt amounted to US\$144.5 billion. In December of 2001, Argentina defaulted on over US\$81.8 billion in external debt to bondholders. In addition, since 2002, Argentina suspended payments on over US\$15.7 billion in debt to multilateral financial institutions (e.g. the IMF and the Paris Club) and other financial institutions. In 2006, Argentina cancelled all of its outstanding debt with the IMF totaling approximately US\$9.5 billion, and through various exchange offers made to bondholders between 2004 and 2010, restructured over US\$74 billion of its defaulted debt. Although on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club, a decision which was accepted by the Paris Club, negotiations related to such repayment remain open. As of December 31, 2011, the Argentine government was still in default with respect to over US\$11 billion of debt to bondholders. As of such date, Argentina's total public debt amounted to US\$175 billion (excluding the debt in default to bondholders).

In addition, the foreign shareholders of several Argentine companies, including public utilities and bondholders that did not participate in the exchange offers described above, have filed claims that exceed US\$20 billion with the International Centre for Settlement of Investment Disputes (ICSID) alleging that the emergency measures adopted by the Argentine government differ from the just and equal treatment dispositions set forth in several bilateral investment treaties to which Argentina is a party. As of the date hereof, the ICSID has ruled that the Argentine government must pay an amount of approximately US\$1 billion, plus interest and incurred expenses, in respect of such claims. Litigation and claims against the Argentine government have resulted in material judgments and may result in new material judgments against the Argentine government, which could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have all the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, on our financial condition.

Argentina's default with respect to the payment of its foreign debt, its delay in completing the debt restructuring process with creditors that did not participate in the related exchange offers and the aforementioned complaints filed against Argentina could prevent the Argentine government and private sector companies in Argentina from accessing the international capital markets and receiving direct foreign investment. Accordingly, the Argentine government may not have sufficient financial resources to foster economic growth. Moreover, investment in the private sector, which is also necessary to promote economic growth, may not occur at the necessary levels due to a lack of financing.

If Argentina does not fully recuperate its ability to access the international capital markets and attract direct foreign investment, there is a risk that the country will not obtain the requisite capital to foster the investment cycle and sustain a fast-paced economic growth. The country's fiscal condition could be adversely affected, which in turn could generate more inflation and undermine the Argentine government's ability to implement economic policies designed to foster growth. Unless a sustained growth cycle materializes, political, social and economic instability could prevail once again, all of which would have a material adverse effect on the prospects of the Argentine economy and, therefore, a material adverse impact on Grupo Financiero Galicia's financial condition and operating results.

A decline in the international prices for Argentina's main commodity exports and a significant real appreciation of the Peso against the Dollar could affect Argentina's economy, create new pressures on the exchange market and have a material adverse effect on the prospects of Grupo Financiero Galicia.

Argentina's economic growth since the 2001-2002 economic crisis has taken place within a context of increasing prices for exports, such as soy, which represented 23.8% of Argentine exports in 2011. High prices for commodities have contributed to the increase in exports by Argentina since the third quarter of 2002, and have contributed to increased tax revenues for the Argentine government, mainly from export taxes (withholdings).

Fluctuations in prices for commodities exported by Argentina and a significant increase in the value of the Peso (in real terms) may reduce Argentina's competitiveness and significantly affect the country's exports. A decrease in exports could affect Argentina's economy, have a material adverse effect on public finances due to a loss of tax revenues, cause an imbalance in the country's exchange market which, in turn, could lead to increased volatility with respect to the exchange rate. In addition, and more importantly in the short term, a significant appreciation of the Peso could materially reduce the Argentine government's revenues in real terms and affect its ability to make payments on its debt obligations, as these revenues are heavily derived from export taxes (withholdings). This could worsen the financial condition of the Argentine public sector, increase unemployment and lead to an increase in taxes or a need to inject additional currency into the Argentine financial system through the printing of money, which could lead to inflation and potentially materially and adversely affect the Argentine economy, as well as Grupo Financiero Galicia's financial condition and operating results.

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High volatility in the regulatory framework, specifically with respect to financial institutions, could have a material adverse effect on the country's economy in general, and Grupo Financiero Galicia's financial position specifically.

The Argentine government continues to exert significant control over the economy. Political and social pressures could inhibit the implementation by the Argentine government of policies designed to maintain price stability, generate growth and enhance consumer and investor confidence.

Financial institutions are particularly subject to significant regulation from multiple regulatory authorities, including the Argentine Central Bank, the Argentine National Securities Commission (*Comisión Nacional de Valores*, the CNV) and the Financial Information Unit (*Unidad de Información Financiera*, the UIF), all of whom may, amongst other things, impose sanctions on Grupo Financiero Galicia's businesses, including Banco Galicia, for non-compliance with their applicable regulations.

It is not certain whether any material regulatory proceeding in the future will be initiated against, or result in a resolution adverse to, Grupo Financiero Galicia, its shareholders or directors.

Law No. 26,739 enacted on March 22, 2012 amended the charter of the Argentine Central Bank. No assurances can be provided about what effects the subsequent changes in banking regulations could have on financial institutions in general, and on its business, financial conditions and/or results of operations.

There can be no assurance that potential future enactments of governmental regulation by Argentine authorities will not materially and adversely affect the assets or the operating results of companies in the private sector, including Grupo Financiero Galicia and its subsidiaries, the rights of the holders of securities issued by such entities, or the value of such securities.

The lack of a stable regulatory framework could impose significant limitations on the activities of the financial system and the business of Grupo Financiero Galicia, including Banco Galicia, and would create uncertainty with respect to its future financial situation and results of operations.

The Argentine economy and its goods and financial services and securities markets remain vulnerable to external shocks, which could materially and adversely affect the country's economic growth and Grupo Financiero Galicia's prospects.

The financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other countries. Although such conditions may vary from country to country, investor reactions to events occurring in one country may substantially affect capital flows to issuers in other countries, and may substantially affect the trading prices of their securities. Decreased capital inflows and lower prices in the exchange markets of a country may have a material adverse effect on the real economy of such country in the form of higher interest rates or volatility in the exchange rate. This has had and may have in the future, a negative impact on the Argentine economy and could continue to adversely affect the country's economy in the near future.

In the past, Argentina's economy was adversely affected by developments in other markets, such as, among others, the political and economic events that occurred in Mexico at the end of 1994, the collapse of various Asian economies between 1997 and 1998, the subprime mortgage market crisis in the U.S in 2007 and 2008, the sovereign debt crisis in some European countries during the last years and growth concerns around developed countries. There is a risk that similar events may have a material adverse effect on the Argentine economy in the future.

The Argentine economy is vulnerable to the evolution of the aforementioned developments. Both inflation and growth concerns, if materialized, could change the favorable external conditions.

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It is difficult to predict what the final impact of this crisis will be on the liquidity and interest rates of the international markets, world economic growth and trade, the international prices for commodities, and the flow of capital to emerging economies. It is also difficult to predict the manner and the extent to which these events may materially adversely affect Argentina.

As a consequence of such economic and financial crisis, the world's major economies have entered into recessions or have showed a marked decrease in their economic activity; this could create an unfavorable international economic environment for Argentina, which could require government-driven adjustments to Argentine economic policy and result in lower economic growth.

A new global economic and/or financial crisis, or the effects of the crisis, may affect the Argentine economy and consequently may affect the results and operations of Grupo Financiero Galicia and its subsidiaries, including Banco Galicia.

A future devaluation of the Peso could limit the ability of, or prevent Grupo Financiero Galicia from, being able to make payments with respect to its foreign currency denominated obligations.

If the Peso were to devalue significantly in the future, it could have an adverse effect on the ability of Argentine companies to make timely payments on their foreign currency denominated obligations, generate high inflation, reduce real salaries, and have an adverse effect on companies focused on the domestic market, such as public services companies and financial companies. It could also adversely affect the ability of the Argentine government to honor its foreign debt obligations.

These adverse effects on the Argentine economy could materially and adversely affect Grupo Financiero Galicia's businesses and impair its ability to honor its obligations denominated in a foreign currency.

We may be unable to make payments in Dollars and/or to make payments outside of Argentina due to exchange controls.

Decree No. 1,570/01, which became effective on December 3, 2001, imposed certain restrictions on the transfer of foreign currency abroad by prohibiting usual transfer transactions of funds to accounts outside of Argentina. The same restriction was maintained by Decree No. 1,606/01, which also included certain additional exceptions for the transfer of funds into Argentina after December 3, 2001.

Additionally, pursuant to Decree No. 616/05 (and related provisions), the Argentine government has regulated incoming and outgoing flows of funds. In general, this rule provides that, subject to certain exceptions, certain funds transferred into Argentina by residents or non-residents are subject to the creation of a mandatory deposit called an *encaje* equal to 30% of the amount transferred, which is to be deposited in Dollars, for one year, in a non-transferable, non-interest-bearing account at a local financial institution. This rule establishes that, subject to certain exceptions, in order to transfer currency from Argentina to foreign accounts, the approval of the Argentine Central Bank must be obtained, and it further establishes certain maximum amounts that individuals may acquire in the foreign exchange market. For a further description of these and other foreign exchange control actions, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market .

No assurance can be provided that the above-mentioned regulations will not be amended, or that new regulations (or implementation measures) will not be enacted in the future that operate to further limit foreign exchange flows into and out of Argentina. Any such measures, as well as any additional controls and/or restrictions, could materially and adversely affect Grupo Financiero Galicia's ability to access international capital markets, make payments of principal and/or interest on its liabilities denominated in a foreign currency or transfer abroad (totally or partially) funds and adversely affect the financial condition and results of Grupo Financiero Galicia's operations. Therefore, non-resident investors and Argentine residents with assets located outside of Argentina should particularly take into account the regulation (and its amendments) that govern access to the foreign exchange market. Grupo Financiero Galicia may be unable to make payments in Dollars and/or to make payments outside of Argentina due to the exchange market restrictions currently in place and/or due to restrictions on the ability of companies to transfer funds abroad.

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It may be difficult to effect service of process against Grupo Financiero Galicia's executive officers and directors, and foreign judgments may be difficult to enforce or unenforceable in Argentina.

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain within the United States. Grupo Financiero Galicia and substantially all of its subsidiaries are companies incorporated under the laws of Argentina. Substantially all of its directors, members of the supervisory committee, officers and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina. Although Grupo Financiero Galicia has an agent to receive service of process in any action against it in the United States with respect to its ADSs, none of its executive officers or directors has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult to effect service of process against Grupo Financiero Galicia's executive officers and directors. Additionally, pursuant to Argentine law, a foreign judgment will be enforced in Argentina, provided that the requirements set forth in Sections 517 through 519 of the Argentine Code of Civil and Commercial Procedure are met; if it is a matter of provincial law, the requirements in the applicable local codes of procedure must be satisfied instead. In both instances, the foreign judgment must not infringe on the principles of Argentine public policy, as determined by the competent courts of Argentina. As such, foreign judgments may not, in certain circumstances, be enforceable in Argentina and, to the extent such foreign judgments are found to be enforceable, the process of enforcement may be difficult and time-consuming.

The Reform of the Retirement and Pension Integrated System materially and adversely affected the local capital markets and may materially and adversely affect Grupo Financiero Galicia's ability to obtain liquidity for its operations.

The Argentine Congress approved, through its enactment of Law No. 26,425 on November 20, 2008, the elimination of the private retirement system led by the Retirement and Pension Fund Administrators (the AFJPs), which was merged into, and replaced by, a single public regime, referred to as the Argentine Social Security Integrated System (*Sistema Integrado Previsional Argentino, the SIPA*). The law provided that, among other measures: (i) funds accumulated in the private retirement system over the previous fourteen years would be administered by the Argentine National Social Security Administration (*Administración Nacional de la Seguridad Social, the ANSES*) going forward and (ii) the retirement system would be public and citizens would be required to make their social security payments to this new system.

The elimination of this system created a significant change in the operations of the local capital markets, as the AFJPs were, historically, significant institutional investors in respect of local issuances of debt and equity. The dynamics of the local capital markets changed due to the considerable decrease in liquidity and increase in concentration. The elimination of institutional investors and the related sources of funding from the local market could materially and adversely affect Grupo Financiero Galicia's future ability to access liquidity through the domestic capital markets to fund its operations.

In addition, the Argentine government, through its assumption of the AFJP's equity investments in a variety of the country's main private companies, became a significant shareholder in such companies. The nationalization of the AFJPs has adversely affected investor confidence in Argentina, which may impact Grupo Financiero Galicia's ability to undertake access the capital markets in the future.

The Argentine government may impose regulations that raise labour costs in the private sector, which would increase Grupo Financiero Galicia's operating costs.

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to increase wages and provide specified benefits to employees, and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations are demanding significant wage increases. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on Grupo Financiero Galicia's expenses and business, results of operations and financial condition.

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Risk Factors Relating to the Argentine Financial System

The stability of the Argentine banking system might be affected by a loss of confidence of depositors.

During 2001, a significant amount of deposits were withdrawn from Argentine banks. This massive withdrawal of deposits was mainly due to the loss of depositor confidence in the ability of the Argentine government to pay its debts and to maintain the Peso-Dollar parity in the context of its solvency crisis.

If depositors once again withdraw significant holdings from banks, there may be a substantial negative impact on the manner in which financial institutions, including Banco Galicia, conduct their business, and on their ability to operate as financial intermediaries. Loss of confidence in the international financial markets may also affect the trust of Argentine depositors in local banks.

While conditions have improved in the financial system, an adverse economic situation, even if not related to the financial system, could result in the transfer of capital from local financial institutions, as depositors seek to protect their assets from a new crisis. Any massive withdrawal of deposits could cause liquidity problems for financial institutions, and as a result, a contraction in credit supply.

In the case of a future shock such as the insolvency of one or more banks, or a crisis in confidence of depositors, the Argentine government could impose new controls on foreign exchange market or transfers to foreign markets, or take other measures that could lead to new social and political tensions and undermine the financial progress of the government, which would adversely affect Argentina's economy and growth prospects.

This could impact Grupo Financiero Galicia's and its subsidiaries' results.

If the size of financial intermediation relative to GDP is not restored to significant levels, the capacity of financial institutions, including Banco Galicia, to generate profits may be negatively affected.

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity in Argentina decreased dramatically: private sector credit fell from 24% of GDP in December 2000 to 7.7% in June 2004 and total deposits as a percentage of GDP fell from 31% to 23.2% during the same period. The depth of the crisis and the effect of the crisis on depositors' confidence in the financial system created significant uncertainties as to the likelihood that the financial system would fully recover its ability to act as an intermediary between savings and credit. Further, the ratio of total private sector deposits and loans to GDP in Argentina are low when compared to international levels and lower than the periods prior to the crisis, especially in the case of loans to the private sector, which represented approximately 15% of Argentine GDP as of December 31, 2011.

There are no assurances that the necessary steps will be taken to restore financial intermediation activities to levels that allow for an adequate income generation capacity by Argentine financial institutions, including Banco Galicia, or that such actions will be sufficient to prevent Argentine financial institutions, such as Banco Galicia, from having to assume excessive risks in terms of maturity mismatches. Under these circumstances and for an undetermined period of time, the scale of operations of financial institutions that operate in Argentina, including Banco Galicia, their business volume, the size of their assets and liabilities or their ability to generate results could be lower than before the crisis which, in turn, may impact the results of its operations.

The limited availability of medium- and long-term funding sources in Argentina may limit the capacity of Argentine financial institutions, including Banco Galicia, to continue growing.

Most deposits in the Argentine financial system are either demand or short-term time deposits. The sources of medium- and long-term funding for financial institutions are currently limited. If Argentine financial institutions, such as Banco Galicia, are unable to access adequate funding sources or are required to pay high costs in order to obtain the same, their results of operations may be negatively impacted which, in the case of Banco Galicia, may adversely impact its ability to repay its debt.

Argentine financial institutions continue to have exposure to the public sector (including securities issued by the Argentine Central Bank) and its repayment capacity which, in periods of economic downturn, may negatively impact their results of operations.

Argentine financial institutions continue to have exposure to the public sector and its repayment capacity. The Argentine government's ability to honor its financial obligations is dependent on, among other things, its ability to establish economic policies that succeed in fostering sustainable economic growth in the long-term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

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With respect to Banco Galicia, in particular, as of December 31, 2011, its net position in the Argentine public sector reached Ps.5,201 million, representing approximately 10% of its total assets and 1.4 times its shareholders' equity. Of this total, Ps.1,664 million corresponded to Argentine government securities while the remaining Ps.3,537 million were Argentine Central Bank debt instruments. As a result, Banco Galicia's income generating capacity may be materially impacted, or may be particularly impacted by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia's ability to honor its financial obligations could be adversely affected by the Argentine government's payment capacity or its failure to meet its obligations in regard to Argentine government obligations owed to Banco Galicia.

The Argentine government may once again impose limitations on the enforcement of creditor rights in Argentina which could adversely affect the businesses of financial institutions, including Banco Galicia's.

To protect debtors affected by the 2001-2002 economic crisis, beginning in 2002 the Argentine government adopted measures that temporarily suspended proceedings for the enforcement of creditors' rights, including mortgage foreclosures and bankruptcy petitions. Most of these measures have been rescinded. The Argentine government, however, could re-implement measures with retroactive effect or, if faced with adverse economic conditions, could adopt additional measures that could adversely affect the businesses of financial institutions, including those of Banco Galicia.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by Grupo Financiero Galicia and its subsidiaries.

Argentine Law No. 24,240 (the Consumer Protection Law) sets forth certain rules and principles designed to protect consumers, which include Banco Galicia's customers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26,361 to expand its applicability and the penalties associated with violations thereof.

Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the Credit Card Law) also sets forth several mandatory regulations designed to protect credit card holders.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event that Grupo Financiero Galicia and its subsidiaries are found to be in violation of any provision of the Consumer Protection Law or the Credit Card Law, the penalties and remedies outlined above could prevent or limit the collection of payments due from services and financing provided by Grupo Financiero Galicia and its subsidiaries and materially and adversely affect their financial results. Grupo Financiero Galicia cannot provide any assurance that judicial and administrative rulings based on the newly enacted regulation, or measures adopted by the enforcement authorities, will not increase the consumer protection given to debtors and other clients in the future, or that they will not favor the claims initiated by consumer groups or associations.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system and Banco Galicia's business and financial condition.

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, by means of an ad hoc doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits related to collective interests such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail, their success could have an adverse effect on the financial or insurance industry and, consequently, Grupo Financiero Galicia's business and financial condition.

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Risk Factors Relating to Us

Increased competition, reduction in the number of financial market participants and reduced spreads without a corresponding increase in lending volumes could adversely affect Banco Galicia's operations and profits.

We expect competition in the financial market to increase and a continued consolidation among the number of market participants leading to the creation of larger banks with more resources than Banco Galicia. Such consolidation and increased competition could require Banco Galicia to expend significant resources to defend its current market share in the agricultural and livestock sector, small and medium sized companies (SMEs) business sector and consumer finance operations. Banco Galicia and other subsidiaries of Grupo Financiero Galicia could experience reduced prices and margins and/or decreased volume of operations and market share, and therefore, the results of their operations could be adversely affected.

Similarly, we expect that competition to gain market share in the SMEs business segments is likely to increase. As a result, even if the demand for financial products and services from these markets continues to grow, competition may adversely affect the results of Banco Galicia's operations by decreasing the margins it is able to generate from this sector of clients.

Tax audits or disputes, or changes in the tax laws applicable to Grupo Financiero Galicia, could materially increase its tax payments, and certain administrative proceedings started by tax authorities against financial institutions such as Banco Galicia could generate losses to such institutions.

We exercise significant judgment in calculating our provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may affect their accuracy. The tax authorities may disagree with our tax treatment of certain material items potentially causing an increase in our tax liabilities.

Furthermore, changes to existing laws may also increase our effective tax rate. A substantial increase in our tax burden could have an adverse effect on our financial results.

Certain tax authorities in the provinces and in the City of Buenos Aires initiated administrative proceedings against certain financial institutions in order to collect higher gross income taxes from such financial institutions from year-end 2002 onwards. Provincial tax authorities claim a substantial amount in connection with gross income generated by financial institutions in 2002, as such authorities include the income related to the Compensatory Bond (as defined below), into the income subject of the tax. The purpose of the Compensatory Bond was to compensate financial institutions for the losses that they would otherwise incur as a result of the measures implemented to face the 2001-2002 economic crisis, in particular, the Asymmetric Pesification. Although the final decision of these proceedings is uncertain, there have been certain non definitive rulings for the bank's position, but financial institutions, including Banco Galicia, could suffer certain losses.

Adverse conditions in the credit and capital markets and in the exchange rates may have a material adverse effect on Grupo Financiero Galicia's financial condition and results of operations and adversely impact some of Grupo Financiero Galicia's funding sources, therefore limiting its ability to access funding from such sources in a cost effective and/or timely manner.

Grupo Financiero Galicia may sustain losses relating to its investment in fixed or variable income securities in capital stock, and in its monetary position due to, among other reasons, changes in market prices, defaults and fluctuations in interest rates and in the exchange rate. A deterioration in the capital markets may cause Grupo Financiero Galicia to record net losses due to a decrease in the value of its investment portfolios, in addition to the losses from trading positions caused by volatility in the prices of the financial markets, even if the economy does not suffer overall. Any of these losses could have a material adverse effect on our results of operations.

Some of Banco Galicia's liquidity is derived from domestic banking institutions and/or the domestic capital markets. As of December 31, 2011, Banco Galicia's liquidity ratio was 37.85%, as measured by liquid assets as a percentage of total deposits (liquid assets include cash and due from banks, holdings of securities issued by the Argentine Central Bank (Lebac and Nobac), net interbank loans, short-term placements with correspondent banks and reverse repurchase agreement transactions in the local market). Any disruptions in the local capital markets or in the local banking market, as have been experienced in Argentina in the past from time to time, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial condition and/or results of operations.

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Grupo Financiero Galicia's subsidiaries estimate and establish reserves for potential credit risk and credit losses, which may be inaccurate or insufficient, which may, in turn, materially and adversely affect their financial condition and results of operations.

Grupo Financiero Galicia's subsidiaries estimate and establish reserves for potential credit risk and credit losses related to changes in levels of income of borrowers, increased rates of inflation, increased levels of non-performing loans or an increase in interest rates. This process requires complex and subjective analysis, including economic projections and assumptions regarding the ability of debtors to repay their loans.

Therefore, if in the future Grupo Financiero Galicia's subsidiaries are unable to effectively control the level of quality of their loan portfolio, if loss reserves for loans are inadequate to cover future losses on loans, or if they are required to increase their loss reserves due to an increase in the amount of their non-performing portfolio loans, the financial condition of Grupo Financiero Galicia's subsidiaries and their results of operations could be materially and adversely affected.

Changes in market conditions, and any risks associated thereto, could materially and adversely affect the financial condition and results of operations of Grupo Financiero Galicia.

Grupo Financiero Galicia is directly and indirectly affected by changes in market conditions. Market risk, or risk in the valuation of assets, liabilities or revenues may be adversely affected by a change in market conditions. This risk is inherent in the products and instruments associated with our operations, including long-term loans and short-term deposits, securities and bonds. Changes in market conditions could materially and adversely affect our financial condition and results of operations, including fluctuations in interest and currency exchange rates, stock prices, changes in the volatility of interest rates and foreign currency exchange, among others.

Grupo Financiero Galicia's main subsidiary, Banco Galicia, could fail to fully or timely detect money laundering and other illegal or inappropriate activities which could result in Banco Galicia incurring additional liability and could harm its business and reputation.

Banco Galicia must be in compliance with all applicable laws against money laundering, terrorism financing and other regulations in Argentina. These laws and regulations require, among other things, that Banco Galicia adopt and implement policies and procedures which involve getting to know the client and reporting suspicious and material transactions to the applicable regulatory authorities. While Banco Galicia has adopted policies and procedures intended to detect and prevent the use of its bank network for money laundering activities and by terrorists, terrorist organizations and other general individual organizations, such policies and procedures may fail to fully eliminate the risk that Banco Galicia has been or is currently being used by other parties, without its knowledge, to engage in activities related to money laundering or other illegal or inappropriate activities. To the extent that Banco Galicia has not detected or does not detect such illegal activities, the relevant Governmental agencies to which it reports have the power and authority to impose fines and other penalties on Banco Galicia. In addition, its business and reputation could be adversely affected if clients use it for money laundering activities or illegal or inappropriate purposes.

Interruption or failure in our information technology systems could adversely affect our operations and financial position.

Our subsidiaries' success is dependent upon the efficient and uninterrupted operation of their communications and computer hardware systems, including those systems related to the operation of their ATMs and website. Our communications and computer hardware systems and transactions could be harmed or interrupted by fire, flood, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or interruptions. Any of the foregoing events could cause system interruptions, delays and the loss of critical data and could prevent us from operating at optimal levels or at all. In addition, disaster recovery planning may not be sufficient to cover all of these events and we could have inadequate insurance coverage or limits which could prevent us from receiving full compensation for our losses from a principal interruption. If any of these events occur, it could damage our reputation, be costly to cure and adversely affect our transactions as well as our results of operations and financial position.

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Grupo Financiero Galicia could be unable to invest in its business developments and/or to repay its financial obligations due to a lack of liquidity caused by it being a holding company.

Grupo Financiero Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate nor hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo Financiero Galicia's ability to invest in its business developments and/or to repay obligations is subject to the funds generated by its subsidiaries and their ability to pay cash dividends. In the absence of such funds, Grupo Financiero Galicia could have to resort to financing options at unappealing prices, rates and conditions. Additionally, such financing could be unavailable when Grupo Financiero Galicia may need it.

Grupo Financiero Galicia's subsidiaries are under no obligation to pay any amount to enable Grupo Financiero Galicia to carry out investment activities and/or to cancel its liabilities, or to give Grupo Financiero Galicia funds for such purposes. Each of the subsidiaries is a legal entity separate from Grupo Financiero Galicia, and due to certain circumstances, legal or contractual restrictions, as well as to the subsidiaries' financial condition and operating requirements, Grupo Financiero Galicia's ability to receive dividends could be limited and, its ability to develop its business and/or to comply with its payment obligations could be limited.

In addition, under certain regulations, Banco Galicia faces certain restrictions related to dividend distribution. In particular, after the end of 2011, the Argentine Central Bank modified the regulations regarding dividend distribution. The new regulation established that after paying dividends, a financial institution must have an excess of computable capital over the minimum requirement of 75%, up from the previous requirement of 30%. As a result of these regulations, Banco Galicia could not declare dividends for the fiscal year ended December 31, 2011.

Notwithstanding the fact that investments in its business developments and the repayment of Grupo Financiero Galicia's obligations could be afforded through means other than dividends, such as bank loans or new issuances in the capital market, investors should take such restrictions into account when analyzing Grupo Financiero Galicia's investment developments and/or its ability to cancel its obligations. For further information on dividend distribution restrictions, see Item 8. Financial Information-Dividend Policy and Dividends .

Argentina has different corporate disclosure and governance standards than those you may be familiar with in the United States and, as a foreign private issuer, Grupo Financiero Galicia has different disclosure and other requirements than U.S. domestic registrants.

The securities laws of Argentina, which govern open or publicly listed companies, aim to promote disclosure of all material corporate information to the public. Argentine disclosure requirements, however, are more limited than those in the United States in important respects and, as a foreign private issuer, Grupo Financiero Galicia is subject to different disclosure and other requirements than a domestic U.S. registrant. For example, as a foreign private issuer, in the United States, Grupo Financiero Galicia is not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports or to file current reports upon the occurrence of certain events, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants under Section 16 of the Exchange Act. In addition, although Argentine laws provide for disclosure and other similar requirements in connection with publicly listed companies, including, for example, with respect to insider trading and price manipulation, applicable Argentine laws are different from those in the United States and in certain respects may provide for different or fewer protections or remedies as compared to the comparable laws in the United States. Grupo Financiero Galicia relies on exemptions from the Nasdaq rules which permit Grupo Financiero Galicia to follow Argentine legal requirements rather than certain Nasdaq requirements applicable to domestic issuers. See -Nasdaq Corporate Governance Standards. Accordingly, the information available to you is not the same as, and is more limited than, the information available to shareholders of a U.S. company.

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Payments under the class B shares or ADSs may be subject to withholding under FATCA.

Grupo Financiero Galicia may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (often referred to as the Foreign Account Tax Compliance Act or FATCA) to withhold U.S. tax at a 30% rate on all or a portion of distributions on the class B shares or ADSs which are treated as foreign passthru payments made on or after January 1, 2017. In particular, withholding may apply to payments: (i) to an investor who does not provide information sufficient for Grupo Financiero Galicia to determine whether the investor is a U.S. person or should otherwise be treated as holding a United States account of Grupo Financiero Galicia, or (ii) to an investor or any other financial institution through which payment on the class B shares or ADSs is made that is a non-U.S. financial institution that is not in compliance with FATCA (a nonparticipating foreign financial institution). The extent to which FATCA may apply to distributions paid on or with respect to the class B shares or ADSs is not currently clear since guidance and administrative rules regarding FATCA are still being developed by U.S. tax authorities.

Item 4. Information on the Company

History and Development of the Company

Our legal name is Grupo Financiero Galicia S.A. We are a financial services holding company that was incorporated on September 14, 1999, as a *sociedad anónima* (a stock corporation) under the laws of Argentina. As a holding company we do not have operations of our own and conduct our business through our subsidiaries. Banco Galicia is our main subsidiary and one of Argentina s largest full-service banks. Through the operating subsidiaries of Tarjetas Regionales, a holding company controlled by Banco Galicia, and CFA (97% Banco Galicia, 3% Grupo Financiero Galicia S.A.) we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. Through Sudamericana and its subsidiaries we provide insurance products in Argentina. We directly or indirectly own other companies providing financial related products as explained herein. We are one of Argentina s largest financial services groups with consolidated assets of Ps.51,193 million as of December 31, 2011.

Our goal is to consolidate our position as one of Argentina s leading comprehensive financial services providers while continuing to strengthen Banco Galicia s position as one of Argentina s leading banks. We seek to broaden and complement the operations and businesses of Banco Galicia, through holdings in companies and undertakings whose objectives are related to and/or can produce synergies with financial activities. Our non-banking subsidiaries operate in financial and related activities that Banco Galicia cannot undertake or in which it is limited to invest in due to restrictive banking regulations.

Our domicile is in Buenos Aires, Argentina. Under our bylaws, our corporate duration is until June 30, 2100. Our duration can be extended by a resolution passed at a general extraordinary shareholders meeting. Our principal executive offices are located at Teniente General Juan D. Perón 456, Second Floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

Our agent for service of process in the United States is C T Corporation System, presently located at 111 8th Avenue, New York, New York 10011.

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2011. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

Galicia Uruguay (in liquidation), incorporated in Uruguay and currently not an operating financial institution;

Galval, incorporated in Uruguay;

Galicia Cayman, incorporated in the Cayman Islands;

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Tarjeta Naranja Dominicana S.A., incorporated in the Dominican Republic; and

Tarjeta Naranja Perú S.A., incorporated in Perú.

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After fiscal year end, the organizational structure changed due to the following events:

Tarjeta Naranja S.A.'s board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja S.A. (merging company).

Tarjetas Regionales carried out a capital increase that was mainly paid in by the contribution of the minority shareholders' holdings in its subsidiaries Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A. Therefore, Banco Galicia's direct and indirect interest decreased to 77% of the capital stock and the remaining 23% is held by the shareholders who, by means of the above-mentioned contribution, became Tarjetas Regionales' minority shareholders.

After giving effect to the above-mentioned changes, the following table represents the corporate structure as of the date of this annual report.

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History

Grupo Financiero Galicia

Grupo Financiero Galicia was formed on September 14, 1999 as a financial services holding company to hold all of the shares of the capital stock of Banco Galicia held by members of the Escasany, Ayerza and Braun families. Its initial nominal capital amounted to 24,000 common shares, 12,516 of which were designated as class A ordinary (common) shares (the class A shares) and 11,484 of which were designated as class B ordinary (common) shares (the class B shares).

Following Grupo Financiero Galicia's formation, the holding companies that held the shares in Banco Galicia on behalf of the Escasany, Ayerza and Braun families were merged into Grupo Financiero Galicia. Following the merger, Grupo Financiero Galicia held 46.34% of the outstanding shares of Banco Galicia. In addition, and due to the merger, Grupo Financiero Galicia's capital increased from 24,000 to 543,000,000 common shares, 281,221,650 of which were designated as class A shares and 261,778,350 of which were designated as class B shares. Following this capital increase, all of our class A shares were held by EBA Holding S.A., an Argentine corporation that is 100% owned by our controlling shareholders, and our class B shares were held directly by our controlling shareholders in an amount equal to their ownership interests in the holding companies that were merged into Grupo Financiero Galicia.

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On May 16, 2000, our shareholders held an extraordinary shareholders meeting during which they unanimously approved a capital increase of up to Ps.628,704,540 and the public offering and listings of our class B shares. All of the new common shares were designated as class B shares, with a par value of Ps.1.00. During this extraordinary shareholders meeting, all of our existing shareholders waived their preemptive rights. In addition, the shareholders determined that the exchange ratio for the exchange offer would be one class B share of Banco Galicia for 2.5 of our class B shares and one ADS of Banco Galicia for one of our ADSs. The exchange offer was completed in July 2000 and the resulting capital increase was of Ps.549,407,017. At date of completion of the exchange offer, our only significant asset was our 93.23% interest in Banco Galicia.

On January 2, 2004, our shareholders held an extraordinary shareholders meeting during which they approved a capital increase of up to 149,000,000 preferred shares, each of them mandatorily convertible into one of our class B shares on the first anniversary of the date of issuance, to be subscribed for in up to US\$100.0 million of face value of subordinated notes to be issued by Banco Galicia to its creditors in the restructuring of the foreign debt of its head office in Argentina (the Head Office) and its Cayman Branch, or cash. This capital increase was carried out in connection with the restructuring of Banco Galicia's foreign debt. On May 13, 2004, we issued 149,000,000 preferred non-voting shares, with preference over the ordinary shares in the event of liquidation, each with a face value of Ps.1.00. The preferred shares were converted into class B shares on May 13, 2005. With this capital increase, our capital increased to Ps.1,241,407,017. For more information on Banco Galicia's debt restructuring, please see below.

In 2000, Net Investment was established as a holding company, of which Grupo Financiero Galicia had 87.5% ownership. During that year, Grupo Financiero Galicia also entered the bank-assurance business acquiring a participation in Sudamericana and in 2001 acquired the 87.5% of Galicia Warrants. As of the date of this annual report Grupo Financiero Galicia owns the 87.5% of each company, with the remaining 12.5% being held by Banco Galicia.

In January 2005, we created Galval, a securities broker based in Uruguay, with the purpose of providing trading and custody services. We own 100% of the capital and voting rights of this subsidiary.

In August 2007, Grupo Financiero Galicia exercised its preemptive rights in Banco Galicia's share issuance and subscribed for 93.6 million shares of Banco Galicia. The consideration consisted of: (i) US\$102.2 million face value of notes due 2014 issued by Banco Galicia in May 2004, and (ii) cash. After the capital increase, Grupo Financiero Galicia held 94.66% of Banco Galicia's shares, up from 93.60%. For more information on Banco Galicia's capital increase, please see -Banco Galicia-Banco Galicia's 2007 Capital Increase.

In March 2008, GV Mandataria was incorporated with the purpose of carrying out securities-related representations, mandates and commissions of all types, involving both domestic and international companies. Grupo Financiero Galicia holds 90% of GV Mandataria's stock, and the remaining 10% is held by Galval.

As of December 31, 2011, the controlling percentage held by Grupo Financiero Galicia in Banco Galicia was 94.84%. During January 2012, Grupo Financiero Galicia's ownership of Banco Galicia reached 94.93%.

Banco Galicia

Banco de Galicia y Buenos Aires S.A. is a banking corporation organized as a stock corporation under Argentine law and supervised and licensed to operate as a commercial bank by the *Superintendencia de Entidades Financieras y Cambiarias* (Superintendency of Financial Institutions and Exchange Bureaus or the Superintendency).

Banco Galicia was founded in September 1905 by a group of businessmen from the Spanish community in Argentina and initiated its activities in November of that year. Two years later, in 1907, Banco Galicia's stock was listed on the Buenos Aires Stock Exchange (BASE). Banco Galicia's business and branch network increased significantly by the late 1950s and continued expanding in the following decades, after regulatory changes allowed Banco Galicia to exercise its potential and gain a reputation for innovation, thereby achieving a leading role within the domestic banking industry.

In the late 1950s, Banco Galicia launched the equity fund FIMA Acciones and founded the predecessor of the asset manager Galicia Administradora de Fondos S.A., Sociedad Gerente de Fondos Comunes de Inversión (Galicia Administradora de Fondos). Beginning in the late 1960s Banco Galicia began to establish an international network mainly comprised of branches in New York and in the Cayman Islands, a bank in Uruguay and several representative offices.

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In order to develop automated banking in Argentina and avoid bank disintermediation (i.e., when consumers directly access information or goods rather than using intermediaries) in the provision of electronic information and fund transfer services, in 1985, Banco Galicia established, together with four other private-sector banks operating in Argentina, Banelco S.A. to operate a nationwide automated teller system, which became the largest in the country. During the same year, Banco Galicia also acquired an interest in VISA Argentina S.A., and is currently one of the largest issuers of such cards in Argentina.

During the 1990s, Banco Galicia implemented a growth and modernization strategy directed at achieving economies of scale and increasing productivity and, therefore, heavily invested in developing new businesses, acquiring new customers, widening its product offering, developing its IT and human resources capabilities, and expanding its distribution capacity. This was comprised of traditional channels (branches) and, especially, alternative channels, including new types of branches (in-store for example), ATMs, banking centers, phone banking and internet banking.

As part of its growth strategy, in 1995, Banco Galicia began a new expansion drive into the *Interior* of Argentina where high growth potential was believed to exist. Argentines refer to the *Interior* as that part of the country's territory different from the federal capital and the areas surrounding the city of Buenos Aires (Greater Buenos Aires), i.e., the provinces, including the Buenos Aires Province but excluding the city of Buenos Aires and its surroundings. Typically the Interior is underserved relative to the city of Buenos Aires and its surroundings with respect to access to financial services and its population tends to use fewer banking services. As such, mainly between 1995 and 1999, Banco Galicia acquired equity interests in entities or formed several non-banking companies providing financial services to individuals in the Interior through the issuance of proprietary brand credit cards. See -Regional Credit Card Companies below. In addition, in 1997, Banco Galicia acquired a regional bank that was merged into it, with branches located mainly in Santa Fe and Córdoba, two of the wealthiest and more populated Argentine provinces.

In order to fund its strategy, during the 1990s, Banco Galicia tapped the international capital markets for both equity and debt. In June 1993, Banco Galicia carried out its initial international public offering in the United States and Europe and, as a result, began to list its American Depositary Receipts (ADRs) on the Nasdaq Stock Market until 2000, when Banco Galicia's shares were exchanged for our shares. In 1991, it was the first Argentine bank to issue debt in the European capital markets and, in 1994, it was the first Latin American issuer of a convertible bond. In 1996, Banco Galicia raised equity again through a local and international public offering.

In 1996, Banco Galicia entered the bank-assurance business through an agreement with ITT Hartford Life Insurance Co. for the joint development of initiatives in the life insurance business. In this same year, Banco Galicia initiated its internet presence, which evolved into a full e-banking service for both companies and individuals.

At the end of 2000, Banco Galicia was the largest private-sector bank in the Argentine market with a 9.8% deposit market share.

In 2001 and 2002 Argentina experienced a severe political and financial crisis, which had a material adverse effect on the financial system and on financial businesses as a whole, including Banco Galicia, but especially on financial intermediation activity. However, during the crisis, the provision of banking services of a transactional nature was maintained. With the normalization of the Argentine economy's situation and the subsequent growth cycle that began in mid 2002, financial activities began to expand at high rates, which translated into high growth at the level of the financial system as a whole, including Banco Galicia. The provision of services continued to develop, even further than prior to the crisis, and financial intermediation resumed progressively.

Beginning in May 2002, Banco Galicia began to implement a series of initiatives to deal with the liquidity shortage caused by the systemic deposit run, the unavailability of funding and other adverse effects of the 2001-2002 crisis on the financial system as a whole. Banco Galicia significantly streamlined its operations and reduced its administrative expenses and, immediately after launching such initiatives, restored its liquidity. Also, in late 2002 and early 2003, Banco Galicia closed all of its operating units abroad or began to wind them down. In addition, Banco Galicia: (i) restructured most of its commercial loan portfolio, a process that was substantially completed in 2005, (ii) restructured its foreign debt, a process that began in 2002 and that was completed in May 2004, and resulted in an increase in its capitalization, and (iii) in February 2004, finalized the restructuring of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis.

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Together with the launching of the above-mentioned initiatives, Banco Galicia began to normalize its activities, progressively restoring its customer relations and growing its business with the private sector. In 2007, Banco Galicia finalized the full repayment of its debt with the Argentine Central Bank incurred as a consequence of the 2001-2002 crisis. In addition, in August 2007, Banco Galicia repaid in full the notes that it had issued to restructure the debt of its New York Branch and undertook a share offering to increase its capitalization, in order to be able to support the increase in regulatory capital requirements on a bank's exposure to the public sector and the growth of its business with the private sector. For more information, see "Banco Galicia's 2007 Capital Increase" below.

On June 1, 2009, Banco Galicia entered into a stock purchase agreement with AIG and with AIG Consumer Finance Group Inc. for the purchase of the shares of CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (collectively the "CFA Group"), Argentine companies that are involved in financial and related activities.

Pursuant to Resolution No. 124, dated June 7, 2010, the Argentine Central Bank authorized the purchase of the shares of the CFA Group by Banco Galicia and Tarjetas Regionales and on August 31, 2010, through Resolution No. 299, the National Commission for the Defense of Competition (*Comisión Nacional de Defensa de la Competencia*) approved the transaction. The purchase of the shares of the CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales (5%) on June 24, 2010. The price to acquire the shares of these companies was Ps.333.9 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. See "Compañía Financiera Argentina" below.

Restructuring of the Foreign Debt of Banco Galicia's Head Office in Argentina and its Cayman Branch

On May 18, 2004, Banco Galicia successfully completed the restructuring of US\$1,320.9 million of the debt of Banco Galicia's Head Office and its Cayman Branch, consisting of bank debt (including debt with multilateral credit agencies) and bonds. This amount represented 98.2% of the foreign debt eligible for restructuring. As of December 31, 2011, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1.6 million.

Based on the final amounts validly tendered, on May 18, 2004, Banco Galicia paid creditors who elected to participate in the cash offer and the Boden offer and issued the following new debt instruments:

US\$648.5 million of long-term Dollar-denominated debt instruments, of which US\$464.8 million were Dollar-denominated notes due 2014 (referred to as the "Step Up Notes Due 2014" or the "2014 Notes") issued under an indenture.

US\$399.8 million of medium-term Dollar-denominated debt instruments, of which US\$352.8 million were Dollar-denominated notes due 2010 (referred to as the "Floating Rate Notes Due 2010" or the "2010 Notes") issued under an indenture.

US\$230.0 million of subordinated Dollar-denominated debt instruments, of which US\$218.2 million were Dollar-denominated notes due 2019 (referred to as the "Subordinated Notes Due 2019" or the "2019 Notes") issued under an indenture.

In January 2010, Banco Galicia paid the last amortization installment of its 2010 Notes, for a principal amount of US\$34.2 million and in November 2010, Banco Galicia redeemed all its 2014 Notes, for an outstanding principal amount of US\$102.3 million.

During February 2011, Banco Galicia partially redeemed capitalized interest of its Subordinated Notes Due 2019 for US\$90.1 million, which amount was capitalized between January 1, 2004 and December 31, 2010, and was originally scheduled to be paid on January 1, 2014. In addition, as part of such partial redemption, Banco Galicia also paid all other interest accrued on such partially redeemed amount up to the day before the redemption date for US\$1.4 million. Interest accrues on these notes at a fixed annual rate of 5% and is payable semiannually.

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In addition, in December 2011, with respect to the same notes, Banco Galicia made an advance payment of interest, including both interest that capitalized from January 1, 2011 to June 30, 2011, as well as interest that had accrued on such capitalized amount as of the day before such advanced payment, of US\$5.5 million and US\$0.3 million, respectively. Such payment was originally scheduled to be made on January 1, 2014.

As of December 31, 2011, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$228.4 million, US\$88.7 million lower than as of December 31, 2010 and US\$327.8 million lower than as of December 31, 2009, due to amortization, prepayments and advance cancellations. For more information see Item 5. Operating and Financial Review and Prospects-Item 5.A. Operating Results-Contractual Obligations, and Funding.

Banco Galicia's 2007 Capital Increase

On October 11, 2006, Banco Galicia's shareholders resolved to increase Banco Galicia's capital stock by up to 100 million ordinary (common) book-entry, class B shares, with one vote per share and a nominal value of Ps.1.0 each. The new shares could be purchased, at the option of the purchaser, in cash or in 2010 Notes, 2014 Notes and/or 2019 Notes. The offer was made only to shareholders. The purpose of the capital increase was to guarantee Banco Galicia's compliance with the Argentine Central Bank's capital adequacy rules, in light of the increase in such requirements. This increase was expected because of the projected growth of Banco Galicia's business volume with the private sector and the Argentine Central Bank's regulations establishing increasing capital requirements in respect of public-sector assets.

On July 27, 2007, we purchased 93,604,637 new shares through the exercise of our preemptive rights. During August 2007, Banco Galicia issued 93,664,806 new shares through the exercise of its shareholders' preemptive and accretion rights. In total, the transaction led to a net increase in Banco Galicia's shareholders' equity of Ps.493 million, of which Ps.466 million was an aggregate increase in Banco Galicia's shareholders' equity items capital stock and issuance premiums, net of issuance costs, and Ps.27 million was a profit in connection with the portion paid for in 2014 Notes, given that these notes were received by Banco Galicia at a value lower than their book value.

Banco Galicia Uruguay S.A. and Galicia (Cayman) Ltd.

In 1983, Galicia Uruguay was established as a *Casa Bancaria*, a license that granted an offshore status, as an alternative service location for Banco Galicia's customers. In September and October 1999, the Uruguayan government's executive branch and the Uruguayan Central Bank, respectively, approved Galicia Uruguay's status as a full service domestic bank. Due to the effects of the 2001-2002 crisis on Galicia Uruguay, in early 2002, the Central Bank of Uruguay suspended its activities and assumed control and management of Galicia Uruguay. In December 2002, Galicia Uruguay restructured its deposits into debt maturing in 2011. On June 1, 2004, Galicia Uruguay's license to operate as a domestic commercial bank was revoked by the Central Bank of Uruguay, but it retained the license from the Uruguayan government's executive branch. Control and management of Galicia Uruguay by the Central Bank of Uruguay ended on February 22, 2007. On May 15, 2009, Galicia Uruguay made available to its clients in advance US\$27.3 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011.

On May 29, 2009, the Special General Meeting of Galicia Uruguay approved the voluntary reduction of capital by redemption of shares. Following such capital reduction, Banco Galicia held 100% of the capital stock of Galicia Cayman, of which formerly 65.34% was controlled by Galicia Uruguay and the remaining 34.66% by Banco Galicia. As of the closing of fiscal year 2011 the shareholders' equity of Galicia Uruguay amounted to Ps.50.7 million.

At the date of this annual report, Galicia Uruguay was in the process of being liquidated and therefore was not engaged in any active business and its restructured debt (time deposits and notes) has been repaid in full.

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Galicia Cayman was established in 1988 in the Cayman Islands as another alternative service location for Banco Galicia's customers. Galicia Uruguay's situation adversely affected its subsidiary Galicia Cayman, which commenced voluntary liquidation and surrendered its banking license effective as of December 31, 2002. In May 2003, Galicia Cayman together with the provisional liquidators designated by the Grand Court of the Cayman Islands completed a debt restructuring plan and, with the authorization of such Court, presented it to all creditors for their consideration. The plan was approved, in whole, by the vote of 99.7% of creditors, exceeding the legal majority required, on July 10, 2003, and became effective and mandatory for all creditors. On February 2, 2006, the Grand Court of the Cayman Islands declared the plan as terminated and ended the involvement of any third parties in the company's management beginning on February 23, 2006.

Regional Credit Card Companies

In the mid-1990s, Banco Galicia made the strategic decision to target the non-banked individuals market, which, in Argentina, typically includes the low and medium-low income segments of the population which typically live in the *Interior* of the country, in addition to certain locations of the Greater Buenos Aires. To implement this strategic decision, among others, in 1995, Banco Galicia began investing in non-bank companies operating in certain regions of the *Interior*, providing financial services to individuals through the issuance of credit cards with proprietary brands and extending credit to its customers through such cards. We refer to these companies in aggregate as the Regional Credit Card Companies.

In 1995, Banco Galicia made the first investment in this business by acquiring a minority stake in Tarjeta Naranja S.A. and in 1997 increased its ownership to 80%. This company had begun operations in 1985 in the city of Córdoba, the second largest city in Argentina, by marketing Tarjeta Naranja, its proprietary brand credit card, in this city and had enjoyed local growth.

In 1996, Banco Galicia formed Tarjetas Cuyanas S.A., to operate in the Cuyo Region (the provinces of Mendoza, San Juan and San Luis) in partnership with local businessmen. This company launched the Nevada Card in May 1996 in the city of Mendoza. Also in 1996, Banco Galicia formed a new company, Tarjetas del Mar S.A., to operate in the city of Mar del Plata and its area of influence. Tarjetas del Mar S.A. began marketing the Mira card in March 1997.

In early 1997, Banco Galicia purchased an interest in Comfiar S.A., a consumer finance company operating in the provinces of Santa Fe and Entre Ríos, which was merged into Tarjeta Naranja S.A. in January 2004.

In 1999, Banco Galicia reorganized its participation in this business through Tarjetas Regionales, a holding company wholly owned by Banco Galicia and Galicia Cayman, which achieved control of Tarjeta Naranja S.A., Comfiar S.A., Tarjetas Cuyanas S.A., and Tarjetas del Mar S.A. In addition, in 1999, Tarjetas Regionales acquired a 12.5% interest in Tarjetas del Sur S.A., a credit card company operating in southern Argentina. In January 2000, this interest increased to 60% and, in February of the same year, Tarjeta Naranja S.A. acquired the remaining 40%. In March 2001, Tarjetas del Sur S.A. merged into Tarjeta Naranja S.A.

As of December 31, 2011, Banco Galicia held 75.3% of Tarjetas Regionales while Galicia Cayman held the remaining 24.7%. Directly or indirectly, as of that date, Banco Galicia held 80.0% of Tarjeta Naranja S.A., 60.0% of Tarjetas Cuyanas S.A., and 99.94% of Tarjetas del Mar S.A. Following the completion of our fiscal year ended December 31, 2011, the ownership interests in Tarjetas Regionales and its operating subsidiaries were modified. See Item 8. Financial Information Significant Changes. These companies have experienced a significant expansion of their customer bases, in absolute terms and with respect to the range of customers served, number of cards issued, distribution networks and size of operations, as well as a technological upgrade and general modernization. By mid 1995, Tarjeta Naranja S.A. had approximately 200,000 cards outstanding. As of December 31, 2011, the Regional Credit Card Companies, on a consolidated basis, had more than 6.6 million issued cards and were the largest proprietary brand credit card operation in Argentina.

In terms of funding, the Regional Credit Card Companies have historically used one or more of the following third party sources of financing: merchants, bond issuances, bank loans and other credit lines, financial leases and securitizations using financial trust vehicles. This diversification has allowed the Regional Credit Card Companies to maintain and expand their business without depending excessively on one single source or provider.

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The business operations of the Regional Credit Card Companies are exposed to foreign exchange rate fluctuations and interest rate fluctuations; however, they mitigate the foreign exchange rate risk in respect of their business and operation through hedging transactions and to try to offset their interest rate exposure with assets that bear interest at similar floating rates. In addition, the Regional Credit Card Companies have an overall liquidity policy to have sufficient liquidity to cover at least three months of future operations and they also formulate a cash flow projection for each upcoming year. These internal policies and practices ensure adequate working capital through which the Regional Credit Card Companies protect their operations against short-term cash shortages, allowing them to focus on expanding their business and continuously better serving their clients.

Compañía Financiera Argentina

CFA is a financial company which operates under the Financial Institutions Law and other regulations set forth by the Argentine Central Bank.

CFA is a leading financial company in Argentina in the personal loans business, providing consumer personal loans through different products. Within this framework, CFA grants unsecured personal loans within the Argentine territory, mainly through its *Efectivo Sí* offices, intermediary entities (mutuals, unions, cooperatives, etc.) and the financing of purchases through its affiliated merchants. It also issues credit cards, but on a small scale.

CFA had different names before adopting its current name. It was originally set up under the name Río de la Plata Sociedad Anónima Comercial y de Financiaciones on August 16, 1960, and in 1977 the name was changed to Burofinanz S.A. Compañía Financiera (authorized by Resolution No. 424 of the Argentine Central Bank, dated December 29, 1977).

In 1992, CFA carried out its commercial activities under the name Interbonos Compañía Financiera S.A. (authorized by Resolution No. 284 of the Argentine Central Bank, dated June 17, 1992), as agent of the *Mercado Abierto* (fixed income brokerage) and later it shifted its activities to personal financing, providing small loans through retail merchants for the acquisition of different consumer goods. In 1994, it created *Efectivo Sí*, which is a product aimed at satisfying the financial needs of the non-bankarized population sector, or that segment of the population characterized by limited interaction with traditional banks.

In 1995, Banco de Crédito Argentino acquired an interest in the company's capital stock and later Banco de Crédito Argentino was acquired by BBVA Banco Francés S.A., which became the major shareholder of CFA. Subsequently, the *División Convenios* (Agreements Division) was created, which allowed CFA to enter the market of agreements with mutuals, unions, cooperatives and other intermediary organizations, and grant loans to its associates.

The Argentine Central Bank, through its Resolution No. 85 dated February 7, 1996, registered CFA's change of denomination to Compañía Financiera Argentina S.A. and authorized it to operate as a financial company under the Financial Institutions Law, thus allowing CFA to initiate its activities since February 27, 1996.

In 1998, most of CFA's capital stock was acquired by AIG Consumer Finance Group Inc., a company controlled by AIG American International Group Inc. Six years later, in 2004, the *Cuota Sí* product was designed, aimed at financing purchases through affiliated merchants.

In June 2010, Compañía Financiera Argentina was acquired by Banco Galicia and Tarjetas Regionales, with an interest in CFA's capital stock of 95% and 5%, respectively.

During fiscal year 2011, the 5% interest held by Tarjetas Regionales was acquired by Grupo Financiero Galicia and Banco Galicia, which acquired 3% and 2% of such interest, respectively. Following such acquisition, Banco Galicia held a 97% interest in CFA.

Sudamericana Holding

In 1996, Banco Galicia entered the bank-assurance business, through the establishment of a joint venture with Hartford Life International to sell life insurance and annuities, in which it had a 12.5% interest. In December 2000, Banco Galicia sold its interest in this company and purchased 12.5% of Sudamericana, a subsidiary of Hartford Life International. As a result of various acquisitions, Grupo Financiero Galicia owns 87.5% of Sudamericana (with the remaining 12.5% being held by Banco Galicia) which offers life, retirement and property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property and casualty and life insurance, Galicia Retiro Compañía de Seguros S.A. (Galicia Retiro), which provides retirement insurance and Galicia Broker Asesores de Seguros S.A. (insurance broker).

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Net Investment

Net Investment was established in February 2000 as a holding company (87.5% owned by Grupo Financiero Galicia and 12.5% owned by Banco Galicia) whose initial purpose was to invest in and develop businesses related to technology, communications, internet connectivity and web contents. Net Investment has performed its activities in the areas of business to business e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during fiscal year 2010, Net Investment purchased shares of a company that carries out activities related to business development through the internet. As of December 31, 2011, the equity investment held by Net Investment is equivalent to 0.19% of such company's net worth.

The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

Galicia Warrants

Galicia Warrants was founded in April 1993, when it obtained the authorization from the relevant authorities to store goods and issue certificates of deposits of goods and warrants under the provisions of Law N° 9,643.

Galicia Warrants is a leading company in the deposit certificates and warrants issuance market and its main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. Its main objective is to enable its customers to access credit and financing, which are secured by the property kept under custody. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake, and Banco Galicia, with the remaining 12.5%

Galval

Galval was formed in January 2005 under the laws of República Oriental del Uruguay and gradually started to operate in September 2005. Galval is a company that indirectly makes use of the free trade zone of Montevideo and renders brokerage services in República Oriental del Uruguay. Grupo Financiero Galicia owns the 100% of this company's capital stock and voting rights.

GV Mandataria

In March 2008, GV Mandataria was incorporated with the purpose of carrying out representations, mandates and commissions of all types, whether involving domestic or international companies. Grupo Financiero Galicia holds 90% of GV Mandataria's stock, and the remaining 10% is held by Galval.

Business

Banking

Banco Galicia is our largest subsidiary. Banco Galicia operates in Argentina and substantially all of its customers, operations and assets are located in Argentina. Banco Galicia is a bank that provides, directly or through its subsidiaries, a wide variety of financial products and services to large corporations, SMEs, and individuals.

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Banco Galicia is one Argentina's largest full-service banks and is a leading provider of financial services in Argentina. According to information published by the Argentine Central Bank, as of December 31, 2011, Banco Galicia ranked second in terms of assets, deposits and loan portfolio within private-sector banks in Argentina. As of the same date, Banco Galicia also ranked first among private-sector domestic banks in terms of assets, loans and deposits. Its market share of private sector deposits and of loans to the private sector was of 8.78% and of 8.64% respectively, as of the end of 2011. On a consolidated basis, as of the end of fiscal year 2011, Banco Galicia had total assets of Ps.50,658 million, total loans of Ps.30,881 million, total deposits of Ps.30,149 million, and its shareholders' equity amounted to Ps.3,603 million.

Banco Galicia provides a full range of financial services through one of the most extensive and diversified distribution platforms amongst private-sector financial institutions in Argentina. This distribution platform, as of December 31, 2011, was comprised of 244 full service banking branches, located throughout the country, 1,534 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. Banco Galicia's customer base, on an unconsolidated basis, was comprised of more than 2.3 million customers, who were comprised of mostly individuals but who also included more than 60,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, it is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sectors. Banco Galicia's primary clients are classified into two categories, the Wholesale Banking Division and the Retail Banking Division.

For a breakdown of Banco Galicia's revenues by category of activity for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Banking.

Wholesale Banking

The Wholesale Banking Division manages and develops Banco Galicia's relationship with the companies of the different economic sectors.

As of December 31, 2011, Banco Galicia continued to strengthen its position in the corporate sector, by increasing the cross-selling of its various products to existing clients, by continuing to provide better quality financial products and services and by forging close relationships with its corporate customers and ensuring that its officers provide such customers with dedicated and focused customer service. These financial products and services offered included, among others, collection and payment services, commercial credit cards that are tailored for the needs of particular market segments, direct payroll deposit, capital market alternatives, foreign trade solutions and corporate e-banking services through Galicia Office. In addition, during fiscal year 2011, as an indicator of the efforts being undertaken by Banco Galicia to provide better quality products and services, Banco Galicia also obtained an ISO 9001 Certification for *Comunidad Electrónica de Cobros* (a certification for an electronic collection community) and renewed certification of the quality management system *Cobranza Integrada Galicia* (Galicia Integral Collection), both of which are valuable recognitions for Banco Galicia's business.

Banco Galicia is committed to Argentina's economic growth. For the fiscal year ended on December 31, 2011, Banco Galicia provided financial assistance to more than 56,000 companies in Argentina by providing such companies with access to credit lines that they could then use to finance their working capital needs for medium and long-term investment projects. Such commitment becomes clear in Banco Galicia's total loan portfolio structure (excluding the loan portfolio of Tarjetas Regionales), of which 58% accounts for the financing of production-related sectors (38% SMEs and Agriculture and Livestock sector, and 20% for large companies and corporations).

During fiscal year 2011, Ps.32,000 million were granted as loans to companies across the country, whereas funds managed increased by 24%. The offer of Peso and Dollar-denominated medium- and long-term financing increased through different agreements with both domestic and international multilateral agencies. Additionally, the benefits of all subsidized credit lines or lines with special conditions offered by the national and provincial public sector were offered to customers.

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In line with the investment on capital goods in the productive sector, Banco Galicia disbursed more than Ps.340 million for leasing credit lines throughout fiscal year 2011 and, as part of its efforts to continue to manage value chain integration, Banco Galicia also created new alliances with leading Argentine companies to provide special financing conditions, entering into 115 agreements for the purchase of machines, seeds, agrochemicals, trucks and vehicles, among others; and purchases for over Ps.471 million were financed. In addition, as part of Banco Galicia's role in the continued development of the livestock sector, Banco Galicia entered into various agreements with both livestock brokers and breeding ranches to finance the purchase of breeding cattle (including both bulls and cows) between such entities by providing medium-term loans.

Galicia Office is Banco Galicia's corporate e-banking service, which companies use, without any cost, to make inquiries and requests about their banking products (accounts, loans, investments, Visa and Galicia Rural liquidations), as well as gain access to a wide range of information about their check portfolio and returned checks, request and ratify checkbooks, make transfers between their accounts and third party accounts, make investments, consult Banco Galicia regarding their foreign trade transaction balance, make payments to their employees with maximum security, renew their digital signature online and make payments to their suppliers. The volume of queries and transactions made through Galicia Office continues to grow year after year as well as the volume of companies currently subscribed to the service; currently more than 47,000 companies are using Galicia Office. During the fiscal year ended December 31, 2011, total queries reached 81.9 million and monetary transactions amounted to 3.4 million, representing a 24% increase, as compared to fiscal year 2010. Taking into account InterBanking (an electronic payment company) and Galicia Office, transactions amounting to Ps.407,292 million were conducted, representing a 50.3% increase in fiscal year 2011 as compared to fiscal year 2010.

Corporate Banking

During 2011, Banco Galicia strengthened its position as one of the leading banks in this customer segment, by increasing its market penetration sharply and improving the indexes that measure the opinion customers have regarding Banco Galicia. This was accomplished through commercial planning, tailor-made financial and non-financial solutions based on the requirements of this segment's customers, and the specialized advisory service from a professional team.

The foreign trade business had a significant level of activity, reaching US\$8,526 million and 27,826 transactions. In addition, this division actively participated in the structuring of debt transactions in capital market issuances.

Companies

During 2011, Banco Galicia's leading position strengthened in the business segment, which was called medium-sized companies until 2010, and Banco Galicia significantly increased its market penetration and value in the Argentine provinces, thus elevating Banco Galicia's provincial presence to a similar level as its already stable presence in the Autonomous City of Buenos Aires and Greater Buenos Aires.

The electronic account transactions for this segment increased by 58% during 2011 as a result of the *Cobranza Integrada Galicia* (Galicia Integral Collection), *Pago de Haberes* (Direct Payroll Deposits) and *Pago a Proveedores* (Payment to Suppliers) services, and as a result of increased foreign trade transactions conducted through Galicia Office.

Additionally, growth in this segment increased as a result of foreign trade. Specifically, during 2011 a team of foreign trade professionals similar to the already existing commercial officers team was created to advise our corporate customers on foreign trade matters which helped increase our revenues from foreign trade transactions. These revenues increased to represent 52% of our overall revenues in this segment for fiscal year 2011 as compared to 47% for fiscal year 2010.

Agricultural and Livestock Sector

Banco Galicia's leading position in the agriculture and livestock sector continues to strengthen year after year. For the sixth year in a row, the annual survey of ICASA/Mora y Araujo Consultant for Chacra Magazine that establishes the best positioned brands in this sector concluded that Banco Galicia is the best positioned private financial entity in the agriculture and livestock sector.

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Through Tarjeta Galicia Rural (TGR), the leading card in the agriculture and livestock market with over 50% of the market share of the credit card business specializing in this sector, Banco Galicia continues to develop benefits to finance supplies, goods and services for this sector. During fiscal year ended December 31, 2011, the sales volume for this card amounted to Ps.1,856 million, which represented a 47% increase as compared to the fiscal year ended December 31, 2010.

Throughout 2011, new agreements were entered into with leading companies of the agriculture and livestock sector to offer them interest-free, 90 to 240-day exclusive financing conditions with Tarjeta Galicia Rural; in addition, during the pre-campaign, farm operators were offered the option of buying their supplies with TGR card from companies that held agreements as of March 2011 and paying for them in 2012.

Once again Banco Galicia promoted awards such as *Excelencia Agropecuaria La Nación Banco Galicia* (La Nación-Banco Galicia's Agriculture and Livestock Excellence Award), *Banco Galicia Revista Chacra a la Gestión Solidaria del Campo* (Banco Galicia-Chacra Magazine's Rural Solidarity Award) and CAPA-Banco Galicia. Banco Galicia also supported various research and outreach activities.

Capital Markets and Investment Banking

Banco Galicia's capital market activity is focused on corporate debt transactions and, to a lesser extent, on securitization transactions. In addition, Banco Galicia contributes to the optimization of its affiliated companies' financing strategies.

Non-Financial Public Sector

During the fiscal year ended December 31, 2011, Banco Galicia continued improving its position as a service provider for the public sector, by visiting and offering services to several municipalities and national universities. As a result of these actions, new agreements were entered into and additional services were offered to the municipal sector. Furthermore, Banco Galicia continued taking part in different public bids on direct payroll deposits. Banco Galicia believes that the work carried out during fiscal year 2011 provides an excellent stepping stone for Banco Galicia to position itself as a leader within the public sector in 2012.

Foreign Trade

During 2011, import and export operations conducted through Banco Galicia totaled US\$14,084 million, which represented a 33.4% increase as compared to the previous year. Banco Galicia's foreign trade market share amounted to 8.2%, with more than 116,000 transactions processed.

In order to improve internal operating processes and streamline transaction settlements, a foreign trade team was created within the operations department. This team is exclusively dedicated to the settlement of transactions from Galicia Office. During 2011, Galicia Office recorded approximately 48,000 foreign trade transactions conducted by 2,000 customers.

Through the Customer Contact Center and specialized personnel, the foreign trade service answered 246,172 phone calls from customers requesting information and advice regarding their transactions.

Retail Banking

The Retail Banking Division manages Banco Galicia's business with individuals from all income brackets, micro and smaller businesses (i.e., those businesses with annual revenues below Ps.20 million) and small retailers and professionals. Retail Banking provides a wide range of financial products and services, encompassing transactions, loans, and investments. On the transactions side, Banco Galicia offers its customers current and savings accounts, credit and debit cards, and payroll direct deposit, among other services. Banco Galicia's customers have access to its services through its branch network as well as through its electronic distribution channels. See -Sales and Marketing.

In 2011, various actions were implemented in order to improve profitability, increase Banco Galicia's growth and implement a service model for high-income customer segments.

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In June 2011, Banco Galicia launched *Éminent*, a value added program oriented to meet the requirements of the most demanding and sophisticated customers, based not only in new products but also in a new trademark and identity and a more efficient and closer service model. *Éminent* provides a differentiated platform with exclusive benefits for these selected customers, which include, but is not limited to: discounts, unique dining experiences, hotels, travel events, technology, sporting events and clothing discounts. Other benefits to these customers include: preferential treatment both in branches and other service channels, more attentive service from officers by reducing the number of customers handled by each officer and promptness in transactions settlements and claim resolution. This program will also provide an exclusive portal and home banking site, specialized advice on investment based on a training program delivered to more than 190 *Éminent* officers and training of approximately 1,000 employees and new premium Visa Signature and American Express *Éminent* credit cards. Additionally, more comfortable and private environments were created in branches, not only at the tellers but also in *Éminent* officers' offices and meeting rooms. By the end of 2011, 67 branches had been totally or partially refurbished, and Banco Galicia is planning to increase this to 140 branches by July 2012. As of December 2011, there were more than 70,000 *Éminent* customers.

Banco Galicia continued lead in the direct deposit of salaries, with an 11% increase in the number of customers as compared to 2010.

Banco Galicia views SMEs as a major driving force for the economy and for strengthening Argentina's productive activity.

Therefore, being near Small Companies is a priority for Banco Galicia, by assisting them as they grow, meeting their requirements and providing adequate, prompt and simple solutions. As of December 2011, Small Companies, which include companies with annual revenues of up to Ps.20 million, had 40,000 customers, 5,000 of which were incorporated during fiscal year 2011, representing a 14% increase as compared to fiscal year 2010.

Private Banking offers services to individuals with medium to high net incomes through management of their investment portfolios and provision of financial advisory services. Private Banking offers its customers a wide range of domestic financial investment alternatives, giving priority to Banco Galicia's products (deposits and FIMA mutual funds, among others) and to trusts and securities for which Banco Galicia acts as an arranger. In addition, Private Banking offers broad geographic coverage, with 13 service centers throughout Argentina.

For the fourth year in a row, the Private Banking Division has obtained the ISO 9001 Certification for the *Modelo de Atención de Clientes* (Customer Service Model). Additionally, for the second year in a row, Euromoney selected Galicia Private Banking as the best local private bank.

Banco Galicia issues Visa, Visa Débito, American Express and MasterCard credit cards, and currently has 1.95 million active accounts, in addition to the proprietary credit cards issued by the Regional Credit Card Companies.

Banco Galicia has placed special emphasis on its personal loan customer base and has aimed at sustaining growth while maintaining its excellent risk levels. With this goal in mind, Banco Galicia has continued to simplify credit screening measures through an automatic credit rating process for those customers whose salaries are directly deposited in Banco Galicia or those who already have an outstanding loan.

Banco Galicia is focused on offering tailored lines of credit with characteristics that are in line with the different needs and income segments of its customers. Such focus has allowed Banco Galicia to increase the amount of lines of credit it offers while also achieving increasing profitability levels.

Banco Galicia's extensive branch network is one of the key components of its distribution network, and is one of its most important competitive advantages. Banco Galicia's distribution network is supported by the use of its intranet (Banco Galicia's system of branch-to-branch communication), the use of its information technology systems, the customer incentives that it consistently offers and the constant monitoring of its customer service quality.

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As of December 31, 2011, Banco Galicia's branch network's geographical distribution was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires	80
Greater Buenos Aires	62
Rest of the Province of Buenos Aires	30
Santa Fe	15
Córdoba	15
Mendoza	9
Entre Ríos and Chubut	4 each
Río Negro	3
Corrientes, La Pampa, Misiones, San Luis, Tierra del Fuego and Tucumán	2 each
Catamarca, Chaco, Formosa, Jujuy, La Rioja, Neuquén, Salta, Santa Cruz, Santiago del Estero and San Juan	1 each
Total	244

Apart from its branches, Banco Galicia uses Red Galicia 24 (Banco Galicia's ATM and self-service terminals network), the bancogalicia.com portal, Galicia Servicios Móviles, its Retail Sales Unit, and the Commercial Planning area of its Customer Contact Center, which are service, transactional and sales channels focused on individual and corporate customers.

Banco Galicia's ATMs and self-service terminals provide its customers with a means of solving their transactional needs in a simple, safe and affordable way, on a 24/7 basis. They are distributed all over the country in the branch network and other locations, such as gas stations, supermarkets and shopping malls.

Toward the end of 2009, Banco Galicia was the first bank in Argentina to provide an ATM that allows customers to deposit funds without using an envelope. During the last quarter of 2011, Banco Galicia added new smart self-service terminals that support envelope-free deposits and recognize and validate both cash and checks. The main advantages of these machines are online crediting, the convenience and extended times provided to make deposits, and the reduction in processing times and paper use as it is no longer necessary to use envelopes to make a deposit.

The bancogalicia.com website makes it possible for customers to request products according to their needs with the assistance of an interactive advisor, obtain information on promotions in the innovative benefits catalogue, and get information about all the products and services offered by Banco Galicia. It also facilitates access to Banco Galicia's specific web pages for both individuals (Galicia home banking) and companies (Galicia Office), allowing customers to access Banco Galicia's products and services from any location, 365 days a year.

Galicia Servicios Móviles is a suite of services for cell phones (SMS, WAP, and Java and iPhone applications), allowing customers to inquire about their accounts, pay balances, subscribe to alerts and obtain information regarding their credit cards.

Regional Credit Card Companies

The companies devoted to the issuance of regional credit cards and the provision of financing transactions to consumers are subsidiaries of Banco Galicia through Tarjetas Regionales (Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A.).

Through the Regional Credit Card Companies, Tarjetas Regionales is the largest non-bank credit card issuer in Argentina and one of the largest in Latin America, in each case, based on the number of credit cards issued. It is also one of the two largest merchant acquirers in Argentina and one of the largest credit card processors in Argentina. As of December 31, 2011, Tarjetas Regionales had more than 2.4 million active accounts, 6.5 million issued credit cards and more than 153,800 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market

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share of issued credit cards in Argentina was approximately 17.5% and of active accounts in Argentina was approximately 21%. As the credit card processor for all of our credit card operations, Tarjetas Regionales processes approximately 101.2 million transactions per year.

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Tarjetas Regionales has a distinctive business model that it believes is well-suited to developing economies in Latin America and to the cultural background of its clients. Its business model of credit card issuance and related credit services focuses on the specific needs of lower- and lower-middle-income clients through personalized and attentive services using its extensive network of branches. This model was developed in the *Interior* of Argentina through the Regional Credit Card Companies, two credit card companies that have distinct geographic coverage. Tarjetas Regionales' client base is primarily in the *Interior*, where each of its brands has a leading presence in its coverage area. Its current expansion efforts in Argentina are focused on the greater Buenos Aires area. In addition, it has exported its model to the Dominican Republic, where it commenced operations in 2007 through a joint venture with Grupo León, and Peru, where we commenced operations in 2011 through a joint venture with Banco de Crédito del Perú.

Through the Regional Credit Card subsidiaries, Tarjetas Regionales issues, operates and processes its own branded credit cards, the Tarjeta Naranja credit card and the Tarjeta Nevada credit card, which allow credit card holders to charge purchases of goods and services in a network of more than 153,800 merchants that have agreed to accept these proprietary credit cards. At December 31, 2011, these proprietary credit cards accounted for, on average, approximately 55% of its issued credit cards and, for the year ended December 31, 2011, approximately 81% in terms of its average monthly purchase volumes. Tarjetas Regionales also offers its clients international credit card brands such as Visa, MasterCard and American Express that are issued by Banco Galicia on its behalf. In addition to its credit card business, Tarjetas Regionales also extends personal loans, through the Regional Credit Card Companies, to its clients either for the account of the Regional Credit Card Companies or for the account of Banco Galicia at the election of the relevant Regional Credit Card Company. Tarjetas Regionales provides its products and services through an extensive network of 250 branches, client service centers and other points of sale strategically located in most major Argentine cities and in limited locations in the Dominican Republic and Peru. Its branch network provides a critical service and payment interface for its clients, which allows it to provide targeted client service and form relationships with its clients and affiliated merchants.

For a breakdown of the Regional Credit Card Companies' revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Regional Credit Cards .

CFA

CFA is the leading financial company in Argentina in the personal loan business. As of December 31, 2011, CFA's assets were over Ps.2,303 million and its shareholders' equity was Ps.933.6 million. CFA employed 1,118 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 486,000 customers, who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

Main products:

Efectivo Sí: Unsecured personal loans payable in installments.

Cuota Sí: Product to finance purchases of goods through merchants associated with CFA, without using any cash or credit cards. Such goods include home appliances, household goods and construction materials.

Loans to Public Sector Employees: Loans targeted to public sector employees on the national level, which are deducted directly from their salary.

Payroll Loans: Granted to affiliates or associate members of mutuals, cooperatives, unions, etc.

Credit Cards: Issued by Visa and MasterCard, both at domestic and international level.

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Pagos Jubilatorios de la ANSES (Retirement and pension payment - National Social Security Administration): Aimed at retired people and pensioners collecting their payments at CFA.

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Microfinance: Credit lines for small ventures in specific geographic areas across the country.

Insurance: CFA sells different types of insurance policies from leading companies of the market to meet customers' needs. Throughout the year, the *Efectivo Sí* trademark has strengthened, mainly through advertising in the main soccer tournaments organized by the Argentine Soccer Association.

CFA's net income for fiscal year 2011 amounted to Ps.213 million. At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.1,600 million, representing a 38.7% increase as compared to fiscal year 2010 and had strong portfolio quality ratios.

CFA's objective is to secure, maintain and expand its leading position in the consumer finance market. During 2012, CFA expects to further grow and consolidate its customer portfolio and boost credit card circulation. With respect to financing, it will seek financing from the domestic capital market by issuing trusts and notes, and it will focus on increasing financing through time deposits at its branches.

For a breakdown of CFA's revenues for the last financial year, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-CFA Personal Loans .

Financial Division

The Financial Division of Banco Galicia includes the Financial Operations, Banking Relations, Assets and Liabilities Management and Information Management and Support areas. In addition, this division is also involved in the mutual funds business and in the brokerage business through Galicia Valores.

The Financial Operations Division is responsible for, among other things, managing liquidity and the different financial risks of Banco Galicia, based on the parameters determined by Banco Galicia's board of directors. It manages positions in foreign currency and government securities, and it also acts as an intermediary and distributes financial instruments for its own customers (institutional investors) and corporate customers and individuals. It participates in different markets in its capacity as agent of the *Mercado Abierto Electrónico* (MAE) and member of the Rosario Futures Exchange, Financial Products Division. Through Galicia Valores, this department offers customers the ability to buy and sell securities on the BASE.

In 2011, Banco Galicia was ranked 2nd in the MAE's annual ranking for transactions of fixed-income instruments, rising two positions as compared to 2010.

The foreign trade volume increased by 37%, as compared to 2010, from US\$11,500 million to US\$15,700 million. As for the inter-banking wholesale market, total market volume decreased by 10%, and Banco Galicia's by 6%. With respect to the futures market, Banco Galicia traded a total of US\$12,300 million, representing a 21% increase as compared to 2010 due to an increase both in the call money between banks and in the customer transactions traded volume. With the above-mentioned values, Banco Galicia ended the year ranking fifth in Forex MAE, first in Rofex futures and fourth in the currency futures market OCT MAE (forward compensated transactions).

Although the traded volume of interest rate derivatives decreased since September 2011, Banco Galicia ranked second in 2011 in the futures traded volume with a total of Ps.5,500 million, and first in 2011 in swaps with a total traded volume of Ps.305 million. In both cases, as compared to 2010, the market share increased from 21.8% to 22.5% in futures, and 15.4% to 29.9% in swaps.

The Banking Relations Division is responsible, at the international level, for managing Banco Galicia's business relationships with correspondent banks, international credit agencies, official credit agencies and, at the domestic level, with financial institutions and exchange houses.

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The Assets and Liabilities Management Department is in charge of preparing and analyzing information aimed at managing the mismatches to which Banco Galicia's activities are subject, and maintaining the exposure within the policies determined by Banco Galicia's board of directors. This department's responsibilities include the provision of support to the Assets and Liabilities Committee (ALCO) through the analysis, quantification and control of the risks associated with different business strategies and market scenarios, as well as the follow-up and control of liquidity policies and currency mismatches, whether due to regulations of the Argentine Central Bank or Banco Galicia's internal policies.

Banco Galicia distributes the FIMA mutual funds through its broad distribution network (branches, electronic banking and telephone banking) to different customer segments (institutions, companies and individuals), while it acts as custodian of the assets that make up the funds in its role as depository. Galicia Administradora de Fondos is the company that manages investments and determines the value of the mutual fund units on a daily basis. The total value of the FIMA mutual funds was Ps.1,966 million as of December 31, 2011, with a market share of 6.7%.

Insurance

Galicia Seguros is a provider of a variety of property and casualty and life insurance products. Its most important line of business is group life insurance, including employee benefit plans and credit related insurance. With regard to property and casualty insurance products, it primarily underwrites home and ATM theft insurance. Galicia Retiro provides annuity products, and Galicia Broker Asesores de Seguros S.A. is an insurance broker. These companies operations are all located in Argentina.

Total insurance production of the aforementioned insurance companies amounted to Ps.608.5 million during 2011, 46% higher than the volume of premiums of the previous year (Ps.417.5 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.191 million more premiums written than in the same period of the previous fiscal year. As regards Galicia Seguros' business transactions, the focus was placed on continuing to increase the company's turnover and sales, which in 2011 amounted to Ps.174 million of annualized premiums. This represented a 15% growth when compared to the previous year, thus increasing the insurance policy laps ratio and extending the types of coverage offered.

Law No. 26,425 that created the Argentine Social Security Integrated System (Sistema Integrado Previsional Argentino, the SIPA) brought an end to pension-linked life annuities, the main product marketed by Galicia Retiro. Consequently, the company's main objective is to efficiently administrate current business and to analyze whether or not to re-launch new voluntary individual and group retirement products.

Within the current economic framework, measures aimed at complying with the goals established in the Business Plan will continue during 2012.

Other Businesses

Galicia Warrants: this company is a leading company in the deposit certificates and warrants issuance market. It has been continuously conducting transactions since 1994, supporting medium and large companies in regard to the custody of stocks. Galicia Warrants main objective is to enable its customers access to credit and financing, which are secured by the property kept under custody. Galicia Warrants main customers belong to the agricultural, industrial and agro-industrial sectors, and also include exporters and retailers. Within the framework of growth the Argentine economy has been experiencing, industrial and agro-industrial higher activity levels, resulted in higher demand for credit and, therefore, an increase in financing-related activities. During 2011 the company recorded income from services for Ps.16.9 million, with a net income amounting to Ps.4.6 million at the fiscal year-end.

Net Investment: this company has performed its activities in the areas of intercompany e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

The board of directors of Net Investment has been analyzing new business alternatives and the shareholders decided to amend the corporate purpose to be able to have an interest in other companies that carry out related, accessory and/or else supplementary activities to those carried out by Net Investment. Furthermore, during fiscal year 2010 Net Investment purchased shares of a company that carries out activities related to business development through the internet. As of December 31, 2011, the equity investment held by Net Investment was equivalent to 0.19% of such company's net worth.

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The board of directors of Net Investment is analyzing the possibility of carrying out other business alternatives and opportunities for the current fiscal year.

Galval: this company mainly generates fee income from brokerage and custodial services. As of December 31, 2011, it had customers' securities held in custody for US\$131.6 million, of which US\$10.6 million corresponded to the holding of securities of Grupo Financiero Galicia.

GV Mandataria: The company's main purpose is to carry out representations, mandates and commissions of all types, whether involving domestic or international companies. During 2011, income from services amounted to Ps.3 million, with a pretax net loss of Ps.0.7 million.

For a breakdown of the other businesses' revenues for the last three financial years, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments-Other Grupo Businesses .

Competition

Due to our financial holding structure, competition is experienced at the level of our operating subsidiaries. We face strong competition in most of the areas in which our subsidiaries are active. For a breakdown of our total revenues, for each of the past three fiscal years, for the activities discussed below (i.e., banking, regional credit cards, CFA personal loans and insurance), see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Results by Segments .

Banking

Banco Galicia faces significant competition in all of its principal areas of operation from foreign banks operating in Argentina, mainly large retail banks which are subsidiaries or branches of banks with global operations; Argentine national and provincial government-owned banks; private-sector domestic banks and cooperative banks, as well as non-bank financial institutions.

With respect to private-sector customers, Banco Galicia's main competitors are large foreign banks and certain domestically-owned private-sector banks. Banco Galicia also faces competition from government-owned banks.

Banco Galicia's estimated deposit market share of private-sector deposits in the Argentine financial system was 8.78% as of December 31, 2011, compared to 8.35% as of December 31, 2010 and 7.81% as of December 31, 2009.

According to information published by the Argentine Central Bank, as of December 31, 2011, Banco Galicia was the second largest private-sector bank as measured by its assets, its deposits and its loan portfolio and ranked fourth in terms of net worth.

Banco Galicia believes that it has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, Banco Galicia believes it is one of the primary providers of financial services to individuals, the primary private-sector institution serving the SMEs sector, and has traditionally maintained a leading position in the agriculture and livestock sector.

Argentine Banking System

As of December 31, 2011, the Argentine financial system consisted of 80 financial institutions, of which 64 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 64 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 52 private-sector banks, 30 were private-sector domestically-owned banks; 21 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks); and 1 was a cooperative bank, also domestically-owned.

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As of the same date, the largest private-sector banks, in terms of total deposits, were: Banco Santander Río, Banco Galicia, BBVA Banco Francés, Banco Macro, HSBC Bank, Credicoop and Citibank. Banco Galicia, Banco Macro and Credicoop are domestically-owned banks and the others are foreign-owned banks. According to information published by the Argentine Central Bank as of December 31, 2011, private-sector banks accounted for 54.9% of total deposits and 60.8% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise significant entry or exit barriers, nor do they make any differentiation between locally or foreign-owned institutions. The only cooperative bank is active principally in consumer and middle-market banking, with a special emphasis on the lower end of the market. As of December 31, 2011, financial institutions (other than banks) accounted for approximately 0.3% of deposits and 3.1% of net loans in the Argentine financial system.

As of December 31, 2011, the largest Argentine national and provincial government-owned or related banks, in terms of total deposits, were Banco Nación and Banco de la Provincia de Buenos Aires. Under the provisions the Financial Institutions Law, public-sector banks have comparable rights and obligations to private banks, except that public-sector banks are usually chosen as depositaries for public-sector revenues and promote regional development and certain public-sector banks have preferential tax treatment. The bylaws of some public-sector banks provide that the governments that own them (both national and provincial governments) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires is not subject to any taxes, levies or assessments that the Argentine government may impose. According to information published by the Argentine Central Bank, as of December 31, 2011, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 44.8% of deposits and 36.1% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 80 at December 31, 2011, with the ten largest banks holding 77.3% of the system s deposits and 71.9% of the system s loans as of December 31, 2011.

Foreign banks continue to have significant presence, despite the fact that the number of foreign banks decreased by 18 through December 2011, as compared to the end of 2001, and that foreign banks share of total deposits has decreased since the 2001-2002 crisis while the share of domestic private-sector banks has increased.

Regional Credit Cards

The Regional Credit Card Companies credit cards represent approximately 17% of all personal credit cards issued in Argentina. On a national basis, the Regional Credit Card Companies compete with open credit card system companies, such as Visa, MasterCard and American Express. On a regional level, they face competition from regional credit card companies that operate within closed credit cards systems.

In the consumer loan market, the Regional Credit Card Companies compete with Argentine banks and other financial institutions that target similar economic segments. The main players in this segment include Banco Supervielle, Banco Columbia, Banco Comafi, Banco Credicoop and CFA, an affiliate of Tarjetas Regionales. Historically, certain international banks with presence in Argentina have attempted to target consumers in these economic segments and have been, to date and for the most part, unsuccessful.

In order to compete effectively at a national and on a regional basis, the Regional Credit Card Companies target low to middle income clients offering a personalized service and well recognized brands in each region. As of the date hereof, approximately 88% of their clients earn less than US\$1,250 per month. While other Argentine credit card issuers and consumer loan providers focus on earning interest on outstanding personal loans and credit card balances, they also focus on and have access to additional sources of revenues including merchant fees and commissions, which allow them to offer competitive pricing and financing terms. Furthermore, unlike other credit card issuers in Argentina, approximately 60% of their clients pay their credit card bill through their branch network. The broad geographical reach of their branch network, which is the second largest in Argentina, has allowed them to establish a local presence in all of the provinces of Argentina.

The Regional Credit Card Companies believe that their diversified and consistent funding sources, significant network of branches, robust information technology infrastructure, relationships with over 153,800 merchants and the brand recognition they enjoy provide them with a competitive edge to consolidate and expand their market share in their target market segment, making it difficult for new players to effectively compete in this market segment on a national scale.

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Compañía Financiera Argentina

CFA markets all of its financial products mainly to C1, C2, C3 and D1 segments (medium and low income segments). CFA's main competitors are: Banco Cetelem, Banco Columbia (which acquired the branch network of GE Money), Banco de Servicios y Transacciones (formerly Credilogros), Cooperativa la Capital del Plata, Caja de Crédito Cuenca, Banco de Servicios Financieros (Carrefour Group), Banco Supervielle and Banco Sáenz (Frávega Group). It is worth mentioning that CFA is ranked 10th within national personal loans market, over entities such as Citibank, Banco Supervielle, Banco Credicoop and Banco Hipotecario.

CFA also faces competition with certain entities which render non-regulated services, or small chains, located in less populated cities. Some big chains also offer their own financing, such as Garbarino, Frávega, Megatone and Riveiro, financed through the issuance of financial trusts.

Insurance

Sudamericana's subsidiaries face significant competition since, as of December 2011, the Argentine insurance industry was comprised of approximately 180 insurance companies, 37 of which were dedicated exclusively to life insurance and 21 to annuities. Subsidiaries of foreign insurance companies and the world's largest insurance companies with global operations are among these companies. In addition, as of that date, the number of brokers amounted to approximately 23,100 individuals and 470 companies.

During 2011, the insurance industry continued growing. Production amounted to Ps.52,600 million, 26.6% higher than the level recorded for 2010.

Out of the total insurance production, 80% relates to property insurance, 18% relates to life and personal insurance, and 2% relates to retirement insurance.

Within the 80% corresponding to property insurance, the automotive insurance segment continues to be the most significant one (44%), followed by the workers' compensation segment (31%).

Within the life insurance business, the group life insurance segment is the most significant, representing 65%, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.

As of December 2011, Galicia Seguros ranked sixth in terms of net premium of life insurance policies underwritten and first in terms of net premium of home insurance policies underwritten.

Sales and Marketing

Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices of the Regional Credit Card Companies mainly serves the medium and low income segments of the population, which generally make less use of bank services, through offices located throughout the *Interior*. CFA's network serves the low income segment of the population, mainly in Buenos Aires and its outskirts. Through Banco Galicia, we operate a nationwide distribution network, which is one of the most extensive and diversified distribution networks among private-sector financial institutions in Argentina.

	December 2011
Branches (number)	
Bank Branches	244
Regional Credit Card Cos. Branches	188
CFA Branches	95
Business Centers and In-House Facilities	23
Private-Banking Centers	13
Electronic Banking Terminals (number)	
ATMs	726
Self-Service Terminals	808

Electronic Banking Transactions (*thousands per month*)

ATMs + Self-Service Terminals	13,980
Phone-Banking	391
e-banking	32,079

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Banco Galicia markets all of its financial products and services to high-, medium- and medium- to low-income individuals, including loans, insurance and FIMA family of mutual funds, among others, through its branch network, which operates on-line in real time. Within the branches, the sales force is specialized by type of customer and by customer segment. Banco Galicia's sales policy encourages tellers to perform sales functions as well. Wealthy individuals who are private banking customers are served by specialized officers and a specialized network of service centers, including a head office facility.

Commercial and investment banking services to large corporations and other entities are provided in a centralized manner. Branch officers are responsible for Banco Galicia's relationship with middle-market and small businesses and most of the agriculture and livestock sector customers. Banco Galicia also has established specialized centers that concentrate on providing service to businesses, which are distributed across the country and located in main cities of the *Interior* and certain customer companies' facilities.

All of Banco Galicia's individual and corporate customers have access to Banco Galicia's electronic distribution channels, including the ATM and self-service terminals network, a multifunction call center (the CCC), an e-banking website (bancogalicia.com) and a banking service through cell phones (Galicia Móvil).

Banco Galicia is client service oriented and assigns great importance to its service model and seeks to improve it constantly.

Banco Galicia has a segmented marketing approach and designs marketing campaigns focused on specific segments of Banco Galicia's customer base. Banco Galicia's marketing strategy is also focused on the development of long-term relationships with customers based on a deep and increasing knowledge of those customers. As part of this client-oriented strategy, Banco Galicia implemented a customer relationship management technology. Banco Galicia's investment in advertising has increased in the last years, in line with the general market's trend and particularly, the Argentine financial system's increase in investment and number of advertisers. These actions, along with massive events in shopping centers across the country and many direct-marketing programs have reinforced the perception of Banco Galicia as a close and friendly bank and have strengthened the brand image, allowing Banco Galicia to regain the top of mind (immediate brand recollection) leadership in its category.

Banco Galicia considers quality of service as the main element capable of distinguishing it from competitors. In order to measure this indicator, Banco Galicia periodically performs surveys, with positive results in recent years, showing high customer satisfaction.

The Regional Credit Card Companies market their products and services through a network of branches and service centers, the size of which depends on the size of the locations in which they operate. The companies' culture is strongly client service oriented and assigns great importance to quality of service. Sales officials receive intensive training in personalized sale of the companies' products and quality of service, given that the bulk of sales is conducted on a one-on-one basis. Quality of service at the branches is permanently monitored by third parties and availability is enhanced through extended business hours. In addition, each of the companies has a web site through which they conduct sales, receive customers' requests (such as requests for statements, loans or increases in the credit limits assigned and new cards, among others), provide information on and promote products. These sites include a link that allows payments to be made. In addition, each company has a call center, through which sales, post-sales and collection functions are performed.

CFA markets its products through a network of 59 branches and 36 points of sales, located throughout Argentina. The company leads the personal loan business among financial institutions in Argentina and offers its products to customers who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. As such, CFA offers its product *Cuota SI* in approximately 5,020 merchants, of which 788 are active, while the agreements are offered out of the branches through different channels. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

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To market its products, Sudamericana's subsidiaries mainly use Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution networks. They also use the sales officers of Galicia Broker Asesores de Seguros S.A. In addition Sudamericana has a telemarketing center of its own.

Property

The following are our main property assets, as of December 31, 2011:

Property	Address	Square Meters (approx.)	Main Uses
Grupo Financiero Galicia			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
Banco de Galicia y Buenos Aires S.A.			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	17,300	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	42,000	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,300	Administrative activities
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3,600	Administrative activities
Banco Galicia Uruguay S.A. (in liquidation)			
- Rented	-Bernardina Frago de Rivera 1438, Montevideo, Uruguay	580	Storage
	-Dr. Americo Ricaldoni 2468, Montevideo, Uruguay	400	Administrative activities
Tarjeta Naranja S.A.			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,307	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,883	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,249	Storage
	-Río Grande, Tierra del Fuego, Argentina	309	Administrative activities
	-San Jerónimo 2348 and 2350, Santa Fe, Argentina	1,475	Administrative activities
- Rented	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	Administrative activities and printing centre
Tarjetas Cuyanas S.A.			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,160	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Belgrano 1478, Mendoza, Argentina	175	Printing centre
Compañía Financiera Argentina			
- Rented	-Florida 238, Buenos Aires, Argentina	4,500	Administrative Activities
	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	1,700	Administrative Activities
Galicia Seguros S.A.			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities
Galicia Warrants S.A.			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
Galval Agente de Valores S.A.			
- Rented	-Zona Franca, Montevideo, Uruguay	150	Administrative activities
GV Mandataria de Valores S.A.			
- Rented	-25 de Mayo 432, 3rd floor, Buenos Aires, Argentina ⁽¹⁾	147	Administrative activities

(1) Banco Galicia leases, from December 1, 2011 to November 30, 2014, a property to GV Mandataria, for US\$2,005 per month during the first year, US\$2,105 during the second year and US\$2,210 during the third year.

As of December 31, 2011, our distribution network consisted of:

Banco Galicia: 244 branches located in Argentina, 138 of which were owned and 106 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

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Tarjeta Naranja S.A.: 151 sales points located in 21 of the 23 Argentine provinces, 149 of which were rented by the company.

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Tarjetas Cuyanas S.A.: 44 sales points in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Rio Negro, Salta, Jujuy and Tucumán. All of them were rented.

CFA: 40 branches, 39 mini-branches and 16 payment centers, all of which were rented, located in all of Argentina's provinces, with at least one branch located in each province.

Capital Investments and Divestitures

During 2011, our capital expenditures amounted to Ps.584.6 million, distributed as follows:

Ps.198.6 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.386.0 million in organizational and IT system development expenses.

During 2010, our capital expenditures amounted to Ps.330.5 million, distributed as follows:

Ps.118.8 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.211.7 million in organizational and IT system development expenses.

During 2009, our capital expenditures amounted to Ps.179.5 million, distributed as follows:

Ps.61.3 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.118.2 million in organizational and IT system development expenses.

These capital expenditures were made mainly in Argentina.

In July 2009, Galicia Warrants sold its Silos plant in San Salvador, located in the province of Entre Ríos, which generated a before-tax profit of Ps.10.6 million.

In June, 2009, Banco Galicia entered into an agreement with American International Inc. (AIG) and AIG Consumer Finance Group Inc. to purchase the outstanding shares of CFA, a group of Argentine companies devoted to financial and complementary activities.

During fiscal year 2010, Banco Galicia purchased 95% of the shares of CFA and Tarjetas Regionales purchased the remaining 5% of the shares of CFA. The total cost for the shares was Ps.333.9 million (including acquisition costs), generating a negative goodwill of Ps.517.4 million resulting from the difference between the amount paid as acquisition cost and the book value of the net assets received.

During fiscal year 2011, the 5% interest in CFA owned by Tarjetas Regionales SA was acquired by Grupo Financiero Galicia SA (3%) and by Banco Galicia (2%, which added to its previous interest totaled 97%).

We have budgeted capital expenditures for the fiscal year ending December 31, 2012, for the following purposes and amounts:

(In millions of Pesos)

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Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones and other fixed assets)	Ps.	365.8
Organizational and IT System Development		503.2
Total	Ps.	869.0

In addition, during 2012 Galicia Seguros will invest Ps.11.7 million for the formation of a reinsurance company (Nova Re Compañía Argentina de Reaseguro S.A.), controlling 39% of the capital stock and voting rights of such company.

These capital expenditures will be made mainly in Argentina.

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Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2012 capital expenditures.

Selected Statistical Information

You should read this information in conjunction with the other information provided in this annual report, including our audited consolidated financial statements and Item 5. Operating and Financial Review and Prospects. We prepared this information from our financial records, which are maintained under accounting methods established by the Argentine Central Bank under Argentine Banking GAAP, and do not reflect adjustments necessary to reflect the information in accordance with U.S. GAAP.

The exchange rate used in translating Pesos into Dollars, which is used in calculating the convenience translations included in the following tables is the Reference Exchange Rate published by the Argentine Central Bank, which was Ps.4.3032, Ps.3.9758 and Ps.3.7967 per US\$1.00 as of December 31, 2011, December 31, 2010 and December 31, 2009, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or any other rate. See Item 3. Key Information-Exchange Rate Information.

Average Balance Sheet and Income from Interest-Earning Assets and Expenses from Interest-Bearing Liabilities

The average balances of interest-earning assets and interest-bearing liabilities, including the related interest that is receivable and payable, are calculated on a daily basis for Banco Galicia, Galicia Uruguay, Tarjetas Regionales and CFA on a consolidated basis. CFA was consolidated since the third quarter of fiscal year 2010. The average balances of interest-earning assets and interest bearing liabilities are calculated on a monthly basis for Grupo Financiero Galicia and its other non-banking subsidiaries.

Average balances have been separated between those denominated in Pesos and those denominated in Dollars. The average yield/rate is the amount of interest earned or paid during the period divided by the related average balance.

Net gains/losses on government securities and related differences in quoted market prices are included in interest earned. We manage our trading activities in government securities as an integral part of our business. We do not distinguish between interest income and market gains or losses on our government securities portfolio. The non-accrual loans balance is included in the average loan balance calculation.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2011.

	Fiscal Year Ended December 31, 2011 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
	<i>(in millions of Pesos, except rates)</i>								
Assets									
Government Securities	3,781.5	652.8	17.26	4.4	0.2	4.55	3,785.9	653.0	17.25
Loans									
Private Sector	22,218.5	5,071.4	22.83	4,000.2	149.3	3.73	26,218.7	5,220.7	19.91
Public Sector									
Total Loans ⁽¹⁾	22,218.5	5,071.4	22.83	4,000.2	149.3	3.73	26,218.7	5,220.7	19.91
Other	1,677.8	207.5	12.37	258.9	5.0	1.93	1,936.7	212.5	10.97
Total Interest-Earning Assets	27,677.8	5,931.7	21.43	4,263.5	154.5	3.62	31,941.3	6,086.2	19.05
Cash and Gold	3,184.7			2,952.6			6,137.3		
Equity in Other Companies	678.0			248.3			926.3		
Other Assets	3,572.3			277.3			3,849.6		

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Allowances	(1,140.3)			(78.5)				(1,218.8)		
Total Assets	33,972.5			7,663.2				41,635.7		
Liabilities and Equity										
Deposits										
Current Accounts	0.6			2.7				3.3		
Savings Accounts	3,928.3	10.6	0.27	1,897.4				5,825.7	10.6	0.18
Time Deposits	10,153.5	1,285.9	12.66	1,816.7	11.3	0.62		11,970.2	1,297.2	10.84
Total Interest-Bearing Deposits	14,082.4	1,296.5	9.21	3,716.8	11.3	0.30		17,799.2	1,307.8	7.35
Other Financial Entities	696.5	134.8	19.35	636.4	11.1	1.74		1,332.9	145.9	10.95
Debt Securities	379.9	66.6	17.53	3,010.9	286.6	9.52		3,390.8	353.2	10.42
Other	114.4	9.2	8.04	691.6	31.9	4.62		806.0	41.1	5.10
Total Interest-Bearing Liabilities	15,273.2	1,507.1	9.87	8,055.7	340.9	4.23		23,328.9	1,848.0	7.92
Demand Deposits	6,878.8			750.2				7,629.0		
Other Liabilities	6,048.5			1,251.8				7,300.3		
Minority Interests	416.7							416.7		
Shareholders' Equity	2,960.8							2,960.8		
Total Liabilities and Equity	31,578.0			10,057.7				41,635.7		
Spread and Net Yield										
Interest Rate Spread			11.56			(0.61)				11.13
Cost of Funds Supporting										
Interest-Earning Assets			5.45			8.00				5.79
Net Yield on Interest-Earning Assets			15.99			(4.37)				13.27

(*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2010.

	Fiscal Year Ended December 31, 2010 (*)									
	Pesos			Dollars			Total			
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	
<i>(in millions of Pesos, except rates)</i>										
Assets										
Government Securities	2,770.6	567.6	20.49	573.5	(181.0)	(31.56)	3,344.1	386.6	11.56	
Loans										
Private Sector	14,191.4	3,002.5	21.16	2,609.0	116.1	4.45	16,800.4	3,118.6	18.56	
Banco Galicia and Regional Credit Card Companies	13,551.0	2,683.1	19.80	2,609.0	116.1	4.45	16,160.0	2,799.2	17.32	
CFA	640.4	319.4	49.88				640.4	319.4	49.88	
Public Sector	0.4		0.20				0.4		0.20	
Total Loans ⁽¹⁾	14,191.8	3,002.5	21.16	2,609.0	116.1	4.45	16,800.8	3,118.6	18.56	

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Other	1,571.8	85.3	5.43	266.6	3.9	1.46	1,838.4	89.2	4.85
Total Interest-Earning Assets	18,534.2	3,655.4	19.72	3,449.1	(61.0)	(1.77)	21,983.3	3,594.4	16.35
Cash and Gold	2,084.8			2,233.0			4,317.8		
Equity in Other Companies	702.5			147.7			850.2		
Other Assets	2,735.0			183.6			2,918.6		
Allowances	(901.1)			(50.4)			(951.5)		
Total Assets	23,155.4			5,963.0			29,118.4		

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Deposits									
Current Accounts	328.1	5.5	1.67	180.0			508.1	5.5	1.08
Savings Accounts	2,717.5	7.7	0.28	1,298.7			4,016.2	7.7	0.19
Time Deposits	7,083.8	741.8	10.47	1,470.5	11.7	0.79	8,554.3	753.5	8.81
Total Interest-Bearing Deposits	10,129.4	755.0	7.45	2,949.2	11.7	0.40	13,078.6	766.7	5.86
Other Financial Entities									
Debt Securities	335.2	61.3	18.29	281.2	7.1	2.53	616.4	68.4	11.10
Other	256.7	32.3	12.58	2,019.4	196.2	9.72	2,276.1	228.5	10.04
Other	147.5	10.7	7.25	543.9	18.9	3.48	691.4	29.6	4.29
Total Interest-Bearing Liabilities	10,868.8	859.3	7.91	5,793.7	233.9	4.04	16,662.5	1,093.2	6.56
Demand Deposits									
Other Liabilities	4,746.0			390.7			5,136.7		
Minority Interests	3,995.8			786.5			4,782.3		
Shareholders Equity	341.9						341.9		
Shareholders Equity	2,195.0						2,195.0		
Total Liabilities and Equity	22,147.5			6,970.9			29,118.4		

Spread and Net Yield

Interest Rate Spread			11.81			(5.81)			9.79
Cost of Funds Supporting Interest-Earning Assets			4.64			6.78			4.97
Net Yield on Interest-Earning Assets			15.09			(8.55)			11.38

(*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2009.

	Fiscal Year Ended December 31, 2009 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
<i>(in millions of Pesos, except rates)</i>									
Assets									
Government Securities	2,500.7	505.0	20.19	2,185.8	50.1	2.29	4,686.5	555.1	11.84
Loans									
Private Sector	9,431.6	2,049.8	21.73	1,912.0	140.3	7.34	11,343.6	2,190.1	19.31
Public Sector	120.0	27.0	22.50				120.0	27.0	22.50
Total Loans ⁽¹⁾	9,551.6	2,076.8	21.74	1,912.0	140.3	7.34	11,463.6	2,217.1	19.34
Other	1,717.9	111.2	6.47	510.0	4.0	0.78	2,227.9	115.2	5.17
Total Interest-Earning Assets	13,770.2	2,693.0	19.56	4,607.8	194.4	4.22	18,378.0	2,887.4	15.71
Cash and Gold	1,515.2			1,913.5			3,428.7		
Equity in Other Companies	843.2			157.2			1,000.4		
Other Assets	2,482.3			162.9			2,645.2		

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Allowances	(724.8)			(42.2)			(767.0)		
Total Assets	17,886.1			6,799.2			24,685.3		
Liabilities and Equity									
Deposits									
Current Accounts	790.0	12.9	1.63	497.3			1,287.3	12.9	1.00
Savings Accounts	1,988.4	5.7	0.29	1,026.1			3,014.5	5.7	0.19
Time Deposits	6,073.9	843.2	13.88	1,318.0	19.1	1.45	7,391.9	862.3	11.67
Total Interest-Bearing Deposits	8,852.3	861.8	9.74	2,841.4	19.1	0.67	11,693.7	880.9	7.53
Other Financial Entities	236.5	44.8	18.94	167.9	9.0	5.36	404.4	53.8	13.30
Debt Securities	325.8	59.7	18.32	2,404.1	164.6	6.85	2,729.9	224.3	8.22
Other	162.9	12.2	7.49	932.5	44.1	4.73	1,095.4	56.3	5.14

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Total Interest-Bearing Liabilities	9,577.5	978.5	10.22	6,345.9	236.8	3.73	15,923.4	1,215.3	7.63
Demand Deposits	3,058.8			6.2			3,065.0		
Other Liabilities	2,816.3			669.5			3,485.8		
Minority Interests	249.9						249.9		
Shareholders Equity	1,961.2						1,961.2		
Total Liabilities and Equity	17,663.7			7,021.6			24,685.3		
Spread and Net Yield									
Interest Rate Spread			9.34			0.49			8.08
Cost of Funds Supporting Interest-Earning Assets			7.11			5.14			6.61
Net Yield on Interest-Earning Assets			12.45			(0.92)			9.10

(*) Rates include the CER adjustment.

(1) Non accruing loans have been included in average loans.

Changes in Net Interest Income-Volume and Rate Analysis

The following table allocates, by currency of the underlying asset or liability, changes in our consolidated interest income and interest expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective average yield/rate for (i) the fiscal year ended December 31, 2011 compared with the fiscal year ended December 31, 2010; and (ii) the fiscal year ended December 31, 2010, compared with the fiscal year ended December 31, 2009. Differences related to rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2011/ Fiscal Year 2010, Increase (Decrease) due to changes in			Fiscal Year 2010/ Fiscal Year 2009, Increase (Decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
<i>(in millions of Pesos)</i>						
Interest Earning Assets						
Government Securities						
Pesos	149.8	(64.6)	85.2	55.2	7.4	62.6
Dollars	83.4	97.8	181.2	(11.0)	(220.1)	(231.1)
Total	233.2	33.2	266.4	44.2	(212.7)	(168.5)
Loans						
Private Sector						
Banco Galicia and Regional Credit Card Companies						
Pesos	1,815.8	253.1	2,068.9	1,005.5	(52.8)	952.7
Dollars	47.6	(14.4)	33.2	303.1	(327.3)	(24.2)
Total	1,863.4	238.7	2,102.1	1,308.6	(380.1)	928.5
Public Sector						
Pesos				(14.1)	(12.9)	(27.0)
Dollars						
Total				(14.1)	(12.9)	(27.0)
Other						
Pesos	6.1	116.1	122.2	(8.9)	(17.0)	(25.9)
Dollars	(0.1)	1.2	1.1	0.1	(0.2)	(0.1)

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Total	6.0	117.3	123.3	(8.8)	(17.2)	(26.0)
Total Interest-Earning Assets						
Pesos	1,971.7	304.6	2,276.3	1,037.7	(75.3)	962.4
Dollars	130.9	84.6	215.5	292.2	(547.6)	(255.4)
Total	2,102.6	389.2	2,491.8	1,329.9	(622.9)	707.0
Interest Bearing Liabilities						
Demand Account						
Pesos	(2.7)	(2.8)	(5.5)	(7.7)	0.3	(7.4)
Dollars						
Total	(2.7)	(2.8)	(5.5)	(7.7)	0.3	(7.4)
Savings Account						
Pesos	3.3	(0.4)	2.9	2.0		2.0
Dollars						
Total	3.3	(0.4)	2.9	2.0		2.0
Time Deposits						
Pesos	366.9	177.2	544.1	212.3	(313.7)	(101.4)
Dollars	2.4	(2.8)	(0.4)	2.6	(10.0)	(7.4)
Total	369.3	174.4	543.7	214.9	(323.7)	(108.8)

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With Other Financial Entities						
Pesos	69.7	3.8	73.5	18.0	(1.5)	16.5
Dollars	5.3	(1.3)	4.0	4.2	(6.1)	(1.9)
Total	75.0	2.5	77.5	22.2	(7.6)	14.6
Notes						
Pesos	18.9	15.4	34.3	(11.1)	(16.3)	(27.4)
Dollars	94.2	(3.8)	90.4	(19.5)	51.1	31.6
Total	113.1	11.6	124.7	(30.6)	34.8	4.2
Other liabilities						
Pesos	(2.9)	1.4	(1.5)	(1.1)	(0.4)	(1.5)
Dollars	5.9	7.1	13.0	(15.4)	(9.8)	(25.2)
Total	3.0	8.5	11.5	(16.5)	(10.2)	(26.7)
Total Interest Bearing Liabilities						
Pesos	453.2	194.6	647.8	212.4	(331.6)	(119.2)
Dollars	107.8	(0.8)	107.0	(28.1)	25.2	(2.9)
Total	561.0	193.8	754.8	184.3	(306.4)	(122.1)

The increase of Ps.2,491.8 million in interest income for the fiscal year ended December 31, 2011, as compared to the previous year, is mainly explained by the Ps.2,102.6 million benefit from the increase in the volume of interest-earning assets, together with the Ps.389.2 million increase in interest rates.

In particular, the Ps.2,276.3 million benefit from Peso-denominated assets was mainly due to an increase in volume, mainly as a result of the increase in loans to the private sector due to the strong demand. Likewise, the increase in interest rates in Pesos was mainly due to the 135 basis points (b.p.) increase in the average interest rate for loans to the private sector, from 18.56% to 19.91%.

The Ps.215.5 million net change in Dollar-denominated assets reflects increases of Ps.130.9 million and Ps.84.6 million in the volume of and in interest rate for interest earning assets, respectively.

In terms of interest expenses, the Ps.754.8 million increase for the fiscal year ended December 31, 2011, as compared to the previous year, is mainly due to the increase in the volume of time deposits, together with the increase in the average interest rate, which increased in line with the dynamics of the financial market.

In particular, the Ps.107.0 million increase in interest bearing liabilities denominated in Dollars reflects an increase in the volume of outstanding debt due to the US\$200.0 million issued by Tarjeta Naranja S.A. during January 2011 and the US\$300.0 million issued by Banco Galicia on May 4, 2011.

Interest-Earning Assets-Net Yield on Interest-Earning Assets

The following table analyzes, by currency of denomination, the levels of our average interest-earning assets and net interest earned, and illustrates the net yields and spreads obtained, for each of the periods indicated.

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
Total Average Interest-Earning Assets			
Pesos	27,677.8	18,534.2	13,770.2
Dollars	4,263.5	3,449.1	4,607.8
Total	31,941.3	21,983.3	18,378.0

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Net Interest Earned ⁽¹⁾			
Pesos	4,424.6	2,796.1	1,714.5
Dollars	(186.4)	(294.9)	(42.4)
Total	4,238.2	2,501.2	1,672.1
Net Yield on Interest-Earning Assets ⁽²⁾ (%)			
Pesos	15.99	15.09	12.45
Dollars	(4.37)	(8.55)	(0.92)
Weighted-Average Yield	13.27	11.38	9.10
Interest Spread, Nominal Basis ⁽³⁾ (%)			
Pesos	11.56	11.81	9.34
Dollars	(0.61)	(5.81)	0.49
Weighted-Average Yield	11.13	9.79	8.08
Credit Related Fees Included in Net Interest Earned			
Pesos	146.2	109.5	84.2
Dollars			
Total	146.2	109.5	84.2

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- (1) *Net interest earned corresponds to the net financial income (Financial Income minus Financial Expenses , as set forth in the Income Statement), plus (i) financial fees included in Income from Services In Relation to Lending Transactions in the Income Statement, (ii) contributions to the Deposits Insurance Fund included in the item with the same denomination that is part of the Financial Expenses caption in the Income Statement, and (iii) contributions and taxes on financial income included in the Income Statement under Financial Expenses Others ; minus (i) 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, (ii) differences in quotation of gold and foreign currency included in the item with the same denomination that is part of the Financial Expenses/Income caption in the Income Statement, and (iii) the premiums and adjustments on forward transactions in foreign currency, included in the item Financial Income-Others in the Income Statement. Net interest earned also includes income from government securities used as security margins in repurchase agreement 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 the variation of market quotations.*
- (2) *Net interest earned, divided by average interest-earning assets.*
- (3) *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.*

Government and Corporate Securities

The following table shows our holdings of government and corporate securities at the balance sheet dates stated below, and the breakdown of the portfolio in accordance with the Argentine Central Bank classification system and by the currency of denomination of the relevant securities. Our holdings of government securities represent mainly holdings of Banco Galicia.

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Government Securities			
Pesos			
Recorded at Cost plus Yield	162.4	133.7	43.3
Issued by Argentine Central Bank Lebac and Nobac			43.3
Bonar Bonds	162.4	133.7	
Recorded at Fair Market Value	93.1	38.4	100.7
Bonar Bonds	61.1	13.3	42.7
Others	32.0	25.1	58.0
Issued by Argentine Central Bank	4,917.9	2,065.7	1,615.1
Lebac Unquoted	713.5	257.5	934.6
Lebac Quoted	10.3	359.1	633.9
Nobac Unquoted	637.4	1,265.0	29.5
Nobac Quoted	2,146.0	3.9	17.1
Nobac Repurchase Agreement Transactions	66.5		
Lebac Repurchase Agreement Transactions	1,344.2	180.2	
Without Quotation			945.7
Bonar Bonds			323.7
Discount Bonds in Pesos			622.0
Total Government Securities in Pesos	5,173.4	2,237.8	2,704.8
Dollars			
Recorded at Fair Market Value	54.3	29.9	13.5
Others	54.3	29.9	13.5
Government Securities for Repurchase Agreement Transactions with the Argentine Central Bank			
Bonar Bonds			152.7
Without Quotation			1,036.2
Boden 2012 Bonds			1,032.4
Others			3.8
Total Government Securities in Dollars	54.3	29.9	1,202.4

Total Government Securities	5,227.7	2,267.7	3,907.2
Corporate Securities	3.1	10.3	13.2
Corporate Equity Securities (Quoted) in Pesos	3.1	10.3	0.1
Corporate Equity Securities (Quoted) in Dollars			13.1
Total Government and Corporate Securities	5,230.8	2,278.0	3,920.4

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The increase in our holdings of Argentine government securities in 2011 can be mainly attributed to the increase in Lebac and Nobac (Argentine Central Bank bills and notes). The portfolio in Pesos corresponding to securities recorded at cost plus yield reflects Banco Galicia's holdings of bonds issued by the Argentine government due in 2015 (Bonar 2015 Bonds) for Ps.162.4 million.

The decrease in our holdings of Argentine government securities in 2010 can be mainly attributed to the sale of bonds issued by the Argentine government due in 2012 (Boden 2012 Bonds), Bonar 2015 Bonds, Argentine government discount bonds (Discount Bonds) and Argentine GDP-linked negotiable securities (GDP-Linked Negotiable Securities). The portfolio in Pesos corresponding to securities recorded at cost plus yield reflects Banco Galicia's holdings of Bonar 2015 Bonds for Ps.133.7 million.

All government securities, except for the Lebac and Nobac, which are issued by the Argentine Central Bank, were issued by the Argentine government.

Government Securities Net Position

The following table shows our net position in government and corporate securities at the balance sheet date, and the breakdown of the portfolio in accordance with the Argentine Central Bank classification system and by the securities' currency of denomination. The net position is defined as holdings plus forward purchases and spot purchases pending settlement, minus forward sales and spot sales pending settlement.

	As of December 31, 2011					
	Holdings	Forward Purchases (1)	Forward Sales (2)	Spot purchases to be settled	Spot sales to be settled	Net Position
	<i>(in millions of Pesos)</i>					
Government Securities						
Holdings Recorded at Cost plus Yield						
Pesos	162.4	617.3				779.7
Holdings Recorded at Fair Market Value						
Pesos	93.1	18.9	(67.8)	21.0	(2.7)	62.5
Dollars	54.2		(51.6)	0.3	(0.1)	2.8
Securities issued by the Argentine Central Bank						
Pesos	4,918.0	148.3	(1,553.1)	38.8		3,552.0
Total Government Securities	5,227.7	784.5	(1,672.5)	60.1	(2.8)	4,397.0
Corporate Equity Securities (Quoted)	3.2			8.1		11.3
Total Government and Corporate Securities	5,230.9	784.5	(1,672.5)	68.2	(2.8)	4,408.3

(1) Forward purchases include securities granted as collateral.

(2) Forward sales include government securities deposits.

The net position of government securities as of December 31, 2011 amounted to Ps.4,408.3 million.

The net position of government securities at cost plus yield corresponds to Bonar 2015 Bonds, for Ps.779.7 million, whereas, the net position for securities issued by the Argentine Central Bank corresponds to Lebac and Nobac for Ps.3,552.0 million.

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The following table analyzes the remaining maturity and weighted-average yield of our holdings of government and corporate securities as of December 31, 2011. Our government securities portfolio yields do not contain any tax equivalency adjustments.

	Total Book Value	Maturity Yield		Maturing after 1 year but within 5 years		Maturing after 5 years but within 10 years		Maturing after 10 years	
		Maturing within 1 year Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾
Government Securities									
Recorded at Fair Market Value									
Pesos	93.1	26.0	10.5%	47.7	13.5%	13.2	2.0%	6.2	1.8%
Dollars	54.3	2.3	14.4%	52.0	7.0%				
Recorded at Cost plus Yield									
Pesos	162.4			162.4	19.4%				
Instruments Issued by the Argentine Central Bank									
Pesos	4,918.0	4,918.0	17.4%						
Securities Without Quotation									
Pesos									
Dollars									
Total Government Securities	5,227.8	4,946.3	17.3%	262.1	15.9%	13.2	2.0%	6.2	1.8%
Corporate Debt Securities	3.1	3.1	2.7%						
Total Portfolio	5,230.9	4,949.4	17.3%	262.1	15.9%	13.2	2.0%	6.2	1.8%

(1) Effective yield based on December 31, 2011 quoted market values.

As of December 31, 2011, we had the following investments in securities of issuers that exceeded 10% of our shareholders' equity.

<i>In millions of Pesos</i>	Issuer	December 31, 2011	
		Book Value	Market Value
Securities issued by the Argentine Central Bank	Argentine Central Bank	4,918.0	4,937.6

Loan Portfolio

Our total loans reflect Banco Galicia's, the Regional Credit Card Companies' and the CFA's loan portfolios including past due principal amounts. Personal loans and credit-card loans are typically loans to individuals granted by Banco Galicia, the Regional Credit Card Companies or CFA. The Regional Credit Card Companies' loans are included under 'Credit card loans', while most of CFA's loans are included under 'Personal loans'. Also, certain amounts related to advances, promissory notes, mortgage loans and pledge loans are extended to individuals. However, advances and promissory notes mostly represent loans to companies. The following table analyzes our loan portfolio, i.e., Banco Galicia's loan portfolio consolidated with the Regional Credit Card Companies' and the CFA's loan portfolio, by type of loan and total loans with guarantees.

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	2011	2010	As of December 31, 2009			2008	2007
			(in millions of Pesos)				
Principal and Interest							
Non-Financial Public Sector	1.0	3.2	5.0	1,319.6	1,210.5		
Local Financial Sector	326.2	80.6	25.4	148.1	110.0		
Non-Financial Private Sector and Residents Abroad ⁽¹⁾ Advances	2,302.1	979.2	630.1	594.4	792.1		
Promissory Notes	6,412.3	4,534.3	3,205.4	2,116.3	2,911.2		
Mortgage Loans	959.5	950.2	964.3	1,026.8	945.1		
Pledge Loans	202.3	119.2	64.8	81.0	94.5		
Personal Loans	5,785.7	4,093.6	1,724.4	1,217.6	977.9		
Credit Card Loans	13,392.2	9,120.1	5,691.3	4,378.4	3,630.1		
Placements in Banks Abroad	66.0	215.3	440.7	334.5	158.0		
Other Loans	2,462.5	2,081.2	1,387.9	883.3	1,010.8		
Accrued Interest, Adjustment and Quotation Differences Receivable	420.8	277.1	178.8	185.8	177.0		
Documented Interest	(165.6)	(81.8)	(54.2)	(38.5)	(42.5)		
Total Non-Financial Private-Sector and Residents Abroad	31,837.8	22,288.4	14,233.5	10,779.6	10,654.2		
Total Gross Loans	32,165.0	22,372.2	14,263.9	12,247.3	11,974.7		
Allowance for Loan Losses	(1,284.0)	(1,038.5)	(806.4)	(526.8)	(428.6)		
Total Loans	30,881.0	21,333.7	13,457.5	11,720.5	11,546.1		
Loans with Guarantees							
With Preferred Guarantees ⁽²⁾	1,441.3	1,257.1	1,142.2	1,332.8	1,289.8		
Other Guarantees	4,866.0	3,694.5	2,453.9	2,971.1	3,180.2		
Total Loans with Guarantees	6,307.3	4,951.6	3,596.1	4,303.9	4,470.0		

*(1) Categories of loans include:**Advances: short-term obligations drawn on by customers through overdrafts.**Promissory Notes: endorsed promissory notes, notes 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 secured by collateral (such as cars or machinery) other than real estate, where such collateral is an integral part of the loan documents.**Personal Loans: loans to individuals.**Credit-Card Loans: loans granted through credit cards to credit card holders.**Placements in Banks Abroad: short-term loans to banks abroad.**Other Loans: loans not included in other categories.**Documented Interest: discount on notes and bills.**(2) Preferred guarantees include mortgages on real estate property or pledges on movable property, such as cars or machinery, where Banco Galicia has priority, endorsements of the Federal Office of the Secretary of Finance, pledges of Government securities, or gold or cash as collateral.*

As of December 31, 2011, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.32,165.0 million, a 43.8% increase as compared to the fiscal year ended December 31, 2010, due to a significant increase in loans to the private sector. Loans to the private sector before the allowance for loan losses amounted to Ps.32,164.0 million, with a 43.8% increase from the Ps.22,369.0 million existing as of the fiscal year ended December 31, 2010.

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For the fiscal year ended December 31, 2010, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.22,372.2 million, as compared to Ps.14,263.9 million as of December 31, 2009. This change is due to a significant increase in the portfolio of loans to the private sector, in line with the increase experienced by the Argentine market overall, together with the acquisition of CFA whose loan portfolio before allowances for loan losses amounted to Ps.1,378.4 million. Loans to the financial and non-financial public sector as of the fiscal year ended December 31, 2010 were Ps.3.2 million, 36% lower than the Ps.5.0 million outstanding as of the close of the previous fiscal year.

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Table of Contents**Loans by Type of Borrower**

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2011, 2010 and 2009. The middle-market companies category includes Banco Galicia's loans to SMEs and the agricultural and livestock sectors while the individuals category includes loans granted by Banco Galicia, the Regional Credit Card Companies and CFA. Loans to individuals comprise both consumer loans and commercial loans extended to individuals with a commercial activity.

	2011		As of December 31, 2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Commercial Loans	13,623.7	42.36	9,410.0	42.06	6,645.6	46.59
Corporate	4,454.5	13.85	2,768.1	12.37	1,801.1	12.63
Middle-Market Companies	9,169.2	28.51	6,641.9	29.69	4,844.5	33.96
- Agribusiness	3,615.9	11.24	2,458.2	10.99	1,962.9	13.76
- SMEs	5,553.3	17.27	4,183.7	18.70	2,881.6	20.20
Individuals	18,115.2	56.32	12,640.9	56.51	7,142.8	50.07
- Bank	9,562.2	29.73	6,807.0	30.43	4,296.4	30.12
- Regional Credit Card Companies	6,740.0	20.95	4,455.9	19.92	2,846.4	19.95
- CFA	1,813.0	5.64	1,378.0	6.16		
Financial Sector ⁽¹⁾	425.1	1.32	318.0	1.42	470.5	3.30
Non-Financial Public Sector	1.0		3.2	0.01	5.0	0.04
Total ⁽²⁾	32,165.0	100.00	22,372.1	100.00	14,263.9	100.00

(1) Includes local and international financial sector. Financial Sector loans are primarily composed of interbank loans (call money loans), overnight deposits at international money center banks and loans to provincial banks.

(2) Before the allowance for loan losses.

Loans by Economic Activity

The following table sets forth as of the dates indicated an analysis of our loan portfolio according to the borrower's main economic activity. Figures include principal and interest.

	2011		As of December 31, 2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Financial Sector ⁽¹⁾	425.1	1.32	318.0	1.42	470.5	3.30
Services						
Non-Financial Public Sector	1.0	0.00	3.2	0.01	5.0	0.04
Communications, Transportation Health and Others	1,571.2	4.88	1,315.3	5.88	1,020.2	7.15
Electricity, Gas, Water Supply and Sewage Services	268.9	0.84	111.2	0.50	43.7	0.31
Other Financial Services	126.1	0.39	54.0	0.24	12.8	0.09
Total	1,967.2	6.11	1,483.7	6.63	1,081.7	7.59
Primary Products						
Agriculture and Livestock	3,318.9	10.32	2,268.0	10.14	1,803.8	12.65
Fishing, Forestry and Mining	537.7	1.67	199.3	0.89	177.8	1.25

Total	3,856.6	11.99	2,467.3	11.03	1,981.6	13.90
Consumer	17,617.0	54.77	12,232.7	54.68	6,781.5	47.54
Retail Trade	1,125.7	3.50	906.2	4.05	719.5	5.04
Wholesale Trade	1,918.3	5.96	1,532.8	6.85	931.4	6.53
Construction	510.0	1.59	318.1	1.42	177.0	1.24
Manufacturing						
Foodstuffs	1,962.2	6.10	1,098.4	4.91	773.2	5.42
Transportation Materials	76.5	0.24	70.9	0.32	41.9	0.29
Chemicals and Oil	642.6	2.00	454.3	2.03	378.3	2.65
Manufacturing Industries	2,062.0	6.41	1,388.7	6.21	891.5	6.25
Total	4,743.3	14.75	3,012.3	13.47	2,084.9	14.61
Other Loans	1.8	0.01	101.1	0.45	35.8	0.25
Total ⁽²⁾	32,165.0	100.00	22,372.2	100.00	14,263.9	100.00

(1) Includes local and international financial sectors.

(2) Before the allowance for loan losses.

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Consumer loans account for the majority of the loan portfolio, which as of the fiscal year-end represented 54.77% of the total loan portfolio; similar to the 54.68% of the previous fiscal year. Consumer loans represented 47.54% of the loan portfolio as of December 31, 2009.

As for business activities, the most significant categories during the fiscal year ended December 31, 2011 were loans to the manufacturing industry, the primary production sector and trade (wholesale and retail), with a total portfolio share of 14.75%, 11.99% and 9.46%, respectively.

The most significant growth occurred in the construction sector, with a 60.3% increase as compared to the previous fiscal year and in the manufacturing industry, which increased 57.5% as compared to previous fiscal year-end.

Maturity Composition of the Loan Portfolio

The following table sets forth an analysis by type of loan and time remaining to maturity of our loan portfolio as of December 31, 2011.

	Within 1 Month	After 1 Month but within 6 Months	After 6 Months but within 12 Months	After 1 Year but within 3 Years	After 3 Years but within 5 Years	After 5 Years	Total at December 31, 2011
	<i>(in millions of Pesos)</i>						
Non-Financial Public Sector ⁽¹⁾	1.0						1.0
Financial Sector ⁽¹⁾	147.3	90.0	88.9				326.2
Private Sector and Residents Abroad	16,574.9	7,542.4	3,039.8	3,478.7	998.3	203.7	31,837.8
- Advances	1,571.4	575.7	144.1	11.4			2,302.6
- Promissory Notes	2,576.2	2,705.0	604.4	424.3	97.1	4.9	6,411.9
- Mortgage Loans	22.6	91.6	106.3	361.5	228.2	149.3	959.5
- Pledge Loans	10.3	40.9	44.3	101.5	5.1	0.3	202.4
- Personal Loans	348.5	1,289.5	1,223.3	2,233.4	643.4	47.7	5,785.8
- Credit-Card Loans	9,693.6	2,668.3	857.9	172.3			13,392.1
- Other Loans	2,098.7	171.4	59.5	174.3	24.5	1.5	2,529.9
- Accrued Interest and Quotation							
Differences Receivable ⁽¹⁾	420.8						420.8
- (Documented Interest)	(165.6)						(165.6)
- (Unallocated Collections)	(1.6)						(1.6)
Allowance for Loan Losses ⁽²⁾	(1,284.0)						(1,284.0)
Total Loans, Net	15,439.2	7,632.4	3,128.7	3,478.7	998.3	203.7	30,881.0

(1) Interest and the CER adjustment were assigned to the first month.

(2) Allowances were assigned to the first month as were past due loans and loans in judicial proceedings.

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The following table presents the interest rate sensitivity of our outstanding loans by denomination as of December 31, 2011.

	In millions of Pesos	As a % of Total Loans
Variable Rate ⁽¹⁾⁽²⁾		
Pesos	1,308.4	27.95%
Dollars	260.7	5.57%
Total	1,569.1	33.52%
Fixed Rate ⁽²⁾⁽³⁾		
Pesos	2,931.5	62.63%
Dollars	180.1	3.85%
Total	3,111.6	66.48%

(1) Includes overdraft loans.

(2) Includes past due loans and excludes interest receivable, differences in quotations and the CER adjustment.

(3) Includes short-term and long-term loans whose rates are determined at the beginning of the loans' life.

Credit Review Process

Credit risk is the potential for financial loss resulting from the failure of a borrower to honor its financial contractual obligations. Our credit risk arises mainly from Banco Galicia's, the Regional Credit Card Companies' and CFA's lending activities, and from the fact that, in the normal course of business, these subsidiaries are parties to certain transactions with off-balance sheet treatment and associated risk, mainly commitments to extend credit and guarantees granted. See also Item 5. Operating and Finance Review and Prospects -Item 5.A. Operating Results-Off-Balance Sheet Arrangements.

Our 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 among the risk management, the credit and the origination functions both in retail and wholesale businesses, thus enabling us to achieve an ongoing and efficient control of asset quality, a proactive management of loans with problems, aggressive charge-offs of uncollectible loans, and adequate loan loss provisioning. Apart from that, it includes the follow-up of the models for measuring the portfolio risk at the operation and customer levels, facilitating the detection of loans with problems and the losses associated thereto, what in turn allows the early detection of situations that could entail some degree of portfolio deterioration and provides appropriate protection of our assets.

Banco Galicia

The Credit Risk Management and Insurance Division approves credit risk policies, verifies the compliance thereof and assesses credit risk on a continuous basis.

The credit granting policy for retail banking focuses on the use of an automatic credit granting processes. These are based on behavior analysis models. Banco Galicia is strongly focused on obtaining portfolios with direct payroll deposit, which statistically have better compliance behavior when compared to other types of portfolios.

As for the wholesale banking, credit granting is based on analyses conducted on credit, cash-flow, balance sheet, capacity of the applicant. These are supported by statistical rating models.

During fiscal year 2010, the review-by-sector policy was implemented, which determines the levels of review for the economic activities belonging to the private-sector portfolio according to the concentration they show with regard to total credit and/or computable regulatory capital (RPC).

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The Credit Risk Management and Insurance Division also constantly monitors its portfolio through different indicators (asset quality of the loan portfolio, provisioning of the non-accrual portfolio, non-performance, roll rates, etc), as well as the classification and concentration thereof (through maximum ratios between the exposure to each client, its own RPC, and that of each customer). The loan portfolio classification, as well as its concentration control, is carried out following the regulations provided for by the Argentine Central Bank.

Credit

The Credit Division's mission is to assure quality of loan portfolio through the origination of businesses and the optimization of loan recovery strategies in accordance with standards of best practices.

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This division performs the following functions: credit granting, preventive management, tracking down and classification of customers, together with recovery of past-due loans.

The analysis and granting in relation to the retail portfolio is made on a centralized basis by the Individuals Credit Approval Division.

Applications for these products, such as credit cards, current account overdrafts and secured or unsecured personal loans, are automatically assessed through computerized credit scoring systems that take into account different criteria to determine the customer's credit background and repayment capacity, as well as through granting guidelines based on the customer's credit history within the financial system (which is verified against the information provided by a company that provides credit information) or with Banco Galicia (credit screening).

Credit approval of corporate loan portfolio is carried out through two specialized teams: The Corporate Credit Approval Division, responsible for credit granting and the Credit Analysis Division, in charge of the analysis of large amount transactions.

Before approving a loan, Banco Galicia performs an assessment of the potential borrower and his/her financial condition. Loans exceeding certain amounts are analyzed by credit line and customer. For loans below certain amounts, Banco Galicia uses automated risk assessment systems that provide financial and non-financial information on the borrower, and that perform projections on the financial statements and generate automatic warnings about situations that may indicate an increase in the risk.

Banco Galicia performs its risk assessment based on the following factors:

Qualitative Analysis	Assessment of the corporate borrower's creditworthiness performed by the officer in charge of the account based on personal knowledge.
Economic and Financial Risk	Quantitative analysis of the borrower's balance sheet amounts.
Economic Risk of the Sector	Measurement of the general risk of the financial sector where the borrower operates (based on statistical information, internal and external).
Environmental Risk	Environmental impact analysis (required for all investment projects of significant amounts).

Loans are approved pursuant to previously granted authorization levels, except loans exceeding certain amount and loans granted to (domestic or foreign) financial institutions and to related customers; these loans are approved by the Credit Committee.

Through strategic models of behavior, as well as sector, environmental, economic and financial analyses, this division performs a primary analysis of the loan portfolio in order to anticipate non-performing credit customers.

In addition, this division is responsible for reducing the deterioration of the portfolio under management and pursuing customers' reinsertion in the commercial line; as well as handling court and out-of-court proceedings of customers within the individuals and companies portfolio.

Regional Credit Card Companies

Each of the Regional Credit Card Companies maintains its own credit products and limits; however, their credit approval and credit risk analysis procedures are basically the same. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the companies, as well as on information on customers' credit records obtained from credit bureaus and other entities. Once the information is verified, the credit card is issued. There are certain requirements such as age, minimum levels of income (depending on the type of customer, i.e. employee, self-employed, etc.) and domicile area that must be fulfilled in order to qualify for a credit card. Credit limits are defined based on customers' income. Credit limits may be raised for a particular customer, either at the customer's request or based on the customer's past payment profile, at the companies' discretion or for all customers, due to, among other factors, macroeconomic conditions such as inflation, salary trends or interest rates.

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Credit risk assessment, credit approval (the extension of a credit card and the assignment of a limit) and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by each company on a centralized basis by a unit that is separate from the sales units. The credit process is described in manuals and Tarjeta Naranja S.A., the largest regional credit card company, has certified all of its processes under the ISO 9001/2000 standard. Credit limits and policies are defined by the board of directors of each regional credit card company.

With regards to recovery of past due loans, the Regional Credit Card Companies and Cobranzas Regionales S.A., a subsidiary of Tarjetas Regionales, manage the early stages of delinquency through their branch personnel and use different types of contact with customers (letters, phone calls, etc.). After 100 days, recovery is turned over to collection agencies that manage out of court proceedings, and if the loan is not recovered, court proceedings could be initiated by other specialized agencies. Cobranzas Regionales S.A. supervises the whole process of recovery, including recovery procedures of such collection agencies.

CFA

CFA maintains its own credit products and limits. Assessment of the credit risk of each customer is based on certain information required and provided by the customer, which is verified by the company, as well as on information on customers' credit records obtained from credit bureaus and other entities.

Credit risk assessment, credit approval and classification (in accordance with the current loan classification criteria defined by the Argentine Central Bank regulations) of the loan portfolio are managed by the company on a centralized basis by a unit that is separate from the sales units.

Main Argentine Central Bank's Rules on Loan Classification and Loan Loss Provisions

General

Regardless of the internal policies and procedures designed to minimize risks undertaken, Banco Galicia complies with the Argentine Central Bank regulations.

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 applies certain criteria to classify loans in a bank's consumer portfolio, and another set of criteria to classify loans in its commercial portfolio. The classification system is independent of the currency in which the loan is denominated.

The loan classification criteria applied to loans in the consumer portfolio is based on objective guidelines related to the borrower's degree of fulfillment of its obligations or its legal status, the information provided by the Financial System's Debtors System-when debtors reflect lower quality levels than the rating assigned by the Bank-, by the Non-Performing Debtors' database from former financial institutions and the status resulting from the enforcement of the refinance guidelines. In the event of any disagreement, the guidelines indicating the greater risk level of loan losses should be considered.

For the purposes of the Argentine Central Bank's regulations, consumer loans are defined as mortgage loans, pledge loans, credit card loans and other types of loans in installments granted to individuals. All other loans are considered commercial loans. In addition, in accordance with an option set forth in these regulations, Banco Galicia applies the consumer portfolio classification criteria to commercial loans of up to Ps.750,000 (until August 2009, said amount was up to Ps.500,000). This classification is based on the level of fulfillment and the situation thereof.

The main classification criterion for loans in the commercial portfolio is each borrower's ability to pay, mainly in terms of such borrower's future cash flows. If a customer has both commercial and consumer loans, all these loans will be considered as a whole to determine eligibility for classification in the corresponding portfolio. Loans backed with preferred guarantees will be considered at 50% of their face value.

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By applying the Argentine Central Bank's classification to commercial loans, banks must assess the following factors: the current and projected financial situation of the borrower, the customer's exposure to currency risk, the customer's managerial and operating background, the borrower's ability to provide accurate and timely financial information, as well as the overall risk of the sector in which the borrower operates and the borrower's relative position within that sector.

The Argentine Central Bank's regulations also establish that a team independent from the departments in charge of credit origination must carry out a periodic review of the commercial portfolio. Banco Galicia's Credit Division, which is independent from the business units that generate transactions, is in charge of these reviews.

The review must be carried out on each borrower with debt pending payment equal to the lesser of the following amounts: Ps.2.0 million (until August 2009 said figure was Ps.1.0 million) or 1% of the bank's RPC (computable capital) but, in any case, the review shall cover at least 20% of the total loan portfolio. The frequency of the review of each borrower depends on the bank's exposure to that borrower. The Argentine Central Bank requires that the larger the exposure is, the more frequent the review should be. This review must be conducted every calendar quarter when credit exposure to that borrower is equal to or in excess of 5% of the bank's RPC, or every six months when exposure equals or exceeds the lesser of the following amounts: Ps.2 million or 1% of the bank's RPC. In all cases, at least 50% of Banco Galicia's commercial portfolio must be reviewed once every six months; and all other borrowers in Banco Galicia's commercial portfolio must be reviewed during the fiscal year, so 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 40% or more of the total credit of the borrower, considering all banks. If Banco Galicia's classification was different by more than one level from the lowest classification granted, Banco Galicia must immediately downgrade its classification of the debtor to the same classification level, or else within one classification level.

Communiqué A 4738 issued by the Argentine Central Bank on November 26, 2007, introduced certain amendments to the classification rules applicable to debtors pertaining to the consumer portfolio, with the purpose of reflecting the customer's total risk more accurately. Consequently, the rule establishes a new identification of the consumer portfolio categories. Said Communiqué also establishes that, in order to determine the degree of timely fulfillment of obligations, it will be necessary to analyze the customer's arrears, legal situation and the classification assigned by the rest of the financial institutions whether currently operating or under liquidation, and whether the fulfillment of obligations depends on any kind of refinancing.

Pursuant to this Communiqué, those customers having received any kind of refinancing may achieve a better credit status than the one they had at the time of such refinancing, by previously repaying a certain number of installments for monthly or bimonthly amortization loans or a percentage of the debt for any other type of loans, without incurring any arrears exceeding 31 days.

In August 2009, the Argentine Central Bank amended these requirements as per Communiqué A 4975 (effective since January 2010):

	Refinancing			Judicial Agreements	
	Monthly or Bimonthly	Others	Com. A 4975	Com. A 4975	Com. A 4975
Category change from 5 to 4	3 installments	20%	15%		
Category change from 4 to 3	3 installments	15%	10%		
Category change from 3 to 2	2 installments	10%	5%	20%	15%
Category change from 2 to 1	1 installment	10%	5%	20%	15%

In addition: (i) to achieve this better quality status, the customer must comply with the rest of the requirements for the new category; (ii) in case the customer has refinanced and non-refinanced transactions, the resulting classification shall be the lowest from the individual analysis of each transaction; (iii) if a customer with a refinanced loan received or had received additional financial assistance, it will remain within the category for 180 days after the refinancing or the granting of additional credit, whichever is more recent; and (iv) debtors with arrears of over 31 days must be classified within the category resulting from adding the number of days in arrears corresponding to the refinanced debt's first unpaid installment and those of the minimum arrears set forth for the category in which the debtor is classified at the time of default.

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For customers in a normal situation, the additional financial assistance granted shall not be deemed refinancing as long as it leads to an increase in principal owed and the customer's ability to pay the obligation resulting from said expansion is assessed. The rest of the cases where no debt increase is recorded will be deemed refinancing and only those customers who have not exceeded two refinancing instances within 12 months since the last refinancing will be kept within category 1.

To comply with the commercial obligations included in this portfolio, the following cases shall not be deemed refinancing: (i) any additional credit facilities granted with respect to already agreed limits to the extent said facilities imply additional funds and they do not exceed 10% of the original limits set; and (ii) a higher financial assistance to fund working capital increases or additional investments arisen from business expansion to the extent they are in agreement with the borrower's ordinary course of business and provided that there exists the ability to honor payments of the remaining financial obligations.

Loan Classification

The following tables contain the six loan classification categories corresponding to the different risk levels set forth by the Argentine Central Bank. Banco Galicia's total exposure to a private sector customer must be classified according to the riskier classification corresponding to any part of said exposure.

Commercial Portfolio.

Loan Classification	Description
1. Normal Situation	The debtor is widely able to meet its financial obligations, demonstrating significant cash flows, a liquid financial situation, an adequate financial structure, a timely payment record, competent management, available information in a timely, accurate manner and satisfactory internal controls. The debtor is in the upper 50% of a sector of activity that is operating properly and has good prospects.
2. With Special Follow-up	Cash flow analysis reflects that the debt may be repaid even though it is possible that the customer's future payment ability may deteriorate without a proper follow-up. This category is divided into two subcategories: (2.a). Under Observation; (2.b). Under Negotiation or Refinancing Agreements.
3. With Problems	Cash flow analysis evidences problems to repay the debt, and therefore, if these problems are not solved, there may be some losses.
4. High Risk of Insolvency	Cash flow analysis evidences that repayment of the full debt is highly unlikely.
5. Uncollectible	The amounts in this category are deemed total losses. Even though these assets may be recovered under certain future circumstances, inability to make payments is evident at the date of the analysis. It includes loans to insolvent or bankrupt borrowers.
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. It also includes loans to foreign banks and other institutions that are not: (i) classified as normal ;

(ii) subject to the supervision of the Argentine Central Bank or other similar authority of the country of origin;

(iii) classified as investment grade by any of the rating agencies admitted pursuant to Communiqué A 2729 of the Argentine Central Bank.

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Loan Classification	Description
1. Normal Situation	Loans with timely repayment or arrears not exceeding 31 days, both of principal and interest.
2. Low Risk	Occasional late payments, with a payment in arrears of more than 32 days and up to 90 days. A customer classified as Normal having been refinanced may be recategorized within this category, as long as he amortizes one principal installment (whether monthly or bimonthly) or repays 5% of principal.
3. Medium Risk	Some inability to make payments, with arrears of more than 91 days and up to 180 days. A customer classified as Low Risk having been refinanced may be recategorized within this category, as long as he amortizes two principal installments (whether monthly or bimonthly) or repays 5% of principal.
4. High Risk	Judicial proceedings demanding payment have been initiated or arrears of more than 180 days and up to one year. A customer classified as Medium Risk having been refinanced may be recategorized within this category, as long as he amortizes three principal installments (whether monthly or bimonthly) or repays 10% of principal.
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 who fall within the conditions described above under Commercial Portfolio-Uncollectible due to Technical Reasons .

Loan Loss Provision Requirements

Allocated Provisions. Minimum allowances for loan losses are required for the different categories in which loans are classified. The rates vary by classification and by whether the loans are secured. The percentages apply to total customer obligations, both principal and interest. The allowance for loan losses on the performing portfolio is unallocated, while the allowances for the other classifications are individually allocated. Regulations provide for the suspension of interests accrual or the requirement of allowances equivalent to 100% of the interests for customers classified as With Problems and Medium Risk , or lower. The allowances are set forth as follows:

Minimum Allowances for Loan Losses		
Category	Secured	Unsecured
1. Normal Situation	1.0%	1.0%
2. (a) Under Observation and Low Risk	3.0%	5.0%
2. (b) Under Negotiation or Refinancing Agreements	6.0%	12.0%
3. With Problems and Medium Risk	12.0%	25.0%
4. High Risk of Insolvency and High Risk	25.0%	50.0%
5. Uncollectible	50.0%	100.0%
6. Uncollectible Due to Technical Reasons	100.0%	100.0%

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Loans backed with preferred guarantees A (loans assigned or pledged in such a way that a financial institution may be assured of its full repayment due to the existence of a solvent third party or secondary markets available for the sale of the assets) require a 1% provision independently of the customer category.

General Provisions. In addition to the specific loan loss allowances described above, the Argentine Central Bank requires the establishment of a general allowance of 1% for all loans in its Normal Situation category. This general allowance is not required for interbank financial transactions of less than thirty days, or loans to the non-financial public sector or to financial institutions majority-owned by the Argentine national, provincial or city governments with governmental guarantees. Besides these general provisions, Banco Galicia may establish additional provisions, determined based on Banco Galicia's judgment of the entire loan portfolio risk at each reporting period.

As of December 31, 2011, 2010 and 2009, we maintained a general loan loss allowance of Ps.836.4 million, Ps.614.2 million and Ps.439.8 million, respectively, which exceeded by Ps.517.2 million, Ps.393 million and Ps.303.4 million, respectively, the 1% minimum general allowance required by the Argentine Central Bank. The increase in these amounts was related to the growth and seasoning of the individuals loan portfolio and the impact of the worsening of certain macroeconomic variables.

Classification of the Loan Portfolio based on Argentine Central Bank Regulations

The following tables set forth the amounts of our loans past due and the amounts not yet due of the loan portfolio, including the loan portfolios of Banco Galicia, the Regional Credit Card Companies and CFA, applying the Argentine Central Bank's loan classification criteria in effect at the dates indicated.

Loan Portfolio Classification	As of December 31, 2011					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
1. Normal and Normal Performance	30,715.8	97.28			30,715.8	95.49
2. With Special Follow-up Under observation and Low Risk	604.5	1.91			604.5	1.88
3. With Problems and Medium Risk	162.5	0.51	163.4	27.89	325.9	1.01
4. High Risk of Insolvency and High Risk	96.3	0.30	275.6	47.04	371.9	1.16
5. Uncollectible			144.1	24.59	144.1	0.45
6. Uncollectible Due to Technical Reasons			2.8	0.48	2.8	0.01
Total	31,579.1	100.00	585.9	100.00	32,165.0	100.00

Loan Portfolio Classification	As of December 31, 2010					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
1. Normal and Normal Performance	21,230.1	97.40			21,230.1	94.90
2. With Special Follow-up Under observation and Low Risk	387.2	1.78			387.2	1.73
3. With Problems and Medium Risk	114.2	0.52	144.6	25.11	258.8	1.15
4. High Risk of Insolvency and High Risk	64.8	0.30	251.7	43.71	316.5	1.41
5. Uncollectible			178.4	30.98	178.4	0.80
6. Uncollectible Due to Technical Reasons			1.2	0.20	1.2	0.01
Total	21,796.3	100.00	575.9	100.00	22,372.2	100.00

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	As of December 31, 2009					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	13,273.6	96.89			13,273.6	93.06
2. With Special Follow-up Under observation and Low Risk	310.6	2.27			310.6	2.18
3. With Problems and Medium Risk	85.1	0.62	146.2	25.92	231.3	1.62
4. High Risk of Insolvency and High Risk	30.5	0.22	308.1	54.62	338.6	2.37
5. Uncollectible			109.0	19.32	109.0	0.76
6. Uncollectible Due to Technical Reasons			0.8	0.14	0.8	0.01
Total	13,699.8	100.00	564.1	100.00	14,263.9	100.00

	As of December 31, 2008					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	11,430.6	96.09			11,430.6	93.33
2. With Special Follow-up Under observation and Low Risk	388.8	3.27			388.8	3.18
3. With Problems and Medium Risk	54.1	0.46	103.1	29.29	157.2	1.28
4. High Risk of Insolvency and High Risk	21.8	0.18	185.4	52.67	207.2	1.69
5. Uncollectible			62.0	17.61	62.0	0.51
6. Uncollectible Due to Technical Reasons			1.5	0.43	1.5	0.01
Total	11,895.3	100.00	352.0	100.00	12,247.3	100.00

	As of December 31, 2007					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	11,242.7	96.57			11,242.7	93.89
2. With Special Follow-up Under observation and Low Risk	356.2	3.06			356.2	2.97
3. With Problems and Medium Risk	31.7	0.27	56.0	16.87	87.7	0.73
4. High Risk of Insolvency and High Risk	12.1	0.10	221.0	66.57	233.1	1.95
5. Uncollectible			48.1	14.49	48.1	0.40
6. Uncollectible Due to Technical Reasons			6.9	2.07	6.9	0.06
Total	11,642.7	100.00	332.0	100.00	11,974.7	100.00

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The following table analyzes amounts past due by 90 days or more in our loan portfolio, by type of loan and by type of guarantee as of the dates indicated, as well as our non-accrual loan portfolio, by type of guarantee, our allowance for loan losses and the main asset quality ratios as of the dates indicated.

	As of December 31,				
	2011	2010	2009	2008	2007
	<i>(in millions of Pesos, except ratios)</i>				
Total Loans ⁽¹⁾	32,165.0	22,372.2	14,263.9	12,247.3	11,974.7
Non-Accrual Loans ⁽²⁾					
With Preferred Guarantees	17.2	27.9	33.7	42.0	43.5
With Other Guarantees	12.8	37.4	97.9	10.3	5.0
Without Guarantees	814.7	689.6	548.1	375.6	327.3
Total Non-Accrual Loans ⁽²⁾	844.7	754.9	679.7	427.9	375.8
Past Due Loan Portfolio					
Non-Financial Public Sector					
Local Financial Sector					
Non-Financial Private Sector and Residents Abroad					
Advances	65.1	94.3	64.4	25.9	23.0
Promissory Notes	35.4	53.1	90.5	24.5	134.5
Mortgage Loans	10.6	16.0	16.8	24.9	30.0
Pledge Loans	3.4	6.8	2.7	1.1	0.8
Personal Loans	115.6	131.2	69.8	45.7	17.6
Credit-Card Loans	340.0	237.8	285.9	215.0	115.4
Placements with Correspondent Banks					
Other Loans	15.8	36.7	34.0	14.9	10.7
Total Past Due Loans	585.9	575.9	564.1	352.0	332.0
Past Due Loans					
With Preferred Guarantees	11.2	19.1	19.8	26.0	30.8
With Other Guarantees	10.8	35.1	66.9	9.0	4.2
Without Guarantees	563.9	521.7	477.4	317.0	297.0
Total Past Due Loans	585.9	575.9	564.1	352.0	332.0
Allowance for Loan Losses	1,284.0	1,038.5	806.4	526.8	428.6
Ratios (%)					
As a % of Total Loans:					
- Total Past Due Loans	1.82	2.57	3.95	2.87	2.77
- Past Due Loans with Preferred Guarantees	0.03	0.09	0.14	0.21	0.26
- Past Due Loans with Other Guarantees	0.04	0.16	0.47	0.07	0.03
- Past Due Unsecured Amounts	1.75	2.32	3.34	2.59	2.48
- Non-Accrual Loans ⁽²⁾	2.63	3.37	4.77	3.49	3.14
- Non-Accrual Loans ⁽²⁾ (Excluding Interbank Loans)	2.64	3.42	4.93	3.60	3.18
Non-Accrual Loans ⁽²⁾ as a Percentage of Loans to the Private Sector	2.63	3.37	4.77	3.95	3.53
Allowance for Loan Losses as a % of:					
- Total Loans	3.99	4.64	5.65	4.30	3.58

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- Total Loans Excluding Interbank Loans	4.02	4.70	5.84	4.44	3.63
- Total Non-Accrual Loans ⁽²⁾	152.01	137.57	118.64	123.11	114.05
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans ⁽²⁾	3.55	8.65	19.36	12.22	12.91
Non-Accrual Loans as a Percentage of Total Past Due Loans	144.17	131.08	120.49	121.56	113.20

(1) Before the allowance for loan losses.

(2) Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .

At the end of the fiscal year ended December 31, 2011, our non-accrual loans to the private sector ratio was 2.63%, representing a decrease from the 3.37% recorded at the end of the fiscal year ended December 31, 2010, mainly due to effective credit recovery management and the growth in the total portfolio of Banco Galicia and its subsidiaries.

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As of December 31, 2010, due to the improvement in the commercial loan portfolio, together with the growth experienced in the total loan portfolio, the non-accrual loans to the private sector ratio decreased from 4.77% as of December 31, 2009 to 3.37% as of December 31, 2010.

Banco Galicia has entered into certain troubled debt restructuring agreements with customers. Banco Galicia has eliminated any differences between the principal and accrued interest due under the original loan and the new loan amount through a charge against the allowance for loan losses. Loans under such agreements are included within past due and accruing loans, which amounted to Ps.137.3 million, Ps.123.5 million and Ps.197.5 million as of December 31, 2011, 2010 and 2009, respectively.

For the past three fiscal years, Banco Galicia's coverage of non-accrual loans with allowances for loan losses has exceeded 100%.

Under Argentine Central Bank rules, we are required to cease the accrual of interest or to establish provisions equal to 100% of the interest accrued on all loans pertaining to the non-accrual loan portfolio, that is, all loans to borrowers in the categories of:

in the consumer portfolio: Medium Risk, High Risk, Uncollectible and Uncollectible Due to Technical Reasons.

in the commercial portfolio: With Problems, High Risk of Insolvency, Uncollectible and Uncollectible Due to Technical Reasons.

The table below shows the interest income that would have been recorded on non-accrual loans on which the accrual of interest was discontinued and the recoveries of interest on loans classified as non-accrual on which the accrual of interest had been discontinued:

	2011	As of December 31, (in millions of Pesos)			2007
		2010	2009	2008	
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	53.2	56.0	52.0	35.4	35.9
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued ⁽¹⁾	2.7	2.8	2.6	1.8	1.8

(1) Recorded under Miscellaneous Income.
Loan Loss Experience

The following table presents an analysis of our allowance for loan losses and of our credit losses as of and for the periods indicated. Certain loans are charged off directly to the income statement and, therefore, are not reflected in the allowance.

	2011	Fiscal Year Ended December 31, (in millions of Pesos, except ratios)			
	2011	2010	2009	2008	2007
Total Loans, Average ⁽¹⁾	26,218.7	16,800.8	11,481.9	12,077.3	10,528.9
Allowance for Loan Losses at Beginning of Period ⁽²⁾	1,038.5	806.4	526.8	428.6	327.0
Changes in the Allowance for Loan Losses During the Period ⁽²⁾					
Provisions Charged to Income	820.1	523.6	625.9	384.6	248.4
Prior Allowances Reversed	(22.1)		(5.4)	(6.5)	(21.5)
Charge-Offs (A)	(552.5)	(487.3)	(354.5)	(289.2)	(125.4)
Inflation and Foreign Exchange Effect and Other Adjustments		195.8	13.6	9.3	0.1

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Allowance for Loan Losses at End of Period	1,284.0	1,038.5	806.4	526.8	428.6
Charge to the Income Statement during the Period					
Provisions Charged to Income ⁽²⁾	820.1	523.6	625.9	384.6	248.4
Direct Charge-Offs, Net of Recoveries (B)	(162.4)	(88.6)	(27.9)	(68.4)	(57.2)
Recoveries of Provisions	(22.1)		(5.4)	(6.5)	(21.5)
Net Charge (Benefit) to the Income Statement	635.6	435.0	592.6	309.7	169.7
Ratios (%)					
Charge-Offs Net of Recoveries (A+B) to Average Loans ⁽⁴⁾	1.49	2.37	2.84	1.83	0.65
Net Charge to the Income Statement to Average Loans ⁽⁴⁾	2.42	2.59	5.16	2.56	1.61

(1) Before the allowance for loan losses.

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

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

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The increase in allowance for loan losses in fiscal year 2011 is mainly attributable to the growth and maturing of the individuals' loan portfolio and to the worsening of certain macroeconomic variables.

Allocation of the Allowance for Loan Losses

The following table presents the allocation of our allowance for loan losses among the various loan categories and shows such allowances as a percentage of our total loan portfolio before deducting the allowance for loan losses, in each case for the periods indicated. The table also shows each loan category as a percentage of our total loan portfolio before deducting the allowance for loan losses at the dates indicated.

	2011		As of December 31,				2009		Loan Category %
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %	Amount	% of Loans	
<i>(in millions of Pesos, except percentages)</i>									
Non-Financial Public Sector									
Local Financial Sector			1.01			0.36			0.18
Non-Financial Private Sector and Residents									
Abroad									
Advances	48.9	0.15	7.16	55.1	0.25	4.38	31.7	0.22	4.42
Promissory Notes	35.5	0.11	19.94	43.3	0.19	20.27	80.3	0.56	22.47
Mortgage Loans	6.2	0.02	2.98	10.6	0.05	4.25	11.8	0.08	6.76
Pledge Loans	1.4	0.01	0.63	2.6		0.53	1.5		0.45
Personal Loans	128.1	0.40	17.99	139.2	0.62	18.30	63.9	0.45	12.09
Credit-Card Loans	231.6	0.72	41.64	166.8	0.75	40.77	168.3	1.18	39.90
Placements in Correspondent Banks			0.21			0.96			3.09
Other	9.1	0.03	8.44	16.9	0.08	10.17	16.0	0.11	10.60
Unallocated ⁽¹⁾	823.2	2.55		604.0	2.69		432.9	3.04	
Total	1,284.0	3.99	100.00	1,038.5	4.64	100.00	806.4	5.65	100.00

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	As of December 31,					
	2008		2007		2007	
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>						
Non-Financial Public Sector			10.77			10.11
Local Financial Sector			1.21			0.92
Non-Financial Private Sector and Residents Abroad						
Advances	14.5	0.12	4.85	16.2	0.13	6.61
Promissory Notes	34.9	0.28	17.28	119.8	1.00	24.31
Mortgage Loans	21.9	0.18	8.38	26.5	0.22	7.89
Pledge Loans	0.5		0.66	0.3		0.79
Personal Loans	37.8	0.31	9.94	14.0	0.12	8.17
Credit-Card Loans	111.4	0.91	35.75	56.0	0.47	30.31
Placements in Correspondent Banks			2.73			1.32
Other	7.4	0.06	8.43	7.9	0.07	9.57
Unallocated ⁽¹⁾	298.4	2.44		187.9	1.57	
Total	526.8	4.30	100.00	428.6	3.58	100.00

(1) The unallocated reserve consists of the allowances established on the portfolio classified in the normal situation category and includes additional reserves in excess of Argentine Central Bank minimum requirements.

Charge-Offs

The following table sets forth the allocation of the main charge-offs made by Banco Galicia, the Regional Credit Card Companies and CFA during the years ended December 31, 2011, 2010 and 2009.

Charge-offs by Type	Fiscal Year Ended		
	2011	2010	2009
<i>(in millions of Pesos)</i>			
Advances	35.4	18.5	21.3
Promissory Notes	50.2	82.5	20.3
Mortgage Loans	3.4	1.5	9.9
Pledge Loans	2.5	0.9	0.3
Personal Loans	182.1	106.8	60.8
Credit-Card Loans			
Banco Galicia	92.3	52.4	54.9
Regional Credit Card Companies	147.2	217.9	178.6
Other Loans	39.4	6.8	8.4
Total	552.5	487.3	354.5

During fiscal year 2011, Ps.552.5 million were charged off against allowance for loan losses, including the Regional Credit Card Companies and CFA's portfolios. The increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio, which represented more than 50% of charge-offs.

During fiscal year 2010, Ps.487.3 million were charged off against allowance for loan losses in connection with loans to individuals, including the Regional Credit Card Companies and CFA's portfolios, and the increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio.

Foreign Outstandings

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Cross-border or foreign outstandings for a particular country are defined as the sum of all claims against third parties domiciled in that country and comprise loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets that are denominated in Dollars or other non-local currency. The following were our foreign outstandings as of the dates indicated representing 1.00% or more of our total assets:

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Country	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
United Kingdom			
Demand Deposits	2.0	1.4	5.5
Forward Purchases of Bonar 2015 Bonds	633.9	544.8	
Other		0.1	
Total	635.9	546.3	5.5
United States			
Demand Deposits	90.7	191.5	178.6
Overnight Placements	66.0	215.3	440.5
Other	72.3	44.4	21.6
Total	229.0	451.2	640.7
Germany			
Demand Deposits	1.8	0.3	2.1
Forward Purchases of Boden 2012 Bonds			803.4
Other		1.3	
Total	1.8	1.6	805.5

As of December 31, 2011, we had the following foreign outstandings:

Ps.635.9 million (1.2% of our total assets) with United Kingdom financial institutions, of which Ps.633.9 million represented two forward purchases of Bonar 2015 Bonds in connection with repurchase agreement transactions with the applicable financial institution, and Ps.2.0 million corresponded to demand deposits with such institution.

Ps.229.0 million (0.4% of our total assets) representing liquid placements with United States financial institutions, of which Ps.90.7 million corresponded to demand deposits and Ps.66.0 million represented overnight placements.

Ps.1.8 million with German financial institutions, corresponding to demand deposits.

Deposits

The following table sets out the composition of our deposits as of December 31, 2011, 2010 and 2009. Our deposits represent deposits with Banco Galicia and CFA.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Current Accounts and Other Demand Deposits	7,203.5	5,565.7	3,719.2
Savings Accounts	8,010.8	6,362.0	4,994.7
Time Deposits	14,150.8	9,724.9	7,954.7
Other Deposits ⁽¹⁾	534.3	463.2	248.8
Plus: Accrued Interest, Quotation Differences and CER Adjustment	235.7	107.0	122.0

Total Deposits	30,135.1	22,222.8	17,039.4
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(1) *Includes among other, deposits originated by Decree No. 616/05, Reprogrammed Deposits under judicial proceedings and other demand deposits.*

In 2011, our consolidated deposits increased 35.6% mainly as a result of a Ps.3,286.6 million increase in deposits in current and savings accounts and a Ps.4,425.9 million increase in time deposits. As in prior years, these increases were mainly due to deposits received by Banco Galicia.

In 2010, our consolidated deposits increased 30.4% mainly as a result of a Ps.3,213.9 million increase in deposits in current and savings accounts and a Ps.1,770.2 million increase in time deposits. It is worth mentioning that on June 30, 2010, the assets and liabilities of CFA were consolidated on a line-by-line basis due to the acquisition of said companies.

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In 2009, our consolidated deposits increased 21.2% mainly as a result of a Ps.1,573.4 million increase in deposits in current and savings accounts and a Ps.1,406.7 million increase in time deposits. As of December 31, 2009, time deposits included Ps.14.9 million of CER-adjusted time deposits.

For more information, see Item 5.A. Operating Results-Funding .

The following table provides a breakdown of our consolidated deposits as of December 31, 2011, by contractual term and currency of denomination.

	Peso-Denominated		Dollar-Denominated		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Current Accounts and Demand Deposits	Ps. 7,203.5	28.3%			Ps. 7,203.5	24.1%
Savings Accounts	5,482.5	21.6	Ps.2,528.3	55.8	8,010.8	26.8
Time Deposits	12,289.7	48.5	1,861.1	41.1	14,150.8	47.3
Maturing Within 30 Days	1,359.1	5.4	407.7	9.0	1,766.8	5.9
Maturing After 31 Days but Within 59 Days	5,484.5	21.6	517.4	11.4	6,001.9	20.1
Maturing After 60 Days but Within 89 Days	1,785.6	7.0	247.8	5.5	2,033.4	6.8
Maturing After 90 Days but Within 179 Days	1,902.4	7.5	436.7	9.6	2,339.1	7.8
Maturing After 180 Days but Within 365 Days	1,210.1	4.8	198.7	4.4	1,408.8	4.7
Maturing After 365 Days	548.0	2.2	52.8	1.2	600.8	2.0
Other Deposits	390.3	1.6	144.1	3.2	534.4	1.8
Maturing Within 30 Days	178.0	0.7	131.5	2.9	309.5	1.0
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	171.9	0.7			171.9	0.6
Maturing After 365 Days	40.4	0.2	12.6	0.3	53.0	0.2
Total Deposits ⁽¹⁾	25,366.0	100.0%	4,533.5	100.0%	29,899.5	100.0%

(1) Only principal. Excludes the CER adjustment

The categories with the highest concentration of maturities per original term are those within the segments after 31 days but within 59 days and after 90 days but within 179 days (Pesos and Dollars), which accounted for 29.1% of the total and mainly corresponded to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2011, the average original term of non-adjusted Peso and Dollar-denominated time deposits was approximately 86 days. Dollar-denominated deposits, for Ps.4,533.5 million (only principal), represented 15.2% of total deposits.

The following table provides information about the maturity of our outstanding time deposits exceeding Ps.100,000, as of December 31, 2011.

	Deposits over Ps.100,000
	<i>(in millions of Pesos)</i>
Time Deposits	
Within 30 Days	1,738.1
After 31 Days but Within 59 Days	4,145.1
After 60 Days but Within 89 Days	1,508.2
After 90 Days but Within 179 Days	1,765.3
After 180 Days but Within 365 Days	1,422.6
After 365 Days	541.2

Total Time Deposits	11,120.5
Other Deposits	
Total Deposits ⁽¹⁾	11,120.5

(1) Only principal.

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The following table presents certain selected financial information and ratios for the periods indicated.

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
Net Income / (Loss)	1,106.9	408.9	229.3
Average Total Assets	41,635.7	29,118.4	24,685.3
Average Shareholders' Equity	2,960.8	2,195.0	1,961.2
Shareholders' Equity at End of the Period	3,551.6	2,469.5	2,052.5
Net Income as a Percentage of:			
Average Total Assets	3.07	1.76	1.12
Average Shareholders' Equity	37.39	18.63	11.69
Declared Cash Dividends	17.80	24.80	
Dividend Payout Ratio	1.61	6.07	
Average Shareholders' Equity as a Percentage of Average Total Assets	7.11	7.54	7.94
Shareholders' Equity at the End of the Period as a Percentage of Average Total Assets	8.53	8.48	8.31

Short-term Borrowings

Our short-term borrowings include all of our borrowings (including repurchase agreement transactions, debt securities and notes) with a contractual maturity of less than one year, owed to foreign or domestic financial institutions or holders of notes.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Short-Term Borrowings			
Other Banks and International Entities			
Credit Lines from Domestic Banks	216.0	155.4	86.9
Credit Lines from Foreign Banks	1,142.3	409.0	180.0
Repurchases with Domestic Banks		359.1	278.1
Notes	227.4	155.4	125.8
Total	1,585.7	1,078.9	670.8

As of the end of fiscal year 2011, our short-term borrowings consisted mainly of credit lines from foreign banks.

Banco Galicia also borrows funds under different credit arrangements from local and foreign banks and international lending agencies as follows:

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Banks and International Entities			
Contractual Short-term Liabilities			
Other Lines from Foreign Banks	1,142.3	409.0	180.0
Total Short-term Liabilities	1,142.3	409.0	180.0

Total Banks and International Entities	1,142.3	409.0	180.0
Domestic and Financial Institutions			
Contractual Short-term Liabilities:			
Other Lines from Credit from Domestic Banks	216.0	155.4	86.9
Total Short-term Liabilities	216.0	155.4	86.9
Total Domestic and Financial Institutions	216.0	155.4	86.9
Total	564.4	564.4	266.9

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The outstanding amounts and the terms corresponding to the outstanding notes as of the dates indicated below are as follows:

<i>(in millions of Pesos)</i> Notes ^(*)	Maturity	Annual Interest Rate	As of December 31,		
			2011	2010	2009
Tarjeta Naranja Class XIV Series I					
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class XV	2012	13.50%	20.0		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class IV	2012	Badlar + 375 b.p.	61.6		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class V Series I	2012	Badlar + 285 b.p.	48.3		
<i>(Quarterly interest, principal payable at maturity)</i> CFA Class V Series I	2012	14.00%	12.8		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class X	2012	Badlar + 325 b.p.	84.6		
<i>(Quarterly interest, principal payable at maturity)</i> Tarjeta Naranja Class XI	2011	Badlar + 275 b.p.		48.2	
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Series I	2011	Badlar + 295 b.p.		40.9	
<i>(Quarterly interest, principal payable at maturity)</i> Tarjetas Cuyanas Class II	2011	Badlar + 300 b.p.		28.8	
<i>(Quarterly interest, principal payable at maturity)</i> Grupo Financiero Galicia Series I	2011	13.50%		37.5	
<i>(Discounted base, principal payable at maturity)</i>	2010				125.8
Total			227.4	155.4	125.8

(*) Only principal.

The following table shows for our significant short-term borrowings for the fiscal years ended December 31, 2011, 2010 and 2009:

the weighted-average interest rate at year-end,

the maximum balance recorded at the monthly closing dates of the periods,

the average balances for each period, and

the weighted-average interest rate for each period.

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	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
Credit Lines from Domestic Banks			
Weighted-average Interest Rate at End of Period	19.8%	16.1%	10.9%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 271.9	Ps. 343.0	Ps. 86.9
Average Balances for Each Period	Ps. 218.0	Ps. 150.7	Ps. 45.6
Weighted-average Interest Rate for the Period	16.8%	11.0%	12.2%
Credit Lines from Foreign Banks			
Weighted-average Interest Rate at End of Period	1.5%	1.4%	2.5%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 1,142.3	Ps. 409.0	Ps. 257.2
Average Balances for Each Period	Ps. 595.5	Ps. 266.8	Ps. 153.1
Weighted-average Interest Rate for the Period	1.3%	1.9%	5.1%
Repurchases with Domestic Banks			
Weighted-average Interest Rate at End of Period	%	10.4%	9.8%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 139.4	Ps. 359.1	Ps. 278.1
Average Balances for Each Period	Ps. 54.8	Ps. 39.3	Ps. 25.9
Weighted-average Interest Rate for the Period	10.4%	9.8%	9.6%
Notes			
Weighted-average Interest Rate at End of Period	22.0%	13.6%	%
Maximum Balance Recorded at the Monthly Closing Dates	Ps. 227.4	Ps. 176.8	Ps. 247.7
Average Balances for Each Period	Ps. 161.9	Ps. 69.3	Ps. 139.8
Weighted-average Interest Rate for the Period	16.8%	9.0%	5.5%

Regulatory Capital*Grupo Financiero Galicia*

The capital adequacy of Grupo Financiero Galicia is not under the supervision of the Argentine Central Bank. Grupo Financiero Galicia has to comply with the minimum capital requirement established by Law No. 19,550, as amended (Ley de Sociedades Comerciales, the Corporations Law), which is required to be Ps.0.012 million.

Banco Galicia

Banco Galicia is subject to the capital adequacy rules of the Argentine Central Bank. Banks have to comply with capital requirements both on an individual basis and on a consolidated basis with their significant subsidiaries. For the purposes of Argentine Central Bank capital adequacy rules, Banco Galicia's significant subsidiaries that it is consolidated with are Tarjetas Regionales (consolidated) and CFA. Through its Comunicués A 3959 and A 3986, respectively, the Argentine Central Bank established a new capital adequacy rule effective as of January 1, 2004. The new capital adequacy rule is based on the Basel Committee methodology, similar to the previous rule, and establishes the minimum capital a financial institution is required to maintain in order to cover the different risks inherent in its business activity and thus incorporated into its assets. Such risks include mainly: credit risk, generated both by exposure to the private sector and to the public sector; market risk, generated by foreign-currency, securities and CER positions; and interest-rate risk, generated by the mismatches between assets and liabilities in terms of interest rate repricing. The minimum capital requirement stated by the new rule is 8% of an entity's risk-weighted assets, with a 100% risk weighting for public-sector assets (within the previous rule, this risk-weighting was 0%) and private-sector assets; with said requirement being lower depending on the existence of certain guarantees in the case of private-sector assets and for certain liquid assets.

After the end of fiscal year 2011, the Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

The Argentine Central Bank also established new requirements regarding dividend distribution. The excess of computable capital over the minimum requirement was increased from 30% to 75%, including 100% of the above mentioned requirement for operational risk.

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The table below shows information on Banco Galicia's consolidated computable regulatory capital, or RPC or adjusted shareholders' equity, and minimum capital requirements as of the dates indicated.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except percentages)</i>		
Shareholders' Equity	3,602.8	2,595.7	2,126.5
Argentine Central Bank Minimum Capital Requirements ⁽¹⁾			
Allocated to Financial Assets	2,504.2	1,618.4	1,064.1
Allocated to Fixed Assets, Intangible and Unquoted Equity Investments	208.7	165.2	168.7
Allocated to Market Risk	41.0	5.8	14.3
Allocated to Interest-Rate Risk	10.1	70.1	20.7
Lending to the Non-Financial Public Sector	96.5	147.6	343.7
Total (A)	2,860.5	2,007.1	1,611.5
Computable Regulatory Capital Calculated Under Argentine Banking GAAP			
Core Capital	2,827.3	2,192.4	1,991.2
Supplemental Capital	1,976.0	1,333.3	1,070.2
Deductions			
Investments in Financial Entities	(53.1)	(2.0)	(1.9)
Organization Expenses	(643.7)	(394.6)	(274.9)
Goodwill Recorded from June 30, 1997		(11.5)	(17.5)
Negative Goodwill CFA	343.8	467.2	
Real Estate Properties for Banco Galicia's Own Use and Miscellaneous, for which No Title Deed has been Made	(3.5)	(2.6)	(8.4)
Other	(23.7)	(8.2)	(9.9)
Total	(380.2)	48.3	(312.6)
Additional Capital - Market Variation	(7.0)	19.9	40.4
Total (B)	4,416.1	3,593.9	2,789.2
Excess Capital			
Excess Over Required Capital (B)-(A)	1,555.6	1,586.8	1,177.7
Excess Over Required Capital as a % of Required Capital	54.38	79.06	73.08
Total Capital Ratio	12.63	15.19	14.35

(1) In accordance with Argentine Central Bank rules applicable at each date.

As of December 31, 2011, Banco Galicia's computable capital amounted to Ps.4,416.1 million, exceeding the minimum capital requirement by Ps.1,555.6 million pursuant to the regulations provided for by the Argentine Central Bank effective at that date. This excess amount was similar to the excess amount as of December 31, 2010, but with increases of Ps.853.4 million in the minimum capital requirement and Ps.822.2 million in computable capital.

The Ps.853.4 million increase in the minimum capital requirement, compared with December 31, 2010, was mainly attributable to an increased requirement of Ps.838.4 million related to private sector financing due to the growth of this portfolio's balances.

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The Ps.822.2 million increase in computable capital, as compared to December 31, 2010, was mainly a consequence of: i) an increase of Ps.634.9 million in core capital, primarily due to the result recorded in the previous fiscal year; ii) an increase of Ps.642.7 million in supplemental capital primarily due to fiscal year results; and iii) higher deductions equal to Ps.428.5 million stemming from an increase of Ps.249.1 million in organization and development expenses and from a lower negative goodwill balance of Ps.123.5 million resulting from the CFA purchase.

Regional Credit Card Companies

Since the Regional Credit Card Companies are not financial institutions, their capital adequacy is not regulated by the Argentine Central Bank. The Regional Credit Card Companies have to comply with the minimum capital requirement established by the Corporations Law, which was required to be Ps.0.012 million. However, as noted above, Banco Galicia has to comply with the Argentine Central Bank's capital adequacy rules on a consolidated basis, which includes the Regional Credit Card Companies.

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Compañía Financiera Argentina

Since CFA is a financial institution, its capital adequacy is subject to rules of the Argentine Central Bank, the same as Banco Galicia. In addition, as noted above, Banco Galicia has to comply with the Argentine Central Bank's capital adequacy rules on a consolidated basis, which includes CFA.

Minimum Capital Requirements of Insurance Companies

The insurance companies controlled by Sudamericana must meet the minimum capital requirements set by General Resolution No. 31,134 of the National Insurance Superintendency. This resolution requires insurance companies to maintain a minimum capital level equivalent to the highest of the amounts calculated as follows:

- (a) By line of insurance: this method establishes a fixed amount by line of insurance. For life insurance companies, it is Ps.4 million, increasing to Ps.5 million for companies that offer pension-linked life insurance. For providers of retirement insurance that do not offer pension-linked annuities, the requirement is Ps.3 million (increasing to Ps.5 million for companies that offer pension-linked annuities). For companies that offer property insurance that includes damage coverage (excluding those related to vehicles) the requirement is Ps.1.5 million (increasing to Ps.8 million for companies that offer all property and casualty products).
- (b) By premiums and additional fees: to use this method, the company must calculate the sum of the premiums written and additional fees earned in the last 12 months. Based on the total, the company must calculate 16%. Finally, it must adjust the total by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.
- (c) By claims: to use this method, the company must calculate the sum of gross claims paid during the 36 months prior to the end of the period under analysis. To that amount, it must add the difference between the balance of unpaid claims as of the end of the period under analysis and the balance of unpaid claims as of the 36th month prior to the end of the period under analysis. The resulting figure must be divided by three. Then the company must calculate 23%. The resulting figure must be adjusted by the ratio of net paid claims to gross paid claims for the last 36 months. This ratio must be at least 50%.
- (d) For life insurance companies that offer policies with an investment component, the figures obtained in b) and c) must be increased by an amount equal to 4% of the technical reserves adjusted by the ratio of net technical reserves to gross technical reserves (at least 85%), plus 0.3% of at-risk capital adjusted by the ratio of retained at-risk capital to total at-risk capital (at least 50%).

The minimum required capital must then be compared to computable capital, defined as shareholders' equity less non-computable assets. Non-computable assets consist mainly of deferred charges, pending capital contributions, the proposal for profits distribution and excess investments in authorized instruments.

As of December 31, 2011, the computable capital of the companies controlled by Sudamericana exceeded the minimum requirement of Ps.92.6 million by Ps.8.9 million.

Sudamericana also holds Galicia Broker Asesores de Seguros S.A., a company dedicated to brokerage in different lines of insurance that is regulated by the guidelines of the Corporations Law, which provided for a minimum capital requirement of Ps.0.012 million.

Government Regulation

General

All companies operating in Argentina must be registered with the Argentine Superintendency of Companies whose regulations are applicable to all companies in Argentina but may be superseded by other regulatory entities' rules, depending on the matter, such as the CNV or the Argentine Central Bank. All companies operating in Argentina are regulated by the Corporations Law.

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In their capacity as companies listed in Argentina, Grupo Financiero Galicia and Banco Galicia must comply with the disclosure, reporting, governance and other rules applicable to such companies issued by the markets in which they are listed and their regulators, including Law No. 17,811, as amended, Law No. 20,643 and Decrees No. 659/74 and No. 2,220/80, as well as Decree No. 677/01 otherwise known as the Decree for Transparency in the Public Offering (*Régimen de la Transparencia de la Oferta Pública*). In their capacity as public issuers of securities these companies are subject to the above-mentioned rules. As Grupo Financiero Galicia has publicly listed ADSs in the United States, it is also subject to the reporting requirements of the Securities and Exchange Act of 1934 of the United States (the Exchange Act) for foreign private issuers and to the provisions applicable to foreign private issuers under the Sarbanes Oxley Act. See Item 9. The Offer and Listing-Market Regulations .

Our operating subsidiaries are also subject to the following laws: Law No. 25,156 (the Competition Defense Law, *Ley de Defensa de la Competencia*), Law No. 22,820 (Fair Business Practice Law, *Ley de Lealtad Comercial*) and the Consumer Protection Law.

As a financial services holding company, we do not have a specific institution that regulates our activities. Our banking and insurance subsidiaries are regulated by different regulatory entities. In the case of Banco Galicia, the Argentine Central Bank is the main regulatory and supervising entity.

The banking industry is highly regulated in Argentina. Banking activities in Argentina are regulated by the Financial Institutions Law, which places the supervision and control of the Argentine banking system in the hands of the Argentine Central Bank. The Argentine Central Bank regulates all aspects of financial activity. See -Argentine Banking Regulation below.

Banco Galicia and our insurance subsidiaries are subject to Law No. 25,246, which was passed on April 13, 2000, as amended, which provides for an anti-money laundering framework in Argentina, including Law No. 26,268, which amends the latter to include within the scope of criminal activities those associated with terrorism and its financing.

Sudamericana s insurance subsidiaries are regulated by the National Insurance Superintendency and Laws No. 17,418 and No. 20,091. Galicia Broker Asesores de Seguros S.A. is regulated by the National Insurance Superintendency, through Law No. 22,400.

The activity of the Regional Credit Card Companies and the credit card activities of Banco Galicia are regulated by Law No. 25,065, as amended, or the Credit Cards Law (*Ley de Tarjetas de Crédito*). Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations to, among other things, enforce public disclosure of companies pricing (fees and interest rates) in order to assure consumer awareness of such pricing. See -Credit Cards Regulation .

Net Investment and GV Mandataria are regulated by the Corporations Law, as previously noted, and are not regulated by any specific regulatory agency. Galicia Warrants is regulated by Law No. 9,643.

On January 6, 2002, the Argentine Congress enacted Law No. 25,561, or the Public Emergency Law, which together with various decrees and Argentine Central Bank rules, provided for the principal measures in order to deal with the 2001 and 2002 crisis, including Asymmetric Pesification, among others. The period of effectiveness of the Public Emergency Law was extended again until December 31, 2013.

Galval is located in Uruguay and is regulated by the local legal framework according to the following detail: Corporation s Law No. 16,060, legal framework related to exchange markets issued by the Banco Central del Uruguay (B.C.U.), Law No. 15,921 -Zona Franca and Law No. 17,835 -Anti-money laundering.

Foreign Exchange Market

In late 2001 and early 2002, restrictions were imposed on access to the Argentine foreign exchange market and on capital movements, which were tightened by the middle of 2002. The Public Emergency Law granted the executive branch of the Argentine government the power to regulate the local foreign exchange market.

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Since its creation this regime was subject to various modifications. Only the principal features currently in force are detailed below.

On June 9, 2005, the executive branch of the Argentine government issued Decree No. 616/05, which established certain major amendments to the rules for capital movements into and from Argentina:

- (a) Foreign exchange flows into and from the local foreign exchange market and all resident new debt transactions that may imply future foreign exchange payments to nonresidents must be registered with the Argentine Central Bank.
- (b) All new debt of the private sector with non-residents must be for a minimum term of 365 days, except for international trade financing and primary issuances of debt securities, if such securities public offering and listing on self-regulated markets in Argentina has been duly authorized.
- (c) All inflows of foreign exchange resulting from such indebtedness, with the exceptions mentioned in the previous item and those regulated by the Argentine Central Bank which are detailed below, and all inflows of foreign exchange by non-residents, excluding direct foreign investments and certain portfolio investments (subscriptions of primary issuances of debt and equity securities, which public offering and listing in self-regulated markets in Argentina has been duly authorized, and government securities acquired in the secondary market), must be kept in Argentina for a term of at least 365 days and will be subject to a 30% deposit requirement.
- (d) Such deposit requirement will be held in a local financial institution as an unremunerated, no-transferable Dollar-denominated time deposit maturing in at least 365 days; such funds will not be available as a guarantee for any kind of debt and, upon the deposit maturity date, such funds will become available within the country and, therefore, will be subject to the applicable restrictions on foreign exchange transfers abroad.
- (e) The 30% deposit is not required for, among other things, inflows of foreign currency resulting from:
 - (i) loans in foreign currency granted to residents by local financial institutions;
 - (ii) direct investment contributions in Argentina as capital contributions to local institutions, when the contributor owns, previously or as a result of such contributions 10% or more of the company s capital or votes, subject to the compliance with certain requirements;
 - (iii) sales of ownership interests in local entities to direct investors, subject to the filing of certain documentation;
 - (iv) to be applied to real estate acquisitions;
 - (v) an indebtedness with multilateral and bilateral credit agencies either directly or through their related agencies, in so far as such funds pertain to transactions conducted in full compliance with their purposes; however, when such inflows are related to the integration (or acquisition) of securities issued by financial trusts, it is necessary to comply with other requirements to avoid the 30 % deposit;
 - (vi)

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other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years (including principal and interest), the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);

- (vii) other foreign indebtedness with no resident creditor of the financial sector and of the private, non-financial sector, to extent the proceeds from the foreign exchange settlement are simultaneously applied, net of taxes and expenses to (i) the acquisition of foreign currency to repay external debts service and/or (ii) the formation of long-term off-shore assets;
- (viii) that will be utilized within 10 business days from their liquidation in the local foreign exchange market for purposes listed as current transactions within the international accounts (as defined by the Argentine Central Bank), among others, within such purposes are the payment by non-Argentine residents of certain local taxes; or

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- (ix) resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the Argentine government; and

- (f) The proceeds of sales of foreign assets brought into the country by residents (capital repatriation) will be subject to the 30% deposit requirement noted in (c) above, which will apply to any amounts exceeding US\$2.0 million per month if certain other operative requirements are met.

The Argentine Ministry of Economy is entitled to modify the percentages and terms detailed above, when a change in the macroeconomic situation so requires. It is also entitled to modify the rest of the requirements established by Decree No. 616/05, and/or establish new ones, and/or increase the types of foreign currency inflows included. The Argentine Central Bank is entitled to regulate and control compliance with the regime established by Decree No. 616/05, and to enforce the applicable penalties.

In addition to Decree No. 616/05, the Argentine Ministry of Economy issued Resolution No. 637/05, dated November 16, 2005, which established that, the restrictions established in said Decree are also applicable to all inflows of funds to the local foreign exchange market for the subscription of primary issuances of debt securities or certificates of participation by financial trusts, if such restrictions were applicable to capital inflows to be used to acquire any of the trusts' assets. The corresponding criminal regime will be applicable in the case that any of these rules are violated.

In addition, currently, access to the local foreign exchange market by non-residents (both individuals and entities) to transfer funds abroad is permitted:

- (a) With no limit in the case of: (i) proceeds from the principal amortization of government debt securities and guarantee loans in local currency; (ii) recoveries from local bankruptcies; (iii) proceeds from the sale of direct investments (as it is defined by the Argentine Central Bank) in the non-financial private sector in Argentina if they were made with foreign currency that entered the local foreign exchange market no less than 365 days before (additionally, and in connection with the investments made as from October 28, 2011, the inflow of the investment to the local foreign exchange market must be supported); and (iv) certain other specific cases.
- (b) With a US\$500,000 monthly limit in the case of the aggregate proceeds of the sale of portfolio investments made with foreign currency that entered the local foreign exchange market no less than 365 days before.

Access to the local foreign exchange market by residents (both individuals and entities) to make real estate investment abroad, contributions pertaining to direct investment or portfolio investments abroad or buy foreign currency bills or traveler checks is allowed subject to compliance with certain formal requirements and the observation of the following limits:

First Limit: The Federal Tax Administration's approval through a *Consultation System of Foreign Exchange Transactions* (the System) provided to the entities authorized to operate in foreign exchange. The objective of the System is to verify that the amounts of foreign currency to be sold correspond to the information held by Federal Tax Administration in its databases. Nevertheless, the Federal Tax Administration did not define which the backup information of the System is.

Second Limit: The annual maximum amount that must be calculated (according to the rules established by the Argentine Central Bank) when the amount acquired during the calendar year is over the equivalent of US\$250,000.

Third Limit: Additionally, and despite the annual maximum amount calculated in accordance to the rules established by the Argentine Central Bank (according to the second limit), the amount purchased must not exceed US\$2,000,000 per month in all the entities authorized to operate in foreign exchange.

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Access to the foreign exchange local market for the transfer of profits and dividends abroad is permitted when corresponding to audited and final balance sheets.

Pursuant to Decree No. 260/02, all foreign exchange transactions in Argentina must be executed only through the *mercado libre y único de cambios* (free and single foreign exchange market) on which the Argentine Central Bank buys and sells currency.

Compensation to Financial Institutions

For the Asymmetric Pesification and its Consequences

Decree No. 214/02 provided for compensation to financial institutions, for:

the losses caused by the mandatory conversion into Pesos of certain liabilities at the Ps.1.4 per US\$1.0 exchange rate, which exchange rate was greater than the Ps.1.0 per US\$1.0 exchange rate established for the conversion into Pesos of certain Dollar-denominated assets. This was to be achieved through the delivery of a Peso-denominated Compensatory Bond issued by the Argentine government.

the currency mismatch left on financial institutions' balance sheets after the compulsory pesification of certain of their assets and liabilities after the conversion of the Peso-denominated Compensatory Bond into a Dollar-denominated Compensatory Bond. This would be achieved by the purchase by financial institutions of a Dollar-denominated Hedge Bond. For such purpose, the Argentine government established the issuance of a Dollar-denominated bond bearing Libor and maturing in 2012 (Boden 2012 Bonds).

Among others, Decree No. 905/02 established the methodology for calculating the compensation to be received by financial institutions. We recorded the compensation for the amounts we had determined according to the regulations. The Argentine Central Bank had to confirm the amounts after a review.

In March 2005, we agreed to receive US\$2,178.0 million of face value of Boden 2012 Bonds, comprised of US\$906.3 million of face value of Boden 2012 Bonds corresponding to the Compensatory Bond (fully delivered to us in November 2005) and US\$1,271.7 million of face value of Boden 2012 Bonds corresponding to the Hedge Bond (fully delivered to us in April 2007).

For Differences Related to Amparo Claims

As a result of the provisions of Decree No. 1,570/01, the Public Emergency Law, Decree No. 214/02 and concurrent regulations, and as a result of the restrictions on cash withdrawals and of the issuance of measures that established the pesification and restructuring of foreign-currency deposits, since December 2001, a significant number of claims have been filed against the Argentine government and/or financial institutions, formally challenging the emergency regulations and requesting prompt payment of deposits in their original currency. Most lower and upper courts have declared the emergency regulations unconstitutional.

Through *Comunicado* A 3916, dated April 3, 2003, the Argentine Central Bank allowed for the recording of an intangible asset on account of the difference between the amount paid by financial institutions pursuant to legal actions, and the amount resulting from the conversion into Pesos of the balance of the Dollar deposits reimbursed, at the exchange rate of 1.4 Pesos per Dollar (adjusted by the CER plus accrued interest as of the payment date). In addition, it established that the corresponding amount must be amortized in 60 monthly equal and consecutive installments beginning in April 2003.

On November 17, 2005, through *Comunicado* A 4439, the Argentine Central Bank established that, beginning in December 2005, financial institutions having provided, as from that date, new commercial loans with an average life of more than two years could defer the losses related to the amortization of *amparo claims*. The maximum deferrable amount was 10% of a financial institution's RPC or 50% of the new commercial loans. Likewise, financial institutions were not able to reduce the remainder of their commercial loan portfolio. This methodology was applied until December 2008, when the balances recorded as of that date began to be amortized in up to 36 monthly equal and consecutive installments.

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With respect to judicial deposits that have been subject to pesification, the Argentine Central Bank established that, beginning in July 2007, financial institutions must establish a provision in an amount equal to the difference that results from comparing such deposits' balances at each month's end, considered in their original currency, and the corresponding Peso balances actually recorded on the books. Such provision, established as of December 31, 2011 and charged to income, amounted to Ps.2.0 million.

During fiscal year 2010, Banco Galicia amortized the total remaining balance of the deferred losses from *amparo claims* for Ps.281.0 million. During fiscal year 2009, Banco Galicia recorded losses of Ps.109.3 million in connection with *amparo claims*.

Banco Galicia has complied with Argentine Central Bank regulations concerning the amortization of *amparo claims*. However, Banco Galicia reserves the right to make claims in view of the negative effect on its financial condition caused by compliance with court orders, in excess of the provisions of the above-mentioned regulations. On December 30, 2003, Banco Galicia formally requested of the executive branch of the Government, with a copy of such request sent to the Argentine Ministry of Economy and to the Argentine Central Bank, the payment of due compensation for the losses incurred in connection with Asymmetric Pesification.

Argentine Banking Regulation

The following is a summary of certain matters relating to the Argentine banking system, including provisions of Argentine law and regulations applicable to financial institutions in Argentina. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Argentina.

General

Since 1977, banking activities in Argentina have been regulated by the Financial Institutions Law, which places the supervision and control of the Argentine banking system in the hands of the autonomous Argentine Central Bank. The Argentine Central Bank enforces the Financial Institution's Law and grants authorization to banks to operate in Argentina. The Financial Institutions Law confers numerous powers to the Argentine Central Bank, including the ability to grant and revoke bank licenses, authorize the establishment of branches of Argentine banks outside of Argentina, approve bank mergers, capital increases and certain transfers of stock, set minimum capital, liquidity and solvency requirements and lending limits, grant certain credit facilities to financial institutions in cases of temporary liquidity problems and promulgate other regulations that further the intent of the Financial Institutions Law. The Argentine Central Bank has vested the Superintendency with most of the Argentine Central Bank's supervisory powers. In this section, unless otherwise stated, references to the Argentine Central Bank should be understood to be references to the Argentine Central Bank acting through the Superintendency. The Financial Institutions Law grants to the Argentine Central Bank broad access to the accounting systems, books, correspondence, and other documents belonging to banking institutions. The Argentine Central Bank regulates the supply of credit and monitors the liquidity of, and generally supervises the operation of, the Argentine banking system.

Current regulations equally regulate Argentine and foreign owned banks.

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Principal Regulatory Changes since 2002

On January 6, 2002, the Argentine government enacted the Emergency Law (*Ley de Emergencia*) to address the 2001-2002 economic crisis. The principal measures taken by the Argentine government during 2002, both through the enactment of the Emergency Law and a series of decrees and other regulations, include the following: (i) the ratification of the suspension of payments on most of the public debt, with the exception of debts owed to multilateral lending agencies; (ii) the repeal of sections of the Convertibility Law (*Ley de Convertibilidad*) that established, since 1991, a 1 to 1 parity between the Peso and the Dollar, the devaluation of the Peso, and the establishment of an exchange rate fluctuation regime, which resulted in an increase in the value of the Peso against the Dollar of around 240% during 2002; (iii) the amplification of exchange controls and restrictions on transfers abroad; (iv) the ratification and extension of the restrictions on cash withdrawals from bank deposits that were established in December 2001 (the *corralito*), and later lifted in December 2002; (v) Asymmetric Pesification, the specific details of which are as follows: (a) the Dollar-denominated debts of individuals and companies with financial institutions were converted into debt denominated in Pesos at an exchange rate of Ps.1.00 per US\$1.00 (1:1), (b) Dollar-denominated public sector debt to the financial sector were converted into Peso-denominated debt instruments at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), and (c) the Dollar-denominated bank deposits were converted into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), while foreign regulated public sector debt held by banks and companies remained Dollar-denominated; (vi) the modification of the return on assets and cost of liabilities pesified at the rate of Ps.1.40 per US\$1.00 through the establishment of maximum and minimum interest rates and capital adjustments in accordance with retail price or wage change indices; (vii) the extension of the maturities of Peso-denominated time deposits and deposits originally denominated in Dollars, above a certain amount, which established a payment schedule with maturities in 2003 or 2005, depending on whether the deposits were originally made in Pesos or Dollars (the *corralón*); (viii) the voluntary exchange of *corralito* or *corralón* deposits for Argentine government bonds (through Decree No. 739/03, dated April 1, 2003, the *corralón* was eliminated); (ix) the amendment of the charter of the Argentine Central Bank (see -General above); and (x) the compensation to financial institutions, through bonds issued by the Argentine government for the losses caused by Asymmetric Pesification. The executive branch of the Argentine government and the Argentine Central Bank have provided a set of rules for determining the amount of compensation for losses related to Asymmetric Pesification, although certain financial entities claim that the compensation established by such rules is not adequate to cover the losses that they have experienced.

The Argentine Congress recently extended the validity of the Emergency Law until December 31, 2013.

Supervision

As the regulator of the Argentine financial system, the Argentine Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semiannual and annual basis. These reports, which include balance sheets and income statements, information relating to reserve funds, use of deposits, portfolio quality (including details on debtors and any established loan loss provisions) and other pertinent information, allow the Argentine Central Bank to monitor financial institutions' financial condition and business practices.

The Argentine Central Bank periodically carries out formal inspections of all banking institutions for the purpose of monitoring compliance by banks with legal and regulatory requirements. If the Argentine Central Bank rules are breached, it may impose various sanctions depending on the gravity of the violation. These sanctions range from calling attention to the infraction, to the imposition of fines or even the revocation of the financial institution's operating license. Moreover, non-compliance with certain rules may result in the obligatory presentation to the Argentine Central Bank of specific adequacy or regularization plans. The Argentine Central Bank must approve these plans in order for the financial institution to remain operational.

Financial institutions operating in Argentina have been subject to the supervision of the Argentine Central Bank on a consolidated basis since 1994. Information set out in -Limitations on Types of Business, -Capital Adequacy Requirements, -Lending Limits, and -Loan Classification System and Loan Loss Provisions below, relating to a bank's loan portfolio, is calculated on a consolidated basis. However, regulations relating to a bank's deposits are not based on consolidated information, but on such bank's deposits in Argentina (for example, liquidity requirements and contributions to the deposit insurance system).

Examination by the Argentine Central Bank

The Argentine Central Bank began to rate financial institutions based on the CAMEL quality rating system in 1994. Each letter of the CAMEL system corresponds to an area of the operations of each bank being rated, with: C standing for capital, A for assets, M for management, E for earnings, and L for liquidity. Each factor is evaluated and rated on a scale from 1 to 5, with 1 being the highest rating an entity can receive. The Argentine Central Bank modified the supervision system in September of 2000. The objective and basic methodology of the new system, referred to as CAMELBIG, do not differ substantially from the CAMEL system. The components were redefined in order to evaluate business risks separately from management risks. The components used to rate the business risks are: capital, assets, market, earnings, liquidity and business. The components to rate management risks are: internal control and the quality of management. By combining the individual factors that are under evaluation, a combined index can be populated that represents the final rating for the financial institution.

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After temporarily halting such examinations as a result of the 2001-2002 economic crisis, the Argentine Central Bank resumed the examination process, which continues to be in effect today. In Banco Galicia's case, the first examination after the 2001-2002 economic crisis was based on the information as of June 30, 2005. New examinations have been conducted, the last one of which was based on information as of September 30, 2010.

Minimum Capital Requirements

Banco Galicia, as a commercial bank, must maintain capital equal to or greater than the value calculated by comparing the minimum capital requirements applicable to a bank with similar characteristics and the capital requirement amounts related to credit risk, market risk and interest rate risk.

The minimum capital requirements applicable to a commercial bank with headquarters in the Autonomous City of Buenos Aires, such as Banco Galicia, amount to Ps.25,000,000. The minimum capital requirements related to credit or counterparty risk, which are calculated using a formula created by the Argentine Central Bank, aim to estimate the minimum capital required to counteract the risk associated with counterparties to the assets under review. The minimum capital requirements related to interest rate risk aim to counteract the risk associated with mismatches between lending and deposit rates earned on assets and liabilities held by Banco Galicia. Finally, the minimum capital requirements related to market risk not only aim to counteract the risk associated with the counterparty to each asset, but the change in its market price.

After the end of fiscal year 2011, the Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

Legal Reserve

The Argentine Central Bank requires that every year banks allocate to a legal reserve 20% of their net profits. Such reserve may only be used during periods of bank losses and after using up every allowance and other reserves. Distribution of dividends will not be allowed if the legal reserve has been impaired. See Item 8. Financial Information-Dividend Policy and Dividends .

Limitations on Types of Business

In accordance with the provisions of the Financial Institutions Law, commercial banks are authorized to carry out all those activities and operations which are not strictly prohibited by law or by the Argentine Central Bank regulations. Permitted activities include the capacity to: grant and receive loans; receive deposits from the general public in local and foreign currency; secure its customers' debts; acquire, place and trade with shares and debt securities in the Argentine over-the-counter market, subject to the prior approval of the CNV; carry out operations in foreign currencies; act as trustee; and issue credit cards.

Financial institutions are not allowed to own commercial, industrial, agricultural or any other type of company, unless they are authorized by the Argentine Central Bank. Pursuant to the rules of the Argentine Central Bank, a commercial bank's total equity investments (including interest in local mutual funds) may not exceed 50% of the bank's adjusted shareholders' equity or its RPC. Also, the following investments may not exceed 15%, in the aggregate, of the bank's adjusted shareholders' equity: (i) shares not listed on stock exchanges except for (a) shares in companies providing services supplementary to the ones offered by the bank, and (b) certain equity interests requiring the provision of utility services, if applicable; (ii) listed shares and participation certificates in mutual funds not included for the purposes of determining capital requirements associated with market risk; and (iii) listed shares that don't have a largely publicly available market price (when there are daily quotations of relevant operations, which should not be substantially affected by the provision of ownership by the bank of such shares).

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In order to carry out the calculation of limits described above, it is not necessary to deduct the capital stock allocated to foreign branches from a bank shareholders equity.

Pursuant to the Argentine Central Bank's regulations, financial institutions are not allowed to engage directly in insurance activities or hold more than a 12.5% interest (or more than a specific percentage of the financial institution's adjusted shareholders equity) in the outstanding capital of a company which does not provide services supplementary to those offered by financial institutions. The Argentine Central Bank determines which services are complementary to those provided by financial institutions; it has been determined that such services include those offered in connection with stock brokerage, the issuance of credit, debit or similar cards, financial intermediation in leasing and factoring transactions.

As regards non-banking financial institutions (such as CFA), they are not allowed to provide certain services and activities, such as current accounts, foreign trade transactions, etc.

Computable Regulatory Capital

Pursuant to the Argentine Central Bank's regulations, a bank's RPC is calculated as: (a) the minimum core capital, including capital contributions, capital adjustments, reserves, irrevocable capital contributions pending capitalization, unassigned unaudited results (of past fiscal years) and, as of October 1, 2006, long-term debt securities complying with certain prerequisites (including a maturity not exceeding 30 years and that the amounts payable thereunder do not exceed the bank's net accounting revenue and should provide for non-cumulative defaults so as to allow payments to be deferred and paid at the stated maturity in a lump sum), so long as they do not exceed the predetermined percentage of net worth (generally 30% with periodic reductions until reaching the international standard of 15% on January 1, 2013); plus (b) the supplementary capital, which may not exceed the minimum core capital and includes (i) with respect to results of past fiscal years: 100% of the results (plus or minus depending on whether they are positive or negative) registered on the latest audited quarterly financials, in the event the yearly financials are not audited; (ii) for the current fiscal year, the entire results (plus or minus depending on whether they are positive or negative) registered at the close of the fiscal year once the results are audited; (iii) 50% of the net income and 100% of the losses from the latest available audited quarterly or yearly statements; (iv) 50% of the reserves required by the Argentine Central Bank for normal situation loans; (v) subordinated-debt not exceeding 50% of the minimum core capital with a 5 year maturity minimum, and as of October 1, 2006, including debt instruments that comply with the prerequisites to be considered minimum core capital and that exceed the limits set forth in the above clause, debt instruments with a residual term equal to or shorter than 10 years and those that set forth non-cumulative defaults (the limit for such calculations is set at 50% of the minimum core capital), and (vi) breakdowns not included in financial statements or the corresponding auditors report and the accounts payable or collectable of the net worth accounts with unrealized valuation differences; minus (c) the sum of (i) participation in other financial entities, (ii) securities deposited with custodians that are not registered, (iii) securities issued by foreign countries with ratings under the Argentine government's rating, (iv) demand securities placed with foreign financial institutions with ratings below investment grade, (v) unregistered ownership over real property, (vi) goodwill, (vii) incorporation and development expenses and (viii) provisioning deficiencies as determined by the Superintendency.

Financial institutions must comply with capital adequacy requirements both on an individual and consolidated basis.

Capital Adequacy Requirements

See -Selected Statistical Information-Regulatory Capital .

Capitalization of Debt Instruments

Through Communiqué A 5282, dated February 15, 2012, the Argentine Central Bank modified Item 8.3 Capital Contributions of Chapter VI. Minimum Capital of Financial Institutions- Section 8. Computable Equity of its LISOL rule. According to such Communiqué, capital contributions made for the purposes of all regulations related to capital, capital calculations and capital increases must be completed in cash. Subject to the prior authorization by the Superintendency, the following instruments are allowed as capital contributions: (i) securities issued by the Argentine government, (ii) debt instruments issued by the Argentine Central Bank, and (iii) a financial institution's deposits and other liabilities resulting from financial brokerage, including subordinated obligations. In cases (i) and (ii), the contributions must be recorded at market value. It is understood that an instrument has a market value when it has regular quotations in stock markets and regulated local and foreign markets. In case (iii), contributions must be recorded at market value, as defined in the previous sentence or, in the case of financial institutions that publicly offer their stock, at the price determined by the regulatory authority.

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Profit Distribution

See Item 8. Financial Information-Dividend Policy and Dividends .

Legal Reserve Requirements for Liquidity Purposes

The minimum cash requirements that banks are required to carry are established as a percentage of the balances of the different types of bank deposits and, for time deposits, the percentage varies with the remaining maturity. The deposit amount minus the minimum cash requirement is such deposits' lending capacity .

The Argentine Central Bank modifies from time to time the percentages of the minimum cash requirements depending on monetary policy considerations. Compliance with the minimum cash requirements must be accomplished with certain assets (see below), in the same currency as the deposit that triggers such requirement. Compliance with the minimum cash requirements is determined in averages, for monthly periods. Through Communiqué A 3486, dated March 22, 2002, and Communiqué A 3528, dated March 25, 2002, the Argentine Central Bank established that foreign currency denominated deposits lending capacity must only be applied to Dollar-denominated international trade financing, interbank loans and Lebac, and that any such lending capacity not applied to the aforementioned purposes will constitute a greater cash minimum requirement in Pesos, for the same amount. Subsequently, other purposes were added, allowing for the financing of activities that do not directly generate cash flows in foreign currency, such as the granting of loans to finance the importing of capital goods to be used to increase the production for the local market.

Pursuant to Communiqué A 4449, dated December 2, 2005, the Argentine Central Bank established that, effective December 2005, the minimum cash requirement in Pesos is to be applied over the monthly average of the daily balances of the obligations comprised, except for the period from December to February of the following year, for which the quarterly average was used.

At the end of fiscal year 2011, the percentages of minimum cash requirements applicable in accordance with Argentine Central Bank rules, were as follows:

Demand deposits:

Peso-denominated current accounts and savings accounts: 19%.

Dollar-denominated savings accounts: 20%.

Time deposits (by remaining maturity):

Peso-denominated: 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: 0%.

Dollar-denominated: up to 29 days: 20%; from 30 to 59 days: 15%; from 60 to 89 days: 10%; from 90 to 179 days: 5%; from 180 to 365 days: 2%; and more than 365 days: 0%.

The assets computable for compliance with this requirement are the technical cash, which includes cash (bills and coins in vaults, in ATMs and branches, and in transportation and in armored truck companies, 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 clearing houses.

As of December 31, 2011, Banco Galicia was in compliance with its legal reserve requirements, and has continued to be up to the date of this annual report.

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Lending Limits

The total equity stake and credit, including collateral, a bank is allowed to grant to a customer at any time is based on the bank's adjusted shareholders' equity as of the last day of the immediately preceding month and on the customer's shareholders' equity.

In accordance with the Argentine Central Bank's regulations, a commercial bank shall not lend or provide credit (financial assistance) in favor of, nor hold shares in the capital stock of only one unrelated customer (together with its affiliates) for amounts higher than 15% of the bank's adjusted shareholders' equity or 100% of the customer's shareholders' equity. Nevertheless, a bank may provide additional financial assistance to such customer up to a sum equivalent to 10% of the bank's adjusted shareholders' equity, if the additional financial assistance is secured by certain liquid assets, including government or private debt securities.

The total amount of financial assistance a bank is authorized to provide to a borrower and its affiliates is also limited based on the borrower's shareholders' equity. The total amount of financial assistance granted to a borrower and its affiliates shall not be higher than, in the aggregate, 100% of such borrower's shareholders' equity, although such limit may be increased an additional 200% of the borrower's shareholders' equity if the sum does not exceed 2.5% of the bank's adjusted shareholders' equity.

Since October 1, 1995, the Argentine Central Bank has required that the granting of any kind of loans exceeding 2.5% of a bank's adjusted shareholders' equity be approved by the branch's manager, the regional manager, the senior administrative officer of the credit division, the general manager and the credit committee, if any, and it must also have the approval by the board of directors, management board or another similar board.

With regards to the assistance to non-financial public sector, Communiqué A 3911, dated March 28, 2003, established certain limits, effective as from April 1, 2003. These limits do not include the bank's current exposure as of March 31, 2003 or bonds received as compensation pursuant to Decree No 905/02 or to be received pursuant to other rules, nor the extension of amortization payments. The same treatment is given to bonds issued pursuant to the conditions established by Decree 1,735/04 (through which the debt exchange offer was made official), received as part of the Argentine debt restructuring, in exchange for preexisting eligible securities as of March 31, 2003. Global exposure to the public sector (national, provincial and municipal public sector) shall not be higher than 75% of an institution's adjusted shareholders' equity. Additionally, section 12 of the aforementioned Communiqué establishes that, since January 2006, the average financial assistance to non-financial public sector, in the aggregate, shall not be higher than 40% of the bank's total assets as of the end of the previous month. Later, through Communiqué A 4546, this limit was reduced to 35%, to be effective as from July 1, 2007 to present.

The Argentine Central Bank also regulates the level of total financial exposure (defined as financial assistance or credit plus equity participations) of bank to a related party (defined as a bank's affiliates and related individuals). For purposes of these limits, affiliate means any entity over which a bank, directly or indirectly, has control, is controlled by, or is under common control with, or any entity over which a bank has, directly or indirectly, significant influence with respect to such entity's corporate decisions. Related individuals mean a bank's directors, senior management, syndics and such persons' direct relatives.

The Argentine Central Bank limits the level of total financial exposure that a bank can have outstanding to related parties, depending on the rating granted to each bank by the Superintendency. Banks rated 4 or 5 are forbidden to extend financial assistance to related parties. For banks ranked between 1 and 3, the financial assistance without guarantees to related parties cannot exceed, together with any equity participation held by the bank in its affiliates, 5% of such bank's RPC. The bank may increase its financing to such related parties up to an amount equal to 10% of such bank's RPC if the financial assistance is secured.

However, a bank may grant additional financial assistance to such related parties up to the following limits:

Financial institutions rated 1, 2 or 3, subject to consolidation with the lender or the borrower:

If the affiliate is a financial institution rated 1, the amount of total financial exposure can reach 100% of a bank's RPC, and 50% for additional financial assistance.

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If the receiving affiliate financial institution is rated 2, the amount of total financial exposure can reach 20% and an additional 105% can be included.

If the affiliate is a financial institution rated 3, the amount of total financial exposure can reach 10%, and additional financial assistance can reach 40%.

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Financial institutions not subject to consolidation with the lender or the borrower: 10%

Domestic companies with complementary services associated with brokerage of shares, financial brokerage in leasing and factoring operations, and temporary acquisition of shares in companies to facilitate their development in order to sell such shares afterwards.

Controlling company rated 1: General assistance: 100%

Controlling company rated 2: General assistance 10% / Additional assistance 90%

Domestic companies with complementary services related to the issuance of credit cards, debit cards or other cards:

Controlling company rated 1: General assistance: 100% / Additional assistance 50%

Controlling company rated 2: General assistance 20% / Additional assistance 105%

Controlling company rated 3: General assistance 10% / Additional assistance 40%

Domestic companies with complementary services, not subject to consolidation with the lender or the borrower : 10%

Foreign financial entities:

Investment grade: 10%

No Investment grade: Unsecured 5%; Secured 10%

In addition, the aggregate amount of a bank's total financial exposure to its related parties, plus non-exempt financial assistance may not exceed 20% of such bank's RPC.

Notwithstanding the limitations described above, financial assistance is also limited in order to prevent risk concentration. To that end, a bank's aggregate amount of non-exempt total financial exposure (including equity interests) independently of whether customers qualify as such bank's related parties or not, in the case in which such exposure exceeds 10% of such bank's RPC, may not exceed three times the bank's RPC excluding total financial exposure to domestic financial institutions, or five times the bank's RPC, including such exposure.

For a second floor financial institution (i.e. a financial institution which only provides financial products to other banks and not to the public) the latter limit is 10 times the bank's RPC.

Banco Galicia has historically complied with such rules.

Loan Classification System and Loan Loss Provisions

For a description of the Argentine Central Bank's loan classification system and the Argentine Central Bank's minimum loan loss provisions requirements, see -Selected Statistical Information-Main Argentine Central Bank's Rules on Loan Classification and Loan Loss Provisions .

Valuation of Public Sector Assets

Since March 1, 2011, the Argentine Central Bank amended the valuation criterion applicable to holdings of public sector debt according to the probable allocation of the assets:

- (a) Fair market value: the difference between the corresponding market price of the debt instruments (market value or present value), and the net book value of the offset account; it is applicable to debt instruments included in the list of volatilities or present values published by the Argentine Central Bank.

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- (b) Cost plus yield: the debt instruments not included in the list mentioned in a) above, are registered at incorporation value increased on an exponential basis according to their internal rate of return (IRR).

Foreign Currency Position

Through Comunicado A 4350, dated May 12, 2005, the Argentine Central Bank suspended, effective May 1, 2005, the limit on the positive Global Foreign Currency Net Position (defined as assets and liabilities from financial brokerage and securities denominated in foreign currencies) established at the lowest of 30% of a bank's RPC or a bank's liquid shareholders' equity as of the end of the previous month. Although, at that moment the Argentine Central Bank kept the limit on the negative foreign currency net position at 30% of a bank's RPC, through Comunicado A 4577, issued on September 28, 2006, and effective January 1, 2007, it established that this position should not exceed 15% of the RPC of the preceding month. Subsequently, through Comunicado A 4598, dated November 17, 2006, the Argentine Central Bank allowed, in certain cases, the limit to increase by 15%. Comunicado A 4577 also clarified that participation certificates or debt securities issued by financial trusts and credit rights on ordinary trusts, in the corresponding proportion, should be calculated when the trust's underlying assets are denominated in foreign currency.

Deposit Insurance System

In 1995, Law No. 24,485 and Decree No. 540/95, as amended, created a deposit insurance system for bank deposits and delegated to the Argentine Central Bank the organization and start-up of the deposit insurance system. The deposit insurance system was implemented through the creation of a fund named *Fondo de Garantía de los Depósitos* (FGD), which is administered by Seguros de Depósitos S.A. (Sedesa). The shareholders of Sedesa are the Argentine government, through the Argentine Central Bank, which holds at least one share, and a trust constituted by the financial institutions which participate in the fund. The Argentine Central Bank establishes the extent of participation by each institution in proportion to the resources contributed by each such institution to the FGD. Banks must contribute to the FGD on a monthly basis in an amount that is currently equal to 0.015% of the monthly average of daily balances of a financial institution's deposits (both Pesos and foreign currency denominated). The deposit insurance system covers all Peso and foreign currency deposits held in demand deposit accounts, savings accounts and time deposits for an amount up to Ps.30,000. Deposits made after July 1, 1995, with an interest rate 200 b.p. above the interest rate quoted by Banco Nación for deposits with equivalent maturities are not covered by this system. The guarantee provided by the deposit insurance system must be made effective within 30 days from the revocation of the license of a financial institution, subject to the outcome of the exercise by depositors of their priority rights described under -Priority Rights of Depositors- below. The Argentine Central Bank may modify, at any time, and with general scope, the amount of the mandatory deposit guarantee insurance. As from January 2011, the Argentine Central Bank decided to increase the limit of the deposit insurance to Ps.120,000.

Decree No. 1,292/96, enhanced Sedesa's functions to allow it to provide equity capital or make loans to Argentine financial institutions experiencing difficulties and to institutions that buy such financial institutions or their deposits. As a result of such decree, Sedesa has the flexibility to intervene in the restructuring of a financial institution experiencing difficulties prior to bankruptcy.

Priority Rights of Depositors

According to section 49 e) of the Financial Institutions Law, in the event of a judicial liquidation or the bankruptcy of a financial entity, the holders of deposits in Pesos and foreign currency benefit from a general priority right to obtain repayment of their deposits up to the amount set forth below, with priority over all other creditors, with the exception of the following: (i) credits secured by a mortgage or pledge, (ii) rediscounts and overdrafts granted to financial entities by the Argentine Central Bank, according to section 17 subsections b), c) and f) of the Argentine Central Bank Charter, (iii) credits granted by the Banking Liquidity Fund created by Decree No. 32 of December 26, 2001, secured by a mortgage and pledge and (iv) certain labor credits, including accrued interest until their total cancellation.

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The holders of the following deposits are entitled to the general preferential right established by the Financial Institutions Law (following this order of preference),

deposits of individuals or entities up to Ps.50,000 or the equivalent thereof in foreign currency, with only one person per deposit being able to use this preference. For the determination of this preference, all deposits of the same person registered by the entity shall be computed;

deposits in excess of Ps.50,000 or the equivalent thereof in foreign currency, referred to above;

liabilities originated on commercial credit lines granted to the financial entity, which are directly related with international trade.

According to the Financial Institutions Law, the preferences set forth in previous paragraphs (i) and (ii) above, are not applicable to deposits held by persons who are affiliates of the financial entity, either directly or indirectly as determined by the Argentine Central Bank.

In addition, under section 53 of the Financial Institutions Law, the Argentine Central Bank has an absolute priority over all other creditors of the entity except as provided by the Financial Institutions Law.

Financial Institutions with Economic Difficulties

The Financial Institutions Law establishes that financial institutions, including commercial banks such as Banco Galicia, which evidence a deficiency in their cash reserves, have not complied with certain required technical standards, including minimum capital requirements, or whose solvency or liquidity is deemed to be impaired by the Argentine Central Bank must submit a restructuring plan to the Argentine Central Bank. Such restructuring plan must be presented to the Argentine Central Bank on the date specified by the Argentine Central Bank, which should not be later than 30 calendar days from the date on which the request is made by the Argentine Central Bank. In order to facilitate the implementation of a restructuring plan, the Argentine Central Bank is authorized to provide a temporary exemption from compliance with technical regulations and/or the payment of charges and fines that arise from such non-compliance.

The Argentine Central Bank may also, in relation to a restructuring plan presented by a financial institution, require such financial institution to provide guarantees or limit the distribution of profits, and appoint a supervisor, to oversee such financial institutions' management, with the power to veto decisions taken by the financial institution's corporate authorities.

In addition, the Argentine Central Bank's charter authorizes the Superintendency, subject only to the prior approval of the president of the Argentine Central Bank, to suspend for up to 30 days, in whole or in part, the operations of a financial institution if its liquidity or solvency have been adversely affected. Notice of this decision must be given to the board of directors of the Argentine Central Bank. If at the end of such suspension period the Superintendency considers it is necessary to renew it, it can only be authorized by the board of directors of the Argentine Central Bank, for an additional period not to exceed 90 days. During the suspension period: (i) there is an automatic stay of claims, enforcement actions and precautionary measures; (ii) any commitment increasing the financial institution's liabilities is void, and (iii) acceleration of indebtedness and interest accrual is suspended.

If, in the judgment of the Argentine Central Bank, a financial institution is in a situation which, under the Financial Institutions Law, would authorize the Argentine Central Bank to revoke the financial institution's license to operate as such, the Argentine Central Bank may, prior to considering such revocation, order a variety of measures, including (1) taking steps to reduce, increase or sell the financial institution's capital; (2) revoking the approval granted to the shareholders of the financial institution to own an interest therein, giving a term for the transfer of such shares; (3) excluding and transferring assets and liabilities; (4) constituting trusts with part or all the financial institution's assets; (5) granting of temporary exemptions to comply with technical regulations and/or pay charges and fines arising from such defective compliance; or (6) appointing a bankruptcy trustee and removing statutory authorities.

Furthermore, any actions authorized, commissioned or decided by the Argentine Central Bank under section 35 bis of the Financial Institutions Law, involving the transfer of assets and liabilities, or complementing it, or necessary to execute the restructuring of a financial institution, as well as those related to the reduction, increase and sale of equity, are not subject to any court authorization and cannot be deemed inefficient in respect of the creditors of the financial institution which was the owner of the excluded assets, even though its insolvency preceded any of such

actions.

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Dissolution and Liquidation of Financial Institutions

The Argentine Central Bank must be notified of any decision to dissolve a financial institution pursuant to the Financial Institutions Law. The Argentine Central Bank, in turn, must then notify a court of competent jurisdiction which will determine who will liquidate the entity (the corporate authorities or an appointed, independent liquidator). This determination is based on whether or not sufficient assurances exist regarding the ability of such corporate authorities to carry out the liquidation properly.

Pursuant to the Financial Institutions Law, the Argentine Central Bank no longer acts as liquidator of financial institutions. However, when a restructuring plan has failed or is not considered viable, local and regulatory violations exist, or substantial changes have occurred in the financial institution's condition since the original authorization was granted, the Argentine Central Bank may decide to revoke the license of the financial institution to operate as such. In this case, the law allows judicial or extrajudicial liquidation as in the case of voluntary liquidation described in the preceding paragraph.

The bankruptcy of a financial institution cannot be adjudicated until the license is revoked by the Argentine Central Bank. No creditor, with the exception of the Argentine Central Bank, may request the bankruptcy of the former financial institution before 60 days have elapsed since the revocation of its license.

Credit Cards Regulation

The Credit Cards Law establishes the general framework for credit card activities. Among other regulations, this law:

sets a 3% cap on the rate a credit card company can charge merchants for processing customer card holders' transactions with such merchants, calculated as a percentage of the customers' purchases. With respect to debit cards, the cap is set at 1.5% and the amounts relating to the customers' purchases should be processed in a maximum of 3 business days;

establishes that credit card companies must provide the Argentine Central Bank with the information on their loan portfolio that such entity requires; and

sets a cap on the interest rate a credit card company can charge a card holder, which cannot exceed by more than 25% the average interest rate charged by the issuer on personal loans and, for non-bank issuers, it cannot exceed by more than 25% the financial system's average interest rate on personal loans (published by the Argentine Central Bank).

Both the Argentine Central Bank and the National Undersecretary of Industry and Trade have issued regulations, among others, to enforce public disclosure of companies' pricing (fees and interest rates) to ensure consumer awareness of such pricing.

Concealment and Laundering of Assets of a Criminal Origin

Law No. 25,246 (as amended last by Law No. 26,683 in July 2011) incorporates money laundering as a crime under the Argentine Criminal Code. Additionally, with the goal of preventing money laundering, the UIF was created under the jurisdiction of the Argentine Ministry of Justice, Security and Human Rights. The main consequence of such modification is that money laundering is now classified as a separate offense.

The new legislation removes which did not participate from the previous crime figure, thus now penalizing self-laundering. Also, it eliminates the need for the goods to originate from a crime, as it is now sufficient that goods emanate from a criminal offense.

The new standard falls under Article 303 of the Argentine Penal Code in the chapter titled Crimes against economic and financial order.

The minimum and maximum of the criminal scale will be doubled when (a) the foregoing acts were crimes that are particularly serious, meaning those crimes with a punishment that is greater than three years of imprisonment; (b) the perpetrator committed the crime for profit; and (c) the perpetrator regularly performs concealment activities. The criminal scale will only be increased once, even when more than one of the above-mentioned acts occurs. In such a case the court may take into consideration the multiple acts when individualizing the punishment.

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In addition, regulations establish that: (a) within the framework of a review of reported suspicious activity, the person that is required by the UIF to provide information may not withhold it claiming such information is a banking, stock market or professional secret nor because it is legally or contractually confidential; (b) if after having completed its analysis of the reported activity, the UIF has found sufficient elements to suspect that the activity is a money laundering operation pursuant to the law, then the UIF shall notify the Public Ministry in order to determine if a criminal prosecution should begin; and (c) those persons who have acted for their spouse, any relative that is related by blood up to the fourth degree or by marriage up to the second degree or a close friend or a person to whom they owe special gratitude, shall be exempted from criminal responsibility.

Notwithstanding the foregoing, pursuant to the Argentine Criminal Code, the exemption shall not be effective in the following cases: (i) with respect to a person who secures or helps the perpetrator of or a participant in a crime to secure the product or profit of the crime; (ii) with respect to a perpetrator that committed the crime for profit; (iii) with respect to a perpetrator that regularly performs concealment activities; or (iv) with respect to a person that converts, transfers, administers, sells, encumbers or uses money or any other asset derived from any crime in which he was not involved, with the possible result of giving those original or secondary assets the appearance of having a legal origin and as long as their value is greater than Ps.50,000, whether through a single act or through a series of related events.

The law lists the parties that are obligated to report to the UIF; which include, among others: financial institutions, agents and stock companies, insurance companies, notary publics and those registered professionals whose activities are governed by the *Consejo de Profesionales de Ciencias Económica* (Economic Sciences Professional Council), companies that receive donations or capital contribution for over Ps.50.000 and companies that organize and regulate professional sport events.

Banco Galicia formed the Committee for the Control and Prevention of Money Laundering, the name of which was changed in 2005 to the Committee for the Control and Prevention of Money Laundering and Funding of Terrorist Activities, which is in charge of establishing the general guidelines for Banco Galicia's strategy to control and prevent money laundering and the financing of terrorism. For more information, see Item 6. Directors, Senior Management and Employees-Functions of the Board of Directors of Banco Galicia. In addition, a unit specializing in this area was created, the Anti-Money Laundering Unit, which is responsible for the execution of the policies passed by the committee and for the monitoring of control systems and procedures in order to ensure that they are adequate. CFA also has a Committee for the Control and Prevention of Money Laundering.

The guide for unusual or suspicious transactions within the scope of the financial and foreign exchange system (passed by Resolution No. 121/2011 of the UIF) establishes the obligation to report, among others, the following investment related transactions: (a) investments related to purchases of government or corporate securities given in custody to the financial institution if such securities' value appears to be inappropriate due to the type of business of the client; (b) deposits or back to back loan transactions with branches, subsidiaries or affiliates of the bank in places known to be tax havens or countries or territories considered by the Financial Action Task Force as non-cooperative, (c) client requests for investment management services (whether in foreign currency, shares or trusts) where the source of the funds is not clear or is not consistent with its business; (d) significant and unusual movements in custodial accounts; (e) frequent use by infrequent clients of special investment accounts whose owner is the financial entity; and (f) regular securities transactions, through purchases and sales on the same day and for identical volumes and nominal values, taking advantage of quotation differences, when such transactions are not consistent with the client's profile and regular activity. Such reporting obligation generally consists of performing due diligence in order to get to know the client and to understand the corresponding transaction and also, if applicable, to report any irregular or suspicious activity to the UIF, pursuant to the terms and conditions established by the regulation applicable to such obligated party.

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

Item 5.A. Operating Results

The following discussion and analysis is intended to help you understand and assess the significant changes and trends in our historical results of operations and the factors affecting our resources. You should read this section in conjunction with our audited consolidated financial statements and their related notes included elsewhere in this annual report.

Overview

In the last three years, in order to increase our recurrent earnings generation capacity, we have undertaken to expand the volume of our business with the private sector. In previous years we had strengthened our balance sheet by consistently reducing Banco Galicia's exposure to the public sector, as well as expensive liabilities.

We have increased our customer base and our fee based and financial intermediation activities with the private sector, strengthening our position as a leading domestic private-sector financial institution. In addition, our total deposits and loan origination increased, both at the level of Banco Galicia and at the level of the Regional Credit Card Companies, and since June 2010 also at the level of CFA.

We have increased our regulatory capital through the purchase of CFA and through internal origination. The increase in our overall level of activity, which led to the above-mentioned increase in the volume of our fee based business and financial intermediation with the private sector, has had a positive impact on our net financial income and on our net income from services. Loan loss provisions increased due to the seasoning of individuals' loan portfolios, due to the incorporation of CFA's loan portfolio since June 2010 and also due to the worsening of the economic condition.

During this period, we expanded our distribution network, with a related increase in personnel and a greater use of resources in general, as well as expenses for advertising and publicity. In addition, the administrative expenses reflect an inflationary environment and the adjustment of salaries that has taken place.

During the first half of 2009, the international financial crisis and certain domestic problems dampened domestic confidence and raised uncertainty regarding future economic policies. The uncertainty triggered a strong dollarization of portfolios, with a reduction of private sector Peso deposits, and, in turn, a deceleration in growth rates of the loans to the private sector and a deterioration of asset quality. The second half of 2009 showed a recovery of the world economy and of the local economy, which favorably impacted deposits and loan growth with an improvement in asset quality that extended throughout 2010 and 2011. In spite of the adverse international and local financial condition, Banco Galicia managed to expand its business with the private sector and to improve its income generation, while strengthening its financial condition, the coverage of its credit risks in a scenario of deterioration of asset quality, and the provisioning for other contingencies.

In summary, in recent years, our operating profitability was positively impacted by the growth of our business with the private sector, both the financial intermediation and fee-based businesses, in a still low credit risk environment, but within a context of growing inflation. Banco Galicia has finished with the amortization of *amparo claims* during 2010 and profitability increased during 2011. The current fiscal year will be more challenging as the world economy is still weak and there exist certain domestic problems such as a growing fiscal deficit and high levels of inflation, which could negatively impact the Argentine economy.

The Argentine Economy

Surging commodity prices in 2010 and the first half of 2011 propelled growth rates upward in Latin America. In 2010, a significant recovery in the agricultural sector took place, after the droughts during 2008 and 2009, which contributed extensively to the overall Argentine economic recovery during such year and the first half of 2011. The financial sector, in turn, benefited from this overall economic recovery, the favorable international economic climate and the relatively low level of domestic social unrest. A GDP of over 9% was achieved by the Argentine economy from 2009 to 2010. Within this favorable environment, the Argentine economy continued to grow at high rates in the first half of 2011, but began to experience a deceleration in growth as the global economy contracted in the latter half of the year.

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According to the General Activity Index prepared by Orlando J. Ferreres y asociados Consulting Firm (IGA-OJF), the Argentine economy grew 5.8% in 2011, after growing 8.2% in the first quarter of 2011, reflecting a weakening in economic expansion. During 2011, the highest performing production sector of the Argentine economy was financial intermediation, with an accumulated expansion of 21.4%, followed by trade (with an 7.1% accumulated expansion) and manufacturing (with a 6.4% accumulated expansion).

The industrial sector, as measured by the Industrial Production Index prepared by the Fundación de Investigaciones Económicas Latinoamericanas (IPI-FIEL), experienced a 4.2% increase in 2011, showing signs of deceleration after an 8.6% increase in 2010. Among the highest performing sectors of the economy in 2011 were the automotive sector, with a 15.7% increase for the year, and the metallurgy sector, with a 10.4% increase for the year, in each case as compared to 2010. However, the Brazilian economy has been showing signs of deceleration during the second part of 2011, which could impact the performance of the automotive sector in 2012.

According to the INDEC, the unemployment rate for the fourth quarter of 2011 was 6.7% of the economically active population in Argentina, or the segment of the Argentine population that is employed, or unemployed and actively seeking employment. The unemployment rate remained low, remaining below the level it was at during 2010 (7.3%), reflecting the strong performance of the labor market.

In the monetary sphere, the main monetary aggregates increased strongly during 2011, above the economy nominal growth. By fiscal year-end, the monetary base recorded a 34.6% annual expansion, after having reached near 40% annual growth in June. The Ps.62,500 million growth is mainly due to an increased financing to the National Treasury that reached Ps.32,600 million, amounting to more than 50% of the monetary base total growth. Unlike other years, Lebac and Nobac (Argentine Central Bank bills and notes) transactions provided near Ps.15,000 million liquidity through the net settlement of such instruments. In contrast, the foreign exchange market intervention, which is the main source of growth over the last years, posted a Ps.13,300 million base increase, 80% of which was generated in December. This trend was also reflected in the performance of the private M2 (i.e. a money supply indicator that is an aggregate of all money in circulation and deposits in savings and current accounts, in pesos, that belong to the private sector), which grew by 30.7% in 2011 as compared to 2010. The total M2 (i.e., a money supply indicator that is an aggregate of all publicly held money in circulation plus public and private sector savings and current account deposits denominated in pesos) experienced an expansion of 28.9% in 2011 as compared to 2010.

Although interest rates in Argentina remained relatively stable throughout the first half of 2011, they began to increase slightly in July and continued to increase through the second half of the year. This trend can be explained by the strong growth in credit demand paired with a small growth in deposits (in line with an acceleration in capital outflows) and the consequent reduction of liquidity in the financial system.

The reference exchange rate established by the Argentine Central Bank increased from Ps.3.976 to Ps.4.303 per Dollar between December 31, 2010 and December 31, 2011 (equivalent to 8.2% depreciation), while the average exchange rate increased from Ps.3.913 per Dollar in 2010 to Ps.4.133 per Dollar in 2011.

The inflation rate recorded for 2011 was 9.5%, as measured by the consumer price index of the INDEC, reflecting a decrease in the inflation rate of 10.9% recorded for 2010. The wholesale price index increased 12.7% in 2011 when compared to 2010.

However, according to private sector estimates, consumer prices increased 21.2% in 2011. As was the case in 2010, food and beverage prices were the principal driver for inflation (with a 26.3% year-on-year increase), followed by recreation prices (with a 24% year-on-year increase).

In the fiscal area, there was an increase in tax revenues (including social security) of approximately 32.1% in 2011, representing a decrease as compared to the 34.4% increase observed in 2010. Growth in primary expenditures increased 31.3% in 2011. The Argentine public sector achieved a surplus of Ps.4,921 million in 2011, equivalent to 0.3% of GDP, lower than that observed in 2010.

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The balance of payments on current account was slightly positive in 2011. Especially, in terms of GDP, it showed a sharp decline from 0.8% in 2010 to nearly 0.0% in 2011. The balance of trade posted a US\$10,347 million surplus over the year, slightly below US\$11,632 million posted the previous year.

Exports through December 2011 demonstrated a significant recovery, expanding 23.7% as compared to the previous year, which was mainly attributable to an increase of 16% in export prices. However, the recovery observed in exports was offset by an increase in imports by 30.8%.

During a year that included presidential elections and an increase in uncertainty in the global markets, the financial account of the balance of payments experienced an outflow of US\$10,259 million during 2011 as compared to a net inflow of US\$1,608 during 2010. As of December 31, 2011, the Argentine Central Bank's international reserves amounted to US\$46,376 million, US\$5,814 million below the amount held as of December 31, 2010.

Furthermore, during 2011, the global recovery of the global economy showed signs of deceleration. While such slowdown reflects events that took place mainly in developed economies around the world, a continued slowdown of such economic recovery may adversely affect emerging markets such as Argentina.

The Argentine Financial System

The overall recovery of the Argentine economy in general had a positive impact on the Argentine financial system, resulting in an increase in the levels of private sector intermediation; however, these levels are still far from the levels reached by Argentina prior to the 2001-2002 Argentine economic crisis and those reached by neighboring countries such as Chile and Brazil.

The financial system's total deposits grew 22.4% during 2011, reaching Ps.457,116 million as of December 31, 2011; deposits from the non-financial private sector increased 26.9% during 2011, amounting to Ps.324,308 million and public sector deposits were Ps.129,887 million as of that date, an increase of 12.1%, in each case as compared to December 31, 2010. Total deposits from the private sector, as of December 31, 2011, were comprised of transactional deposits in the amount of Ps.173,503 million, which represented an increase of 25.8%, as compared to December 31, 2010, and time deposits in the amount of Ps.137,953, which represented an increase of 28.6%, as compared to December 31, 2010. As of December 31, 2011, total deposits reached 24.4% of GDP.

Total loans to the private sector grew 46.8% from Ps.195,468 million as of December 31, 2010 to Ps.286,957 million as of December 31, 2011, with promissory notes amounting to Ps.63,996 million (up 44.6% year-to-date), personal loans amounting to Ps.58,513 million (up 46.3% year-to-date), cash advances in current accounts amounting to Ps.25,922 million (up 49.3% year-to-date), mortgage loans amounting to Ps.28,216 million (up 33.9% year-to-date) and secured loans amounting to Ps.16,752 million (up 70.6% year-to-date), while credit card loans amounted to Ps.43,924 million, increasing 50.9%. Loans to the public sector accounted for 10.4% of the total assets of the Argentine financial system as of December 31, 2011, decreasing 1.8% as compared to December 31, 2010. As of December 31, 2011, total loans amounted to 15.5% of GDP.

The average interest rate paid by private financial institutions in December 2011 for deposits for up to 59 days was 17.3%, an increase of 702 b.p. from December 2010. The average interest rate applicable to time deposits over Ps.1 million was 18.8% in December 2011, an increase of 766 b.p. from the end of 2010. As of December 31, 2011, the average interest rate applicable to cash advances reached 26.8%, which represented an increase of 759 b.p. from the fiscal year ended December 31, 2010.

Since 2009, financial institutions increased their levels of liquidity relative to total deposits, further contributing to financial stability. Although the average liquidity ratio decreased from an average of 28.0% in December 2010 to 24.7% in December 2011, it remains at historically high levels.

The Argentine Central Bank placed debt securities, Lebac and Nobac, in the amount of Ps.4,231 million as of December 31, 2011 which grew at a combined 6.0% as compared to the same period of 2010, reaching an outstanding amount of Ps.66,347 million as of December 31, 2011.

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The monthly average balance of M2 accumulated an expansion of 29.0% as compared to December 2010, which implied 1.1% above the base case established by the Argentine Central Bank's monetary program for December 2011, and 4.0% below the upper limit. Besides the quarterly goals for M2, the Argentine Central Bank's monetary program established an annual aim for the private M2, which represents (base case) an expansion of 29.2% in 2011. In 2011, the accumulated growth of private M2 remained in line with that scenario.

Loans granted by entities in the Argentine financial system to the private sector and purchases of foreign currency by the Argentine Central Bank in the foreign exchange market were major contributing factors in the growth of the overall monetary supply in Argentina during the fourth quarter of 2011 (as they were granted during the first half of the year), which is measured by the Argentine Central Bank using the following indicators: M1, or publicly held money in circulation and public and private sector current accounts in pesos, M2 (described above) and M3, or publicly held money in circulation and total public and private sector deposits in pesos.

The Argentine financial system's net worth increased by Ps.12.2 billion during 2011, which represents a 21.2% increase from the fiscal year ended December 31, 2010. The system's profitability during the same period was equivalent to 2.7% of total assets, while return on average shareholders' equity was 25.3%, similar to the 24.4% recorded in 2010 but higher than the 19.2% recorded in 2009. As of December 31, 2011, income from interest represented 4.6% of total assets, income from services represented 3.9% of total assets, and income from holdings of government securities represented 2.5% of total assets.

Administrative expenses decreased slightly, from 6.9% of total assets in the fiscal year ended December 31, 2010 to 6.7% of total assets as of December 31, 2011. The provision for loan losses decreased from 0.8% of total assets in 2010 to 0.7% of total assets as of December 31, 2011, also reflecting a slight improvement in asset quality. In line with such performance, the non-accrual loan portfolio (i.e. the loan portfolio that has been in default for more than 90 days and that no longer accrues interest) extended to the non-financial private sector decreased from 2.1% in December 2010 to 1.4% in December 2011. Within the context of a conservative monetary policy, coverage of the private sector non-accrual loan portfolio (with allowances) continued to grow, reaching levels of 179% in December 2011, same as of December 2010.

As of December 31, 2011, 80 financial institutions were in operation, taking into account both banking and non-banking institutions. Of these 80, 64 were banks, 52 of which were private-sector banks (accounting for 54.9% of total deposits in the financial system). In turn, 31 of these private-sector banks were domestic banks (one of which was a cooperative bank), which accounted for 26.8% of total deposits in the financial system, and 21 were foreign-owned banks, which accounted for 28.1% of total deposits in the financial system. There were 12 government-owned banks (which represented 44.8% of total deposits in the financial system), and there were 16 non-banking financial institutions, with only a 0.3% share of total deposits.

The concentration of the financial system, measured by the deposit-market share of the ten leading banks, reached 77.3% as of December 31, 2011, similar to this metric as of December 31, 2010.

As of December 31, 2011, the financial system employed a total of 102,802 people, 63.1% of which were employed by the private sector, representing a 3.1% increase since the beginning of 2011.

The Argentine Insurance Industry

The insurance industry continued to grow in 2011. Production amounted to Ps.52,600 million, 26.6% higher than the level recorded for 2010. Out of the total insurance production, 80% related to property insurance, 18% related to life and personal insurance and 2% related to retirement insurance. Within the 80% corresponding to property insurance, the automotive insurance segment comprised the most significant portion with 44% of property insurance, followed by the workers' compensation segment with 31%.

Within the life insurance business, the group life insurance represented 65% of the segment, followed by individual life insurance, representing 16%, and personal accident insurance, representing 13%.

Table of Contents**Inflation**

Historically, inflation in Argentina has played a significant role in influencing, often negatively, the economic conditions in Argentina and, in turn, the operations and financial results of companies operating in Argentina, such as Grupo Financiero Galicia.

The chart below presents a comparison of inflation rates published by INDEC, measured by the wholesale price index and the consumer price index, for the fiscal years 2011, 2010 and 2009. In addition, the chart below presents the evolution of the CER index, published by the Argentine Central Bank, used to adjust the principal of certain of our assets and liabilities, for the periods indicated.

<i>(in percentages)</i>	For the 12-month period ended December 31,		
	2011	2010	2009
Price Indices ^{(1) (2)}			
Wholesale Price Index (WPI)	12.67	14.56	10.27
Consumer Price Index (CPI)	9.51	10.92	7.69
Adjustment Indices			
CER	9.54	11.04	6.95

(1) Data for December of each year as compared to December of the immediately preceding year. Source: INDEC/the Argentine Central Bank.

(2) The accuracy of the measurements of INDEC is in doubt, and the actual CPI and wholesale price index could be substantially higher than those indicated by INDEC. For example, according to private sector estimates, the CPI approximately increased by 16% (rather than 7.7%) in 2009, 23% (rather than 10.9%) in 2010 and 21% (rather than 9.5%) in 2011.

In the first three months of 2012, the WPI increased 3.02% and the CPI increased 2.61%. Over the same period, the CER increased 2.48%.

Currency Composition of Our Balance Sheet

The following table sets forth our assets and liabilities denominated in foreign currency, in Pesos and adjustable by the CER, at the dates indicated.

	2011	As of December 31, 2010	2009
		<i>(In millions of Pesos)</i>	
Assets			
In Pesos, Unadjusted	42,860.0	28,319.4	19,791.0
In Pesos, Adjusted by the CER	579.3	610.8	926.3
In Foreign Currency ⁽¹⁾	7,753.7	6,777.9	6,885.1
Total Assets	51,193.0	35,708.1	27,602.4
Liabilities and Shareholders Equity			
In Pesos, Unadjusted, Including Shareholders Equity	39,973.7	28,059.5	20,513.1
In Pesos, Adjusted by the CER	8.8	13.6	14.9
In Foreign Currency ⁽¹⁾	11,210.5	7,635.0	7,074.3
Total Liabilities and Shareholders Equity	51,193.0	35,708.1	27,602.3

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(1) *If adjusted to reflect forward sales and purchases of foreign exchange made by Grupo Financiero Galicia and recorded off-balance sheet, assets amounted to Ps.13,913.7 million and liabilities to Ps.13,852.9 million.*

Funding of our long position in CER-adjusted assets through Peso-denominated liabilities bearing a market interest rate (and no principal adjustment linked to inflation) exposes us to differential fluctuations in the inflation rate and in market interest rates, with a significant increase in market interest rates vis-à-vis the inflation rate (which is reflected in the CER variation) having a negative impact on our net financial income.

Table of Contents**Results of Operations for the Fiscal Years Ended December 31, 2011, December 31, 2010 and December 31, 2009**

We discuss below our results of operations for the fiscal year ended December 31, 2011 as compared with our results of operations for the fiscal year ended December 31, 2010, and our results of operations for the fiscal year ended December 31, 2010 as compared with our results of operations for the fiscal year ended December 31, 2009.

Net Income/Loss

	Fiscal Year Ended			Change	
	2011	December 31, 2010	2009	2011/2010	2010/2009
<i>(in millions of Pesos, except percentages)</i>					
Consolidated Income Statement					
Financial Income	6,017.7	3,614.9	3,005.6	2,402.8	609.3
Financial Expenses	2,274.2	1,412.7	1,460.5	861.5	(47.8)
Net financial Income	3,743.5	2,202.2	1,545.1	1,541.3	657.1
Provision for Losses on Loans and Other Receivables	843.4	551.5	639.5	291.9	(88.0)
Net income from Services	2,451.7	1,781.9	1,310.9	669.8	471.0
Administrative Expenses	4,205.2	2,845.3	2,029.1	1,359.9	816.2
Minority Interest	(171.0)	(104.3)	(46.5)	(66.7)	(57.8)
Income / (Loss) from Equity Investments	132.7	62.1	11.3	70.6	50.8
Miscellaneous Income / (Loss), Net	752.5	122.0	233.1	630.5	(111.1)
Income Tax	(753.9)	(258.2)	(156.0)	(495.7)	(102.2)
Net income / (Loss)	1,106.9	408.9	229.3	698.0	179.6
Return on Average Assets ⁽¹⁾	3.1	1.8	1.1	1.3	0.7
Return on Average Shareholders' Equity	37.4	18.6	11.7	18.8	6.9

(1) For the calculation of the return on average assets, profits or losses corresponding to minority interests are excluded from net income. Net income for the fiscal year ended December 31, 2011 was Ps.1,106.9 million, as compared to Ps.408.9 million for the fiscal year ended December 31, 2010 and Ps.229.3 million for the fiscal year ended December 31, 2009.

Net earnings per share for the fiscal year ended December 31, 2011 were Ps.0.892, as compared to Ps.0.329 for the fiscal year ended December 31, 2010. The return on average assets and the return on average shareholders' equity for the fiscal year ended December 31, 2011 were 3.1% and 37.4%, respectively, as compared to 1.8% and 18.6%, respectively, for the fiscal year ended December 31, 2010. For the fiscal year ended December 31, 2009, net income per share was Ps.0.185, the return on average assets was 1.1% and the return on average shareholders' equity was 11.7%.

Fiscal Year 2011 Compared to Fiscal Year 2010

Net income for the fiscal year ended December 31, 2011 was Ps.1,106.9 million, as compared to Ps.408.9 million for the fiscal year ended December 31, 2010, a Ps.698.0 million increase, or 170.7%. Such increase was primarily attributable to:

a Ps.2,402.8 million increase in financial income, from Ps.3,614.9 million to Ps.6,017.7 million,

a Ps.669.8 million increase in net income from services, from Ps.1,781.9 million to Ps.2,451.7 million,

a Ps.70.6 million increase in income from equity investments, from Ps.62.1 million to Ps.132.7 million,

a Ps.630.5 million increase in miscellaneous income net, from Ps.122.0 million to Ps.752.5 million.

Such changes were partially offset by:

a Ps.861.5 million increase in financial expenses, from Ps.1,412.7 million to Ps.2,274.2 million,

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a Ps.291.9 million increase in provision for loan losses and other receivables, from Ps.551.5 million to Ps.843.4 million,

a Ps.1,359.9 million increase in administrative expenses from Ps.2,845.3 million to Ps.4,205.2 million,

an increase in income tax of Ps.495.7 million, from Ps.258.2 million to Ps.753.9 million.

The increase in income as compared to fiscal year 2010 was the result of a significant increase in the volume of financial intermediation with the private sector, coupled with an improved efficiency ratio, as a consequence of higher growth in net operating income (defined as adjusted net financial income plus net income from services; adjusted net financial income is defined as financial income plus financial income in relation to margin requirements of repurchase agreement transactions, which is recorded under Miscellaneous Net Income) than in administrative expenses. In addition, net income for fiscal year 2011 included Ps.247.5 million (net of consolidation and elimination adjustments) corresponding to CFA's income, as well as Ps.118.7 million for the amortization of the negative goodwill from the acquisition of such company. For the same reason, fiscal year 2010, recorded profits for Ps.89.4 million and Ps.51.7 million, respectively, since CFA's income was included into Banco Galicia's balance sheet as from the third quarter of 2010.

Fiscal Year 2010 Compared to Fiscal Year 2009

Net income for the fiscal year ended December 31, 2010 was Ps.408.9 million, as compared to Ps.229.3 million for the fiscal year ended December 31, 2009, a Ps.179.6 million increase, or 78.3%. Such increase was primarily attributable to:

a Ps.609.3 million increase in financial income, from Ps.3,005.6 million to Ps.3,614.9 million,

a Ps.471.0 million increase in net income from services, from Ps.1,310.9 million to Ps.1,781.9 million,

a Ps.88.0 million decrease in provisions for loan losses, from Ps.639.5 million to Ps.551.5 million,

a Ps.47.8 million decrease in financial expenses, from Ps.1,460.5 million to Ps.1,412.7 million,

an increase of Ps.50.8 million in income from equity investments, from Ps.11.3 million to Ps.62.1 million.

These factors were partially offset by:

a Ps.816.2 million increase in administrative expenses, from Ps.2,029.1 million to Ps.2,845.3 million,

a Ps.111.1 million decrease in miscellaneous net income, from Ps.233.1 million to Ps.122.0 million,

an increase in income tax of Ps.102.2 million, from Ps.156.0 million to Ps.258.2 million.

The operating income for the fiscal year ended December 31, 2010 was Ps.3,985.3 million, as compared to Ps.2,856.0 million for the fiscal year ended December 31, 2009. Such increase was primarily attributable both to a Ps.658.3 million higher net financial income (Ps.282.2 million of which corresponded to CFA) and a Ps.471.0 million higher net income from services (Ps.14.7 million of which corresponded to CFA).

Financial Income

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Our financial income was composed of the following:

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	5,160.2	3,061.3	2,207.7
Income from Government and Corporate Securities, Net	753.0	407.9	559.1
CER Adjustment	2.0	5.3	24.4
Other ⁽¹⁾	102.5	140.4	214.4
Total	6,017.7	3,614.9	3,005.6

(1) Reflects income from financial leases, net. Until fiscal year 2010 it also reflects, mainly, differences in the quotation of gold and foreign currency.

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The following table shows our yields on interest-earning assets and cost of funds:

	2011		As of December 31, 2010		2009	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
	<i>(in millions of Pesos, except rates)</i>					
Interest-Earning Assets	31,941.3	19.05	21,983.3	16.35	18,378.0	15.71
Government Securities	3,785.9	17.25	3,344.1	11.56	4,686.5	11.84
Loans	26,218.7	19.91	16,800.8	18.56	11,463.6	19.34
Other	1,936.7	10.97	1,838.4	4.85	2,227.9	5.17
Interest-Bearing Liabilities	23,328.9	7.92	16,662.5	6.56	15,923.4	7.63
Current Accounts	3.3		508.1	1.08	1,287.3	1.00
Savings Accounts	5,825.7	0.18	4,016.2	0.19	3,014.5	0.19
Time Deposits ⁽¹⁾	11,970.2	10.84	8,554.3	8.81	7,391.9	11.67
Debt Securities	3,390.8	10.42	2,276.1	10.04	2,729.9	8.22
Other Interest-bearing Liabilities	2,138.9	8.75	1,307.8	7.50	1,499.8	7.34
Spread and Net Yield						
Interest Spread, Nominal Basis ⁽²⁾		11.13		9.79		8.08
Net Yield on Interest-earning Assets ⁽³⁾		13.27		11.38		9.10
Financial Margin ⁽⁴⁾		11.72		10.02		8.41

(1) Includes restructured deposits certificates and restructured deposits with amparo claims.

(2) 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.

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

(4) Represents net financial income, divided by average interest-earning assets.

Fiscal Year 2011 Compared to Fiscal Year 2010

Financial income for the fiscal year ended December 31, 2011 was Ps.6,017.7 million, as compared to Ps.3,614.9 million for the fiscal year ended December 31, 2010, representing a 66.5% increase. Such increase was the result of a higher average volume of interest-earning assets, together with a higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2011 was 19.05%, as compared to 16.35% for the fiscal year ended December 31, 2010, a 270 b.p. increase as a result of a high average rate of all its components.

The average of interest-earning assets for the fiscal year ended December 31, 2011 was Ps.31,941.3 million as compared to Ps.21,983.3 million for the fiscal year ended December 31, 2010, a 45.3% increase, which was primarily attributable to the 56.1% increase in the average loan portfolio.

As of December 31, 2011, Banco Galicia's estimated market share of loans to the private sector, excluding loans granted by the Regional Credit Card Companies, was 8.64% as of December 31, 2011, as compared to 8.99% as of December 31, 2010, a 35 b.p. decrease.

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The average interest rate on total loans, including the CER adjustment, was 19.91% for the fiscal year ended December 31, 2011, as compared to 18.56% for the fiscal year ended December 31, 2010, an increase of 135 b.p. Such increase was primarily attributable to a 167 b.p. increase in the average interest rate on Peso-denominated loans to the private sector, which was 22.83% for fiscal year ended December 31, 2011, as compared to 21.16% for the fiscal year ended December 31, 2010, a 167 b.p. increase, while the average interest rate on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2011 was 3.73%, as compared to 4.45% for the fiscal year ended December 31, 2010, a 72 b.p. decrease. The average position in government securities for the fiscal year ended December 31, 2011 was Ps.3,785.9 million, as compared to Ps.3,344.1 million for the fiscal year ended December 31, 2010, an increase of 13.2%. This was primarily attributable to a Ps.1,010.9 million increase in the average position on Peso-denominated government bonds, which increase was partially offset by the significant decrease in the average position in Dollar-denominated government bonds to Ps.4.4 million for the fiscal year ended December 31, 2011, as compared to Ps.573.5 million for the fiscal year ended December 31, 2010.

The average yield on government securities for the fiscal year ended December 31, 2011 was 17.25%, as compared to 11.56% for the fiscal year ended December 31, 2010, a 569 b.p. increase. This increase was primarily a consequence that in fiscal year 2010 the average rate was highly influenced by the negative average rate of on government securities denominated in Dollars (-31.56%), mainly due to an allowance for impairment of value for Boden 2012 Bonds portfolio, equivalent to the difference between its book value and its estimated reasonable realizable value, which were finally sold by Banco Galicia during fiscal year 2010. The average interest rate on government securities denominated in Pesos for the fiscal year ended December 31, 2011 was 17.26%, as compared to 20.49% for the fiscal year ended December 31, 2010, a 323 b.p. decrease.

The average Other Interest-Earning Assets for the fiscal year ended December 31, 2011 were Ps.1,936.7 million, as compared to Ps.1,838.4 million for the fiscal year ended December 31, 2010, an increase of Ps.98.3 million, or 5.3%. The average rate on Other Interest-Earning Assets for the fiscal year ended December 31, 2011 was 10.97%, as compared to 4.85% for the fiscal year ended December 31, 2010, a 612 b.p. increase. Such increase was attributable to the variation in the average rate of other Peso-denominated assets as such rate increased to 12.37% for the fiscal year ended December 31, 2011 from 5.43% for the fiscal year ended December 31, 2010 whereas the foreign currency average rate only increased to 1.93% from 1.46% for the same periods.

The following table shows our market shares:

<i>(in percentages)</i>	Fiscal Year Ended December 31,		
	2011	2010	2009
Total Deposits	6.61	5.94	6.29
Private-Sector Deposits			
Total	8.78	8.35	7.81
Deposits in Current and Savings Accounts and Non-Restructured Time Deposits	9.06	8.60	8.07
Total Loans	7.77	7.98	6.94
Private-Sector Loans	8.64	8.99	7.71

Exclusively Banco Galicia within the Argentine market, based on daily information on deposits and loans prepared by the Argentine Central Bank. Beginning in June 30, 2010, these figures include deposits and loans corresponding to CFA. End-of-month balances are used. Deposits and loans include only principal. The Regional Credit Card Companies data is not included.

Fiscal Year 2010 Compared to Fiscal Year 2009

Financial income for the fiscal year ended December 31, 2010 was Ps.3,616.1 million, as compared to Ps.3,005.6 million for the fiscal year ended December 31, 2009, a 20.3% increase. Such increase was the result of a higher average volume of interest-earning assets together with higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2010 was 16.35%, as compared to 15.71% for the fiscal year ended December 31, 2009, a 64 b.p. increase. Such increase was primarily attributable to a change in the mix of interest earning assets, for example, loan participations grew from 62.4% to 76.4% of total interest-earning assets, while the remaining individual components of Interest-Earning Assets (Government Securities and Other Interest-Earning Assets) experienced decreases. See the table Yield on

Interest-Earning Assets and Cost of Funds above.

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The average interest-earning assets for the fiscal year ended December 31, 2010 was Ps.21,983.3 million, as compared to Ps.18,378.0 million for the fiscal year ended December 31, 2009, a 19.6% increase, which was primarily attributable to the 46.6% growth in the average loan portfolio. Such increase was partially offset by the 28.6% decrease in the average balance of the net position in government securities.

The average loan portfolio balance for the fiscal year ended December 31, 2010 was Ps.16,800.8 million, as compared to Ps.11,463.6 million for the fiscal year ended December 31, 2009, a 46.6% increase, which was primarily attributable to the growth of both loans to individuals and to companies. Excluding CFA s average loans of Ps.640.4 million, such increase was 41.0%. Taking into account fiscal year end balances of loans to the private sector, such increase was 56.9% or Ps.8,110.1 million. Excluding the CFA portion of loans, such increase was 47.2%. These increases are net of charge-offs against allowances for loan losses during the fiscal year ended December 31, 2010.

The estimated market share of loans to the private sector, without considering those granted by the Regional Credit Card Companies and by CFA, was 8.31% as of December 31, 2010, as compared to 7.71% as of December 31, 2009, a 60 b.p. increase. Including loans granted by CFA, such market share reached 8.99% as of December 31, 2010.

The average balance of loans to the public sector for the fiscal year ended December 31, 2010 was Ps.0.4 million, as compared to Ps.120.0 million for the fiscal year ended December 31, 2009, a Ps.119.6 million decrease, which was mainly attributable to the exchange transaction of *préstamos garantizados nacionales*, or secured loans (PGN), for Argentine government securities carried out in January 2009. Loans to the private sector for the fiscal year ended December 31, 2010 were Ps.16,800.4 million, as compared to Ps.11,343.6 million for the fiscal year ended December 31, 2009, a Ps.5,456.8 million or 48.1% increase, in line with the increase experienced by the Argentine market in general. Taking into account fiscal year end balances of loans to the private sector, such increase amounted to Ps.8,110.1 million, a 56.9% increase. These increases are net of charge-offs against allowances for loan losses for the fiscal year ended December 31, 2010.

The average interest rate on total loans, including the CER adjustment, was 18.56% for the fiscal year ended December 31, 2010, as compared to 19.34% for the fiscal year ended December 31, 2009, a decrease of 78 b.p. Such decrease was mainly attributable to the factors discussed below. The portfolio of loans to the private sector accrued at an 18.56% average interest rate and the public-sector loan portfolio accrued at a 0.20% average interest rate, including the CER adjustment, for the fiscal year ended December 31, 2010, as compared to 19.31% and 22.50%, respectively, for the fiscal year ended December 31, 2009. Such decreases were mainly attributable to the factors discussed below.

The average interest rate for the fiscal year ended December 31, 2010 on Peso-denominated loans to the private sector was 21.16%, as compared to 21.73% for the fiscal year ended December 31, 2009, a 57 b.p. decrease. The average interest rate on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2010 was 4.45%, as compared to 7.34% for the fiscal year ended December 31, 2009, a 289 b.p. decrease. Such decreases were mainly attributable to changes in the mix of loans and the fluctuation of interest rates in Argentina.

The average position in government securities for the fiscal year ended December 31, 2010 was Ps.3,344.1 million, as compared to Ps.4,686.5 million for the fiscal year ended December 31, 2009, a 28.6% decrease, which was mainly attributable to the sale of Boden 2012 Bonds and Discount Bonds.

The average yield on government securities for the fiscal year ended December 31, 2010 was 11.56%, as compared to 11.84% for the fiscal year ended December 31, 2009, a 28 b.p. decrease, which was mainly attributable to changes in the bond portfolio.

The average interest rate on government securities denominated in Dollars for the fiscal year ended December 31, 2010 was -31.56%, as compared to 2.29% in the fiscal year ended December 31, 2009, a decrease of 3,385 b.p. In 2010, the negative rate was the consequence of valuation allowances made during the year that allowed Banco Galicia to sell all of its Boden 2012 Bonds.

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The average Other Interest-Earning Assets for the fiscal year ended December 31, 2010 were Ps.1,838.4 million, as compared to Ps.2,227.9 million for the fiscal year ended December 31, 2009, a decrease of Ps.389.5 million or 17.5%. Such decrease was primarily attributable to a reduction in the holding of certain residual interests in financial trusts in connection with securitizations.

The average rate of Other Interest-Earning Assets for the fiscal year ended December 31, 2010 was 4.85%, as compared to 5.17% for the fiscal year ended December 31, 2009, a 32 b.p. decrease. Such decrease was attributable to the concentration of transactions in Pesos rather than other currencies, since the average rate of other interest-earning assets in Pesos decreased by 104 b.p., from 6.47% to 5.43%, while the average rate in foreign currency increased 68 b.p., from 0.78% to 1.46%.

The financial income for the fiscal year ended December 31, 2010 included a Ps.76.3 million profit from fluctuations in foreign currency exchange rates. Such result was composed of a Ps.138.4 million gain from foreign exchange brokerage activities and a Ps.62.1 million loss from the valuation of the net position in foreign currency. The financial income for the fiscal year ended December 31, 2009 included a Ps.127.5 million profit from fluctuations in foreign currency exchange rates, representing mainly a Ps.127.1 million gain from foreign exchange brokerage.

Financial Expenses

Our financial expenses were composed of the following:

	Fiscal Year Ended December 31,		
	2011	2010	2009
	<i>(in millions of Pesos)</i>		
Interest on Deposits	1,305.7	765.5	877.9
Notes	353.2	230.8	284.5
Contributions and Taxes	412.3	268.6	161.7
CER Adjustment	0.1	0.1	0.3
Other ⁽¹⁾	202.9	147.6	136.1
Total	2,274.2	1,412.6	1,460.5

(1) Includes accrued interest on liabilities resulting from financial brokerage with banks and international entities, premiums payable on repurchases and, only in fiscal year 2011, differences in the quotation of gold and foreign currency.

Fiscal Year 2011 Compared to Fiscal Year 2010

The financial expenses for the fiscal year ended December 31, 2011 were Ps.2,274.2 million, as compared to Ps.1,412.6 million for the fiscal year ended December 31, 2010, a 61.0% increase. Such increase was mainly attributable to a 40.0% increase in the average balance of interest-bearing liabilities combined with a 136 b.p. increase in the average cost thereof.

The average interest-bearing liabilities for the fiscal year ended December 31, 2011 were Ps.23,328.9 million, as compared to Ps.16,662.5 million for the fiscal year ended December 31, 2010, a 40.0% increase. Such increase was mainly attributable to the Ps.4,720.6 million increase in total interest-bearing deposits, which increased from Ps.13,078.6 million to Ps.17,799.2 million, a Ps.1,114.7 million increase in the average balance of debt securities, from Ps.2,276.1 million to Ps.3,390.8 million, and an increase of Ps.831.0 million in the average balance of Other Interest-Bearing Liabilities, from Ps.1,307.1 million to Ps.2,138.1 million.

The increase in the average balance of interest-bearing deposits was mainly attributable to an increase in Banco Galicia's deposits in savings accounts and time deposits. The decrease in the average balance of interest-bearing current accounts was due to the elimination of such accounts as from May 2010, pursuant to the Argentine Central Bank's regulations. Average transactional interest-bearing deposits increased 28.8%, while time deposits grew 39.9%.

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Regarding the total average interest-bearing deposits for the fiscal year ended December 31, 2011, Ps.3,716.8 million were Dollar-denominated deposits and Ps.14,082.4 million were Peso-denominated deposits, as compared to Ps.2,949.2 million and Ps.10,129.4 million, respectively, for the fiscal year ended December 31, 2010.

Considering only deposits from the private sector in current and savings accounts and time deposits, Banco Galicia's estimated deposit market share in the Argentine financial system was 9.06% for the fiscal year ended December 31, 2011, as compared to 8.60% for the fiscal year ended December 31, 2010, a 46 b.p. increase.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2011 was 7.35%, as compared to 5.86% for the fiscal year ended December 31, 2010, a 149 b.p. increase. Peso-denominated deposits for the fiscal year ended December 31, 2011 accrued at a 9.21% average interest rate, as compared to 7.45% for the fiscal year ended December 31, 2010, a 176 basis point increase. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2011 was 0.30%, as compared to 0.40% for the fiscal year ended December 31, 2010, a 10 b.p. decrease.

The average balance of debt securities for the fiscal year ended December 31, 2011 was Ps.3,390.8 million, as compared to Ps.2,276.1 million for the fiscal year ended December 31, 2010, a 49.0% increase. This increase was mainly attributable to the issuance of an aggregate principal amount of US\$300 million of notes by Banco Galicia on May 4, 2011, and by Tarjeta Naranja on January 28, 2011 for US\$200 million.

The average interest rate for debt securities for the fiscal year ended December 31, 2011 was 10.42%, as compared to 10.04% for the fiscal year ended December 31, 2010, a 38 b.p. increase.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2011 was Ps.2,138.1 million, with an average rate of 8.75%, as compared to Ps.1,307.1 million for the fiscal year ended December 31, 2010, with an average rate of 7.50%, a 63.6% increase in average balance and a 125 basis point increase in average rate, respectively. This item includes mainly Peso and Dollar-denominated debt with international banks and credit entities, and Peso and Dollar-denominated obligations in connection with repurchase agreement transactions of government securities. The Ps.831.0 million increase in the average balance was mainly attributable to the higher average balance of transactions with banks and international entities.

The average rate increase was related to transactions in Pesos, since the average rate increased 284 b.p., from 14.92% for the fiscal year ended December 31, 2010 to 17.76% for the fiscal year ended December 31, 2011, while the average rate in Dollars remained at similar levels in both fiscal years.

The financial expenses for the fiscal year ended December 31, 2011 included a Ps.4.1 million loss from fluctuations in foreign currency exchange rates. These financial expenses were composed of a Ps.138.4 million gain from foreign exchange brokerage activities and a Ps.142.5 million loss from the valuation of the net position in foreign currency. For the fiscal year ended December 31, 2010 the result from fluctuations in foreign currency exchange was positive. See *Financial Income Fiscal Year 2010 Compared to Fiscal Year 2009* above. In addition, financial expenses for fiscal year 2010 included a Ps.48.6 million loss from the result of forward transactions in foreign currency.

Fiscal Year 2010 Compared to Fiscal Year 2009

The financial expenses for the fiscal year ended December 31, 2010 were Ps.1,412.6 million, as compared to Ps.1,460.5 million for the fiscal year ended December 31, 2009, a 3.3% decrease. Such decrease was mainly attributable to a 107 b.p. decrease in the average cost of funds, partially offset by a 4.6% increase in the average balance of interest-bearing liabilities.

The average interest-bearing liabilities for the fiscal year ended December 31, 2010 were Ps.16,662.5 million, as compared to Ps.15,923.4 million for the fiscal year ended December 31, 2009, a 4.6% increase. Such increase was attributable to the Ps.1,384.9 million increase in total interest-bearing deposits, which rose from Ps.11,693.7 million to Ps.13,078.6 million, partially offset by a Ps.453.8 million decrease in the average balance of debt securities from Ps.2,729.9 million to Ps.2,276.1 million and a decrease in Other Interest-Bearing Liabilities from Ps.1,499.2 million to Ps.1,307.1 million.

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The increase in the average balance of interest-bearing deposits was mainly attributable to the increase of the deposits in Argentina in savings accounts and time deposits. The decrease in the average balance of interest-bearing current accounts was due to the elimination of such accounts by the Argentine Central Bank. Taking into consideration the final balances of total deposits in Argentina, such increases totaled Ps.5,214.3 million or 30.5% for the fiscal year ended December 31, 2010 as compared to an increase of Ps.3,074.5 million for the fiscal year ended December 31, 2009.

Average savings and current account deposits increased 31.1% for the fiscal year ended December 31, 2010, as compared to 14.7% for the fiscal year ended December 31, 2009, while time deposits increased 15.7% and 9.2% during such time periods, respectively, which allowed for an improvement in the structure of interest-bearing deposits. Excluding those from CFA, said deposits amounted to Ps.21,975.9 million, as compared to Ps.17,083.3 million for the fiscal year ended December 31, 2009, a 28.6% increase.

Regarding the total average interest-bearing deposits for the fiscal year ended December 31, 2010, Ps.2,949.2 million were Dollar-denominated deposits and Ps.10,129.4 million were Peso-denominated deposits, as compared to Ps.2,841.4 million and Ps.8,852.3 million, respectively, for the fiscal year ended December 31, 2009.

Considering only deposits from the private sector in current and savings accounts and time deposits, Banco Galicia's estimated deposit market share in the Argentine financial system was 8.45% for the fiscal year ended December 31, 2010, as compared to 8.07% for the fiscal year ended December 31, 2009, a 38 b.p. increase. Including CFA's deposits, the market share reached 8.60% as of December 31, 2010.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2010 was 5.86%, as compared to 7.53% for the fiscal year ended December 31, 2009, a 168 b.p. decrease. Peso-denominated deposits (including those adjusted by CER) for the fiscal year ended December 31, 2010 accrued at a 7.45% average interest rate, as compared to 9.74% for the fiscal year ended December 31, 2009, a 229 b.p. decrease. This decrease was experienced by the Argentine market as a whole in 2010. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2010 was 0.40%, as compared to 0.67% for the fiscal year ended December 31, 2009, a 27 b.p. decrease. This decrease was mainly attributable to the fluctuations in international interest rates.

The average balance of debt securities for the fiscal year ended December 31, 2010 was Ps.2,276.1 million, as compared to Ps.2,729.9 million for the fiscal year ended December 31, 2009, a 16.6% decrease. This decrease was mainly attributable to a net reduction in the year end balance of Banco Galicia's outstanding notes. Such reduction resulted from amortizations and the redemption of notes due 2014 for an outstanding principal amount of US\$102.3 million and the capitalization of the subordinated notes due 2019 owned by Grupo. Such reduction was partially offset by the increase in the Dollar exchange rate from December 31, 2009 to December 31, 2010.

The average rate for debt securities for the fiscal year ended December 31, 2010 was 10.04%, as compared to 8.22% for the fiscal year ended December 31, 2009, a 182 b.p. increase. Such increase was mainly attributable to changes in the bond portfolio, which are set forth in detail below.

The average interest rate for the fiscal year ended December 31, 2009 was favorably affected by a Ps.68.6 million profit derived from the repurchase of Banco Galicia's notes due 2014 for a face value of US\$82.4 million. Had we not repurchased such notes, the average interest rate for debt securities would have increased to 10.73%.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2010 was Ps.1,307.1 million, with an average rate of 7.50%, as compared to Ps.1,499.2 million for the fiscal year ended December 31, 2009, with an average rate of 7.34%, a 12.8% decrease in average balance and a 16 b.p. increase in average rate, respectively. This item includes mainly Dollar-denominated debt with international banks and credit entities, and Dollar-denominated obligations in connection with repurchase agreement transactions of government securities. The Ps.192.1 million decrease in the average balance was mainly attributable to the lower average balance of repurchase agreement transactions.

The average rate increase was related to transactions in Pesos, since the average rate increased 65 b.p., from 14.27% for the fiscal year ended December 31, 2009 to 14.92% for the fiscal year ended December 31, 2010, while the average rate in Dollars decreased 168 b.p., from 4.83% for the fiscal year ended December 31, 2009 to 3.15% for the fiscal year ended December 31, 2010.

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For the fiscal year ended December 31, 2010, financial expenses included a Ps.48.6 million loss from the result of forward transactions in foreign currency. In fiscal year 2009, such loss amounted to Ps.24.0 million.

Net Financial Income***Fiscal Year 2011 compared to Fiscal Year 2010***

Net financial income for the fiscal year ended December 31, 2011 was Ps.3,743.5 million (including Ps.658.1 million from CFA), with a corresponding financial margin of 11.72%, as compared to Ps.2,202.2 million for the fiscal year ended December 31, 2010 (including Ps.282.2 million from CFA), with a corresponding financial margin of 10.02%, a Ps.1,541.3 million increase and a 170 basis point increase, respectively. Including financial income from security margins of repurchase agreement transactions, net financial income amounted to Ps.3,795.7 million and Ps.2,219.4, respectively.

The increase in net financial income for the fiscal year ended December 31, 2011 was mainly attributable to a significant increase in the volume of activity with the private sector, a higher average spread and the increase recorded in non interest-bearing liabilities.

Fiscal Year 2010 compared to Fiscal Year 2009

Net financial income for the fiscal year ended December 31, 2010 was Ps.2,202.4 million (including Ps.282.2 million from CFA), with a corresponding financial margin of 10.02%, as compared to Ps.1,545.1 million for the fiscal year ended December 31, 2009, with a corresponding financial margin of 8.41%, a Ps.658.3 million increase and a 161 b.p. increase, respectively. Including financial income from security margins of repurchase agreement transactions, net financial income amounted to Ps.2,219.3 million and Ps.1,564.0 million, respectively, before the adjustment to the valuation of public sector assets (a Ps.4.1 million gain in the fiscal year ended December 31, 2009).

The increase in net financial income for the fiscal year ended December 31, 2010 was mainly attributable to a significant increase in the volume of activity with the private sector, a higher average spread and the increase recorded in non interest-bearing liabilities, together with the incorporation of net financial income from CFA.

Provision for Losses on Loans and Other Receivables***Fiscal Year 2011 compared to Fiscal Year 2010***

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2011 were Ps.843.4 million, as compared to Ps.551.5 million for the fiscal year ended December 31, 2010, a Ps.291.9 million increase. The non-accrual loan portfolio as a percentage of total loans decreased from 3.37% at the end of fiscal year 2010 to 2.63% at the end of fiscal year 2011, due to the credit recovery management and the increase in the total portfolio. During 2011, Banco Galicia established allowances for loan losses for Ps.820.1 million, 64.9% of which was related to the seasoning of the consumer portfolio, 10.9% to the commercial portfolio, 12.0% to the worsening of the macroeconomic variables and the remaining 12.2% to the increase in the portfolio in normal situation.

Likewise, the coverage of the non-accrual portfolio with allowances increased from 137.57% at fiscal year-end 2010 to 152.01% at fiscal year-end 2011.

Direct charges, net of recoveries, represented a gain of Ps.162.4 million. Charge-offs against allowances for loan losses were Ps.552.5 million.

Fiscal Year 2010 compared to Fiscal Year 2009

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2010 were Ps.551.5 million, as compared to Ps.639.5 million for the fiscal year ended December 31, 2009, a Ps.88.0 million decrease. Such decrease was mainly attributable to the improvement in the credit quality of the loan portfolio due to favorable economic conditions. This figure included Ps.44.8 million corresponding to CFA.

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For more information on asset quality, see Item 4. Information on the Company-Selected Statistical Information-Amounts Past Due and Non-Accrual Loans and -Selected Statistical Information-Loan Loss Experience .

Net Income from Services

Our net income from services consisted of:

	Fiscal Year Ended December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Income From					
Credit Cards	2,235.9	1,576.6	1,148.2	41.8	37.3
CFA	70.4	32.9		114.0	
Deposits Accounts	475.4	349.0	267.2	36.2	30.6
Cash Management	30.7	24.7	18.6	24.3	32.8
Safe Deposit Box	72.3	51.2	30.2	41.2	69.5
Services for Shipments	22.5	18.1	14.9	24.3	21.5
Financial Fees	54.9	56.7	50.1	(3.2)	13.2
Credit-related Fees	224.9	150.7	96.5	49.2	56.2
Check Collection	65.5	44.9	33.0	45.9	36.1
Collection Services (Taxes and Utility Bills)	52.2	36.9	25.7	41.5	43.6
International Trade	87.9	67.2	51.8	30.8	29.7
Other (1)	127.7	106.0	90.6	20.5	17.0
Total Income	3,520.3	2,514.9	1,826.8	40.0	37.7
Total Expenses	1,068.6	733.0	515.9	45.8	42.1
Net Income from Services	2,451.7	1,781.9	1,310.9	37.6	35.9

(1) Includes, among others, fees from investment banking activities, asset management, assets under custody and guarantees granted. Fiscal Year 2011 Compared to Fiscal Year 2010

Net income from services for the fiscal year ended December 31, 2011 was Ps.2,451.7 million, as compared to Ps.1,781.9 million for the fiscal year ended December 31, 2010, a 37.6% increase. Almost all items under net income from services recorded an increase, which was mainly attributable to the increase in the volume of transactions together with an increase in the price of certain services, in line with general financial market trends.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2011 was Ps.897.3 million, as compared to Ps.664.7 million for the fiscal year ended December 31, 2010, a 35.0% increase. Such increase was mainly attributable not only to the greater number of credit cards issued, but also to the greater average number of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those issued by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2011 was 1.9 million, as compared to 1.6 million for the fiscal year ended December 31, 2010, a 23.6% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2011 was Ps.1,454.1 million, as compared to Ps.979.6 million for the fiscal year ended December 31, 2010, a 48.4% increase. Such increase was mainly attributable to an increase in the purchases made during the fiscal year together with a greater number of issued credit cards. These Regional Credit Card Companies had issued 6.5 million credit cards as of December 31, 2011, as compared to 5.3 million credit cards as of December 31, 2010, a 19.7% increase.

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Total deposit accounts for the fiscal year ended December 31, 2011 were 2.2 million, as compared to 2.0 million for the fiscal year ended December 31, 2010, a 12.3% increase.

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Significant growth levels were achieved by Banco Galicia for the fiscal year ended December 31, 2011, particularly credit-related fees (49.2%), check collection (45.9%), collection services (41.5%), deposit accounts (36.2%) and international trade (30.8%) as compared to the fiscal year ended December 31, 2010.

Expenses from services for the fiscal year ended December 31, 2011 were Ps.1,068.6 million, as compared to Ps.733.0 million for the fiscal year ended December 31, 2010, a 45.8% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

Fiscal Year 2010 Compared to Fiscal Year 2009

Net income from services for the fiscal year ended December 31, 2010 was Ps.1,781.9 million, including Ps.14.7 million from CFA, as compared to Ps.1,310.9 million for the fiscal year ended December 31, 2009, a 35.9% increase. Excluding net income from services from CFA, the increase would have been 34.8%. All items under net income from services recorded a significant increase, which was mainly attributable to the increase in the volume of transactions, within a framework of business expansion, together with an increase in the price of certain services, in line with general financial market trends.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2010 was Ps.664.7 million, as compared to Ps.465.3 million for the fiscal year ended December 31, 2009, a 42.9% increase. Such increase was mainly attributable not only to the greater number of credit cards managed, but also to the greater average number of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those managed by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2010 was 1.6 million, as compared to 1.4 million for the fiscal year ended December 31, 2009, a 16.2% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2010 was Ps.911.9 million, as compared to Ps.682.9 million for the fiscal year ended December 31, 2009, a 33.5% increase. Such increase was mainly attributable to the increase in the purchases made during the fiscal year together with a greater number of credit cards managed. These Regional Credit Card Companies managed 5.3 million credit cards as of December 31, 2010, as compared to 4.6 million credit cards as of December 31, 2009, a 16.2% increase.

Total deposit accounts for the fiscal year ended December 31, 2010 were 2.0 million, as compared to 1.7 million for the fiscal year ended December 31, 2009, a 13.5% increase.

Significant growth levels were achieved by Banco Galicia for the fiscal year ended December 31, 2010, particularly safe deposit box (69.5%), credit-related fees (56.2%), collection services (43.6%), check collection (36.1%), international trade (29.7%), deposits accounts (28.7%) and financial fees (13.2%) as compared to the growth levels achieved mainly in safe deposit box (67.8%), collection services (31.8%), deposit accounts (25.4%), financial fees (19.3%) and international trade (12.4%), as compared to the fiscal year ended December 31, 2009.

Expenses from services for the fiscal year ended December 31, 2010 were Ps.733.0 million, as compared to Ps.515.9 million for the fiscal year ended December 31, 2009, a 42.1% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

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The following table sets forth the number of credit cards outstanding as of the dates indicated:

Credit Cards	December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(number of credit cards, except otherwise noted)</i>			<i>(percentages)</i>	
Visa	1,317,402	1,102,730	982,866	19.47	12.20
Gold	300,536	292,400	262,388	2.78	11.44
International	642,828	504,687	471,766	27.37	6.98
Domestic	162,515	164,120	189,626	(0.98)	(13.45)
Business	46,211	36,878	28,430	25.31	29.72
Corporate	2,421	1,718	1,130	40.92	52.04
Platinum	162,891	102,927	29,526	58.26	248.60
Galicia Rural	10,619	8,716	7,157	21.83	21.78
American Express	524,560	392,247	308,942	33.73	26.96
Gold	183,472	168,899	143,899	8.63	17.37
International	228,966	153,526	145,111	49.14	5.80
Platinum	112,122	69,822	19,932	60.58	250.30
MasterCard	96,644	72,738	57,276	32.87	27.00
Gold	26,918	24,613	19,452	9.36	26.53
MasterCard	68,951	47,186	36,670	46.13	28.68
Argencard	775	939	1,154	(17.47)	(18.63)
Regional Credit Card Companies	6,504,825	5,432,841	4,618,199	19.73	16.18
Local Brands	3,879,919	3,364,988	2,944,544	15.30	12.91
Visa	2,172,228	1,726,281	1,424,453	25.83	19.29
MasterCard	422,266	317,759	221,575	32.89	43.41
American Express	30,412	23,813	27,627	27.71	(13.81)
CFA	64,989	53,369		21.77	
Visa	53,761	38,834		38.44	
MasterCard	11,228	14,535		(22.75)	
Total	8,519,039	7,062,641	5,974,440	20.62	17.09

Total Amount of Purchases (in millions of Pesos)	Ps. 38,207	Ps. 26,950	Ps. 18,142	41.77	48.55
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Administrative Expenses

The following table sets forth the components of our administrative expenses:

	Fiscal Year Ended December 31,			% Change December 31,	
	2011	2010	2009	2011/2010	2010/2009
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Salaries and Social Security Contributions	2,029.9	1,408.0	975.8	44.2	44.3
Property-related Expenses	217.1	162.5	136.1	33.6	19.4
Personnel Services	124.2	89.3	76.8	39.1	16.3
Advertising and Publicity	280.5	189.6	127.8	47.9	48.4
Amount Accrued in Relation to Directors and Syndics Compensation	16.5	11.4	8.6	44.7	32.6
Electricity and Communications	135.6	106.4	85.9	27.4	23.9
Taxes	298.6	190.7	139.3	56.6	36.9
Other	1,102.8	687.4	478.8	60.4	43.6

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Total	4,205.2	2,845.3	2,029.1	47.8	40.2
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Fiscal Year 2011 Compared to Fiscal Year 2010

Administrative expenses for the fiscal year ended December 31, 2011 were Ps.4,205.2 million, as compared to Ps.2,845.3 million for the fiscal year ended December 31, 2010, a 47.8% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2011 were Ps.2,154.1 million, as compared to Ps.1,497.3 million for the fiscal year ended December 31, 2010, a 43.9% increase. Such increase was mainly attributable to the salary increase agreement with the unions in force since January 2011 and the 6.6% increase in the number of employees.

The remaining administrative expenses for the fiscal year ended December 31, 2011 were Ps.2,051.1 million, as compared to Ps.1,348.0 million for the fiscal year ended December 31, 2010, a 52.2% increase. Such increase was mainly attributable to a higher level of activity, to the geographic expansion of Banco Galicia and the Regional Credit Card Companies and to increased inflation during such period.

Table of Contents*Fiscal Year 2010 Compared to Fiscal Year 2009*

Administrative expenses for the fiscal year ended December 31, 2010 were Ps.2,845.3 million, including Ps.148.5 million from CFA, as compared to Ps.2,029.1 million for the fiscal year ended December 31, 2009, a 40.2% increase. Such increase was mainly attributable to the increase in personnel expenses related to salary increases, a 10.2% staff increase and the incorporation of CFA. The remaining administrative expenses increased following the trend of the financial system within an inflationary context.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2010 were Ps.1,497.3 million, as compared to Ps.1,052.6 million for the fiscal year ended December 31, 2009, a 42.2% increase. Such increase was mainly attributable to the incorporation of CFA and Ps.66.9 million in expenses associated with such acquisition, the salary increase agreement with the national bank employee union in force since January 2010 and the 10.2% increase in number of employees. The remaining administrative expenses for the fiscal year ended December 31, 2010 were Ps.1,348.0 million, as compared to Ps.976.5 million for the fiscal year ended December 31, 2009, a 38.0% increase. Ps.81.6 million of this increase corresponded to CFA. Such increase was mainly attributable to a higher level of activity, to the geographic expansion of Banco Galicia and the Regional Credit Card Companies and to increased inflation during the period.

Income/(Loss) from Equity Investments*Fiscal Year 2011 compared to Fiscal Year 2010*

Income from equity investments for the fiscal year ended December 31, 2011 was Ps.132.7 million, as compared to Ps.62.1 million for the fiscal year ended December 31, 2010, a Ps.70.6 million increase. Such increase was mainly attributable to the Ps.118.7 million amortization of the negative goodwill stemming from the acquisition of CFA and Cobranzas y Servicios for the fiscal year ended December 31, 2011, as compared to 51.7 million for the fiscal year ended December 31, 2010, a Ps.67.0 million increase. The variation is the result of the fact that CFA was only included on Banco Galicia's balance sheet for the second half of 2010.

Fiscal Year 2010 compared to Fiscal Year 2009

Income from equity investments for the fiscal year ended December 31, 2010 was Ps.62.1 million, as compared to Ps.11.3 million for the fiscal year ended December 31, 2009, a Ps.50.8 million increase. Such increase was mainly attributable to the Ps.51.7 million amortization of the negative goodwill stemming from the acquisition of CFA, which is required to be amortized in 60 months using the straight-line method, in accordance with regulations of the Argentine Central Bank.

Miscellaneous Income/(Loss), Net*Fiscal Year 2011 compared to Fiscal Year 2010*

Miscellaneous net income for the fiscal year ended December 31, 2011 was Ps.752.5 million, as compared to Ps.122.0 million for the fiscal year ended December 31, 2009, a Ps.630.5 million increase.

Excluding profits from security margins of repurchase agreement transactions of Ps.52.2 million, which are of a financial nature, net miscellaneous income for the fiscal year ended December 31, 2011 was Ps.700.3 million, as compared to Ps.104.8 million, also excluding the above-mentioned financial income of Ps.17.2 million, for the fiscal year ended December 31, 2010, a Ps.595.5 million increase. The variation in results between the two periods was mainly due to: i) higher operating results from the insurance companies for Ps.140.9 million, ii) the higher recovered loans and punitive interest of Ps.107.4 million and iii) the absence of the Ps.281.0 million loss from the accelerated amortization of the total amount of deferred losses from *amparo claims*, recorded in the fiscal year ended December 31, 2010.

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Fiscal Year 2010 compared to Fiscal Year 2009

Miscellaneous net income for the fiscal year ended December 31, 2010 was Ps.122.0 million, including a gain of Ps.37.0 million from CFA, as compared to Ps.233.1 million for the fiscal year ended December 31, 2009, a Ps.111.1 million decrease.

Excluding profits from security margins of repurchase agreement transactions of Ps.17.2 million, which are of a financial nature, net miscellaneous income for the fiscal year ended December 31, 2010 was Ps.104.8 million, as compared to Ps.210.1 million, also excluding the above-mentioned financial income of Ps.23.0 million, for the fiscal year ended December 31, 2009, a Ps.105.2 million decrease. The variation in results between the two periods was mainly due to: i) the decision to accelerate amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million in comparison to the year 2009 (Ps.109.3 million), and ii) the revenue, in fiscal year 2010, of Ps.85.5 million resulting from the early cancellation of the foreign denominated financial loan and the absence of the Ps.12.7 million profit from the sale by Galicia Warrants of its Silos plant in San Salvador, in the province of Entre Rios recorded in 2009. These results were offset by : i) the lower net provisions for Ps.45.1 million in comparison to the year 2009, ii) the higher recovered loans of Ps.67.3 million and iii) the higher punitive interest of Ps.19.0 million.

Income Tax

Fiscal Year 2011 compared to Fiscal Year 2010

The income tax charge for the fiscal year ended December 31, 2011 was Ps.753.9 million, as compared to Ps.258.2 million for the fiscal year ended December 31, 2010, a Ps.495.7 million increase. Such increase was mainly attributable to the fact that during 2011 Banco Galicia consumed all the tax loss carryforward with taxable income and as a consequence began to accrue the income tax charge, which for the fiscal year ended December 31, 2011 amounted to Ps.325.7 million.

Such tax charges for the fiscal year ended December 31, 2010 mainly corresponded to Tarjetas Regionales consolidated with its operating subsidiaries in the amount of Ps.188.9 million and to CFA in the amount of Ps.51.2 million.

Fiscal Year 2010 compared to Fiscal Year 2009

The income tax charge for the fiscal year ended December 31, 2010 was Ps.258.2 million, as compared to Ps.156.0 million for the fiscal year ended December 31, 2009, a Ps.102.2 million increase. Such increase was mainly attributable to the increase in the profit before tax of Tarjetas Regionales and to the incorporation of CFA. Such tax charges for the fiscal year ended December 31, 2010 mainly corresponded to Tarjetas Regionales consolidated with its operating subsidiaries in the amount of Ps.188.9 million, to CFA in the amount of Ps.51.2 million, to Sudamericana in the amount of Ps.16.3 million and Ps.1.2 million, Ps.0.8 million and Ps.0.6 million to Galicia Warrants, Galicia Administradora de Fondos and Galicia Valores, respectively.

U.S. GAAP and Argentine Banking GAAP Reconciliation

General

We prepare our financial statements in accordance with Argentine Banking GAAP. The more significant differences between Argentine Banking GAAP and U.S. GAAP relate to the determination of the allowance for loan losses, the carrying value of certain government securities and receivables for government securities, the accounting of Banco Galicia's foreign debt restructuring and recognition of deferred income taxes. For more detail on differences in accounting treatment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2011, see Note 35 to our consolidated financial statements.

Allowances for Loan Losses

With respect to the determination of the allowance for loan losses, we follow the rules of the Argentine Central Bank. Under these rules, reserves are based on minimum reserve requirements established by the Argentine Central Bank. U.S. GAAP requires that an impaired loan be generally valued at the present value of expected future cash flows discounted at the loan's effective rate or at the fair value of the collateral if the loan is collateral dependent. For the purposes of analyzing our loan loss reserve under U.S. GAAP, we divide our loan portfolio into performing and non-performing commercial and consumer loans.

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The following table shows the allowance for loan losses for the periods indicated under Argentine Banking GAAP and U.S. GAAP and the corresponding shareholders' equity adjustment under U.S. GAAP:

	December 31, 2011	December 31, 2010 <i>(in millions of Pesos)</i>	December 31, 2009
Argentine Banking GAAP	1,300.6	870.2 ⁽¹⁾	815.9
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	40.5	61.6	64.8
ASC 450	1,239.0	743.1	687.5
U.S. GAAP Shareholders' Equity Adjustment ⁽²⁾	21.1	65.5	63.6

(1) The balance does not include Ps.185,381 of CFA allowances for loan losses as of the acquisition date.

(2) Including qualitative and quantitative adjustments.

ASC 310 Analysis

The non-performing commercial loan portfolio is comprised of loans falling into the following classifications of the Argentine Central Bank:

With Problems

High Risk of Insolvency

Uncollectible

The following table shows our loan loss reserve under ASC 310 for our non-performing commercial loan portfolio as of the dates indicated.

	December 31, 2011	December 31, 2010 <i>(in millions of Pesos)</i>	December 31, 2009
Loan Loss Reserve Under U.S. GAAP			
ASC 310 Analysis	40.5	61.6	64.8

For such non-performing commercial loans, we applied the procedures required by ASC 310. For loans that were not collateral dependent, the expected future cash flows to be received from the loans were discounted using the interest rate at each balance sheet date for variable loans. Loans that were collateral dependent, and for which there was an expectation that the loan balance would be recovered via the exercise of collateral, were valued using the fair value of the collateral. In addition, in order to assess the fair value of collateral, we discounted collateral valuations due to the extended period of time that it can take to foreclose on assets in Argentina.

ASC 450 Analysis

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified.

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Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Many factors can affect Banco Galicia's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

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The increase in the allowances recorded under ASC 450 is mostly due to a higher volume of credit card and personal loans granted during 2011 and 2010 and the rise of the loan loss reserves migration ratios. The table below shows our loan loss reserve under ASC 450 for consumer and performing commercial loans as of the dates indicated.

	December 31, 2011	December 31, 2010	December 31, 2009
	<i>(in millions of Pesos)</i>		
Loan Loss Reserve Under U.S. GAAP ASC 450 Analysis	1,239.0	743.1	687.5

In addition to assessing the reasonableness of the loan loss reserve as described above, Banco Galicia makes an overall determination of the adequacy of each period's reserve based on such ratios as:

Loan loss reserves as a percentage of non-accrual loans,

Loan loss reserves as a percentage of total amounts past due, and

Loan loss reserves as a percentage of past-due unsecured amounts.

The table below shows the above-mentioned ratios as of the dates indicated.

	December 31, 2011	December 31, 2010	December 31, 2009
Loan Loss Reserves as a Percentage of Non-accrual Loans	202.23%	163.37%	108.37%
Loan Loss Reserves as a Percentage of Total Amounts Past Due	121.00%	116.04%	130.58%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	226.90%	189.79%	154.29%

The allowance for loan losses has increased approximately 59% during 2011 under US GAAP. This variation is due to an increase in the portfolio of loans to the private sector and to the qualitative approach reflecting current economic conditions, industry performance trends, geographic or obligor concentrations, within each portfolio segment required for smaller-balance impaired and unimpaired.

Carrying Value of Certain Government Securities and Receivables for Government Securities

As of December 31, 2011, our holding of Bonar 2015 Bonds have been recorded at their acquisition cost increased according to the accrual of their IRR under Argentine Banking GAAP.

Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

Under U.S. GAAP, all of these assets are carried at fair value as fully explained in Note 35 to our financial statements and -U.S. GAAP Critical Accounting Policies .

As of December 31, 2010 under Argentine Banking GAAP, our holdings of Boden 2012 Bonds, Bonar 2015 Bonds, securities issued by the Argentine Central Bank and Discount Bonds in Pesos were recorded in accordance with Argentine Central Bank valuation rules for public-sector assets. During 2010, Boden 2012 Bonds corresponding to the Compensatory Bond or Hedge Bond received and Discount Bonds in Pesos were sold. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reversal of the 2009 shareholders' equity adjustment previously recorded through other comprehensive income that are being realized and reversed through the income statement. Under U.S. GAAP, our holdings of Bonar 2015 Bonds and securities issued by the Argentine Central Bank were considered available for sale and carried at fair value.

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The table below shows the book value, market value and amortized cost of Bonar 2015 Bonds as of December 31, 2011 and 2010, respectively.

	December 31, 2011					December 31, 2010				
	Amortized	Book	Market	Unrealized	Shareholders	Amortized	Book	Market	Unrealized	Shareholders
	Cost	Value				Cost	Value			
<i>(In millions of Pesos)</i>	US	Argentine			Equity	US	Argentine			Equity
	GAAP	Banking	Value	(Loss)/Gain	Adjustment	GAAP	GAAP	Value	(Loss)/Gain	Adjustment
Bonar 2015 Bonds	555.1	779.7	849.2	294.1	69.5	527.9	642.1	726.6	198.7	84.5

Foreign Debt Restructuring

On May 18, 2004, we completed the restructuring of its foreign debt. As a result of this restructuring, we recorded a Ps.142.5 million gain under Argentine Banking GAAP.

For U.S. GAAP purposes, the restructuring is accounted for in each of two steps. The first step of the restructuring required the holders of our debt to exchange its old debt for new debt in two tranches. Pursuant to *Determining Whether a Debtor's Modification or Exchange of Debt Instruments* is within the scope of ASC 470 (ASC 820), we did not receive any concession from the holders of the debt and therefore, the first step of the restructuring was not considered a troubled debt restructuring. Pursuant to *Debtors Accounting for a Modification or Exchange of Debt Instruments* ASC 470-50, the first step of the restructuring was accounted for as a modification of the old debt and therefore we did not recognize any gain or loss. The second step of the restructuring offers the holders of our debt issued in the first step explained above the option to exchange it for new securities including cash, Boden 2012 Bonds and our equity shares. Pursuant to U.S. GAAP, this second step of the restructuring was accounted for in accordance with *Accounting by Debtors and Creditors for Trouble Debt Restructurings* ASC 310-40, as a partial settlement of the debt through the transfer of certain assets and equity at its fair value. After deducting the considerations used to repay the debt, ASC 310-40 requires the comparison of the future cash outflows of the restructured debt and the carrying of the debt at the restructuring date.

Gain on troubled debt restructuring is only recognized when the remaining carrying value of the debt at the date of the restructuring exceeds the total future cash payments of the restructured debt reduced by the fair value of the assets and equity given as payment of the debt. Since the total future cash outflows of the restructured debt exceeds the carrying value of the old debt, no gain on restructuring was recorded under U.S. GAAP.

As a result, under U.S. GAAP, the carrying amount of the restructured debt is greater than the amount recorded under Argentine Banking GAAP. Therefore, under U.S. GAAP, a new effective interest rate was determined to reflect the present value of the future cash payments of the restructured debt.

Furthermore, under U.S. GAAP, expenses incurred in a trouble debt restructuring are expensed as incurred. Expenses related to the issuance of equity were deducted directly from the shareholders' equity.

We repurchased part of the debt maturing in 2010 and 2014. In addition, notes were repaid in advance. For U.S. GAAP purposes, these transactions were considered as an extinguishment of debt. Therefore, the U.S. GAAP adjustment recorded in previous years related to the debt extinguished was reversed in 2010 and 2009 respectively, generating a gain of approximately Ps.34.5 million and Ps.20.5 million included in 2010 and 2009 U.S. GAAP net income reconciliation. During 2011, we have not repurchased any of our debt instruments.

Securitized

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2011 and 2010:

				2011		As of December 31, 2010	
				<i>(In millions of Pesos)</i>			
Book	Fair Value	U.S.	Book Value	Fair Value	U.S. GAAP	Book	Shareholders
Value	Book	GAAP	Argentine	Book	Shareholders	value	Equity
Argentine	value	Shareholders	Banking	value			

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	Banking GAAP	under U.S. GAAP	Equity Adjustment	GAAP	under U.S. GAAP	Adjustment
Galtrust I ⁽¹⁾	538.8	538.8		521.9	521.9	
Financial Trust Galicia ⁽²⁾	121.5	22.0	(99.5)	96.3	36.2	(60.1)
Total	660.3	560.8	(99.5)	618.2	558.1	(60.1)

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(1) Financial Trust Galtrust I

The financial trust Galtrust I was created in October 2000 in connection with the securitization of provincial loans for a total amount of Ps.1,102 million. The securitized loans were from the portfolio of loans granted to provincial governments, guaranteed by the federal tax revenues shared with the provincial governments.

During 2002, the portfolio of loans included and the related retained interest in Galtrust I were subject to the pesification. As a result, the retained interest in the trust was converted into Pesos at an exchange rate of Ps.1.40 to US\$1.00 and the interest rate for their debt securities changed to CER plus 10%. During 2003, Galtrust I had swapped its provincial loans for Bogar Bonds.

Under Argentine Banking GAAP, this transaction was accounted for as sales and the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage, and its balance as of December 31, 2011 and 2010, was Ps.538.8 million and Ps.521.9 million, respectively.

As of December 31, 2011 and 2010, under Argentine Banking GAAP, we recorded certain reserves to adjust the equity method used to account for the residual interest in the trust, at its fair value.

As of December 31, 2011 and 2010, we applied new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for transfers of financial assets and consolidation of variable interest entities (VIEs).

The new guidance eliminates the concept of qualified special purpose entities (QSPEs) that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, we must evaluate all existing securitization trusts that formerly qualified as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

Insufficient equity investment at risk

Equity lacks decision-making rights

Equity with non-substantive voting rights

Lacking the obligation to absorb an entity's expected losses

Lacking the right to receive an entity's expected residual returns

Under the new guidance, the primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, we consider all facts and circumstances, including the role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.

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Under ASC 810-10-65, we should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. We must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in our financial statements as of January 1, 2010, as if ASU 2009-17 had been effective as of the date of our initial involvement with the financial trusts. Any difference between the net amount added (net assets of each financial trusts where we are primary beneficiary) from our balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings as of December 31, 2010.

For U.S. GAAP purposes, as of December 31, 2011 and 2010 the trust, a formerly qualified QSPE, was considered a variable interest entity. In accordance with ASC 810, we were deemed to be the primary beneficiary of this trust and, therefore, Banco Galicia reconsolidated the assets and liabilities of the mentioned trust. Upon consolidation, the Bogar Bonds were classified as available-for-sale securities and measured at fair value with changes recorded in other comprehensive income. Since the fair value of the residual interest in the trust recorded under Argentine Central Bank rules was determined based on the fair value of the Bogar Bonds, recorded as an asset in the trust, there is no difference in the measurement basis of the net assets held and recorded under Argentine Central Bank rules and U.S. GAAP. The only difference between both standards is that under U.S. GAAP, changes in the fair value of the Bogar Bonds are recorded in other comprehensive income, while under Argentine Banking GAAP, changes are recorded in the consolidated income statement.

(2) Financial Trust Galicia

Under this trust, Argentine government promissory notes in Pesos at 2% due 2014 for Ps.108.0 million were transferred and a certificate of participation and debt securities were received in exchange. Those Argentine government promissory notes were previously received in exchange of national secured loans held by us.

For Argentine Banking GAAP purposes, the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust. The cost of these securities was determined based on the book value of the promissory notes transferred.

This transfer was not considered a true sale for U.S. GAAP purposes, and therefore, it was recorded as a secured borrowing according to ASC 860. Therefore, we recognized in our consolidated balance sheet the promissory notes transferred to the financial trust.

Under U.S. GAAP, the promissory notes were classified as loans recorded at amortized cost with the corresponding loan loss reserve, as applicable. The U.S. GAAP adjustment is related to the difference between the cost basis used under both standards. For Argentine Banking GAAP, the cost was determined based on the carrying value of national secured loans previously hold and exchange for the promissory notes, while under U.S. GAAP, the cost was determined based on the fair value of each national secured loans transferred in exchange of the promissory notes received.

Additional information required by U.S. GAAP

The table below presents the aggregated assets and liabilities of the financial trusts which have been consolidated for U.S. GAAP purposes:

<i>(In millions of Pesos)</i>	As of December 31,	
	2011	2010
Cash and Due from Banks	Ps. 11.2	Ps. 11.6
Government Securities	961.0	1,009.2
Other Assets	0.1	1.1
Total Assets	Ps. 972.3	Ps. 1,021.9
Debt Securities	Ps.324.3	Ps.414.5
Certificates of Participation	647.8	604.7
Other Liabilities	0.2	2.7
Total Liabilities	Ps. 972.3	Ps. 1,021.9

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Our maximum loss exposure, which amounted to Ps.972.3 million and Ps,1,021.9 million as of December 31, 2011 and 2010, respectively, is based on the unlikely events that all of the assets in the VIE s become worthless and incorporates potential losses associated with assets recorded on our balance sheet.

Other transfers of financial assets accounted for as sales under U.S. GAAP

As of December 31, 2009, Banco Galicia has entered into different securitizations as described in Note 30 to the attached financial statements that were accounted for as sales under Argentine Banking GAAP. The transfers of financial assets related to the creation of certain trusts were considered sales for U.S. GAAP purposes under ASC 860 and for that reason debt securities and certificates retained by Banco Galicia are considered to be available for sale securities under U.S. GAAP.

As of December 31, 2010 these financial trusts had been liquidated. Therefore, the 2010 U.S. GAAP net income reconciliation includes the reverse of the previous year s adjustments.

As of December 31, 2011 there are no financial trusts accounted for as sales under U.S. GAAP.

Negative Goodwill Compañía Financiera Argentina and subsidiaries

The Argentine Central Bank s board of directors, through Resolution No.124 dated June 7, 2010, authorized Banco Galicia to purchase 95% of the shares belonging to the following companies: CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.). Furthermore, through the above-mentioned resolution the Argentine Central Bank authorized the subsidiary Tarjetas Regionales to purchase the remaining 5% of the shares belonging to said companies.

The total purchase price paid amounted to Ps.328.3 million for CFA, Ps.0.8 million for Cobranzas y Servicios S.A. and Ps.4.8 million for Procesadora Regional S.A. (former Universal Processing Center S.A.).

Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of June 30, 2010, a negative goodwill amounting to Ps.500.6 million was recorded by CFA and a negative goodwill of Ps.16.8 million was recorded by Cobranzas y Servicios S.A., both of which were recorded under the line item Liabilities-Provisions. With regard to Procesadora Regional S.A. (former Universal Processing Center S.A.), a goodwill amounting to Ps.4.0 million was recorded under Intangible Assets Goodwill. The negative goodwill is subsequently charged to Income on a straight-line basis during 60 months.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.) to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value.

Considering that the net assets acquired were originally recorded at their estimated fair value under Argentine Banking GAAP, no adjustments for U.S. GAAP purposes were recorded in this regard. However, the negative goodwill recorded as a liability and being amortized over a 60 months period under Argentine Banking GAAP, has been fully recognized as a gain in the consolidated statement of income for U.S. GAAP purposes under the caption Miscellaneous Income.

In addition, the amortization of negative goodwill recorded under Argentine Banking GAAP has been reversed for U.S. GAAP purposes.

As of December 31, 2011 and 2010 we had a balance of Ps.346,9 million and 465.6 million related to the negative goodwill.

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Income Tax

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and, therefore, income taxes for Banco Galicia are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, we and our non-bank subsidiaries apply the deferred income tax method.

For the purposes of U.S. GAAP reporting, we applied ASC 740-10 Accounting for Income Taxes. Under this method, income tax is recognized based on the assets and liabilities method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax basis of our assets and liabilities. Deferred tax assets are recognized if it is more likely than not those assets will be realized.

As of December 31, 2010 and 2009, we had tax loss carryforwards, which may reduce future year's taxable income for income tax purposes. Such tax loss carryforwards have been consumed as of December 31, 2011.

In addition, according to the taxable income projections, we believe that it is more likely than not that it will recover the temporary differences and the presumed minimum income tax, with future taxable income and the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

Accounting for Uncertainty in Income Taxes, ASC 740-10 was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards ASC 740-10. ASC 740-10 became effective for us on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We classify income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on our overall financial position or results of operations.

Summary

As a result of the above and other differences, our net income and shareholders' equity under Argentine Banking GAAP and U.S. GAAP for the periods indicated were as follows:

	Net Income (Loss)		Shareholders' Equity (Deficit)	
	Argentine Banking GAAP	U.S. GAAP	Argentine Banking GAAP	U.S. GAAP
	<i>(in millions of Pesos)</i>			
Fiscal Year 2011	1,106.9	866.7	3,551.6	3,876.1
Fiscal Year 2010	408.9	2,293.6	2,469.5	2,997.1
Fiscal Year 2009	229.3	770.2	2,052.5	1,236.3

The significant differences that result between shareholders' equity under U.S. GAAP and shareholders' equity under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

Bonar 2015 Bonds are reflected at market values, with changes from market values at the time of exchange being recognized as other comprehensive income. With the improvement in the Argentine economy, market values have increased, with a favorable influence on our financial position.

The difference between the consideration transferred for the acquisition of Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, such difference was recorded in the line item Liabilities-Provisions. Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will be the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax. The significant differences that result between net income under U.S. GAAP and net income under Argentine Banking GAAP primarily reflect that under U.S. GAAP:

The difference between the consideration transferred for the acquisition of CFA and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, the negative goodwill is charged to Income on a straight-line basis during 60 months.

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The recognition of the Deferred Income Taxes under U.S. GAAP due to the fact that we consider that it is more likely than not that it will the temporary differences and the presumed minimum income tax, with future taxable income. In addition, according to the taxable income projections, we estimated that the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

Results by Segments

Our segment disclosures for the years ended December 31, 2011, 2010 and 2009 are presented on a basis that corresponds with our internal reporting structure, considering the banking business as one single segment that is evaluated regularly by our management in deciding how to allocate resources and in assessing performance of our business.

We measure the performance of each of our business segments primarily in terms of Net income, in accordance with the regulatory reporting requirements of the Argentine Central Bank. Net income and other information by segment are based on Argentine Banking GAAP and are consistent with the presentation of our consolidated financial statements.

Our segments are the following:

Banking: our banking business segment represents Banco Galicia consolidated line by line with Galicia Uruguay, Galicia Cayman and its subsidiaries and the results of other small banking-related subsidiaries.

Regional Credit Cards: our regional credit cards business segment represents the accounts of Tarjetas Regionales consolidated with its subsidiaries.

CFA: the CFA business segment primarily extends unsecured personal loans to low and middle-income segments of the Argentine population.

Insurance: our insurance business segment represents the accounts of Sudamericana and its subsidiaries.

Other Grupo Businesses: this segment includes the results of Net Investment, Galicia Warrants, GV Mandataria and Galval. Our results by segments are shown in Note 31 to our audited consolidated financial statements. Below is a discussion of our results of operations by segments for the years ended December 31, 2011, December 31, 2010 and December 31, 2009.

Banking

The table below shows the results of our banking business segment.

<i>In millions of Pesos, except percentages</i>	As of December 31,		
	2011	2010	2009
Net Financial Income	2,362.5	1,428.0	1,144.2
Net Income from Services	1,095.5	880.6	727.9
Net Operating Revenue	3,458.0	2,308.6	1,872.1
Provisions for Loan Losses	494.1	307.2	388.7
Administrative Expenses	2,302.4	1,693.1	1,321.8

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Net Operating Income	661.5	308.3	161.6
Income from Equity Investments			
Tarjetas Regionales SA	347.0	270.5	133.0
Compañía Financiera Argentina S.A. ^(*)	315.0	133.3	
Sudamericana	11.3	4.0	3.4
Others	17.7	13.7	13.1
Income from Equity Investments	691.0	421.5	149.5
Other Income (Loss)	80.5	(260.6)	(139.3)
Pre-tax Income	1,433.0	469.1	171.8
Income Tax Provision	325.7		
Net Income	1,107.3	469.1	171.8
Net Income as a % of Grupo Financiero Galicia s Net Income	100%	115%	75%
Average Loans	19,608.3	12,818.6	8,959.4
Average Deposits	25,146.8	18,112.0	14,765.9

(*) Includes amortization of negative goodwill.

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This segment recorded Ps1,107.3 million net income for the fiscal year ended December 31, 2011, a Ps.638.2 million increase as compared to Ps.469.1 million for the fiscal year ended December 31, 2010, which in turn was Ps.297.3 million more than the Ps.171.8 million for the fiscal year ended December 31, 2009.

The increase in net income for the fiscal year ended December 31, 2011 was partially attributable to i) a significant increase in the volume of financial intermediation with the private sector and ii) an improved efficiency ratio, because the increase in net operating income was higher than the increase in administrative expenses, in each case as compared to the fiscal year ended December 31, 2010. In addition, net income for the fiscal year 2011 also included Ps.215.9 million which corresponded to CFA's income, as compared to Ps.83.6 million of CFA's income for the fiscal year ended December 31, 2010, as well as Ps.99.1 million corresponding to the amortization of the negative goodwill from the acquisition of such company, as compared to Ps.49.6 million for the fiscal year ended December 31, 2010, in each case due to the fact that CFA's income was included into Banco Galicia's balance sheet on July 1, 2010.

In addition, the increase in net income for the fiscal year ended December 31, 2011 was also the result of a Ps.1,149.4 million increase in net operating revenue, an increase in other income for Ps.331.9 million and a Ps.278.8 million increase in income from equity investments, in each case as compared to the fiscal year ended December 31, 2010. This increase was partially offset by an increase from the fiscal year ended December 31, 2010 to the fiscal year ended December 31, 2011 in administrative expenses in the amount of Ps.609.3 million, income taxes in the amount of Ps.325.7 million and provisions for loan losses in the amount of Ps.186.9 million. The increase in net income for the fiscal year ended December 31, 2010 was mainly attributable to the increase of Ps.436.5 million in net operating revenue, the Ps.272.0 million increase in income from equity investments and the decrease in provisions for loan losses of Ps.81.5 million, as compared to the fiscal year ended December 31, 2009. These variations were partially offset by an increase from the fiscal year ended December 31, 2009 to the fiscal year ended December 31, 2010 in both administrative expenses in the amount of Ps.371.3 million and in miscellaneous net losses in the amount of Ps.121.3 million.

Net income from services was Ps.1,095.5 million for the fiscal year ended December 31, 2011, as compared to Ps.880.6 million for the fiscal year ended December 31, 2010, a 24.4% increase, which was in turn 21.0% higher than the Ps.727.9 million for the fiscal year ended December 31, 2009. These increases, which were in line with the growth exhibited by the general Argentine financial market, can be mainly attributed to the significant growth in the volume of transactions together with the increase in the price of certain services.

Provisions for loan losses and other receivables were Ps.494.1 million for the fiscal year ended December 31, 2011 as compared to Ps.307.2 million for the fiscal year ended December 31, 2010, an increase of Ps.186.9 million. Such provisions for the fiscal year ended December 31, 2010, were Ps.81.5 million lower than those for the fiscal year ended December 31, 2009. The increase during the fiscal year ended December 31, 2011 was due to the increase in the size of the loan portfolio and the amount of provisioning for the non-accrual loan portfolio with allowances for loan losses. In the fiscal year ended December 31, 2011, default ratios were lower as compared to the fiscal year ended December 31, 2010. In turn, the decrease during the fiscal year ended December 31, 2010 was due to the improvement experienced by the loan portfolio within a favorable economic environment.

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Administrative expenses were Ps.2,302.4 million for the fiscal year ended December 31, 2011, as compared to Ps.1,693.1 million for the fiscal year ended December 31, 2010, representing a 36.0% increase. Such expenses for the fiscal year ended December 31, 2010 were 28.1% higher than the Ps.1,321.8 million for the fiscal year ended December 31, 2009. These increases were mainly attributable to higher personnel expenses and other administrative expenses.

For the fiscal years ended December 31, 2011 and 2010, the increases in personnel expenses (salaries, Argentine social security contributions and expenses related to personnel services), as compared to the previous fiscal year, were mainly attributable to the salary increase agreed upon with the union and an increase in Banco Galicia's staff, which increased 6.5% in the fiscal year ended December 31, 2011 and 3.1% in the fiscal year ended December 31, 2010. In addition, the increase in other administrative expenses was mainly attributable to the higher level of activity, the geographic expansion of Banco Galicia and the higher inflation rate during that period.

Income from equity investments was Ps.691.0 million for the fiscal year ended December 31, 2011 as compared to Ps.421.5 million and Ps.149.5 million for the fiscal years ended December 31, 2010 and 2009, respectively. The increase in income from equity investments for the fiscal year ended December 31, 2011 was mainly attributable to: i) the higher net income from CFA which was Ps.215.9 million for the fiscal year ended December 31, 2011 as compared to Ps.83.6 million for the fiscal year ended December 31, 2010 and ii) the amortization of the negative goodwill stemming from the acquisition of CFA and Cobranzas y Servicios since these profits amounted to Ps. 49.6 million in the fiscal year ended December 31, 2010, while they amounted to Ps.99.1 million in the fiscal year ended December 31, 2011. The variation was due to the fact that CFA was only included on Banco Galicia's balance sheet for the second half of 2010 and because of the increase that resulted from Banco Galicia's Ps.76.6 million equity investment in Tarjetas Regionales.

The increase in income from equity investments for the fiscal year ended December 31, 2010 was mainly attributable to: i) the incorporation in the third quarter of 2010 of the results of operations of CFA (net of results from transactions not involving third parties) into those of Banco Galicia, which during the second half of the fiscal year ended December 31, 2010 amounted to Ps.83.6 million, and the accrual of negative goodwill generated by the purchase of CFA in the amount of Ps.49.6 million and ii) the income that resulted from Banco Galicia's equity investment in Tarjetas Regionales of Ps.270.5 million.

Miscellaneous net income was Ps.80.5 million for the fiscal year ended December 31, 2011, as compared to miscellaneous net losses of Ps.260.6 million and Ps.139.3 million for the fiscal years ended December 31, 2010 and 2009, respectively. The gain for the fiscal year ended December 31, 2011 was mainly attributable to the financial income from margin requirements in connection with repurchase agreement transactions totaling Ps.52.2 million. The loss for the fiscal year ended December 31, 2010 was mainly attributable to the amortization of the total amount of deferred losses from *amparo claims* of Ps.281.0 million and the loss for the fiscal year ended December 31, 2009 was mainly attributable to the amortization of deferred losses from *amparo claims* of Ps.109.3 million.

The income tax charge during the fiscal year ended December 31, 2011 was Ps.325.7 million, since Banco Galicia started to accrue this charge in this fiscal year.

Regional Credit Cards

The table below shows the results of our regional credit cards business segment.

<i>In millions of Pesos, except percentages</i>	As of December 31,		
	2011	2010	2009
Net Financial Income	701.6	503.4	375.5
Net Income from Services	1,571.1	1,040.1	737.0
Net Operating Revenue	2,272.7	1,543.5	1,112.5
Provisions for Loan Losses	270.4	199.5	250.8
Administrative Expenses	1,402.1	905.0	621.9
Net Operating Income	600.2	439.0	239.8
Other Income (Loss)	141.2	101.7	54.9

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Minority Interests	(106.4)	(78.4)	(32.6)
Pre-tax Income	635.0	462.3	262.1
Income Tax Provision	287.9	191.8	129.1
Net Income	347.1	270.5	133.0
Net Income as a % of Grupo Financiero Galicia s Net Income	31%	66%	58%
Average Loans	5,087.5	3,341.8	2,402.5

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In fiscal year 2011, the business segment of the Regional Credit Card Companies recorded net income of Ps.347.1 million, as compared to Ps.270.5 million for the fiscal year ended December 31, 2010, representing a 28.3% increase. Net income for the fiscal year ended December 31, 2010 was 103.4% higher than that of the fiscal year ended December 31, 2009, which amounted to Ps.133.0 million.

During fiscal year 2011, with the purpose of achieving a better corporate structure, Banco Galicia and its subsidiaries have made a series of changes in its organizational structure. This reorganization was carried out between companies under common control. Therefore, this reorganization did not have any impact on the financial conditions and results as of the fiscal year ended December 31, 2011. It is worth mentioning that on July 1, 2010, 5% of the results of operations of CFA were consolidated with those of the Regional Credit Card Companies along with the accrual of negative goodwill generated by the acquisition of CFA. See Item 8. Financial Information -Significant Changes .

The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2011 was mainly attributable to an increase in net operating revenues of Ps.729.2 million. This increase was partially offset by increases of Ps.497.1 million in administrative expenses, Ps.96.1 million in income tax provision and Ps.70.9 million in loan loss provisions. During the fiscal year ended December 31, 2010 the increase in income was mainly attributable to an increase in net operating revenue of Ps.431.0 million, a decrease in loan loss provisions of Ps.51.3 million and an increase in other income of Ps.46.8 million. This increase was partially offset by higher administrative expenses of Ps.283.1 million and a higher income tax provision of Ps.62.7 million.

The Regional Credit Card Companies experienced growth in the following key indicators during the fiscal year ended December 31, 2011, as compared to the fiscal year ended December 31, 2010:

average statements issued: 13.4% growth between December 31, 2011 and December 31, 2010, reaching an annual average of 2.3 million customers;

increase in retail sales: 41.2%, from Ps13,110 million as of December 31, 2010 to Ps.18,512 million as of December 31, 2011;

increase in loan portfolio: 47.2%, amounting to Ps.6,564 million during the fiscal year ended December 31, 2010;

increase in the number of purchase transactions: 14.2%, reaching 101.7 million during the fiscal year ended December 31, 2011; and

increase in the size of the distribution network: 10%, reaching a total of 241 service centers as of December 31, 2011.

The Regional Credit Card Companies' distribution network reached 241 service centers in Argentina, representing an increase of 10% during the year. Tarjeta Naranja opened 18 branches, 11 located in Greater Buenos Aires and two in the Autonomous City of Buenos Aires, while the other openings increased its regional presence in the country. Tarjetas Cuyanas opened 4 new branches in Río Negro, Neuquén, Tucumán and Mendoza.

The Regional Credit Card Companies employed 5,507 employees as of December 31, 2011, which represents a 17.2% increase over the employee total for the fiscal year ended December 31, 2010.

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The increase in the Regional Credit Card Companies' provisions for loan losses from Ps.199.5 million for the fiscal year ended December 31, 2010 to Ps.270.4 million for the fiscal year ended December 31, 2011 was mainly related to the significant growth recorded in their financing portfolio together with an increase in the coverage. During fiscal year ended December 31, 2011 the Regional Credit Card Companies maintained low default rates. The decrease in the Regional Credit Card Companies' provisions for loan losses from Ps.250.8 million for the fiscal year ended December 31, 2009 to Ps.199.5 million for the fiscal year ended December 31, 2010 was mainly attributable to the improvements in the credit card sector (due to the application of higher creditworthiness standards to potential customers) and increased rates of collection (due to technological and organizational advances), in the context of a more favorable economic environment.

The increases in administrative expenses in fiscal years ended December 31, 2011 and 2010 were mainly attributable to the increased level of activity among the Regional Credit Card Companies, increased inflation and geographical expansion.

In fiscal years 2011 and 2010, miscellaneous net income mainly reflected loans recovered.

CFA

The table below sets forth the results of operations of CFA's business segment:

<i>In millions of Pesos, except percentages</i>	As of December 31,	
	2011	2010^(*)
Net Financial Income	655.5	282.0
Net Income from Services	36.0	25.9
Net Operating Revenue	691.5	307.9
Provisions for Loan Losses	78.9	44.8
Administrative Expenses	373.5	159.2
Net Operating Income	239.1	103.9
Other Income (Loss)	94.5	37.5
Pre-tax Income	333.6	141.4
Income Tax Provision	111.1	51.2
Net Income	222.5	90.2
Net Income as a % of Grupo Financiero Galicia's Net Income	20%	22%
Average Loans	1,523.0	640.4
Average Deposits	289.4	116.5

(*) Results of operations correspond to the second half of the fiscal year ended December 31, 2010, subsequent to Banco Galicia's acquisition of CFA.

CFA is a leading non-bank financial institution that engages in retail lending and focuses on the area of unsecured personal loans within Argentina.

CFA customers are characterized by a limited relationship with traditional banks and a desire for quick and easy access to credit. CFA's customers usually belong to the lower and middle-class sectors of the Argentine economy. Efectivo Sí, the leading brand of CFA, has an especially strong presence in Greater Buenos Aires.

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The important growth in the net income was due the fact that CFA was incorporated to the income statement of Banco Galicia on July 1, 2010.

As of December 31, 2011, CFA had 486,000 clients, 1,118 employees, 59 branches and 36 customer service centers. It had net loans to the private sector of Ps.1,654.5 million and a net worth of Ps.933.6 million. As of December 31, 2010, CFA had 470,000 clients, 1,160 employees, 59 branches and 36 customer service centers located throughout Argentina. It had net loans to the private sector of Ps.1,192.8 million and a net worth of Ps.768.7 million.

CFA's net income for the fiscal year ended December 31, 2011 amounted to Ps 222.5 million, as a consequence of net operating revenues of Ps.691.5 million and other income of Ps.94.5 million. These results were partially offset by: i) administrative expenses of Ps.373.5 million; ii) loan loss provisions of Ps.78.9 million; and iii) an income tax provision of Ps.111.1 million.

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Net income for the second half of 2010 amounted to Ps.90.2 million, as a consequence of net operating revenues of Ps.307.9 million and other income of Ps.37.5 million. These results were partially offset by losses arising from: i) administrative expenses of Ps.159.2 million; ii) loan loss provisions of Ps.44.8 million; and iii) income tax provision of Ps.51.2 million.

Insurance

The table below shows the results of our insurance business segment.

<i>In millions of Pesos, except percentages</i>	As of December 31, 2011	As of September 30, 2010 2009	
Net Financial Income	47.5	28.7	28.5
Net Operating Revenue	47.5	28.7	28.5
Administrative Expenses	103.2	56.2	42.9
Net Operating Income	(55.7)	(27.5)	(14.4)
Other Income (Loss)	199.0	75.1	55.3
Pre-tax Income	143.3	47.6	40.9
Income Tax Provision	50.3	16.3	14.1
Net Income	93.0	31.3	26.8
Net Income as a % of Grupo Financiero Galicia's Net Income	8%	8%	12%

The accounting rules of the Argentine Central Bank establish that the accounts of non-homogeneous activities must be included under Other Income/Loss, therefore the income statement of Sudamericana was reclassified and that is why, in the table above, its main accounts (earned premiums, claims, acquisition costs, etc.) are included in such item. The results of this segment mainly represent the results of Galicia Seguros.

The significant increase in net income recorded by the insurance segment during the fiscal year ended December 31, 2011 responds to the increase of premiums earned, which were mainly the result of Galicia Seguros' performance through group life insurance, home insurance and accidental, death and dismemberment insurance sold through Banco Galicia and the Regional Credit Card Companies. The sales call center (customer contact center) helped to achieve such growths.

During 2011, 2010 and 2009, acquisition costs grew following the increases in underwritten premiums, while increases in administrative expenses were mainly due to the fact that a part of the value added tax is recorded at cost (certain life insurance products are exempt from such tax but the fees paid to the brokers and other expenses related thereto are subject to such tax) and to the salary increases and increases in other expenses within an inflationary context. It is important to note that during the three years the claims ratio have remained practically at the same level.

Combined income of the insurance companies controlled by Sudamericana in the life, retirement and property insurance business during the fiscal year ended December 31, 2011 amounted to Ps.608.5 million.

As of December 31, 2011, these companies had approximately 5.6 million insured under all their lines of business.

Other Grupo Businesses

This segment includes the results of Net Investment, Galicia Warrants, Galval and GV Mandataria.

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In fiscal year 2011, the segment recorded a Ps.0.7 million net loss, compared to a Ps.2.0 million net loss in fiscal year 2010 and Ps.2.3 million in net income in fiscal year 2009. In fiscal year 2011, GV Mandataria recorded Ps.0.7 million losses attributable to a change in the cost structure of the company. Galval recorded Ps.4.6 million losses due to the fact that income from services was lower than administrative and commercial expenses. These results were partially offset by a Ps.4.6 million net income from Galicia Warrants.

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In fiscal year 2010, this segment's results were attributable to the net loss of Galval and Net Investment of Ps.4.0 million and Ps.0.1 million, respectively, partially offset by Ps.2.0 million and Ps.0.1 million attributable to Galicia Warrants's and GV Mandataria's net income, respectively.

In fiscal year 2009, this segment's results were attributable to the net income of Galicia Warrants and GV Mandataria of Ps.7.7 million and Ps.0.1 million, respectively, partially offset by losses of Ps.4.7 million and Ps.0.8 million corresponding to Galval and Net Investment, respectively.

Consolidated Assets

The structure and main components of our consolidated assets as of the dates indicated were as follows:

	2011		As of December 31, 2010		2009	
	Amounts	%	Amounts	%	Amounts	%
	<i>(in millions of Pesos, except percentages)</i>					
Cash and Due from Banks	6,418.9	12.5	5,645.6	15.8	3,696.3	13.4
Government and Corporate Securities	5,230.9	10.2	2,278.0	6.4	3,920.4	14.2
Loans	30,904.5	60.4	21,353.8	59.8	13,477.9	48.8
Other Assets	8,638.7	16.9	6,430.7	18.0	6,507.8	23.6
Total	51,193.0	100.0	35,708.1	100.0	27,602.4	100.0

Of our Ps.51,193.0 million total assets as of December 31, 2011, Ps.50,657.6 million, equivalent to 99.0% of the total, corresponded to Banco Galicia on a consolidated basis. The remaining 1.0% was attributable mainly to Sudamericana on a consolidated basis (Ps.390.4 million). The composition of our assets shows an increase in the participation of the line items Loans and Government and Corporate Securities, to the detriment of Cash and Due from Banks and Other Assets.

The item Cash and Due from Banks included cash for Ps.2,310.5 million, balances held at the Argentine Central Bank for Ps.3,979.1 million and balances held in correspondent banks for Ps.129.3 million. The balance held at the Argentine Central Bank and part of the cash are used for meeting the minimum cash requirements set by the Argentine Central Bank.

Our holdings of government and corporate securities as of December 31, 2011 amounted to Ps.5,230.9 million, of which Ps.5,227.7 million were government securities. Our holdings of government and corporate securities are shown in more detail in Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities.

Our total net loans amounted to Ps.30,904.5 million, of which Ps.30,881.0 million corresponded to Banco Galicia (including the Regional Credit Card Companies' portfolios) and the remaining amount to secured loans held by Sudamericana. For more information on Banco Galicia's and CFA's loan portfolio, see Item 4. Information on the Company-Selected Statistical Information-Loan Portfolio.

The Other Assets item mainly includes the following items recorded in our balance sheet under Other Receivables Resulting from Financial Brokerage, unless otherwise noted:

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Ps.1,920.6 million recorded under Bank Premises and Equipment , Miscellaneous Assets and Intangible Assets .

Ps.538.8 million corresponding to our holdings of debt securities and participation certificates issued by the Galtrust I Financial Trust, resulting from the securitization of loans to the provincial public sector in late 2000.

Ps.617.3 million of forward purchases of Bonar 2015 Bonds in connection with repurchase agreement transactions (including the corresponding security margins recorded as Miscellaneous Receivables in the balance sheet).

Ps.593.1 million corresponding to Receivables from Financial Leases .

Ps.186.4 million corresponding to the minimum presumed income tax recorded under Miscellaneous Receivables .

Ps.452.6 million corresponding to balances deposited at the Argentine Central Bank as guarantees in favor of clearing houses.

Ps.671.3 million corresponding to participation certificates in, and debt securities of, different financial trusts, created by Banco Galicia or by third parties.

Ps.146.7 million corresponding to holdings of the participation certificate in, and debt securities of, the special fund (referred to as Special Fund Former Almafuerde Bank) jointly formed by Banco Galicia with other private-sector banks in order to facilitate the recovery of the assets of former Almafuerde Bank.

Ps.661.5 million corresponding to miscellaneous receivables.

Ps.1,502.7 million corresponding to repurchase agreement transactions.

Ps.231.4 million corresponding to debt securities.

Ps.56.2 million corresponding to equity investments.

The Other Assets item increased 34.3% as compared to fiscal year 2010, mainly as a consequence of: i) Ps.1,322.5 million corresponding to reverse repurchase agreement transactions and ii) Ps.437.0 million corresponding to an increase in Bank Premises and Equipment , Miscellaneous Assets and Intangible Assets .

Exposure to the Argentine Public Sector

The following table shows our total net exposure to the Argentine public sector as of December 31, 2011, 2010 and 2009. This exposure mainly consisted of exposure of Banco Galicia.

As of December 31,		
2011	2010	2009

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	<i>(in millions of Pesos)</i>		
Net Position in Government Securities	4,397.0	3,111.7	4,933.0
Trading and Investment Accounts	3,617.3	2,469.6	1,810.5
Boden 2012 Bonds			1,906.9
Nobac 2010			269.9
Bonar 2015 Bonds	779.7	642.1	323.7
Discount Bonds in Pesos and GDP-Linked Negotiable Securities			622.0
Loans	24.6	24.6	25.4
Financial Sector			
Secured Loans and Others	24.6	24.6	25.4
Other Receivables Resulting from Financial Brokerage	855.5	808.2	924.6
Trusts Certificates of Participation and Securities	853.0	807.0	923.7
Other	2.5	1.2	0.9
Total Assets ⁽¹⁾	5,277.1	3,944.5	5,883.0

(1) Does not include deposits with the Argentine Central Bank, which constitute one of the items by which Banco Galicia complies with the Argentine Central Bank's minimum cash requirements.

As of December 31, 2011, our total exposure to the public sector amounted to Ps.5,277.1 million. Excluding Banco Galicia's holding of debt securities issued by the Argentine Central Bank (Ps.3,536.7 million, Ps.2,393.0 million and Ps.1,953.7 million, for fiscal years 2011, 2010 and 2009, respectively), net exposure to the non-financial public sector increased by Ps.188.9 million, or 12.2%, as compared to 2010 and decreased by Ps.2,188.9 million, or 55.7%, as compared to 2009.

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As of December 31, 2010, our total exposure to the public sector amounted to Ps.3,944.5 million. The decrease as compared to the previous fiscal year was mainly attributable to the sale of Banco Galicia's holdings of Boden 2012 Bonds and Discount Bonds.

Securitization of Assets

In the normal course of business, our operating subsidiaries use the securitization of assets as a source of funding. The securitization of assets basically involves a company transferring assets to a trust and the trust funding the purchase by issuing securities that are sold to third parties. A trust is a special-purpose entity, not an operating entity; typically, a trust is set up for the single purpose of completing the securitization transaction, has a limited life and no employees. Trust securities can be publicly offered, which is the case in those financial trusts in which Banco Galicia or the Regional Credit Card Companies acted as trustor. See Note 30 to our audited financial statements for a description of the outstanding trusts as of December 31, 2011.

During 2011 and 2010, we did not generate funds through the securitization and sale of on-balance sheet and off-balance sheet loans of Banco Galicia and the Regional Credit Card Companies, while in 2009 we generated funds for an aggregate amount of Ps.40.0 million. No gains or losses were recognized in the sale of these loans. As a result of these securitizations, we retained certain interests in those trusts through senior debt securities and certificates of participation in the amount of Ps.14.5 million.

Funding

Banco Galicia's and the Regional Credit Card Companies' and CFA's lending activities are our main asset-generating businesses. Accordingly, most of our borrowing and liquidity needs are associated with these activities. We also have liquidity needs at the level of our holding company, which are discussed in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Liquidity-Holding Company on an Individual Basis. Our objective is to maintain cost-effective and well diversified funding to support current and future asset growth in our businesses. For this, we rely on diverse sources of funding. The use and availability of funding sources depends on market conditions, both local and foreign, and prevailing interest rates. Market conditions in Argentina include a structurally limited availability of domestic long-term funding.

Our funding activities and liquidity planning are integrated into our asset and liability management and our financial risks management and policies. The liquidity policy of Banco Galicia is described in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Banco Galicia's Liquidity Management and our other financial risk policies, including interest rate, currency and market risks are described in Item 11. Quantitative and Qualitative Disclosures about Market Risk. Our funding sources are discussed below.

Traditionally, our primary source of funding has been Banco Galicia's deposit taking activity. Although Banco Galicia has access to Argentine Central Bank financing, management does not view this as a primary source of funding in line with our overall strategies discussed herein.

Other important sources of funding have traditionally included issuing Dollar-denominated medium and long-term debt securities issued in foreign capital markets and borrowing from international banks and multilateral credit agencies. After the restructuring of its foreign debt in May 2004 and until the US\$300.0 million bond issuance in May 2011, Banco Galicia had not relied on the issuance of new debt securities, and entered into three long term loan agreements with the International Finance Corporation (IFC) in 2005, 2007 and 2010 for US\$130.0 million, with the purpose of funding long-term loans to SMEs. In addition, Banco Galicia entered into a long-term loan agreement with Netherlands Financierings-Moatschappy Voor Ontwikkelingslanden N.V. (FMO) on December 17, 2010 for US\$20.0 million and a long-term loan agreement with the Inter-American Development Bank (IDB) on February 15, 2011 for US\$30.0 million. In December 2011, Société de Promotion et de Participation pour la Cooperation Economique (Proparco) granted Banco Galicia a US\$30 million loan, with a 6 year term, for the financing of investment projects of SMEs mainly active in the agribusiness and export sectors.

Selling government securities under repurchase agreement transactions has been another recurrent source of funding for Banco Galicia. In 2011, the repurchase transactions of government securities decreased Ps.344.8 million (principal and interest) and in 2010 increased Ps.187.0 million (principal and interest). Within its liquidity policy, Banco Galicia considers its unencumbered liquid government securities holdings as part of its available excess liquidity. See Item 5. Operating and Financial Review and Prospects -Item 5.B. Liquidity and Capital Resources-Banco Galicia's Liquidity Management.

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The Regional Credit Card Companies fund their business through the issuance of debt securities in the local and international capital markets, borrowing from local financial institutions, asset securitization and debt with merchants generated in the ordinary course of business of any credit card issuing company. In 2011, the Regional Credit Card Companies issued notes in an amount equal to Ps.1,466.0 million.

CFA funds its business through the issuance of debt securities in the local market, borrowing from financial institutions and time deposits from institutional investors (insurance companies and mutual funds).

Below is a breakdown of our funding as of the dates indicated:

	2011		December 31, 2010		2009	
	Amounts	%	Amounts	%	Amounts	%
	<i>(in millions of Pesos, except percentages)</i>					
Deposits	30,135.1	58.9	22,222.8	62.2	17,039.4	61.7
Current Accounts and Other Demand Deposits	7,203.5	14.1	5,565.7	15.6	3,719.1	13.5
Savings Accounts	8,010.8	15.6	6,362.0	17.8	4,994.7	18.1
Time Deposits	14,150.8	27.6	9,724.9	27.2	7,954.8	28.8
Other Deposits	534.3	1.0	463.2	1.3	248.7	0.9
Interest Payable and Differences in quotation	235.7	0.5	107.0	0.3	122.1	0.4
Debt with Financial Institutions ⁽¹⁾	2,737.2	5.3	2,114.5	5.9	1,480.1	5.4
Domestic Financial Institutions	855.5	1.7	668.3	1.9	322.3	1.2
International Banks and Credit Agencies	1,429.7	2.8	649.5	1.8	548.1	2.0
Repurchases	452.0	0.9	796.7	2.2	609.7	2.2
Notes (Unsubordinated and Subordinated) ⁽¹⁾	4,229.7	8.3	2,041.7	5.7	2,716.6	9.8
Other obligations	10,539.4	20.6	6,859.6	19.2	4,314.0	15.6
Shareholders Equity	3,551.6	6.9	2,469.5	6.9	2,052.5	7.4
Total Funding	51,193.0	100.0	35,708.1	100.0	27,602.6	100.0

(1) Includes accrued interest, quotation differences, and CER adjustment where applicable.

As of December 31, 2011, deposits represented 58.9% of our funding, down from 62.2% as of December 31, 2010 and down from 61.7% as of December 31, 2009. Our deposit base increased 35.6% in 2011 and 30.4% in 2010. In 2011, the increase in deposits of Ps.7,912.3 million was due to the increase in transactional deposits (deposits in current and savings accounts) and time deposits. The increase in 2010 was also the result of an increase in transactional deposits and time deposits. For more information on deposits, see Item 4. Information on the Company-Selected Statistical Information-Deposits .

As of December 31, 2011, credit lines from international banks and credit agencies representing Dollar-denominated debt subject to foreign law amounted to Ps.1,429.7 million. Of this total, Ps.1,119.3 million corresponded to trade loans and Ps.256.9 million corresponded to an IFC loan granted to Banco Galicia in 2005 which increased at the end of 2010 with the signing of a new agreement. The increase from Ps.649.5 million as of December 31, 2010 was mainly due to the increase in trade loans.

Our debt securities outstanding amounted to Ps.4,229.7 million (principal and interest) as of December 31, 2011, as compared to Ps.2,041.7 million as of December 31, 2010, and Ps.2,716.6 million as of December 31, 2009. Of our debt securities outstanding at the end of fiscal year 2011, Ps.3,523.2 million (only principal) corresponded to Dollar-denominated debt subject to foreign law and Ps.579.9 million (only principal) corresponded to Peso-denominated debt of the Regional Credit Card Companies structured as notes. As of December 31, 2011, the breakdown of our Dollar-denominated debt was as follows:

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Ps.1,277.9 million of 2018 notes maturing in 2018 issued by Banco Galicia.

Ps.932.9 million of 2019 notes, issued in 2004 and corresponding to new debt of Banco Galicia resulting from the foreign debt restructuring completed in May of such year.

Ps.843.8 million of Class XIII notes maturing in 2017 issued by Tarjeta Naranja S.A.

Ps.91.4 million and Ps.60.3 million of Class XVI Series I and II notes maturing in 2012 and 2013, respectively, issued by Tarjeta Naranja S.A.

Ps.81.2 million and Ps.30.9 million of Class XI Series I and II notes maturing in 2012 and 2013, respectively, issued by Tarjetas Cuyanas S.A.

Ps.10.0 million of Series XVIII notes maturing in 2012 issued by Tarjetas Cuyanas S.A.

Ps.78.1 million and Ps.109.6 million of Class II Series II and III notes maturing in 2012 and 2013, respectively, issued by Grupo Financiero Galicia.

Ps.7.1 million of past due foreign debt included in Banco Galicia's 2004 debt restructuring, the holders of which did not participate in such restructuring.

The increase in our debt securities outstanding as of December 31, 2011 as compared to December 31, 2010 was mainly a result of: i) the issuance by Banco Galicia of its senior notes due in 2018 for an aggregate principal amount of US\$300.0 million and ii) the issuance by Tarjeta Naranja S.A. of its Class XIII senior notes due in 2017 for an aggregate principal amount of US\$200.0 million.

The decrease in our debt securities outstanding as of December 31, 2010 as compared to December 31, 2009 was mainly a result of: i) the payment of the last principal installment of the 12.5% 2010 Notes for an aggregate amount of US\$34.2 million and ii) the cancellation of 2014 Notes for an aggregate amount of US\$194.6 million.

For more information see -Contractual Obligations- below.

Ratings

The following are our ratings as of the date of this annual report:

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	Standard & Poor's	Fitch Argentina	Evaluadora Latinoamericana	Moody's
Grupo Financiero Galicia S.A.				
Rating of Shares	1			
Short-/Medium Term Debt ⁽¹⁾			AA-	
Banco de Galicia y Buenos Aires S.A.				
Counterparty Rating	raAA-			
Long-Term Debt ⁽²⁾⁽³⁾	raAA-		A+	Aa3.ar
Subordinated Debt ⁽²⁾⁽⁴⁾	raA+		A+	Aa3.ar
Deposits (Long Term / Short Term)	raAA- / raA-1+			
Deposits (Local Currency / Foreign Currency)				Aa2.ar / Ba1.ar
Trustee				TQ1(-).ar
Tarjeta Naranja S.A.				
Medium-/Long-Term Debt ⁽²⁾⁽⁵⁾		AA(arg)		
Short-Term Debt ⁽²⁾⁽⁶⁾		A1+(arg)		
Tarjetas Cuyanas S.A.				
Long-Term Debt ⁽²⁾⁽⁷⁾		AA-(arg)		
Short-Term Debt ⁽²⁾⁽⁸⁾		A1(arg)		
CFA S.A.				
Long-Term Debt ⁽⁹⁾		AA (arg)		Aa2.ar
Short-Term Debt ⁽¹⁰⁾		A1+(arg)		Aa2.ar
Deposits (Local Currency / Foreign Currency)				Aa2.ar / Ba1.ar

INTERNATIONAL RATINGS

Banco de Galicia y Buenos Aires S.A.				
Long-Term Debt ⁽²⁾⁽³⁾	B			B2
Tarjeta Naranja S.A.				
Medium-/Long-Term Debt ⁽²⁾⁽¹¹⁾		B		
Tarjetas Cuyanas S.A.				
Long-Term Debt ⁽²⁾⁽¹²⁾		B		

(1) Class II Series II and III notes.

(2) See -Contractual Obligations .

(3) Class I notes due in 2018.

(4) Subordinated notes due in 2019.

(5) Class XIII, Class XIV Series II, Class XV Series II and Class XVI Series I and II notes.

(6) Class XIV Series I and Class XV Series I notes.

(7) Series XVIII, Class V Series II and Class VI Series I and II notes.

(8) Class IV and Class V Series I notes.

(9) Class III Series II, Class IV Series II and Class V Series II notes.

(10) Class V Series I notes.

(11) Class XIII notes.

(12) Series XVIII notes.

Debt Programs

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On March 9, 2009, Grupo Financiero Galicia's shareholders, during the ordinary shareholders' meeting, and the board of directors of Grupo Financiero Galicia (the Board of Directors) created a global short-, medium- and long-term notes program, for a maximum outstanding amount of US\$60 million. This program was authorized pursuant to Resolution No. 16,113 of April 29, 2009 of the CNV. On March 16, 2009 and on April 24, 2009, the Board of Directors approved the terms and conditions of the issuance of the Class I, Series I and Series II notes.

Within the program, on June 4, 2009 Grupo Financiero Galicia issued two series of bonds for a total amount of US\$45 million, with the following characteristics: (i) US\$34.4 million of non-interest bearing Class I, Series I notes, due on May 30, 2010, this bond was issued at a price of 92.68/100 and with a yield of 8%; and (ii) US\$10.6 million of 12.5% Class I, Series II notes, due on May 25, 2011, this bond was issued at a price of 103.48/100 with a yield of 10.5%. Interest on the notes described in (ii) was paid semiannually.

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On April 14, 2010, our shareholders held an ordinary and extraordinary shareholders meeting during which they approved an increase of US\$40 million in the amount of the global program of simple short-, medium- and/or long- term notes. Therefore, the maximum amount of the program, which was originally set at US\$60 million or its equivalent in any other currency, was increased to US\$100 million or its equivalent in any other currency.

Moreover, during fiscal year 2010, Grupo Financiero Galicia repaid, upon maturity, its Class I, Series I notes, for US\$34.4 million and made an offer of notes for a face value of US\$45 million. The subscription period ended on June 4, 2010; notes were fully subscribed and Grupo Financiero Galicia decided not to issue Series I, which was planned to be issued at a discount.

On June 8, 2010 Grupo Financiero Galicia issued two series of bonds for a total amount of US\$45 million, with the following characteristics: (i) US\$18.1 million of 8% Class II, Series II notes, due in 2012, issued at a price of 101.8/100, with a yield of 7% and (ii) US\$26.9 million of 9% Class II, Series III notes due in 2013, issued at a price of 101.3/100, with a yield of 8.5%. Interest is payable semiannually.

During 2011, Grupo Financiero Galicia repaid, upon maturity, Class I, Series II notes for US\$10.6 million.

Banco Galicia has a program outstanding for the issuance and re-issuance of non-convertible notes, subordinated or non-subordinated, adjustable or non-adjustable, secured or unsecured, with a term from 30 days to up to the current permitted maximum (30 years), for a maximum outstanding face value during the period of such program of up to US\$342.5 million. This program was approved by the CNV on November 4, 2005 and the extension of the program was approved by the CNV pursuant to Resolution No. 16,454, dated November 11, 2010. The term of the program is for five years commencing on the date of approval of the extension by the CNV. On May 4, 2011 Banco Galicia issued 8.75% Class I notes due 2018 in the aggregate principal amount of US\$300.0 million under this program. These notes are subject to a number of significant covenants, which are subject to important qualifications and exceptions, that, among other things, restrict the ability of (i) Banco Galicia and certain of its subsidiaries to directly or indirectly, create, incur, assume or suffer to exist liens upon its present or future assets to secure any indebtedness and (ii) Banco Galicia to merge, consolidate or amalgamate with or into, or convey or transfer or lease all or substantially all of its properties and assets, whether in one transaction or a series of related transactions.

Tarjeta Naranja S.A. has a program outstanding for the issuance and re-issuance of non-convertible notes, subordinated or non-subordinated, adjustable or non-adjustable, secured or unsecured, with a term from 30 days to up to the current permitted maximum (30 years), for a maximum outstanding face value during the period of such program of up to US\$450.0 million. The program was approved by the CNV on April 1, 2011. As of December 31, 2011, debt for a principal amount outstanding of US\$274.3 million had been issued under the program. Tarjeta Naranja S.A.'s program contains certain restrictions on liens, subject to the provisions established in the applicable pricing supplement with respect to each class and/or series of notes, so long as any note issued under such program remains outstanding. Certain notes issued under Tarjeta Naranja S.A.'s program are subject to covenants that limit the ability of Tarjeta Naranja S.A. and certain of its subsidiaries, subject to important qualifications and exceptions, to pay dividends on its capital stock or redeem, repurchase or retire its capital stock or subordinated indebtedness, make certain restricted payments, and consolidate, merge or transfer assets, among others.

Tarjetas Cuyanas S.A. has a program outstanding with the same characteristics, for a maximum outstanding face value during the period of such program of up to US\$120.0 million. The CNV approved the program on May 2, 2007 and approved the increase of its maximum outstanding face value to up to US\$120.0 million on April 6, 2010. As of December 31, 2011, debt for a principal amount outstanding of US\$58.9 million had been issued under this program.

CFA has a program outstanding for the issuance of ordinary short, medium or long term, secured or unsecured, subordinated or non-subordinated notes, for a maximum outstanding face value during the period of such program of up to Ps.200.0 million. The CNV approved this program on August 3, 2006, and approved an increase of its maximum outstanding face value to up to Ps.500.0 million on March 19, 2008.

On January 27, 2011 the CNV approved an extension of the program and the increase of its maximum outstanding face value to up to US\$250.0 million. On March 28, 2011 CFA issued debt in the aggregate principal amount of Ps.100.0 million, on July 19, 2011 CFA issued debt in the aggregate principal amount of Ps.102.0 million and on December 20, 2011 CFA issued debt in the aggregate principal amount of Ps.150.0 million under its program.

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The table below identifies the principal amounts of our main on balance-sheet contractual obligations, their currency of denomination, remaining maturity and interest rate and the breakdown of payments due, as of December 31, 2011.

	Maturity	Annual Interest Rate	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Grupo Financiero Galicia							
Bonds							
Notes Class II Series II Due 2012 (US\$)	2012	8.00%	78.1	78.1			
Notes Class II Series III Due 2013 (US\$)	2013	9.00%	109.6		109.6		
Loans							
Short-term Loans (Pesos)	2012	27.28%	19.6	19.6			
Banco Galicia							
Deposits							
Time Deposits (Pesos/US\$)	Various	Various	14,400.2	9,235.9	3,601.0	1,424.4	138.9
Bonds							
2019 Notes (US\$) ⁽¹⁾⁽²⁾	2019	11.00%	984.4				984.4
9% Notes Due 2003 (US\$) ⁽³⁾	2003	9.00%	13.6	13.6			
Fixed Rate Due 2018 (US\$)	2018	8.75%	1,304.3	26.4			1,277.9
Loans							
Floating Rate Loans Due 2019 (US\$) ⁽¹⁾⁽⁴⁾	2019	Libor + 578 b.p.	11.2				11.2
IFC Financial Loans (US\$)	Various	Libor + 350 b.p.	256.9	106.3	118.2	32.4	
Other Financial Loans (US\$) ⁽⁵⁾	2012	Various	1,162.9	1,145.2	17.7		
IDB Financial Loans (Pesos)	Various	Various	40.1	10.9	16.2	9.7	3.3
Fontar Financial Loans (Pesos)	Various	Various	34.8	12.5	14.3	6.5	1.5
BICE Financial Loans (Pesos)	Various	Various	21.0	6.5	10.6	3.9	
BICE Financial Loans (US\$)	Various	Various	52.6	10.4	19.5	9.7	13.0
Short-term Intrebank Loans (Pesos)	2012	9.76%	15.0	15.0			
Repurchases (US\$) ⁽⁶⁾	2012	Various	452.0	452.0			
Tarjetas Regionales							
Financial Loans with Local Banks (Pesos)	Various	Various	484.2	420.5	63.7		
Notes (Pesos/US\$)	Various	Various	1,448.9	434.1	159.3	570.3	285.2
CFA							
Local Financing (Pesos)	Various	Various	235.3	196.3	39.0		
Notes (Pesos)	Various	Various	290.0	126.9	163.1		
Total			21,414.7	12,310.2	4,332.2	2,056.9	2,715.4

Principal and interest. Includes the CER adjustment, where applicable.

(1) Issued in 2004 as part of the restructuring of the foreign debt of Banco Galicia's Head Office and its Cayman Branch.

(2) Subordinated Notes Due 2019: 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 notes 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, in whole or in part, at Banco Galicia's option, at any time, in accordance with the terms of the agreements governing such notes.

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- (3) *The balance represents debt not tendered by its holders to the exchange offered by Banco Galicia to restructure its foreign debt, which was completed in May 2004.*
- (4) *Interest payable in cash: Libor+78 b.p., 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 loans are previously redeemed, the annual interest rate will increase to Libor+578 b.p. per annum from that date until (but not including) January 1, 2019. Also pays interest in additional subordinated loans, 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 loans are previously redeemed at part plus accrued interest and additional amounts, if any, in whole or in part at Banco Galicia's option, in accordance with the terms of the agreements governing such loans.*
- (5) *Borrowings to finance international trade operations to Bank customers.*
- (6) *Includes premiums.*

Table of Contents*Off-Balance Sheet Contractual Obligations**Operating Leases*

As of December 31, 2011, we also had off-balance sheet contractual obligations arising from the leasing of certain properties used as a part of our distribution network. The estimated future lease payments in connection with these properties are as follows:

	<i>(In millions of Pesos)</i>
2012	75.41
2013	85.64
2014	95.48
2015	106.10
2016	116.47
2017 and After	126.16
Total	605.26

Other

As a shareholder of Aguas Cordobesas S.A., Banco Galicia is a guarantor with respect to compliance with certain obligations arising from the concession contract signed by Aguas Cordobesas S.A. In addition, Banco Galicia and the other shareholders committed, in certain circumstances, to provide financial support to the company if it was unable to fulfill the commitments it had undertaken with various international financial institutions.

Banco Galicia, as a shareholder and proportionally to its 10.833% interest, is jointly responsible, to the Province of Córdoba, for contractual obligations under the concession contract for its entire term. Should any of the other shareholders fail to comply with the commitments arising from their joint responsibility, the province may force Banco Galicia to assume the unfulfilled commitment, but only in proportion and to the extent of the interest held by Banco Galicia. See Note 3 to our consolidated financial statements.

Off-Balance Sheet Arrangements

Our off-balance sheet risk mainly arises from Banco Galicia's activities.

In the normal course of its business, Banco Galicia is a party to financial instruments with off-balance sheet risk which are entered into in order to meet the financing needs of its customers. These instruments expose us to credit risk in addition to the amounts recognized on our consolidated balance sheets. These financial instruments include commitments to extend credit, standby letters of credit, guarantees granted and acceptances.

Commitments to Extend Credit, Stand-By Letters of Credit and Guarantees Granted

Commitments to extend credit are agreements to lend to a customer at a future date, subject to meeting certain contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent actual future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

We use the same credit policies in making commitments, conditional obligations and guarantees as we do for granting loans. In the opinion of management, our outstanding commitments and guarantees do not represent unusual credit risk.

Standby letters of credit and guarantees granted are conditional commitments issued by Banco Galicia to guarantee the performance of a customer to a third party. Guarantees granted are surety guarantees in connection with transactions between two parties. Acceptances are conditional commitments for foreign trade transactions.

Our exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, guarantees granted and acceptances is represented by the contractual notional amount of those investments.

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Our credit exposure related to these items as of December 31, 2011, is summarized below:

	December 31, 2011
	<i>(in millions of Pesos)</i>
Commitments to Extend Credit	2,553.0
Standby Letters of Credit	403.7
Guarantees Granted	334.0
Acceptances	116.4

In addition to the above commitments, as of December 31, 2011, purchase limits available for credit-card holders amounted to Ps.36,378.7 million.

As of December 31, 2011, main fees related to the above-mentioned commitments were Ps.10.8 million corresponding to standby letters of credit, Ps.7.7 million from guarantees provided and Ps.1.5 million from commitments to extend credit.

The credit risk involved in issuing letters of credit and granting guarantees is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to our customers, we may require counter guarantees. As of December 31, 2011, these counter guarantees, classified by type, were as follows:

	December 31, 2011
	<i>(in millions of Pesos)</i>
Preferred Counter Guarantees	12.7
Other Counter Guarantees	99.7

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

Other

We account for checks drawn on us and other financial institutions, as well as other items in the process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until the related item clears or is accepted. In management's opinion, the risk of loss on these clearing transactions is not significant. The amounts of clearing items in process as of December 31, 2011, were as follows:

	December 31, 2011
	<i>(in millions of Pesos)</i>
Checks Drawn on Banco Galicia	421.3
Checks Drawn on Other Banks	659.8
Bills and Other Items for Collection	4,716.9

With respect to fiduciary risk, we act as trustee of trust agreements to guarantee obligations arising from various contracts between the parties. As of December 31, 2011, the trust funds amounted to Ps.3,265.7 million.

In addition, we hold securities in custody, which as of December 31, 2011 amounted to Ps.11,825.3 million.

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

Critical Accounting Policies

We believe that the following are our critical accounting policies under Argentine Banking GAAP, as they are important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

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Allowance for Loan Losses

Our allowance for loan losses including the allowance for loan losses of the Regional Credit Card Companies and CFA is maintained in accordance with Argentine Central Bank rules. Under such rules, a minimum allowance for loan losses is calculated primarily based upon the classification of Banco Galicia's commercial loan borrowers and upon delinquency aging (or the number of days the loan is past due) for individual loan borrowers of both Banco Galicia and the Regional Credit Card Companies and for Banco Galicia's commercial loans of less than Ps.750,000. Although we are required to follow the methodology and guidelines for determining the minimum loan loss allowance as set forth by the Argentine Central Bank, we are allowed to establish additional allowances for loan losses. The determination of the allowance for loan losses requires a significant degree of judgment.

For commercial loans, we are required to classify all of our commercial loan borrowers. In order to perform the classification, we must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower's payment history and ability to service the debt, the capability of the borrower's internal information and control systems and the risk in the sector in which the borrower operates. We apply the minimum loss percentages required by the Argentine Central Bank to our commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantee in respect of the loan. In addition, based on the overall risk of the portfolio, we consider whether or not additional loan loss reserves in excess of the minimum required are warranted.

For our consumer loan portfolio, including the loan portfolios of Banco Galicia, the Regional Credit Card Companies and CFA, we classify loans based upon delinquency aging, consistent with the requirements of the Argentine Central Bank. Minimum loss percentages required by the Argentine Central Bank are also applied to the totals in each loan classification.

Other Receivables Resulting from Financial Brokerage and Miscellaneous Receivables

We carry other receivables resulting from financial brokerage and miscellaneous receivables net of allowances for uncollectible amounts. Our judgment regarding the ultimate collectibility is performed on an account-by-account basis and considers our assessment of the borrower's ability to pay based on factors such as the borrower's financial condition, past payment history, guarantees and past-due status.

Goodwill

Goodwill is carried at cost less accumulated amortization. The carrying amount of goodwill is analyzed for impairment based on estimates of future undiscounted cash flows generated by the business acquired. The estimate of future cash flows requires complex management judgment.

Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

U.S. GAAP Critical Accounting Policies

Additional information in connection with critical accounting policies for U.S. GAAP purposes is described as follows.

Other-than-temporary impairment

Under U.S. GAAP, Argentine government bonds, including Bonar 2015 Bonds, Galtrust I and the investment in Almafuerde Special fund, were classified as available-for-sale securities, and therefore, carried at fair value with changes in the fair value reflected in other comprehensive income for the years ended December 31, 2011 and 2010.

Recognition and Presentation of Other-Than-Temporary Impairments ASC 320 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Impairment is now considered to be other than temporary if an entity:

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1. intends to sell the security;
2. is more likely than not to be required to sell the security before recovering its cost; or
3. does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss.

This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and it is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
2. all other changes in fair value.

Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income. This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

As of December 31, 2011 and 2010 the fair value of the securities exceeded their amortized cost. Therefore for U.S. GAAP purposes we concluded that there was no recognition of impairment.

Allowance for Loan Losses

Under U.S. GAAP, Banco Galicia considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans are assessed based on the present value of estimated future cash flows discounted at the current effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when discounted future cash flows or collateral fair value is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for individual loans, based on regular reviews of individual loans, recent loss experience, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing the potential collectibility and affecting the quality of the loan portfolio.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

Many factors can affect Banco Galicia's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

A ten percent decrease in the expected cash flows of significant impaired loans individually analyzed, could result in an additional impairment of approximately Ps.4.1 million.

A ten percent increase in the historical loss ratios for loans collectively analyzed could result in an additional impairment of approximately Ps.123.9 million.

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These sensitivity analyses do not represent management's expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and represent management's expectations about the credit risk inherent in its loan portfolio.

Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses.

Fair Value Estimates

A portion of our assets is carried at fair value, including trading and available-for-sale securities, retained interests in assets transferred to financial trusts, futures and forwards transactions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10, among other things, requires Grupo Financiero Galicia to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In addition, ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, Grupo Financiero Galicia has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

Fair Value Hierarchy

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Inputs include the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in non-active markets;
- (c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- (d)

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Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.
A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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Determination of Fair Value

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, Banco Galicia's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Grupo Financiero Galicia believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Impairment of Assets Other Than Loans

Certain assets, such as goodwill and equity investments are subject to an impairment review. Asset impairment charges require considerable judgment and are recorded when market value declines below the carrying value, for declines other-than-temporary, or where the cost of the asset is deemed to not be recoverable.

Goodwill impairment exists when the fair value of the reporting unit to which the goodwill is allocated is not enough to cover the book value of its assets and liabilities and the goodwill. The fair value of the reporting units is estimated using discounted cash flow techniques. The sustained value of the majority of the goodwill is supported ultimately by revenue from our banking and credit-card businesses. A decline in earnings as a result of a lack of growth, or our inability to deliver cost-effective services over sustained periods, could lead to a perceived impairment of goodwill, which would be evaluated and, if necessary, recorded as a write-down in our consolidated income statement. On an annual basis, or as circumstances dictate, management reviews goodwill and evaluates events or other developments that may indicate impairment in the carrying amount. The evaluation methodology for potential impairment is inherently complex and involves significant management judgment in the use of estimates and assumptions. These estimates involve many assumptions, including the expected results of the reporting unit, an assumed discount rate and an assumed growth rate for the reporting unit.

As of December 31, 2011 and 2010, no impairment was recorded

The fair value of equity investments is determined using discounted cash flow techniques. This technique involves complex management judgment in terms of estimating the future cash flows of the companies and in defining the applicable interest rate to discount those cash flows.

Deferred Tax Asset Valuation Allowance

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards. Recognition of those deferred tax assets is subject to management's judgment based on available evidence that realization is more likely than not and they are reduced, if necessary, by a valuation reserve. Management's judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain. This judgment involves estimating future taxable income and the timing at which the temporary differences between book and taxable income will be reversed. Underlying estimates and assumptions can change over time, influencing our overall tax positions, as a result of unanticipated events or circumstances.

As of December 31, 2010 and 2009, Grupo Financiero Galicia had tax loss carryforwards, which may reduce future year's taxable income for income tax purposes. Such tax loss carryforwards have been consumed as of December 31, 2011.

In addition, according to the taxable income projections, Grupo Financiero Galicia believes that is more likely than not that it will recover the temporary differences and the presumed minimum income tax, with future taxable income and the presumed minimum income tax will be utilized during the following years 2012 and 2013. Therefore, no valuation allowance was provided against presumed minimum income tax.

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Securizations

Under US GAAP, prior to January 1, 2010, Grupo Financiero Galicia adopted SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, as amended by SFAS 156, both of them codified under the topic ASC No. 860 *Transfers and Servicing* (ASC No. 860). ASC No. 860 required an entity to recognize the financial and servicing assets it controls and the liabilities it had incurred and to derecognize financial assets when control has been surrendered.

Effective January 1, 2010, Grupo Financiero Galicia implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for the transfers of financial assets and the consolidation of VIEs.

The new guidance eliminates the concept of QSPEs that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, Grupo Financiero Galicia must evaluate all existing securitization trusts that qualify as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

Insufficient equity investment at risk

Equity lacks decision-making rights

Equity with non-substantive voting rights

Lacking the obligation to absorb an entity's expected losses

Lacking the right to receive an entity's expected residual returns

Under the new guidance, the primary beneficiary is the part that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether Grupo Financiero Galicia has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, Grupo Financiero Galicia considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.

Under ASC 810-10-65, Banco Galicia should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. Grupo Financiero Galicia must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in Grupo Financiero Galicia's financial statements as of January 1, 2010, as if ASU 2009-17 had been effective as of the date of Grupo Financiero Galicia's initial involvement with the financial trusts. Any difference between the net amount added (assets less liabilities of each financial trusts where Grupo Financiero Galicia is primary beneficiary) from Grupo Financiero Galicia's balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings.

Based on the mentioned evaluation as of December 31, 2010 Grupo Financiero Galicia consolidated the financial trust Galtrust I in which Grupo Financiero Galicia had a controlling financial interest and for which it is the primary beneficiary.

Exchange of Assets

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In accordance with U.S. GAAP, specifically ASC 310-20, satisfaction of one monetary asset by the receipt of another monetary asset for the creditor is generally based on the market value of the asset received in satisfaction of the debt (an extinguishment). In this particular case, the securities being received are substantially different in structure and in interest rates than the debt securities swapped. Therefore, such amounts should initially be recognized at their fair value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.

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Banco Galicia exchanged Argentine government bonds denominated in Pesos at 2% due 2014 (Boden 2014 Bonds) with a face value of Ps.683.6 million (recorded in Banco Galicia's shareholders' equity in February 2009 within the scope of an exchange transaction of National Secured Loans at market price) for Bonar 2015 Bonds with a face value of Ps.912.7 million.

Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

Principal Trends

Related to Argentina

We expect the economy to continue growing at a moderate pace in 2012. However, the tempered growth of the global economy and volatile international markets, especially in Europe, will present a challenge for Latin America and the Argentine economy in particular. Consequently, it is possible that the Peso may depreciate as compared to the Dollar. To the extent that current exchange rates are maintained, the prices for the commodities exported by Argentina will be 10% below the 2011 average according to the Commodity Index prepared by the Argentine Central Bank. With respect to domestic risks, rising inflation rates remain the primary risk for the Argentine economy, in addition to the aforementioned external risks. Further, the impact of *La Niña* on the 2011/2012 agricultural and livestock production may affect GDP growth and domestic demand for goods may decrease in response to the conservative fiscal and monetary policies promoted by the Argentine government.

Related to the Financial System

With respect to the Argentine financial system, it is expected to continue to strengthen its solvency but at lower rates than previous years, as a result of lower growth levels of financial intermediation with the private sector. The ratio of loans to the private sector to GDP should gradually increase, although at much lower rates than those recorded in the years before the 2001-2002 crisis. For this purpose, it will be essential to overcome the difficulties that currently prevent an increase in the average maturity both of deposits and loans.

Income from services will continue to make up a large part of operating income while administrative expenses should grow less than in previous years due to a more challenging economic scenario negatively impacting the pace of the opening of new branches.

A lower GDP growth in 2012 will negatively impact the evolution of the portfolio quality, although the ongoing application of prudential measures and the high levels of allowances for the existing non-accrual loan portfolio should, we believe, at least partially mitigate the effect on net income.

Related to Us

It is expected that the level of activity of all of the subsidiaries of Grupo Financiero Galicia will be consistent with the expectations in this economic context. Given that Banco Galicia is the most significant asset of Grupo Financiero Galicia, we refer to the trends related to Banco Galicia.

In 2012, with the goal of continued improvement of recurring operating results, Banco Galicia will maintain its strategy of increasing its volume of intermediation activities with the private sector, controlling administrative expenses in an effort to improve operational efficiency and maintaining an adequate diversification and risk coverage.

With respect to the evolution of portfolio quality, we expect some deterioration due to both lower GDP and loan portfolio growth. Nevertheless, considering the reserves registered by Banco Galicia (Banco Galicia has a high coverage for the non-accruing portfolio with provisions), it is likely that the impact on the income statement will be limited.

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The analysis of these trends should be read in conjunction with the discussion in Item 3. Key Information Risk Factors , and with consideration that the Argentine economy has been historically volatile, which has negatively affected the volume and growth of the financial system.

Item 5.B. Liquidity and Capital Resources

Liquidity Holding Company on an Individual Basis

We generate our net earnings/losses from our operating subsidiaries, especially Banco Galicia, our main operating subsidiary. Although, from 2002 to 2010 we did not receive any dividends from Banco Galicia, it is the primary source of funds available to us. On April 27, 2011, Banco Galicia's shareholders held a shareholders' meeting during which they approved the distribution of cash dividends for a total amount of Ps.100.1 million. During May 2011, according to our participation of 94.84%, we received a cash dividend of Ps.94.9 million. Additionally, during 2011, we received from other subsidiaries cash dividends for Ps.38.9 million and Ps.18.8 million during 2010.

Banco Galicia's dividend-paying ability had been affected since late 2001 by the effects of the 2001-2002 crisis on its liquidity and income-generation capacity. In addition, there were other restrictions on Banco Galicia's ability to pay dividends resulting from applicable Argentine Central Bank rules and the loan agreements entered into by Banco Galicia as part of its foreign debt restructuring. See Item 8.

Financial Information-Dividend Policy and Dividends .

The extent to which a banking subsidiary may extend credit or otherwise provide funds to a holding company is limited by Argentine Central Bank rules. For a description of these rules, see Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

According to Grupo Financiero Galicia's policy for the distribution of dividends and due to the fact that most of the profits for fiscal year 2011 correspond to income by holdings and just a fraction corresponds to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations Law, and taking as well into consideration Grupo Financiero Galicia's financial condition at the shareholders meeting held on April 19, 2012, our shareholders approved the payment of dividends in cash for Ps.17.8 million, which represents 1.4% for the 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

Pursuant to the section incorporated after Section 25 of Act No. 23,966, Grupo Financiero Galicia will receive the reimbursement of tax withholdings related to the taxes paid on behalf of the shareholders subject to tax on personal assets as of December 31, 2011. As of December 31, 2011, Grupo Financiero Galicia, on an individual basis, had cash and due from banks of Ps.0.9 million and short-term investments of Ps.59.4 million. Grupo Financiero Galicia's short-term investments were made up of: (i) special current account deposits of Ps.55.9 million and (ii) investments in mutual funds of Ps.3.5 million.

As of December 31, 2010, Grupo Financiero Galicia, on an individual basis, had cash and due from banks of Ps.0.8 million and short-term investments of Ps.26.5 million. Grupo Financiero Galicia's short-term investments were made up of: (i) special current account deposits of Ps.24.8 million, (ii) time deposits of Ps.0.5 million, and (iii) investments in mutual funds of Ps.1.2 million.

As of December 31, 2009, Grupo Financiero Galicia, on an individual basis, had cash and due from banks of Ps.3.8 million and short-term investments of Ps.28.7 million. Grupo Financiero Galicia's short-term investments were made up of: (i) special current account deposits of Ps.3.2 million, (ii) time deposits of Ps.10.6 million, (iii) investments in mutual funds of Ps.1.8 million, (iv) notes issued by companies from abroad of Ps.5.6 million, and (v) ETFs of Ps.7.5 million.

In July 2007, in exercise of our preemptive rights, we used US\$102.2 million of face value of 2014 Notes and cash to subscribe for 93.6 million shares of Banco Galicia, in the offering carried out by Banco Galicia. To fund such cash subscription we entered into an US\$80 million loan agreement in July 2007, the first installment of which was repaid in July 2008, for US\$24.3 million (US\$18.0 million of principal and US\$6.3 million in interest).

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On January 6, 2009, the remaining outstanding of US\$62 million was cancelled in advance, with a single and final payment of US\$39.1 million, with our own funds and funds from financing granted by local entities.

On March 9, 2009, our shareholders held the general ordinary shareholders meeting during which they approved the creation of a global program for simple notes, not convertible into shares, for a maximum principal amount of US\$60.0 million. On June 4, 2009 Series I and Series II notes corresponding to the Class I notes were issued in the amount of US\$45.0 million. Series I, with a one-year term, was issued for a principal amount of US\$34.4 million and a yield of 8%; Series II, with a two-year term, was issued for a principal amount of US\$10.6 million and an annual yield of 10.5%. With the proceeds of these issuances, we proceeded to cancel the funding from local entities.

On April 14, 2010, Grupo Financiero Galicia's shareholders held the ordinary and extraordinary shareholders meeting during which they approved an extension of US\$40 million in the amount of the global program of simple short-, medium- and/or long- term notes. Therefore, the maximum amount of the program, which was originally set at US\$60.0 million or its equivalent in any other currency, was increased to US\$100.0 million or its equivalent in any other currency.

Furthermore, during fiscal year 2010 Grupo Financiero Galicia made an offer of notes for a face value of US\$45.0 million. The subscription period for such notes ended on June 4, 2010; the notes were fully subscribed for and Grupo Financiero Galicia decided not to issue the Series I notes, which were planned to be issued at a discount. The cut-off rate for the Series II notes was 101.82%, for a face value of US\$18.1 million, equivalent to a 7% annual yield. With respect to the Series III notes, the cut-off rate was 101.28%, for a face value of US\$26.9 million, equivalent to an 8.5% annual yield. Accordingly, during fiscal year 2010, Grupo Financiero Galicia repaid, upon maturity, the Class I, Series I notes for US\$34.4 million. During 2011, Grupo Financiero Galicia repaid, upon maturity, Class I, Series II notes for US\$10.6 million.

Each of our subsidiaries is responsible for their own liquidity management. For a discussion of Banco Galicia's liquidity management, see -Banco Galicia's Liquidity Management-Banco Galicia (Unconsolidated) Liquidity Management .

Consolidated Cash Flows

Our consolidated statements of cash flows were prepared using the presentation and measurement methods prescribed by the Argentine Central Bank. See our consolidated cash flow statement as of and for the fiscal year ended December 31, 2011, and our revised consolidated cash flow statements as of and for the fiscal years ended December 31, 2010 and December 31, 2009, included in this annual report.

As of December 31, 2011, on a consolidated basis, we had Ps.10,269.8 million in available cash (defined as total cash and cash equivalents), representing a Ps.2,826.3 million increase from the Ps.7,443.5 million as of December 31, 2010. At the end of fiscal year 2010, our available cash (and cash equivalents) had increased in the amount of Ps.2,014.8 million from the Ps.5,428.7 million of available cash (and cash equivalents) at the end of the prior fiscal year.

Effective May 14, 2007, and in accordance with the provisions of Argentine Central Bank's Communiqué A 4667, cash equivalents are comprised of the following: Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that does not exceed 90 days, securities in connection with reverse repurchase agreement transactions with the Argentine Central Bank, short term call loans to corporations, local interbank loans and overnight placements in correspondent banks abroad. Cash equivalents also comprise, in the case of the Regional Credit Card Companies, time deposit certificates and mutual fund shares.

The table below summarizes the information from our consolidated statements of cash flows for the three fiscal years ended December 31, 2011, 2010 and 2009 which is also discussed in more detail below.

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	2011	December 31, 2010 (2)	2009 (2)
		<i>(in millions of Pesos)</i>	
Funds (1) at the Beginning of the Fiscal Year	Ps. 7,443.5	Ps. 5,428.7	Ps. 4,795.4
Funds Provided (Used) by Operating Activities	457.7	2,762.9	1,274.4
- Net (Increase)/Decrease in Government and Private Securities	(245.5)	2,911.0	711.1
- Net (Increase)/Decrease in Loans	(5,012.3)	(4,453.4)	(1,477.4)
- Net Increase/(Decrease) in Deposits	6,219.3	4,181.0	1,836.9
- Other	(503.8)	124.3	203.8
Funds Provided (Used) by Investing Activities	(273.4)	(363.3)	(84.5)
- Payments for bank premises, equipment and miscellaneous assets, net	(258.3)	(133.7)	(76.5)
- Payments for equity investments	(15.1)	(347.2)	(8.0)
- Other		117.6	
Funds Provided (Used) by Financing Activities	2,396.5	(495.9)	(733.3)
- Net Increase/(Decrease) in negotiable obligations	1,547.3	(1,012.3)	(445.9)
- Net Increase/(Decrease) in banks and international entities	757.8	96.5	(188.9)
- Net Increase/(Decrease) in loans from local financial institutions	135.6	430.0	(97.0)
- Other	(44.2)	(10.1)	(1.5)
-Effect of Exchange Rate on Cash and Cash Equivalents	245.5	111.1	176.7
Funds at the End of the Fiscal Year	Ps. 10,269.8	Ps. 7,443.5	Ps. 5,428.7

(1) Cash and cash equivalents.

(2) Revised from its original version as mentioned in Note 2 to the Consolidated Financial Statements included in this annual report.

Under Argentine Banking GAAP, our operating activities include the operating results, the origination of loans and other credits to the private sector, as well as raising customer deposits and entering into sales of government securities under repurchase agreement transactions. Our financing activities include issuing bonds in the local and foreign capital markets and borrowing from foreign and local banks and international credit agencies. Our investing activities primarily consist of the acquisition of equity investments and purchasing of bank premises and equipment.

Management believes that cash flows from operations and available cash and cash equivalent balances, will be sufficient to fund our financial commitments and capital expenditures for fiscal year 2012.

Cash Flows from Operating Activities

In fiscal year 2011, net cash provided by operating activities amounted to Ps.457.7 million, due to a Ps.6,219.3 million increase in deposits, corresponding to: (a) an increase of Ps.3,045.6 million in demand deposits and (b) an increase of Ps.3,173.7 million in time deposits, that was partially offset by the increase of Ps.5,012.3 million in loans mainly attributable to our private-sector loan portfolio origination. In addition, net cash was used by other variations in operating assets and liabilities: (i) Ps.245.5 million increase in government and private securities comprised of an increase of Ps.364.5 million in net repurchase agreement transactions and offset by proceeds of Ps.119.0 million from the sale of Argentine Central Bank debt instruments (Nobac and Lebac) and other securities, (ii) Ps.385.4 million of organization and development expenses, and (iii) Ps.118.4 million due to the increase of net other assets and liabilities.

In fiscal year 2010, net cash provided by operating activities amounted to Ps.2,762.9 million. This increase was mainly attributable to the decrease in government and private securities of Ps.2,911.0 related to sales and the collection of amortization and interest on Boden 2012 Bonds

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for Ps.1,808.6 million, Ps.487.2 million of sales of Discount Bonds, Ps.363.6 million due to the decrease of Argentine Central Bank debt instruments (Nobac and Lebac), Ps.80.7 million of sales of Bonar 2015 Bonds, and a Ps.170.9 million decrease corresponding to other securities. The increase in deposits of Ps.4,181.0 million, corresponding to: (a) an increase of Ps.3,326.9 million in demand deposits and (b) an increase of Ps.854.1 million in time deposits, was offset by the increase of Ps.4,453.4 million in loans mainly attributable to our private-sector loan portfolio origination. In addition, net cash was provided by other fluctuations in operating assets and liabilities of Ps.124.3 million.

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In fiscal year 2009, net cash provided by operating activities amounted to Ps.1,274.4 million, due to a Ps.1,836.9 million increase in deposits, corresponding to: (a) an increase of Ps.1,793.9 million in demand deposits and (b) an increase of Ps.43.0 million in time deposits, that was partially offset by the increase of Ps.1,477.4 million in loans mainly attributable to our private-sector loan portfolio origination. In addition, net cash was provided by other variations in operating assets and liabilities: Ps.711.1 million of the decrease in government and private securities attributable to sales and to the collection of amortization and interest on Boden 2012 Bonds for Ps.637.4 million and the decrease of Ps.73.7 million of other securities and Ps.203.8 million due to the decrease of net other assets and liabilities.

Cash Flows from Investing Activities

In fiscal year 2011, net cash used by investing activities amounted to Ps.273.4 million mainly attributable to the acquisition of bank premises and equipment of Ps.165.1 million and miscellaneous assets of Ps.93.2 million. In addition, net cash was used by other fluctuations of Ps.15.1 million corresponding to other investing assets.

In fiscal year 2010, net cash used by investing activities amounted to Ps.363.3 million. Cash equal to Ps.133.7 million was applied to bank premises and equipment and miscellaneous assets and Ps.347.2 million attributable to investments in other companies mainly related to the acquisition of CFA. These amounts were offset by Ps.117.6 million provided by other investing assets.

In fiscal year 2009, net cash used by investing activities amounted to Ps.84.5 million mainly attributable to the acquisition of bank premises and equipment of Ps.42.7 million and miscellaneous assets of Ps.33.8 million. In addition, net cash was used by other fluctuations of Ps.8.0 million corresponding to other investing assets.

Cash Flows from Financing Activities

In fiscal year 2011, financing activities generated cash in the amount of Ps.2,396.5 million due to the issuance of notes and long term foreign credit facilities in the amount of Ps.3,185.0 million and the increase in short-term borrowings of Ps.135.6 million. These amounts were offset by: (a) payments of long-term debt for Ps.879.9 million and (b) a net decrease in others fluctuations of Ps.44.2 million corresponding to other financing activities.

In fiscal year 2010, financing activities used cash in the amount of Ps.495.9 million due to: (a) payments of interest on restructured debt, the payment of two amortization installments on debt due 2010 and the prepayment of Banco Galicia's 2014 Notes for Ps.1,031.7 million, (b) payments of long-term debt for Ps.421.1 million and (c) a Ps.460.3 million net increase in funds obtained by the Regional Credit Card Companies through the issuance of notes and long term foreign credit facilities, (d) the increase in short-term borrowings of Ps.430.0 million and (e) a Ps 66.6 million net increase in other liabilities corresponding to financing activities.

In fiscal year 2009, financing activities used cash in the amount of Ps.733.3 million due to: (i) a Ps.634.8 million net decrease in long term credit facilities, mainly corresponding to: (a) payments of interest on restructured debt for US\$41.4 million, (b) the payment of two amortization installments on debt due 2010 for US\$68.4 million, (c) the prepayment of Banco Galicia's 2014 Notes for US\$77.3 million, (d) a decrease of Ps.6.8 million of IFC loans and (e) a Ps.86 million net decrease in funds obtained by the Regional Credit Card Companies through the issuance of notes; and (ii) a Ps. 97.0 million net decrease in borrowings from local banks.

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For a description of the types of financial interests we use and the maturity profile of our debt, currency and interest rate structure, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results .

Banco Galicia s Liquidity Management*Banco Galicia Consolidated Liquidity Gaps*

Liquidity risk is the risk that liquid assets are not available for Banco Galicia to meet financial commitments at contractual maturity, take advantage of potential investment opportunities and meet demand for credit. To monitor and control liquidity risk, Banco Galicia monitors and systematically calculates the gaps between financial assets and liabilities maturing within set time intervals based on contractual remaining maturity, on a consolidated basis with the Regional Credit Card Companies and CFA. All of the deposits in current accounts and other demand deposits and deposits in savings accounts are included in the first time interval. These figures are used to simulate different liquidity crisis scenarios based on assumptions stemming from historical experience.

As of December 31, 2011, the consolidated gaps between maturities of Banco Galicia s financial assets and liabilities based on contractual remaining maturity were as follows

	As of December 31, 2011 ⁽¹⁾				
	Less than one Year	1 5 Years	5 10 Years	Over 10 Years	Total
<i>(in millions of Pesos, except ratios)</i>					
Assets					
Cash and Due from Banks	2,475.3				2,475.3
Argentine Central Bank Escrow Accounts	4,381.8				4,381.8
Overnight Placements	66.0				66.0
Loans Public Sector	314.9				314.9
Loans Private Sector	25,488.1	4,424.5	178.6	10.7	30,101.9
Government Securities	3,294.9	778.1			4,073.0
Notes and Corporate Securities	74.6	34.3	28.3		137.2
Financial Trusts	483.2	558.4	147.1		1,188.7
Special Fund Former Almafuerde Bank		168.0			168.0
Other Financing	132.2				132.2
Receivables from Financial Leases	229.5	376.7	39.4	1.4	647.0
Other	1,504.8				1,504.8
Total Assets	38,445.3	6,340.0	393.4	12.1	45,190.8
Liabilities					
Savings Accounts	7,800.1				7,800.1
Demand Deposits	7,732.9				7,732.9
Time Deposits	14,367.5	18.3			14,385.8
Notes	535.2	1,838.0	1,565.9		3,939.1
International Banks and Credit Agencies	1,248.1	221.7			1,469.8
Domestic Banks	645.9	198.0	4.8	0.1	848.8
Other Liabilities ⁽¹⁾	6,052.3				6,052.3
Total Liabilities	38,382.0	2,276.0	1,570.7	0.1	42,228.8
Asset / Liability Gap	63.3	4,064.0	(1,177.3)	12.0	2,962.0
Cumulative Gap	63.3	4,127.3	2,950.0	2,962.0	2,962.0
Ratio of Cumulative Gap to Cumulative Liabilities	0.2%	10.2%	7.0%	7.0%	
Ratio of Cumulative Gap to Total Liabilities	0.2%	9.8%	7.0%	7.0%	

Principal plus CER adjustment. Does not include interest.

(1) *Includes, mainly, debt with retailers due to credit card operations, liabilities in connection with repurchase transactions, debt with domestic credit agencies and collections for third parties. The Less than One Year bucket also includes Ps.7.1 million corresponding to Banco Galicia's foreign debt not tendered by its holders in the exchange offered to restructure such foreign debt, which was completed in May 2004.*

The table above is prepared taking into account contractual maturity. Therefore, all financial assets and liabilities with no maturity date are included in the Less than One Year category.

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Banco Galicia must comply with a maximum limit set by its board of directors for liquidity mismatches. This limit has been established at -25% (minus 25%) for the ratio of cumulative gap to total liabilities within the first year. As shown in the table above, Banco Galicia complies with the established policy, since such gap was 0.2% as of December 31, 2011.

Banco Galicia (Unconsolidated) Liquidity Management

The following is a discussion of Banco Galicia's liquidity management, excluding the consolidated companies.

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 customer's credit demand. To set the appropriate level, forecasts are made based on historical experience and on an 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. As of December 31, 2011, Banco Galicia's unconsolidated liquidity structure was as follows:

	As of December 31, 2011 <i>(in millions of Pesos)</i>
Legal Requirement	Ps.6,303.3
Management Liquidity	4,671.4
Total Liquidity ⁽¹⁾	Ps.10,974.7

(1) Excludes cash and due from banks of consolidated companies.

The legal liquidity requirements in the table above correspond to the Minimum Cash Requirements for Peso- and Dollar-denominated liabilities determined by Argentine Central Bank regulations. For more information on the Argentine Central Bank regulations regarding reserve requirements for liquidity purposes, see Item 4. Information on the Company-Argentine Banking Regulation-Legal Reserve Requirements for Liquidity Purposes .

The assets included in this calculation are technical cash, which consists of bills and coins, the balances of Peso- and Dollar-denominated deposit accounts at the Argentine Central Bank and escrow accounts held at the Argentine Central Bank in favor of clearing houses.

Management liquidity consists of the following items: (i) 100% of the balance of overnight placements in banks abroad, (ii) the net amount of the margin requirement for short-term loans (call loans) to highly-rated companies, (iii) 90% of the Lebac balance, (iv) 100% of the market value of available government securities, due to the potential liquidity that might be obtained through sales or repurchase transactions, (v) net short-term interbank loans (call loans), and (vi) 100% of the balance at the Argentine Central Bank, including escrow accounts in favor of clearing houses, in excess of the amounts necessary to cover the Minimum Cash Requirements.

Capital

Our capital management policy is designed to ensure prudent levels of capital. The following table analyzes our capital resources as of the dates indicated.

	As of December 31,		
	2011	2010	2009
	<i>(in millions of Pesos, except ratios, multiples and percentages)</i>		
Shareholders' Equity	Ps.3,551.6	Ps.2,469.5	Ps.2,052.5
Shareholders' Equity as a Percentage of Total Assets	6.94%	6.92%	7.44%
Total Liabilities as a Multiple of Total Shareholders' Equity	13.41x	13.46x	12.45x
Tangible Shareholders' Equity ⁽¹⁾ as a Percentage of Total Assets	5.53%	5.64%	5.36%

(1) *Tangible shareholders' equity represents shareholders' equity minus intangible assets.*

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For information on our capital adequacy and that of our operating subsidiaries, see Item 4. Information on the Company-Selected Statistical Information-Regulatory Capital .

Capital Expenditures

In the course of our business, our capital expenditures are mainly related to fixed assets, construction and organizational and IT system development. In general terms, our capital expenditures are not significant when compared to our total assets.

For a more detailed description of our capital expenditures in 2011 and our capital commitments for 2012, see Item 4. Information on the Company-Capital Investments and Divestitures . For a description of financing of our capital expenditures, see -Consolidated Cash Flows .

Item 6. Directors, Senior Management and Employees**Our Board of Directors**

Our ordinary shareholders meeting took place on April 19, 2012. The following table sets out the members of our Board of Directors as of that date (all of whom reside in Buenos Aires, Argentina), the positions they hold within Grupo Financiero Galicia, their dates of birth, their principal occupations and the dates of their appointment and on which their current terms will expire. Terms expire when the annual shareholders meeting takes place.

Name	Position	Date of Birth	Principal Occupation	Member Since	Current Term Ends
Eduardo J. Escasany	Chairman	June 30, 1950	Businessman	April 2005	December 2012
Pablo Gutierrez	Vice chairman	December 9, 1959	Banker	April 2003	December 2012
Abel Ayerza	Director	May 27, 1939	Businessman	September 1999	December 2014
Federico Braun	Director	February 4, 1950	Businessman	September 1999	December 2013
Enrique Martin	Director	October 19, 1945	Businessman	April 2006	December 2014
Luis O. Oddone	Director	May 11, 1938	Businessman	April 2005	December 2012
Silvestre Vila Moret	Director	April 26, 1971	Businessman	June 2002	December 2013
Antonio R. Garcés	Director	May 30, 1942	Banker	April 2012	December 2014
Guido C. Forcieri	Director	May 15, 1980	Lawyer	April 2011	December 2013
María Ofelia Hordeñana de Escasany	Alternate Director	December 30, 1920	Businesswoman	April 2000	December 2013
Sergio Grinenco	Alternate Director	May 26, 1948	Banker	April 2003	December 2014
Alejandro Rojas Lagarde	Alternate Director	July 17, 1937	Lawyer	April 2000	December 2014
Luis S. Monsegur	Alternate Director	August 15, 1936	Accountant	April 2000	December 2014

The following is a summary of the biographies of the members of our Board of Directors:

Eduardo J. Escasany: Mr. Escasany obtained a degree in economics at the Universidad Católica Argentina. He was associated with Banco Galicia from 1973 to 2002. He was appointed to Banco Galicia's board of directors in 1975. In 1979, he was elected as the vice chairman and from 1989 to March 21, 2002 he was the chairman of Banco Galicia's board of directors and its chief executive officer. He served as the vice chairman of the board between 1989 and 1993 and then, he was elected as the chairman of the Argentine Bankers Association from 1993 to 2002. He was also chairman of the Board of Directors from September, 1999 until June, 2002. He was elected again as a member of the Board of Directors in April 2005, and re-elected in April 2007. In April 2010, he was re-elected as member of the Board of Directors and appointed as chairman. He is also a lifetime trustee and vice chairman of the Fundación Banco de Galicia y Buenos Aires. Mr. Escasany is Mrs. María Ofelia Hordeñana de Escasany's son and Mr. Silvestre Vila Moret's uncle.

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Pablo Gutierrez: Mr. Gutierrez obtained a degree in business administration at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1985. In April 2005, he was appointed to the board of directors of Banco Galicia. He served as the head of Banco Galicia's Treasury Division until April 2007. Mr. Gutierrez is also chairman of Galicia Valores, director of Argenclear S.A., vice chairman of Galicia Pension Fund Limited and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. He has been an alternate director of Grupo Financiero Galicia since April 2003, and was re-elected in April 2006 and in April 2009. In April 2010, he was re-elected as member of the Board of Directors and appointed as vice chairman. Mr. Gutierrez is Mr. Abel Ayerza's nephew.

Abel Ayerza: Mr. Ayerza obtained a degree in business administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1966 to 2002, having served as a member of Banco Galicia's board of directors from 1976 to 2002. Mr. Ayerza is also the chairman of Aygalpla S.A., a lifetime trustee and second vice chairman of the Fundación Banco de Galicia y Buenos Aires and the managing partner of Cribelco S.R.L., Crisabe S.R.L. and Huinca Cereales S.R.L. He has been a member of the Board of Directors since September, 1999. In April 2000 he was elected as vice chairman, and on June 3, 2002 he was appointed as chairman of the Board of Directors. On April 23, 2003 he was elected for his current position, and later he was re-elected on April 27, 2006 and on April 28, 2009. Mr. Ayerza is the uncle of Mr. Pablo Gutierrez.

Federico Braun: Mr. Braun obtained a degree in industrial engineering at the Universidad de Buenos Aires. He was associated with Banco Galicia from 1984 to 2002, having served as a member of the Board of Directors during such period. Mr. Braun is also the chairman of Asociación Argentina de Codificación de Productos Comerciales (Código), Campos de la Patagonia S.A., Estancia Anita S.A. and S.A. Importadora and Exportadora de la Patagonia; the vice chairman of Club de Campo Los Pingüinos S.A., Inmobiliaria y Financiera La Josefina S.A. and Asociación de Supermercados Unidos y Mayorista Net S.A.; a member of Asociación Empresaria Argentina and a lifetime trustee of the Fundación Banco de Galicia y Buenos Aires. He has been a member of the Board of Directors since September, 1999. He was elected for his current position on June 3, 2002, and was re-elected on April 28, 2005, on April 29, 2008 and on April 27, 2011.

Enrique Martin: Mr. Martin obtained a degree in law at the Universidad de Buenos Aires. He was a professor at said university for more than 20 years and has a post-graduate certificate in international economics from the University of London. He was associated with Banco Galicia from 1977 until 2002 and was responsible for the International Banking Relations Department. Mr. Martin is Advisor to ZEIG S.A. He is also a director of the Argentine-Chilean Chamber of Commerce and an advisor to the Canadian-Argentine Chamber of Commerce. He has been a member of the Board of Directors since April 2006, and was re-elected in April 2009.

Luis Oddone: Mr. Oddone obtained a degree in national public accounting at the Universidad de Buenos Aires. He was appointed as Grupo Financiero Galicia's syndic from 1999 until April 2005. Mr. Oddone is also the chairman of La Cigarrá S.A. and Scharstof S.A., a director of Petrolera de Conosur S.A. and a syndic for Santa Emilia de Martín S.A. and Promotora S.A. He has been a member of the Board of Directors since April, 2005, and was re-elected in April 2007 and in April 2010.

Silvestre Vila Moret: Mr. Vila Moret obtained a degree in banking administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1997 until May 2002. Mr. Vila Moret is also vice chairman of El Benteveo S.A. and Santa Ofelia S.A. He has been a member of the Board of Directors since June 2002, and was re-elected in April 2005, 2008 and 2011. Mr. Vila Moret is the grandson of Mrs. María Ofelia Hordeñana de Escasany and nephew of Mr. Eduardo J. Escasany.

Antonio Roberto Garcés: Mr. Garcés obtained a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1959. In April 1985, he was appointed as an alternate director of Banco Galicia. Subsequently, he was appointed as the vice chairman of Banco Galicia in September 2001, the chairman of the board of directors of Banco Galicia from March 2002 until August 2002, and then the vice chairman from August 2002 until April 2003, when he was elected as the chairman of Banco Galicia's board of directors, a position he currently holds, after being re-elected on April 28, 2009. From April 2003 until April 2011, he was a member of the Board of Directors and served as its chairman from April 23, 2003 to April 2010. Mr. Garcés is also the first vice chairman of the Argentine Bankers Association (ADEBA), a director of CFA and a lifetime trustee of the Fundación Banco de Galicia y Buenos Aires.

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Guido C. Forcieri: Mr. Forcieri obtained a degree in Law at the Universidad Argentina de la Empresa (UADE) in 2005 and a Master in Finance at the Universidad del CEMA in 2008. As from 2006 to 2010, he held different offices in ANSES, performing duties in its Technical and Administrative Department and its Acquisitions and Public Contracts Office, as well as in the Wealth Fund for the Pension System (Fondo de Garantía de Sustentabilidad para el Sistema Integrado Previsional Argentino FGS-SIPA), where he served as Liaison Manager from 2009 through May 2010. During the same period, he was a regular director at Quickfood S.A., a public company partially owned by the FGS-SIPA. As from May to August 2010 he served as Acting Chief of Staff at the Argentine Ministry of Economy and Finance, when he was confirmed by Presidential Decree 1,182/10. He remains in office. Amongst the duties entrusted to him, Mr. Forcieri represents Argentina as Deputy Finance Minister to the Group of Twenty and chairs the Ministry's Working Group for the Analysis of Investment Projects applying to the Bicentennial Investment Loans Programme (Programa de Financiamiento Productivo del Bicentenario).

María Ofelia Hordeñana de Escasany: Mrs. Hordeñana de Escasany has held several positions in different subsidiaries of Banco Galicia. She is currently the chairman of the Fundación Banco de Galicia y Buenos Aires and Santamera S.A. She has been an alternate director of Grupo Financiero Galicia since April 2000, and was re-elected to her current position in April 2005, 2008 and 2011. Mrs. Hordeñana de Escasany is the mother of Mr. Eduardo J. Escasany and the grandmother of Mr. Silvestre Vila Moret.

Sergio Grinenco: Mr. Grinenco obtained a degree in economics at the Universidad Católica Argentina and a master's degree in business administration from Babson College in Wellesley, Massachusetts. He has been associated with Banco Galicia since 1977. He was elected as an alternate director of Banco Galicia in September 2001 and as the vice chairman in April 2003, a position he held until 2012, when he was appointed as chairman of Banco Galicia, a position he currently holds. Mr. Grinenco is also the chairman of Galicia Factoring y Leasing S.A., liquidator of Galicia Capital Markets S.A. (in liquidation) and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires.

Alejandro María Rojas Lagarde: Mr. Rojas obtained a degree in law at the Universidad de Buenos Aires. He has held a variety of positions at Banco Galicia since 1963. From 1965 to January 2000, he was responsible for the general counsel office of Banco Galicia. He was re-elected to his current position in April 2005 and in April 2008. He is also a manager of Rojas Lagarde S.R.L., director of Santiago Salud S.A. and lifetime trustee of the Fundación Banco de Galicia y Buenos Aires.

Luis Sila Monsegur: Mr. Monsegur obtained a degree in national public accounting at the Universidad de Buenos Aires. He held a variety of positions at Banco Galicia from 1962 to 1992 and is an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. He was re-elected to his current position in April 2005, 2008 and 2011.

Our Board of Directors may consist of between three and nine permanent members. Currently our Board of Directors has nine members. In addition, the number of alternate directors-individuals who act in the temporary or permanent absence of a director-has been set at four. The directors and alternate directors are elected by the shareholders at our annual general shareholders' meeting. Directors and alternate directors are elected for a three-year term.

Messrs. Sergio Grinenco and Pablo Gutiérrez are also directors of Banco Galicia. In addition, some members of our Board of Directors may serve on the board of directors of any subsidiary.

Five of our directors and one of our alternate directors are members of the families that are the controlling shareholders of Grupo Financiero Galicia.

Our Audit Committee

In compliance with CNV rules regarding the composition of the Audit Committee of companies listed in Argentina, which require that the Audit Committee be comprised of at least three directors, with a majority of independent directors, the Board of Directors established an Audit Committee with three members. Currently, Messrs. Luis O. Oddone, Antonio R. Garcés and C. Enrique Martin are the members of the Audit Committee. Our Audit Committee is comprised of two independent directors under the CNV and Nasdaq requirements. All three members of the Audit Committee are financially literate and have extensive managerial experience. Mr. Oddone is the financial expert serving on our Audit Committee.

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According to the CNV rules, the Audit Committee is primarily responsible for (i) issuing a report on the Board of Directors' proposals for the appointment of the independent auditors and the compensation for the Directors, (ii) issuing a report detailing the activities performed according to the CNV requirements, (iii) issuing the Audit Committee's annual plan and implementing the plan each fiscal year, (iv) evaluating the external auditors' independence, work plans and performance, (v) evaluating the plans and performance of the internal auditors, (vi) supervising the reliability of our internal control systems, including the accounting system, and of external reporting of financial or other information, (vii) following-up on the use of information policies on risk management at Grupo Financiero Galicia's main subsidiaries, (viii) evaluating the reliability of the financial information to be filed with the CNV and the SEC, (ix) verifying compliance with the applicable conduct rules, and (x) issuing a report on related party transactions and disclosing any transaction where a conflict of interest exists with corporate governance bodies and controlling shareholders. The Audit Committee has access to all information and documentation that it requires and is broadly empowered to fulfill its duties. During 2011, the Audit Committee held twelve meetings.

Our Supervisory Committee

Our bylaws provide for a Supervisory Committee consisting of three members who are referred to as syndics (syndics) and three alternate members who are referred to as alternate syndics (alternate syndics). In accordance with the Corporations' Law and our bylaws, the syndics and alternate syndics are responsible for ensuring that all of our actions are in accordance with applicable Argentine law. Syndics and alternate syndics are elected by the shareholders at the annual general shareholders' meeting. Syndics and alternate syndics do not have management functions. Syndics are responsible for, among other things, preparing a report to shareholders analyzing our financial statements for each year and recommending to the shareholders whether to approve such financial statements. Alternate syndics act in the temporary or permanent absence of a syndic. Currently, there are three syndics and three alternate syndics. Syndics and alternate syndics are elected for a one-year term.

The following table shows the members of our Supervisory Committee. Each of our syndics was appointed at the ordinary shareholders' meeting held on April 19, 2012. Terms expire when the annual shareholders' meeting takes place.

Name	Position	Principal Occupation	Current Term Ends
Norberto Corizzo	Syndic	Accountant	December 2012
Luis A. Díaz	Syndic	Accountant	December 2012
Enrique M. Garda Olaciregui	Syndic	Lawyer	December 2012
Miguel Armando	Alternate Syndic	Lawyer	December 2012
Fernando Noetinger	Alternate Syndic	Lawyer	December 2012
Horacio Tedín	Alternate Syndic	Lawyer	December 2012

The following is a summary of the biographies of the members of our Supervisory Committee:

Norberto Corizzo: Mr. Corizzo obtained a degree in national public accounting at the Universidad de Buenos Aires. He has developed taxes activities in companies such as López González Raimondi y Asoc., Noel y Cía and Price Waterhouse. He has been syndic at Grupo Financiero Galicia since April 2003. He has been associated with Banco Galicia since 1977. Mr. Corizzo is also a syndic of Banco Galicia, EBA Holding, Tarjetas Regionales, Cobranzas Regionales S.A., Tarjeta Naranja S.A., Tarjetas Cuyanas S.A., Tarjetas del Mar S.A., CFA, and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

Luis Díaz: Mr. Díaz obtained a degree in national public accounting at the Universidad de Buenos Aires. He has provided services to Banco Galicia since 1965, and was elected as a syndic of Banco Galicia and Grupo Financiero Galicia at the shareholders' meetings held on April 28, 2009. Additionally, he is a syndic of Tarjetas Regionales, Tarjetas del Mar S.A., Galicia Factoring y Leasing S.A. (in liquidation), Galicia Valores, Galicia Warrants, CFA and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

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Enrique M. Garda Olaciregui: Mr. Garda Olaciregui obtained a degree in law at the Universidad del Salvador. He has a master in Finances at Universidad del CEMA and a degree in Corporate Law at Universidad Austral. He has been associated with Banco Galicia since 1970. He served as legal advisor to Banco Galicia between September 2001 and April 2003. He has provided services as a Secretary Director between April 2003 and April 2010, when he was designated as regular syndic of Banco de Galicia. Additionally, he is a regular syndic at Grupo Financiero Galicia, Galicia Factoring y Leasing (in liquidation), Galicia Warrants, Tarjetas Regionales, GV Mandataria, Tarjetas Cuyanas S.A., Tarjeta Naranja S.A. Tarjetas del Mar S.A., Galicia Valores, Galicia Capital Markets S.A. (in liquidation), Cobranzas Regionales S.A., CFA and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

Miguel Armando: Mr. Armando obtained a degree in law at the Universidad de Buenos Aires. He was first elected as an alternate syndic of Banco Galicia in 1986. He is vice chairman of Arnoar S.A. and member of the board of Directors of Santiago de Compostela Promotora de Seguros S.A. Mr. Armando is also a syndic of EBA Holding S.A. and an alternate syndic of Banco Galicia, Grupo Financiero Galicia, Galicia Valores, Tarjetas Regionales, Tarjeta Naranja S.A., Tarjetas Cuyanas S.A., Tarjetas del Mar S.A. and CFA, among others.

Fernando Noetinger: Mr. Noetinger obtained a degree in law at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1987. Mr. Noetinger is also chairman of Arnoar S.A., and an alternate syndic of EBA Holding S.A., Banco Galicia, Electrigal S.A., GV Mandataria, Tarjetas del Mar S.A., Tarjetas Regionales S.A., Santiago Salud S.A., Galicia Warrants, Galicia Valores, Galicia Factoring y Leasing S.A., Galicia Capital Markets S.A (in liquidation), Galicia Retiro, Galicia Seguros, Sudamericana, CFA and Net Investment, among others.

Horacio Tedín: Mr. Tedín obtained a degree in law at the Universidad de Buenos Aires. In 1981 he founded his own law firm, which has actively worked for Banco Galicia and other big corporate clients. Mr. Tedín has been an alternate syndic of Grupo Financiero Galicia since 2006. He is also a syndic of Electrigal S.A. and an alternate syndic of EBA Holding S.A., GV Mandataria, CFA, Tarjetas Regionales and Galicia Administradora de Fondos, among others.

Compensation of Our Directors

Compensation for the members of the Board of Directors is considered by the shareholders at the shareholders' meeting once the fiscal year has ended. Some of our independent directors are paid an annual fee based on the functions they carry out and they may receive partial advance payments during the year. We do not pay fees to the members of our Board of Directors who are also members of the board of directors of Banco Galicia. At the ordinary shareholders' meeting held on April 19, 2012 the compensation for the Board of Directors was set at Ps. 990,000 for the fiscal year ending on December 31, 2011. For a description of the amounts to be paid to the board of directors of Banco Galicia, see -Compensation of Banco Galicia's Directors and Officers' below.

We do not maintain a stock-option, profit-sharing or pension plan for the benefit of our directors. In connection with Banco Galicia's foreign debt restructuring, we agreed to limit the amounts paid per fiscal year to the members of our Board of Directors and agreed not to make any payments to our management in excess of market compensation.

We do not have a policy establishing any termination benefits for our directors.

Management of Grupo Financiero Galicia

Our organizational structure consists of a chief executive officer (CEO) who reports to the Board of Directors, and the Chief Financial Officer who reports to the CEO and is in charge of the Financial and Accounting Division.

The CEO's main function consists in implementing the policies defined by the Board of Directors, as well as suggesting to the Board of Directors the application of plans, budgets and company organization. He is also in charge of supervising the Financial & Accounting Division, assessing the attainment of goals and the performance of Grupo Financiero Galicia. The position also takes part in the board of directors of some subsidiaries.

Our CEO is Mr. Pedro Alberto Richards, who was born on November 14, 1952 and obtained a degree in economics from the Universidad Católica Argentina. He holds a Master of Science in Management from the Sloan School of Management at the Massachusetts Institute of Technology. He was director of the National Development Bank (BANADE). He has been associated with Banco Galicia since 1990. He was member of the board of directors of Galicia Capital Markets S.A. between 1992 and 1994 and vice chairman of Net Investment between September 2001 and May 2007. Since August 2000, he served as Grupo Financiero Galicia's managing director and from 2010 as our CEO. Mr. Richards is also vice chairman of Sudamericana, chairman of Galicia Warrants and director of GV Mandataria and Galval. Mr. Richards was alternate director of Grupo Financiero Galicia from April 2003 until April 2005, when he was appointed as director, which position he

occupied until April 14, 2010.

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Our CFO is Mr. José Luis Gentile, who was born on March 15, 1956 and obtained a degree in national public accounting at the Universidad de Buenos Aires in 1982. Mr. Gentile is chairman of GV Mandataria, vice chairman of Marín S.A., Net Investment, Nucleamiento Inversor S.A. and Rivadavia 5306 S.A.; director of Distrocuyo S.A., Electrigal S.A., Galicia Retiro, Galicia Seguros, Galval and Sudamericana Asesores de Seguros S.A. and alternate director of Galicia Warrants and Sudamericana. The Financial & Accounting Division is mainly responsible for the assessment of investment alternatives, thus suggesting whether to invest or withdraw Grupo Financiero Galicia's positions in different companies or businesses. It also plans and coordinates Grupo Financiero Galicia's administrative services and financial resources in order to guarantee its proper management. This division also aims at meeting requirements set by several controlling authorities, complying with information and internal control needs and budgeting purposes. Furthermore, it includes the investor relations function, aimed at planning, preparing, coordinating, controlling and providing financial information to the stock exchanges where Grupo Financiero Galicia's shares are listed, regulatory bodies and both domestic and international investors and analysts. It assesses the materials published by analysts, carrying out a follow-up of their opinions, as well as those of shareholders and investors in general.

Our compensation policy, which is essentially the same as the policy followed by the companies that we control, consists of arranging salary levels in order of importance based on a system that describes and assesses job positions based on objective factors (the Hay System). The purpose of such system is to pay compensation that is similar to the compensation that is paid for a similar position in the domestic market. Managers who are our employees or our controlled companies' employees receive a fixed salary and may receive a bonus based on individual performance. This policy for compensation includes the possibility of having access to retirement insurance. We do not maintain stock-option, profit-sharing or pension plans or any other retirement plans for the benefit of our managers.

We have established a Disclosure Committee in response to the U.S. Sarbanes-Oxley Act of 2002. The main responsibility of this committee is to review and approve controls over the public disclosure of financial and related information, and other procedures necessary to enable our chief financial officer and chief executive officer to provide their certifications of our annual report that is filed with the SEC. The members are Messrs. Pedro A. Richards, José Luis Gentile, Adrián Enrique Pedemonte and Ms. Mariana Saavedra. In addition, at least one of the members of this committee attends all of the meetings of our principal subsidiaries' disclosure committees.

Board of Directors of Banco Galicia

At the ordinary shareholders' meeting held on April 19, 2012, the size of Banco Galicia's board of directors was set at seven members and five alternate directors. The following table sets out the members of Banco Galicia's board of directors as of April 19, 2012, all of whom are residents of Buenos Aires, Argentina, the position currently held by each of them, their dates of birth, their principal occupations, the dates of their appointment and the year in which their current terms will expire. The business address of the members of the Banco Galicia's board of directors is Tte. General J. D. Perón 407, (C1038AAI) Buenos Aires, Argentina.

Name	Position	Date of Birth	Principal Occupation	Member Since	Current Term Ends
Sergio Grinenco	Chairman of the Board	May 26, 1948	Banker	April 2012	December 2014
Pablo Gutierrez	Vice chairman	December 9, 1959	Banker	April 2012	December 2014
Guillermo J. Pando	Secretary Director	October 23, 1948	Banker	April 2003	December 2013
Luis M. Ribaya	Director	July 17, 1952	Banker	September 2001	December 2013
Raúl H. Seoane	Director	July 18, 1953	Banker	April 2012	December 2014
Pablo M. Garat ⁽¹⁾	Director	January 12, 1953	Lawyer	April 2004	December 2012
Ignacio A. González ⁽¹⁾	Director	April 23, 1944	Accountant	April 2010	December 2012
Enrique García Pinto	Alternate Director	August 10, 1948		April 2009	December 2014
Cirilo E. Martin	Alternate Director	October 19, 1945	Lawyer	April 2012	December 2014
Juan C. Fossatti ⁽²⁾	Alternate Director	September 11, 1955	Lawyer	June 2002	December 2012
Julio P. Naveyra ⁽²⁾	Alternate Director	March 24, 1941	Accountant	April 2004	December 2012
Oswaldo H. Canova ⁽²⁾	Alternate Director	December 8, 1934	Accountant	April 2004	December 2012

- (1) *In accordance with the rules of the CNV, and pursuant to the classifications adopted by the CNV, Messrs. Garat and González are independent and were elected at the ordinary shareholders meeting held on April 14, 2010. The board of directors meeting held on April 15, 2010 elected them as members of the Audit Committee. Messrs. Garat and González are also independent directors in accordance with the Nasdaq rules.*
- (2) *In accordance with the rules of the CNV, and pursuant to the classifications adopted by the CNV, Messrs. Fossatti, Canova and Naveyra are independent alternate directors. They would replace the independent directors in case of vacancy. They are also independent directors in accordance with the Nasdaq rules.*

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The following are the biographies of the members of the board of directors of Banco Galicia:

Sergio Grinenco: See -Our Board of Directors .

Pablo Gutierrez: See -Our Board of Directors .

Guillermo Juan Pando: Mr. Pando has been associated with Banco Galicia since 1969. He was first elected as an alternate director of Banco Galicia from September 2001 until June 2002, and in April 2003 he was elected as a director. He is also the chairman of Galicia Cayman and Santiago Salud S.A., vice chairman of Distrocuyo S.A. and Electrigal S.A., an alternate director of CFA, Tarjetas Regionales, Tarjetas del Mar S.A., Tarjeta Naranja S.A. and Tarjeta Mira S.A., the liquidator of Galicia Advent Private Equity Fund Ltd. (in liquidation) and Galicia Capital Markets S.A. (in liquidation) and an alternate trustee of Fundación Banco de Galicia y Buenos Aires.

Luis María Ribaya: Mr. Ribaya obtained a degree in law from the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1971. He was elected as a director of Banco Galicia in September 2001, as an alternate director in June 2002 and again as a director in April 2003. Mr. Ribaya is also the chairman of Argencontrol S.A. and MAE, a director of Galicia Valores, and an alternate trustee of Fundación Banco de Galicia y Buenos Aires.

Raúl Héctor Seoane: Mr. Seoane obtained a degree in economics from the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1988. Mr. Seoane was first elected as an alternate director of Banco Galicia from 2005 until December 2011, and in April 2012 was elected as a director.

Pablo María Garat: Mr. Garat obtained a degree in law at the Universidad de Buenos Aires. He has been associated with Banco Galicia as an independent director since April 2004. Mr. Garat has been an official representative of the Province of Tierra del Fuego and an advisor to the Argentine Senate, and he currently develops its professional independent activity at his own law firm and is a professor at the University of Constitutional Law and Constitutional Tributary Law.

Ignacio Abel González: Mr. González obtained a degree in national public accounting at the Universidad de Buenos Aires and a master in Auditing at Drew University, New Jersey. Previously, he served as a Member of the International Committee of Finance & Value Sharing, PricewaterhouseCoopers. He was appointed as director of Banco Galicia at the shareholders meeting held on April 14, 2010. He is also syndic of Sociedad Anónima La Nación, La Nación Nuevos Medios, Publirevistas S.A., Sociedad Anónima Importadora y Exportadora de la Patagonia and Banelco S.A., founder and president of P.O.D.ER (Polo de Desarrollo Educativo Renovador).

Enrique García Pinto: Mr. García Pinto has been associated with Banco Galicia since 1970. Previous to such time he served at Nobleza Piccardo SAYCYF and Saturno Agropecuaria SCA. Mr. García Pinto was appointed as an alternate director of Banco Galicia at the shareholders meeting held on April 28, 2009. He is also vice chairman of Galicia Internacional S.A. and an alternate director of Sullair S.A. and Distrocuyo S.A.

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Cirilo Enrique Martin: See -Our Board of Directors .

Juan Carlos Fossatti: Mr. Fossatti obtained a degree in law from the Universidad de Buenos Aires. He has been associated with Banco Galicia since June 2002, when he was elected as an independent alternate director at the annual general shareholders meeting. Mr. Fossatti is also the chairman of Tierras del Bermejo S.A. and of Tierras del Tigre S.A. and director of Baerlocher do Brazil S.A. (Sao Paulo Brazil).

Julio Pedro Naveyra: Mr. Naveyra obtained a degree in accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since April 2004 when he was elected as an independent alternate director. Mr. Naveyra has also been a member of Harteneck, López y Cía. (now Price Waterhouse & Co. S.R.L.). He is also a syndic of S.A. La Nación, Supermercados Makro S.A., Sandoz S.A., Exxon Mobil S.A., Plan Ovalo S.A. de Ahorro, Ford Motor Argentina S.R.L. and Ford Credit Argentina S.A., and a director of Gas Natural Ban S.A., Telecom Argentina S.A. and Grupo Concesionario del Oeste S.A.

Oswaldo Héctor Canova: Mr. Canova obtained a degree in accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since April 2004 when he was elected as an independent alternate director. Mr. Canova has also been a member of Harteneck, López y Cía. (now Price Waterhouse & Co. S.R.L.) and Mcduliffe, Turquan Young. Mr. Canova is also President of Maynor S.A. and a syndic of Unilever Argentina S.A., Helket S.A., Sociedad Anónima Grasas Refinadas Argentinas Comercial e Industrial (SAGRA), Arisco S.A., Novartis S.A., Ford Credit de Argentina S.A., Plan Ovalo S.A. de Ahorro and Ford Credit Holding Argentina S.A.

Functions of the Board of Directors of Banco Galicia

Banco Galicia's board of directors may consist of three to nine permanent members. In addition, there can be one or more alternate directors who can act during the temporary or permanent absence of a director. As of the date of this annual report, five directors and one alternate director were engaged on a full time basis in the day-to-day operations of Banco Galicia. Messrs. García Pinto, Fossatti, Garat, González, Canova and Naveyra are not employees of Banco Galicia.

Banco Galicia's board of directors meets formally twice each week and informally on a daily basis, is in charge of Banco Galicia's general management and makes all the necessary decisions. Members of Banco Galicia's board of directors serve on the following committees:

Risk Management Committee: This committee is composed of four directors, the CEO, the managers of the Planning and Financial Control and the Risk Management Divisions, and the Internal Audit Department manager. This committee is in charge of approving risk management strategies, policies, processes and procedures and the contingency plans thereof. It is also responsible for setting specific limits for the exposure to each risk and approving, when applicable, temporary excesses over said limits as well as being informed of each risk position and compliance with policies. This committee meets at least once every two months. Its resolutions are summarized in writing.

Credit Committee: This committee is composed of five directors, the CEO and the managers of the Credit and Risk Management Divisions. The managers of the Wholesale Banking, Retail Banking and Financial Divisions must attend the meetings if the bank account pending approval by this committee corresponds to any of the above-mentioned divisions. This committee meets at least once every week. It is in charge of granting loans for amounts higher than Ps.50 million and all loans to financial institutions (local or international) and related parties. Approved operations are recorded in signed and dated documents.

Information Technology Committee: This committee is composed of three directors, the CEO, the Comprehensive Corporate Services Division manager and the IT Department manager. This committee is in charge of supervising and approving the development plans of new systems and their budgets, as well as controlling these systems' budget control. It is also responsible for approving the general design of the systems' structure, the main processes thereof and the systems implemented, as well as monitoring the quality of Banco Galicia's systems. This committee meets at least once every three months. It can hold extraordinary meetings when there exist issues that require to be considered urgently. The IT Department manager usually calls for the meeting and requests the documents to be considered. However, any member of the Committee can do so. Its resolutions are summarized in writing.

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Audit Committee: In accordance with the requirements set forth by the Argentine Central Bank regulations, Banco Galicia has an Audit Committee composed of two directors, one of which is an independent director, and the Internal Audit Department manager. In addition, in its capacity as a publicly listed company (in Argentina), Banco Galicia must comply with the transparency regime for public companies set forth by Decree No. 677/01 and by the rules established by the CNV in its resolutions No. 400, 402 and supplementary regulations. In compliance with the CNV regulations, the Audit Committee is made up of three directors, two of which are independent directors.

Committee for the Control and Prevention of Money Laundering and Funding of Terrorist Activities: This committee is responsible for planning, coordinating and enforcing compliance with the policies for the prevention and control of money laundering and funding of terrorist activities established and approved by Banco Galicia's board of directors, based on regulations in force. Furthermore, this committee is in charge of the design of internal controls, personnel training plans and the control of the fulfillment thereof by the internal audit. It is composed of two directors, the CEO, the person in charge of the Anti-Money Laundering Unit (UAL), the managers of the following divisions: Financial, Wholesale and Retail Banking and Comprehensive Corporate Services, as well as the Risk Management Division manager and the Internal Audit Department manager. The syndics can be invited to attend any meeting called by this committee. The Anti-Money Laundering Unit reports directly to Banco Galicia's board of directors. In addition, in compliance with the regulations set forth by the Argentine Central Bank, Director Mr. Guillermo Juan Pando, was appointed Banco Galicia's officer responsible for the control and prevention of money laundering and funding of terrorist activities. Likewise, the Financial Division manager is the officer in charge of financial intermediation transactions.

This committee is scheduled to meet at least once every two months and its resolutions must be registered in a minutes book bearing folios and seals.

Committee for Information Integrity: This Committee was created to comply with the provisions of the U.S. Sarbanes-Oxley Act. It is composed of two directors, the CEO, the manager in charge of the Planning and Financial Control Division, the Internal Audit Department manager, and the managers of the Accounting Department, the Assets and Liabilities Management Department and the Investor Relations Department. The syndics can be invited to attend any meeting called by this committee. A member of this committee that was created for the same purpose by Grupo Financiero Galicia also attends the meetings held by this committee. Likewise, this committee may call officers from Banco Galicia's different divisions whenever it may deem necessary. This committee will meet every month or as long as there exist issues that require to be considered

Human Resources Committee: This committee is in charge of the appointment and assignment, transfer, rotation, development, headcount and compensation of the personnel included in salary levels 9 and above. It is composed of four directors, the CEO and the Organizational Development and Human Resources Division manager. This committee meets every six months or whenever there are issues that require consideration. Its resolutions are summarized in writing.

Asset and Liabilities Committee (ALCO): This committee is in charge of analyzing the evolution of Banco Galicia's business from a financial point of view, in regard to fund raising and different assets placement. It is also in charge of the follow-up and control of liquidity, interest rate and currency mismatches. This committee is in charge of analyzing and making recommendations to the business divisions in connection with the management of interest rate, currency and maturity mismatches, with the goal of maximizing financial and foreign-exchange results within acceptable parameters of risk and capital use. This Committee is also responsible for suggesting changes to these parameters, if necessary, to Banco Galicia's board of directors. Five directors, the CEO, the Retail Banking Division manager, the Wholesale Banking Division manager, the Financial Division manager, the Risk Management Division manager and the Planning and Financial Control Division manager are members of this committee. This committee meets at least once a month. Its resolutions are summarized in writing and signed by two of its members.

Planning and Management Control Committee: This committee is composed of five directors, the CEO, the Risk Management Division manager, the Planning and Financial Control Division manager and the Internal Audit Department manager. The syndics can be invited to attend any meeting called by this committee. This committee is in charge of the analysis, definition and follow-up of the consolidated balance sheet and income statement. This committee meets at least once every month. Quarterly budgetary follow-up by division must be made in meetings, in which three directors, the CEO, the Planning and Financial Control Division manager and those managers who are called upon may attend. Its resolutions are summarized in writing and signed by two of the above-mentioned officers.

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Segments and Business Management Committee: This committee is composed of three directors, the CEO, the division managers, the department managers and those officers whose participation is deemed necessary and those whose presence is specifically requested. It is in charge of the analysis, definition and follow-up of businesses and segments. This committee meets at least once every three months. Its resolutions are summarized in writing and signed by two of the above-mentioned officers.

Crisis Committee: This committee is composed of five directors, the CEO and those other officers whose participation is deemed to be necessary and those who are invited to attend. This committee is in charge of the assessment of any liquidity crisis and the implementation of actions designed to resolve the same. Its resolutions are summarized in writing and are signed by any two of the previously described members.

Periodically, the board of directors of Banco Galicia is informed of the actions taken by the committees, which are recorded in minutes.

Banco Galicia's Executive Officers

On August 31, 2009, Mr. Daniel A. Llambías, an accountant, was appointed CEO of Banco Galicia, by decision of its board of directors. The CEO is in charge of implementing the strategic goals established by the board of directors of Banco Galicia. Likewise, he coordinates the managers of Banco Galicia's divisions, while reporting to Banco Galicia's board of directors.

Daniel Antonio Llambías: Mr. Llambías was born on February 8, 1947. He obtained a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1964. He was elected as an alternate director of Banco Galicia in September 1997 and as a director in September 2001 until August 2009, when he was appointed CEO. Mr. Llambías is also the chairman of Sudamericana Holding S.A., the vice chairman of Visa Argentina S.A., Tarjetas del Mar S.A., a director of Tarjeta Naranja S.A., Tarjetas Regionales, Tarjetas Cuyanas S.A. and IDEA, as well as a member of the supervisory committee of Automóvil Club Argentino, and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires.

The following divisions and department managers report to Banco Galicia's CEO:

Division	Manager
Retail Banking	Juan Sarquis
Wholesale Banking	Gastón Bourdieu
Financial	Pablo María Leon
Risk Management	Juan Carlos L. Afflitto
Credit	Marcelo Poncini
Comprehensive Corporate Services	Miguel Ángel Peña
Organizational Development and Human Resources	Rafael Pablo Bergés
Planning and Financial Control	Temporarily vacant (*)

(*) *Mr. Bruno Folino, an accountant, was appointed manager of the Planning and Financial Control Division by decision of Banco Galicia's board of directors. He will assume in charge of this division on May 1, 2012.*

Retail Banking Division: This division is responsible for designing, planning and implementing the vision, strategies, policies and goals for the Retail Banking Division's businesses and for each customer segment and distribution channel. It is also in charge of the definition and control of this division's business goals. The following departments report to this division: Private Banking, Retail Banking Segments, Products and Publicity, Alternative Channels, Branches, Operating Supervision of Branches and Planning, and Quiero Fidelity Program.

Wholesale Banking Division: This division is responsible for designing, planning and implementing the vision, strategies, policies and goals for the Wholesale Banking Division's businesses and for each customer segment (corporate, SMEs, agriculture and livestock companies and public-sector companies) and products. It is also in charge of the definition and control of this division's business goals. The following departments report to this division: Agriculture and Livestock Sector, Corporate, SMEs, Public Sector, Wholesale Products and Marketing, Capital Markets and Investment Banking, Wholesale Business Analysis and Planning.

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Financial Division: This division is responsible for planning and managing the correct use of financial resources and providing the appropriate funding for Banco Galicia's businesses, establishing and applying Banco Galicia's deposit-raising and funding policies within the parameters established by Banco Galicia's risk policies. It also manages short-term resources and Banco Galicia's investment portfolio, ensuring the correct execution of transactions. The following departments report to this division: Assets and Liabilities Management, Financial Operations, Banking Relations and Information Support and Management.

Risk Management Division: This division is responsible for monitoring and actively managing the various risks faced by Banco Galicia (credit, financial and operational) and its subsidiaries. The following departments report to this division: Credit Risk and Insurance, Financial Risk, Operational Risk, Information and Risk Analysis and Development and Management of Models.

Credit Division: This division is responsible for developing and proposing the strategies for credit and credit-granting policies, as well as managing and monitoring credit origination processes, follow-up and control thereof, and the recovery of past-due loans. This aims at ensuring the quality of the loan portfolio, cost and time efficiency, and recovery optimization, thus minimizing loan losses and optimizing efficiency in processes and business credit granting. The following departments report to this division: Credit Analysis, Corporate Credit, Consumer Credit, Preventative Management and Analysis, Customer Credit Recovery, Portfolio Recovery, Information and Management of the Area, Policies and Strategies and Special Projects.

Comprehensive Corporate Services Division: This division is responsible for designing, planning and implementing the strategies and policies for the IT, Organization, Operations, Purchase of Goods and Services and Infrastructure divisions, and the maintenance thereof. It is as well in charge of Banco Galicia's physical and information safety, with the purpose of ensuring and maintaining the logistic support for its operations and activities. The following departments report to this division: Operations, IT, Organization, Engineering and Maintenance, Purchases and Contracts, Security, Management Control and Information Security.

Organizational Development and Human Resources Division: This division is in charge of designing, planning and implementing human resources strategies and policies, as well as defining and controlling management goals of Banco Galicia's human resources with the purpose of ensuring homogeneous practices, availability of qualified and motivated personnel and a proper work environment. The following departments report to this division: Human Resources, Consultants, Internal Communications and Change Management, Management Development, Compensation, Quality Assurance and Corporate Social Responsibility.

Planning and Financial Control Division: This division is responsible for planning and controlling budget, accounting and tax activities. The following departments report to this division: Accounting, Tax Advisory, Planning and Management Control, Investors Relations and Fiduciary Administration and Supplementary Businesses.

The following department reports to the CEO:

Department	Manager
Legal Advisory Services Department	María Elena Casasnovas

Legal Advisory Services Department: This department is responsible for providing advisory services and determining the steps to be taken for Banco Galicia's business conduction under the regulations in force, with the purpose of ensuring the legitimacy thereof and avoiding loss of rights, indemnifications and/or penalties.

The following departments report to the board of directors of Banco Galicia:

Department	Manager
Internal Audit	Omar Severini
Institutional Affairs and Press Department	Diego Francisco Videla
Anti-money Laundering Unit	Claudia Estecho

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Internal Audit Department: This department is responsible for assessing and monitoring the effectiveness of internal control systems with the purpose of ensuring compliance with applicable laws and regulations.

Institutional Affairs and Press Department: This department is responsible for managing and controlling press and institutional image promotion activities, providing advice to the different areas.

Anti-money Laundering Unit: This unit is responsible for monitoring and detecting unusual possible operations to assure compliance with the Control and Prevention of Money Laundering regulations.

The following are the biographies of Banco Galicia's senior executive officers mentioned above and not provided in the sections -Board of Directors of Banco Galicia or -Our Board of Directors above.

Juan H. Sarquís: Mr. Sarquís was born on June 23, 1957. He obtained a degree in economics at the Universidad Católica Argentina. He has been associated with Banco Galicia since 1982. Mr. Sarquís is also a director of Sudamericana Holding S.A. and Banelco S.A., an alternate director of Visa Argentina S.A., Banelcip S.A., Tarjetas Regionales S.A., Tarjeta Naranja S.A., Tarjetas del Mar S.A. and Tarjetas Cuyanas S.A.

Gastón Bourdieu: Mr. Bourdieu was born on August 31, 1956. He obtained a degree in agricultural administration at UADE University. He has been associated with Banco Galicia since 1981 as a member of the young professional program in the Credit Division. He is also the vice chairman of Galicia Warrants and director of Maradona S.A.

Pablo M. Leon: Mr. Leon was born on August 31, 1964. He obtained a degree in finance at the Universidad de Palermo and two PDF (Programs for Executive Development) at IAE (Instituto Argentino de Empresas) and IMD, Lausanne, Switzerland. He has been associated with Banco Galicia since 1987. He is also the chairman of Galicia Valores and director of Argenclear S.A.

Juan Carlos L. Afflitto: Mr. L. Afflitto was born on September 15, 1958. He received a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1986. Prior to such time, he worked at Morgan, Bedit y Asociados, where he acted as an advisor and accountant. He was a professor at the Universidad Católica Argentina until 1990.

Marcelo Poncini: Mr. Poncini was born on November 11, 1961. He obtained a degree in business administration at the Universidad de Morón. He has been associated with Banco Galicia since 1987.

Miguel Angel Peña: Mr. Peña was born on January 22, 1962. He obtained a degree in information systems from the Universidad Nacional Tecnológica. He has been associated with Banco Galicia since 1994. Mr. Peña is director of Tarjeta Naranja S.A. He is also a voting member of the ONG-Usuaría (*Asociación Argentina de Usuarios de la Informática y las Comunicaciones*).

Rafael Pablo Bergés: Mr. Bergés was born on Septiembre 10, 1963. He obtained de degree in industrial ingeneering. He has been asociate with Banco Galicia since August 2010. Prior to such time, he worked at Techint and at a several muntinational companies in managerial positions. From 1998 to 2009 he was vice president in the Human Resources Division of Grupo Telefónica.

María Elena Casanovas: Mrs. Casanovas was born on May 10, 1951. She obtained a degree in law at the Pontificia Universidad Católica Santa María de los Buenos Aires. She has been associated with Banco Galicia since 1972.

Omar Severini: Mr. Severini was born on July 30, 1958. He obtained a degree in national public accounting from the Universidad de Belgrano. He has been associated with Banco Galicia since 1978.

Diego Francisco Videla: Mr. Videla was born on November 7, 1947. He has been associated with Banco Galicia since 1997. Prior to such time, he acted as an advisor in the privatization of Banco de la Provincia de Misiones S.A. Mr. Videla is a voting member of the Fundación Policía Federal Argentina and a secretary of Fundación Escuela de Guerra Naval Argentina.

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Claudia Raquel Estecho: Mrs. Estecho was born on September 24, 1957. She obtained a degree in public accounting at the Universidad de Buenos Aires. She has been associated with Banco Galicia since 1976.

Banco Galicia's Supervisory Committee

Banco Galicia's bylaws provide for a Supervisory Committee consisting of three syndics and three alternate syndics. Pursuant to Argentine law and to the provisions of Banco Galicia's bylaws, Banco Galicia's syndics and alternate syndics are responsible of ensuring that all of Banco Galicia's actions are in accordance with applicable Argentine law. Syndics and alternate syndics do not participate in business management and cannot have managerial functions of any type. Syndics are responsible for, among other things, the preparation of a report to the shareholders analyzing Banco Galicia's financial statements for each year and the recommendation to the shareholders as to whether to approve such financial statements. Syndics and alternate syndics are elected at the ordinary shareholders' meeting for a one-year term and they can be re-elected. Alternate syndics act in the temporary or permanent absence of a syndic.

The table below shows the composition of Banco Galicia's Supervisory Committee as they were re-elected by the annual shareholders' meeting held on April 19, 2012.

Name	Year of Appointment	Position	Principal Occupation	Current Term Ends
Enrique M. Garda Olaciregui	2012	Syndic	Lawyer	December 31, 2012
Norberto D. Corizzo	2012	Syndic	Accountant	December 31, 2012
Luis A. Díaz	2012	Syndic	Accountant	December 31, 2012
Fernando Noetinger	2012	Alternate Syndic	Lawyer	December 31, 2012
Miguel N. Armando	2012	Alternate Syndic	Lawyer	December 31, 2012
Oscar J. Falleroni	2012	Alternate Syndic	Accountant	December 31, 2012

For the biographies of Messrs. Enrique M. Garda Olaciregui, Norberto D. Corizzo, Luis A. Díaz, Fernando Noetinger and Miguel N. Armando, see -Our Supervisory Committee .

Oscar José Falleroni: Mr. Falleroni was born on June 19, 1949. He obtained a degree in national public accounting at the Universidad de Buenos Aires. He was elected as an alternate syndic on April 19, 2012.

Compensation of Banco Galicia's Directors and Officers

Banco Galicia's board of directors establishes the policy for compensation of Banco Galicia's personnel. Banco Galicia's managers receive a fixed compensation and they may receive a variable compensation, based on their performance. Five directors and an alternate director are employees of Banco Galicia and, therefore, receive a fixed compensation and may also receive a variable compensation based on their performance, provided that these additional payments do not exceed the standard levels of similar entities in the Argentine financial market, a provision that is applicable to managers as well. The compensation regime includes the possibility of acquiring a retirement insurance policy. Banco Galicia does not maintain stock-option plans or pension plans or any other retirement plans for the benefit of its directors and managers. Banco Galicia does not have a policy establishing any termination benefits for its directors.

For fiscal year 2011, Banco Galicia's ordinary shareholders' meeting held on April 19, 2012, approved compensation for the independent directors in the total amount of Ps.0.77 million.

Annually, provisions are established to cover the variable compensation of Banco Galicia's board of directors and employees for the fiscal year. During the first quarter of each year, Banco Galicia's board of directors analyzes the possibility of paying employees a variable compensation for the previous fiscal year ended based on the compensation for similar jobs in the labor market in recognition of the performance and professional development of the respective beneficiaries during the fiscal year.

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The following table shows the composition of our staff:

	As of December 31,		
	2011	2010	2009
Grupo Financiero Galicia S.A.	13	13	10
Banco de Galicia y Buenos Aires S.A.	5,525	5,185	5,028
Branches	2,756	2,685	2,636
Head Office	2,769	2,500	2,392
Galicia Uruguay	5	7	8
Regional Credit-Card Companies	5,507	4,699	3,936
CFA	1,118	1,160	
Sudamericana Consolidated	162	126	116
Other Subsidiaries	46	48	44
Total	12,376	11,238	9,142

Within the current legal framework, membership in an employee union is voluntary and there is only one union of bank employees with national representation. As of December 31, 2011, approximately 16% of Banco Galicia's employees were affiliated with the national bank employee union. As of December 31, 2011, approximately 96.5% of the Regional Credit Card Companies' work force was party to the merchant union's Collective Bargaining Agreement No. 130/75 applicable to trade employees, 2.6% of which were members of a labor union and 0.03% of which were labor union representatives. As of December 31, 2011, CFA's employees were not affiliated to any union. During the first four months of 2011, 2010 and 2009, the bank employee union and the national commerce employee union renegotiated their respective collective labor agreements in order to establish new minimum wages. As a result, between March and April of each year, salary increases were granted. Banco Galicia has not experienced a strike by its employees since 1973 and the Regional Credit Card Companies and CFA have never experienced any strike event. We believe that our relationship with our employees has developed within normal and satisfactory parameters.

We have a human resources policy that aims at providing our employees possibilities for growth and personal and socio-economic achievement. We will continue our current policy of monitoring both wage levels and labor conditions in the financial industry in order to be competitive. Our employees receive fixed compensation and may receive variable compensation according to their level of achievement. We do not maintain any profit-sharing programs for our employees.

The Fundación Banco de Galicia y Buenos Aires (the Fundación) is an Argentine non-profit organization that provides various services to Banco Galicia employees. The various activities of the Fundación include, among others, purchasing school materials for the children of Banco Galicia's employees and making donations to hospitals and other charitable causes, including cultural events. The Fundación is managed by a Council, certain members and alternate members of which are members of our Board of Directors and supervisory committee. Members and alternate members of the Council do not receive remuneration for their services as trustees.

Nasdaq Corporate Governance Standards

Pursuant to Nasdaq Marketplace Rule 5615(a) (3), a foreign private issuer may follow home country corporate governance practices in lieu of the requirements of the Rule 5600 Series, provided that the foreign private issuer complies with certain sections of the Rule 5000 Series, discloses each requirement that it does not follow and describes the home relevant country practice followed in lieu of such requirement. The requirements of the Rule 5000 Series and the Argentine corporate governance practice that we follow in lieu thereof are described below:

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- (i) Rule 5250 (d) Distribution of Annual and Interim Reports. In lieu of the requirements of Rule 5250 (d), we follow Argentine law, which requires that companies make public a Spanish language annual report, including annual audited consolidated financial statements, by filing such annual report with the CNV and the BASE, within 70 calendar days of the end of the company's fiscal year. Interim reports must be filed with the CNV and the BASE within 42 calendar days of the end of each fiscal quarter. The BASE publishes the annual reports and interim reports in the BASE bulletin and makes the bulletin available for inspection at its offices. In addition, our shareholders can receive copies of our annual reports and any interim reports upon such shareholders' request. English language translations of our annual reports and interim reports are furnished to the SEC. We also post the English language translation of our annual reports and quarterly press releases on our website. Furthermore, under the terms of the Second Amended and Restated Deposit Agreement, dated as of June 22, 2000, among us, The Bank of New York, as depositary, and owners of ADSs issued thereunder, we are required to furnish The Bank of New York with, among other things, English language translations of our annual reports and each of our quarterly press releases. Annual reports and quarterly press releases are available for inspection by ADRs holders at the offices of The Bank of New York located at, 101 Barclay Street, New York, New York. Finally, Argentine law requires that 20 calendar days before the date of a shareholders' meeting, the board of directors must provide to the shareholders, at the company's executive office or through electronic means, all information relevant to the shareholders' meeting, including copies of any documents to be considered by the shareholders (which includes the annual report), as well as proposals of the company's board of directors.
- (ii) Rule 5605 (b) (1) Majority of Independent Directors. In lieu of the requirements of Rule 5605 (b) (1), we follow Argentine law, which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina such as us must have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the CNV. In addition, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).
- (iii) Rule 5605 (b) (2) Executive Sessions of Independent Directors. In lieu of the requirements of Rule 5605 (b) (2), we follow Argentine law which does not require independent directors to hold regularly scheduled meetings at which only such independent directors are present (*i.e.*, executive sessions). Our Board of Directors as a whole is responsible for monitoring our affairs. In addition, under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers of the company. Also, it is mandatory for public companies to form a supervisory committee (composed of *syndics*), which is responsible for monitoring the legality of the company's actions under Argentine law and the conformity thereof with its by-laws. (iv) Rule 5605 (d) Compensation of Officers. In lieu of the requirements of Rule 5605 (d), we follow Argentine law, which does not require companies to form a compensation committee comprised solely of independent directors. It also is not required in Argentine law that the compensation of the chief executive officer and all other executive officers be determined by either a majority of the independent directors or a compensation committee comprised solely of independent directors. Under Argentine law, the board of directors is the corporate body responsible for determining the compensation of the chief executive officer and all other executive officers, so long as they are not directors. In addition, under Argentine law, the audit committee shall give its opinion about the reasonableness of management's proposals on fees and option plans for directors or managers of the company. Finally, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).
- (v) Rule 5605 (e) (1) Nomination of Directors. In lieu of the requirements of Rule 5605 (e) (1), we follow Argentine law which requires that directors be nominated directly by the shareholders at the shareholders' meeting and that they be selected and recommended by the shareholders themselves. Under Argentine law, it is the responsibility of the ordinary shareholders' meeting to appoint and remove directors and to set their compensation. In addition, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).
- (vi) Rule 5605 (c) (1) Audit Committee Charter. In lieu of the requirements of Rule 5605 (c) (1), we follow Argentine law, which requires that audit committees have a charter but does not require that companies certify as to the adoption of the charter nor does it require an annual review and assessment thereof. Argentine law instead requires that companies prepare a proposed plan or course of action with respect to those matters, which are the responsibility of the company's audit committee. Such plan or course of action could, at the discretion of our audit committee, include a review and assessment of the audit committee charter.

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- (vii) Rule 5605 (c) (2) Audit Committee Composition. Argentine law does not require, and it is equally not customary business practice in Argentina, that companies have an audit committee comprised solely of independent directors. Argentine law instead requires that companies establish an audit committee with at least three members comprised of a majority of independent directors as defined by Argentine law. Nonetheless, although not required by Argentine law, until April 19, 2012, we had an Audit Committee entirely comprised of three independent directors, pursuant to the definition of independence in Rule 10 A-3 (b) (1), one of which the Board of Directors determined to be a financial expert. Currently, our Audit Committee is comprised of three Directors; two of which meet such independent requirements. In addition, we have a supervisory committee (*comisión fiscalizadora*) composed of three syndics, which are in charge of monitoring the legality, under Argentine law, of the actions of our Board of Directors and the conformity of such actions with our by-laws.
- (viii) Rule 5620 (c) Quorum. In lieu of the requirements of Rule 5620 (c), we follow Argentine law and our bylaws, which distinguish between ordinary meetings and extraordinary meetings and require, in connection with ordinary meetings, that a quorum consist of a majority of stock entitled to vote. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, constitute a quorum and resolutions may be adopted by an absolute majority of the votes present. Argentine law and our bylaws require, in connection with extraordinary meetings, that a quorum consist of 60% of the stock entitled to vote. However, if such quorum is not present at the first meeting, our bylaws provide that a second meeting may be called which may be held with the number of shareholders present. In both ordinary and extraordinary meetings, decisions are adopted by an absolute majority of votes present at the meeting, except for certain fundamental matters (such as mergers and spin-offs (when we are not the surviving entity and the surviving entity is not listed on any stock exchange), anticipated liquidation, a change in our domicile to outside of Argentina, total or partial recapitalization of our statutory capital following a loss, any transformation in our corporate legal form or a substantial change in our corporate purpose) which require an approval by vote of the majority of all the stock entitled to vote (all stock being entitled to only one vote).
- (ix) Rule 5620 (b) Solicitation of Proxies. In lieu of the requirements of Rule 5620 (b), we follow Argentine law which requires that notices of shareholders meetings be published, for five consecutive days, in the Official Gazette and in a widely circulated newspaper in Argentina no earlier than 45 calendar days prior to the meeting and at least 20 calendar days prior to such meeting. In order to attend a meeting and be listed on the meeting registry, shareholders are required to submit evidence of their book-entry share account held at Caja de Valores S.A. (*Caja de Valores*) up to three business days prior to the scheduled meeting date. If entitled to attend the meeting, a shareholder may be represented by proxy (properly executed and delivered with a certified signature) granted to any other person, with the exception of a director, syndic, member of the surveillance committee (*consejo de vigilancia*), manager or employee of the issuer, which are prohibited by Argentine law from acting as proxies. In addition, our ADRs holders receive, prior to the shareholders meeting, a notice listing the matters on the agenda, a copy of the annual report and a voting card.
- (x) Rule 5630 (a) Conflicts of Interest. In lieu of the requirements of Rule 5630 (a), we follow Argentine law which requires that related party transactions be approved by the audit committee when the transaction exceeds one percent (1%) of the corporation's net worth, measured pursuant to the last audited balance sheet, so long as the relevant transaction exceeds the equivalent of three hundred thousand Argentine Pesos (Ps.300,000). Directors can contract with the corporation only on terms consistent with prevailing market terms. If the contract is not in accordance with prevailing market terms, such transaction must be pre-approved by the board of directors (excluding the interested director). In addition, under Argentine law, a shareholder is required to abstain from voting on a business transaction in which its interests may be in conflict with the interests of the company. In the event such shareholder votes on such business transaction and such business transaction would not have been approved without such shareholders vote, such shareholder may be liable to the company for damages and the resolution may be declared void.

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Other than as noted above, we are in full compliance with all other applicable Nasdaq corporate governance standards.

Share Ownership

For information on the share ownership of our directors and executive officers as of December 31, 2011, see Item 7. Major Shareholders and Related Party Transactions-Major Shareholders .

Item 7. Major Shareholders and Related Party Transactions**Major Shareholders**

As of March 31, 2012, our capital structure was made up of class A shares, each of which is entitled to five votes and class B shares, each of which is entitled to one vote. As of March 31, 2012, we had 1,241,407,017 shares outstanding composed of 281,221,650 class A shares and 960,185,367 class B shares (293,554,390 of which were evidenced by 29,355,439 ADSs).

Our controlling shareholders are members of the Escasany, Ayerza and Braun families and the Fundación. As of March 31, 2012, the controlling shareholders owned 100% of our class A shares through EBA Holding (representing 22.65% of our total outstanding shares) and 13.79% of our class B shares (or 10.66% of our total outstanding shares), therefore directly and indirectly owning 33.31% of our shares and 65.01% of total votes.

Based on information that is available to us, the table below sets forth, as of March 31, 2012, the number of our class A and class B shares held by holders of more than 5% of each class of shares, the percentage of each class of shares held by such holder, and the percentage of votes that each class of shares represent as a percentage of our total possible votes.

Class A Shares

Name	Class A Shares	% of Class A Shares	% of Total Votes
EBA Holding S.A.	281,221,650 class A shares	100	59.4

Class B Shares

Name	Class B Shares	% of Class B Shares	% of Total Votes
The Bank of New York ⁽¹⁾	293,554,390 class B shares	30.6	12.4
ANSES ⁽²⁾	217,700,219 class B shares	22.7	9.2
EBA Holding Shareholders ⁽³⁾	132,382,529 class B shares	13.8	5.6

(1) Pursuant to the requirements of Argentine law, all class B shares represented by ADSs are owned of record by The Bank of New York, as Depositary. The address for the Bank of New York is 101 Barclay Street, New York 10286, and the country of organization is the United States.

(2) ANSES holding is obtained through information supplied by Caja de Valores and information gathered from the ANSES. Said holding includes 46,521,340 shares in ADSs.

(3) No member holds more than 2.0% of the capital stock. Said holding includes 36,435,360 shares in the form of ADSs.

Based on information that is available to us, the table below sets forth, as of March 31, 2012, the shareholders that either directly or indirectly have more than 5% of our votes or shares.

Name	Shares	% of Shares	% of Total Votes
The Bank of New York	293,554,390 class B shares	23.7	12.4
EBA Holding S.A.	281,221,650 class A shares	22.7	59.4

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ANSES.	217,700,219 class B shares	17.5	9.2
EBA Holding Shareholders.	132,382,529 class B shares	10.7	5.6

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Members of the three controlling families have owned the majority of the issued share capital of Banco Galicia since 1959. Members of the Escasany family have been on the board of directors of Banco Galicia since 1923. The Ayerza and Braun families have been represented on Banco Galicia's board of directors since 1943 and 1947, respectively. Currently, there is one member of these families on Banco Galicia's board of directors and five members of these families on our Board of Directors. In addition, there is one alternate director on our Board of Directors that is member of the controlling families.

On September 13, 1999, the controlling shareholders of Banco Galicia formed EBA Holding S.A., an Argentine corporation, which is 100% owned by our controlling shareholders. EBA Holding holds 100% of our class A shares.

Currently, EBA Holding only has class A shares outstanding. EBA Holding's bylaws provide for certain restrictions on the sale or transfer of its class A shares. While the class A shares of EBA Holding may be transferred to any other class A shareholder of EBA Holding, any transfer of such class A shares to third parties would automatically result in the conversion of the sold shares into class B shares of EBA Holding having one vote per share. In addition, EBA Holding's bylaws contain rights of first refusal, buy-sell provisions and tag-along rights.

A public shareholder of Banco Galicia, who indirectly owns approximately 4.5% of the outstanding capital stock of Banco Galicia, has granted a right of first refusal for the purchase of all or part of its shares to certain of our controlling shareholders in the event such public shareholder decides to sell all or part of its Banco Galicia shares.

As of December 31, 2011, we had 64 identified United States record shareholders (not considering The Bank of New York), of which 15 held our class B shares and 53 held our ADSs. Such United States holders, in the aggregate, held approximately 143 million of our class B shares, representing approximately 11.5% of our total outstanding capital stock as of said date.

Related Party Transactions

Grupo Financiero Galicia and its non-banking subsidiaries are not a party to any transactions with, and have not made any loans to any (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by Grupo Financiero Galicia or its non-banking subsidiaries, (ii) associates (i.e. an unconsolidated enterprise in which Grupo Financiero Galicia or its non-banking subsidiaries has a significant influence or which has significant influence over Grupo Financiero Galicia or its non-banking subsidiaries), (iii) individuals owning, directly or indirectly, an interest in the voting power of Grupo Financiero Galicia or its non-banking subsidiaries that gives them significant influence over Grupo Financiero Galicia or its non-banking subsidiaries, as applicable, and close members of any such individual's family (i.e. those family members that may be expected to influence, or be influenced by, that person in their dealings with Grupo Financiero Galicia or its non-banking subsidiaries, as applicable), (iv) key management personnel (i.e. persons that have authority and responsibility for planning, directing and controlling the activities of Grupo Financiero Galicia or its non-banking subsidiaries, including directors and senior management of companies and close members of such individual's family) or (v) enterprises in which a substantial interest is owned, directly or indirectly, by any person described in (iii) or (iv) over which such a person is able to exercise significant influence nor are there any proposed transactions with such persons. For purposes of this paragraph, this includes enterprises owned by directors or major shareholders of Grupo Financiero Galicia or its non-banking subsidiaries that have a member of key management in common with Grupo Financiero Galicia or its non-banking subsidiaries, as applicable. In addition, significant influence means the power to participate in the financial and operating policy decisions of the enterprise but means less than control. Shareholders beneficially owning a 10% interest in the voting power of Grupo Financiero Galicia or its non-banking subsidiaries are presumed to have a significant influence on Grupo Financiero Galicia or its non-banking subsidiaries, as applicable.

Some of our directors and the directors of Banco Galicia have been involved in certain credit transactions with Banco Galicia as permitted by Argentine law. The Corporations Law and the Argentine Central Bank's regulations allow directors of a limited liability company to enter into a transaction with such company if such transaction follows prevailing market conditions. Additionally, a bank's total financial exposure to related individuals or legal entities is subject to the regulations of the Argentine Central Bank. Such regulations set limits on the amount of financial exposure that can be extended by a bank to affiliates based on, among other things, a percentage of a bank's RPC. See Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

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Banco Galicia is required by the Argentine Central Bank to present to its board of directors, on a monthly basis, the outstanding amounts of financial assistance granted to directors, controlling shareholders, officers and other related entities, which are transcribed in the minute books of the board of directors of Banco Galicia. The Argentine Central Bank establishes that the financial assistance to directors, controlling shareholders, officers and other related entities must be granted on an equal basis with respect to rates, tenor and guarantees as loans granted to the general public.

In this section total financial exposure comprises equity interests and financial assistance (all credit related items such as loans, holdings of corporate debt securities without quotation, guarantees granted and unused balances of loans granted, among others), as this term is defined in Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

Related parties refers to our directors and the directors of Banco Galicia, our senior officers and senior officers of Banco Galicia, our syndics and Banco Galicia s syndics, our controlling shareholders as well as all individuals who are related to them by a family relationship of up to the second degree by blood and/or first degree by marriage and any entities directly or indirectly affiliated with any of these parties, not required to be consolidated.

The following table presents the aggregate amounts of total financial exposure of Banco Galicia to related parties, the number of recipients, the average amounts and the single largest exposures as of the end of the three fiscal years ended December 31, 2011 and as of February 29, 2012, the last date for which information is available.

	February 29, 2012	December 31, 2011	December 31, 2010	December 31, 2009
	<i>In millions of Pesos, except as noted</i>			
Aggregate Total Financial Exposure	Ps. 173.2	Ps. 139.0	Ps. 126.1	Ps. 76.0
Number of Recipient Related Parties	236	239	230	219
Individuals	182	183	175	172
Companies	54	56	55	47
Average Total Financial Exposure	Ps. 0.7	Ps. 0.6	Ps. 0.5	Ps. 0.3
Single Largest Exposure	Ps. 41	Ps. 22	Ps. 39	Ps. 18.9

The financial assistance granted to our directors, officers and related parties by Banco Galicia was granted in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other non-related parties, and did not involve more than the normal risk of collectibility or present other unfavorable features.

Banco Galicia and Grupo Financiero Galicia have executed a trademark license agreement under which Banco Galicia has authorized Grupo Financiero Galicia to use the word Galicia in our corporate name and has authorized our direct or indirect subsidiaries, other than those of Banco Galicia, to use in their corporate names Banco Galicia s registered trademarks, including the word Galicia, in marketing their products and services. The trademark license agreement has a 10-year term until July 1, 2010, at which point it becomes automatically renewable every two years. This agreement provides for the payment of an annual royalty, which in 2011 amounted to Ps.1.4 million.

Item 8. Financial Information

We have elected to provide the financial information set forth in Item 18 of this annual report.

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Legal Proceedings

We are a party to the following legal proceedings:

Banco Galicia

In response to certain pending legal proceedings, Banco Galicia has made allowances to cover (i) various types of claims filed by customers against it (e.g., claims for thefts from safe deposit boxes, collections of checks that had been fraudulently altered, discrepancies related to deposit and payment services rendered to Banco Galicia's customers, etc.) and (ii) estimated amounts payable under labor-related lawsuits filed against Banco Galicia by former employees.

As of the date of this annual report, provincial tax collection authorities, as well as tax collection authorities from the Autonomous City of Buenos Aires, are in the process (at various stages of completion) of conducting audits related to taxes on gross income corresponding to fiscal year 2002, mainly regarding the Argentine Compensatory Bond. Banco Galicia has been expressing its disagreement regarding these adjustments through corresponding administrative and/or legal proceedings. These proceedings and their possible effects are constantly being monitored by the management of Banco Galicia. Even though the foregoing has not yet been finally resolved, Banco Galicia believes it has complied with its tax liabilities in full pursuant to current regulations and has provisioned the amounts considered adequate according to the different stages of each process.

In addition, Theseus S.A. and Lagarcu  S.A., two minority shareholders of Banco de Galicia y Buenos Aires S.A., initiated legal proceedings on March 11, 2003 against Banco Galicia and Grupo Financiero Galicia requesting that the court declare null the corporate legal action effected by Grupo Financiero Galicia with the cooperation of Banco Galicia pursuant to which there was an exchange of class B shares of Banco Galicia for class B shares of Grupo Financiero Galicia. Banco Galicia and Grupo Financiero Galicia have answered the claim, arguing that the transaction complied with applicable legal requirements. The evidentiary period has ended and the parties must now file their respective pleadings as the final step before the Court issues a final decision.

The claim does not include a petition for damages nor any monetary disbursement whatsoever. Therefore, even if the lawsuit were successful, which Banco Galicia considers unlikely, no loss could directly arise from such decision. The remote consequences of an adverse result cannot be assessed in monetary terms, but they are unlikely to significantly affect Banco Galicia's financial position.

Regional Credit Card Companies

As of the date of this annual report, the Argentine Revenue Service (AFIP), the Revenue Board of the Province of C rdoba and the municipalities of the cities of Mendoza and San Luis are in the process of conducting audits in respect of the activities of certain of the credit card subsidiaries of Banco Galicia. Such entities have served notices and made claims regarding taxes applicable to the subsidiaries of Tarjetas Regionales. Based on the opinions of their tax advisors, these companies believe that the above-mentioned claims are both legally and technically without merit and that taxes related to the claims have been correctly calculated in accordance with applicable tax regulations and case law. Therefore, these companies are taking the corresponding administrative and legal steps in order to resolve such issues.

Compa a Financiera Argentina

With respect to CFA, the company acquired by Banco Galicia in June 2010, the AFIP initiated two separate proceedings in which it questioned certain deductions made by CFA. CFA filed appeals before the federal tax courts, and these cases are still pending resolution.

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Dividend Policy and Dividends

Dividend Policy

Grupo Financiero Galicia's policy for the distribution of dividends envisages, among other factors, the obligatory nature of establishing a legal reserve, the company's financial condition and its indebtedness, the business requirements of affiliated companies and, mainly, that the profits recorded in the financial statements are, to a great extent, income from holdings and not realized and liquid profits, a requirement of Section 68 of the Corporations Law so that it is possible to distribute them as dividends. The proposal to distribute dividends arising from such analysis has to be approved at the shareholders' meeting that discusses the Financial Statements corresponding to each fiscal year.

We may only declare and pay dividends out of our retained earnings representing the profit realized on our operations and investments. The Corporations Law and our bylaws state that no profits may be distributed until prior losses are covered. Dividends paid on our class A shares and class B shares will equal one another on a per share basis. As required by the Corporations Law, 5% of our net income is allocated to a legal reserve until the reserve equals 20% of our outstanding capital. Dividends may not be paid if the legal reserve has been impaired until it is fully restored. The legal reserve is not available for distribution to shareholders.

Our ability to pay dividends to our shareholders principally depends on (i) our net income (on a consolidated basis), (ii) availability of cash and (iii) applicable legal requirements.

Holders of our ADSs will be entitled to receive any dividends payable in respect of our underlying class B shares. We will pay cash dividends to the ADSs depository in Pesos, although we reserve the right to pay cash dividends in any other currency, including Dollars. The ADSs deposit agreement provides that the depository will convert cash dividends received by the ADSs depository in Pesos to Dollars and, after deduction or upon payment of fees and expenses of the ADSs depository and deduction of other amounts permitted to be deducted from such cash payments in accordance with the ADSs deposit agreement (such as for unpaid taxes by the ADSs holders in connection with personal asset taxes or otherwise), will make payment to holders of our ADSs in Dollars.

By means of Communiqués A 4589 and A 4591, issued on October 29 and November 8, 2006, the Argentine Central Bank modified the criteria by which a financial institution determines if it can distribute profits. According to the new rules, profits can be distributed up to the positive amount resulting after deducting from retained earnings the reserves that may be legally and statutory required, as well as the following items: the difference between the book value and the market value of a financial institution's portfolio of public-sector assets and/or debt issued by the Argentine Central Bank not marked-to-market, the amount of assets representing the losses from lawsuits related to deposits (*amparos*), and any adjustments required by the external auditors or the Argentine Central Bank not having been recognized. In addition, to be able to distribute profits, a financial institution must comply with the capital adequacy rule, with the minimum capital requirement and the regulatory capital calculated, only for the purpose of determining its ability to distribute profits, by deducting from its assets and retained earnings all the items mentioned in above, as well as the asset recorded in connection with the minimum presumed income tax and the amounts allocated to the repayment of long-term debt instruments computable as core capital pursuant to Communiqué A 4576. Likewise, in such calculation, a financial institution will not be able to compute any regulatory forbearance that the Argentine Central Bank may provide, affecting minimum capital requirements, RPC or a financial institution's capital adequacy, and the amount of profits that it wishes to distribute.

In May 2010, the Argentine Central Bank modified the conditions necessary to pay dividends through Communiqué A 5072:

Calculation of the distributable profits subtracting the net difference between the book value and the market price of the government debt.

Compliance with minimum capital requirements plus 30% after the payment of the dividend.

Compliance with minimum capital cash reserves after the payment of the dividend.

In January 2012, the Argentine Central Bank modified the conditions necessary to pay dividends through Communiqué A 5273:

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Compliance with minimum capital requirements plus 75% after the payment of the dividend.
Under these rules, dividend distribution requires the prior authorization of the Argentine Central Bank, with such authorization having the purpose of verifying that the aforementioned requirements have been fulfilled.

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Dividends

As a holding company, our principal source of cash from which to pay dividends on our shares is dividends or other intercompany transfers from our subsidiaries, primarily Banco Galicia. Due to the dividend restrictions contained in Banco Galicia's loan agreements in connection with Banco Galicia's foreign debt restructuring and in Argentine Central Bank regulations, our ability to distribute cash dividends to our shareholders has been materially and adversely affected since late 2001 until 2010, when Banco Galicia obtained the authorization to distribute its profits.

After the end of fiscal year 2011, the Argentine Central Bank modified its regulations governing the minimum capital requirements and dividend distribution. Due to these new regulations, Banco Galicia will not pay dividends for fiscal year 2011. However, at the annual shareholders meeting, Grupo Financiero Galicia has resolved to pay a cash dividend in the amount of Ps.17.8 million, equivalent to Ps.0.0143 per share, subject to the deduction, when applicable, of the personal assets tax.

Banco Galicia

At the close of the fiscal year ended December 31, 2011, Banco Galicia's capital, non-capitalized contributions, profit reserves, adjustments to shareholders' equity and retained earnings (not including the fiscal year's net income) totaled Ps.2,495.6 million. Banco Galicia's net income for fiscal year 2011 amounted to Ps.1,107.3 million. In addition to the retained earnings at the previous fiscal year end, of Ps.572.7 million, Banco Galicia's total retained earnings amounted to Ps.1,679.9 million.

Taking into consideration the Argentine Central Bank rules regarding the distribution of profits, as explained above, Banco Galicia's board of directors proposed at the shareholders' meeting held on April 19, 2012, and such shareholders approved, the distribution of Ps.221.5 million to legal reserve and Ps.1,458.5 million to discretionary reserve for the future distribution of profits.

Grupo Financiero Galicia

Due to the fact that most of the profits for fiscal year correspond to income by holdings and just a fraction corresponds to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations' Law, and taking as well into consideration Grupo Financiero Galicia's financial condition, during the shareholders' meeting our shareholders approved the payment of dividends in cash for the amount of Ps.17.8 million, which represents 1.4% with regard to 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

Pursuant to the section incorporated after Section 25 of Act No. 23,966, Grupo Financiero Galicia will receive the reimbursement of tax withholdings related to taxes paid on behalf of the shareholders subject to tax on personal assets as of December 31, 2011.

Significant Changes

Grupo Financiero Galicia

On January 4, 2012 Grupo Financiero Galicia acquired in the market 500,000 shares of Banco Galicia. As a result Grupo Financiero Galicia stake in Banco Galicia as of January 2012 increased from 94.84% to 94.93%.

On April 19, 2012, our shareholders held a shareholders' meeting during which they approved the payment of dividends in cash in the amount of Ps.17.8 million which represents 1.4% with regard to 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

On April 24, 2012, the Board of Directors approved the issuance of Class III notes for an aggregate maximum amount of US\$32 million.

Table of Contents*Banco Galicia*

After fiscal year end, the organizational structure changed due to the following events:

Tarjeta Naranja S.A.'s board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja S.A. (merging company).

Tarjetas Regionales carried out a capital increase that was mainly paid in by the contribution of the minority shareholders' holdings in its subsidiaries Tarjeta Naranja S.A. and Tarjetas Cuyanas S.A. Therefore, Banco Galicia's direct and indirect interest decreased to 77% of the capital stock and the remaining 23% is held by the shareholders who, by means of the above-mentioned contribution, became Tarjetas Regionales' minority shareholders.

The Argentine Central Bank established an additional capital requirement to cover operational risks, beginning on February 1, 2012. Said additional requirement is equivalent to 15% of the annual average of financial income and net income from services from the 36 months prior to the date of calculation, excluding certain items considered extraordinary or not strictly related to operational risk. The regulation also established a schedule to fulfill with this additional requirement, which reaches 100% in December 2012.

The Argentine Central Bank also established new requirements regarding dividend distribution. The excess of computable capital over the minimum requirement was increased from 30% to 75%, including 100% of the above mentioned requirement for operational risk.

Tarjetas Regionales

On January 6, 2012, the board of directors of Tarjetas Cuyanas, a subsidiary of Tarjetas Regionales, approved the issuance of its Class VII notes, to be issued in one or two series, for a nominal aggregate maximum amount of Ps.150 million. On January 24, 2012 Tarjetas Cuyanas issued Series I and Series II notes, for a face value of Ps.106.1 million and Ps.43.9 million respectively.

CFA

On April 12, 2012, the distribution of a cash dividend for Ps.176.3 million was approved at CFA's shareholders' meeting.

Item 9. The Offer and Listing**Shares and ADSs**

Our class B shares are listed on the BASE and the Córdoba Stock Exchange under the symbol GGAL. Our ADSs, each representing ten class B shares, are listed on the Nasdaq Capital Market, under the symbol GGAL. Our ADSs have been listed on Nasdaq Capital Market since August 2002. Previously, our ADSs had been listed on the Nasdaq National Market since July 24, 2000.

The following tables present, for the periods indicated, the high and low closing prices and the average trading volume of our class B shares on the BASE as reported by the BASE and the high and low closing prices and the average trading volume of our ADSs on the Nasdaq as reported by the Nasdaq Capital Market. There has been low trading volume of our class B shares on the Córdoba Stock Exchange. The following prices have not been adjusted for any stock dividends and/or stock splits.

Grupo Financiero Galicia Class B Shares Buenos Aires Stock Exchange (in Pesos)

Calendar Year	High	Low	Average Daily Volume
			(in thousands of Class B shares)
2007	3.37	2.23	1,924.8
2008	2.36	0.57	3,549.4

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2009	2.30	0.61	2,471.5
2010	6.69	1.84	2,341.3
2011	6.69	2.75	8,548.6

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	High	Low	Average Daily Volume (in thousands of Class B shares)
Two Most Recent Fiscal Years			
2010			
First Quarter	2.41	1.84	1,315.5
Second Quarter	2.53	2.02	1,957.0
Third Quarter	4.01	2.29	2,988.9
Fourth Quarter	6.69	3.91	3,094.7
2011			
First Quarter	6.69	5.23	1,299.7
Second Quarter	5.85	4.96	1,538.9
Third Quarter	6.24	3.93	1,488.3
Fourth Quarter	4.77	2.75	2,839.8
2012			
First Quarter	3.76	3.08	2,997.1
Most Recent Six Months			
November 2011	4.05	3.09	2,300.2
December 2011	3.39	2.75	3,630.2
January 2012	3.76	3.08	3,745.3
February 2012	3.72	3.29	3,161.7
March 2012	3.51	3.30	2,096.1
April 2012 (through April 16, 2012)	3.32	3.17	2,530.7

As of April 16, 2012, the closing price of our class B shares was Ps.3.17.

Grupo Financiero Galicia ADSs Nasdaq Capital Market (in US\$)

	High	Low	Average Daily Volume (in thousands of ADRs)
Calendar Year			
2007	11.12	6.98	273.1
2008	7.60	1.45	251.6
2009	6.10	1.56	160.0
2010	16.77	4.72	447.1
2011	16.52	5.76	326.6
Two Most Recent Fiscal Years			
2010			
First Quarter	6.20	4.72	113.6
Second Quarter	6.48	5.12	147.7
Third Quarter	10.15	5.67	658.8
Fourth Quarter	16.77	9.86	847.8
2011			
First Quarter	16.52	12.32	376.8
Second Quarter	13.94	11.12	248.9
Third Quarter	14.67	8.28	231.4
Fourth Quarter	9.98	5.76	451.5
2012			
First Quarter	8.20	6.21	399.6
Most Recent Six Months			
November 2011	8.37	6.64	394.4
December 2011	7.06	5.76	585.1
January 2012	8.20	6.57	540.9
February 2012	7.98	6.75	386.5

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March 2012	7.22	6.21	275.1
April 2012 (through April 16, 2012)	6.31	5.82	302.6

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As of April 16, 2012, the closing price of our ADSs was US\$5.82.

The following tables present for the periods indicated the high and low closing prices and the average trading volume of Banco Galicia's class B shares on the BASE as reported by the BASE. Banco Galicia class B shares continue to be listed on the BASE with very low trading volume.

Banco Galicia Class B Shares Buenos Aires Stock Exchange (in Pesos)

	High	Low	Average Daily Trading Volume (in thousand Class B shares)
Calendar Year			
2007	6.46	4.25	2.74
2008	4.45	2.15	3.30
2009	3.55	2.10	6.47
2010	11.91	3.12	3.51
2011	14.40	6.00	1.56
Two Most Recent Fiscal Years			
2010			
First Quarter	4.08	3.12	3.51
Second Quarter	4.05	3.44	1.67
Third Quarter	6.28	3.79	3.11
Fourth Quarter	11.91	6.15	5.76
2011			
First Quarter	11.66	9.06	2.59
Second Quarter	13.95	10.78	2.26
Third Quarter	14.40	10.00	0.90
Fourth Quarter	9.70	6.00	0.51
2012			
First Quarter	9.62	6.50	9.23
Most Recent Six Months			
November 2011	9.40	7.40	0.35
December 2011	7.10	6.00	0.48
January 2012	9.62	6.50	26.37
February 2012	9.50	9.00	0.46
March 2012	7.75	7.65	0.05
April 2012 (through April 16, 2012)	7.00	6.80	1.70

As of April 16, 2012, the closing price of Banco Galicia's class B shares was Ps.7.00.

Argentine Securities Market

The principal and oldest exchange for the Argentine securities market is the BASE. The BASE started operating in 1854 and handles approximately 95% of all equity trading in Argentina. Securities listed on the BASE include corporate equity and debt securities and government securities. Debt securities listed on the BASE may also be listed on the MAE. The Buenos Aires Stock Market (the *MERVAL*), which is affiliated with the BASE, was founded in 1929 and is the largest stock market in Argentina. The *MERVAL* is a corporation whose 135 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the BASE. Although there are 183 *MERVAL* shares outstanding, some banks and brokers own more than one share and currently there are 135 members. We are a member of the *MERVAL* through Galicia Valores, who owns three shares.

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Trading on the BASE is conducted mostly through the *Sistema Integrado de Negociación Asistida por Computación* (Integrated Computer Assisted Trading System, SINAC) although there are still some transactions carried out by continuous open outcry, the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business day of the year. SINAC is a computer trading system that permits trading in debt and equity securities and is accessed by brokers directly from workstations located at their offices. As a result of an agreement between the Merval and the MAE, equity securities are traded exclusively on the BASE and corporate and government debt securities are traded on the MAE and the BASE. Currently, all transactions relating to listed corporate and government debt securities can be effected on SINAC. In addition, a substantial over-the-counter market exists for private trading in listed debt securities and, prior to the agreement described above, equity securities. Such trades are reported on the MAE.

Although companies may list all of their capital stock on the BASE, in most cases the controlling shareholders retain the majority of a company's capital stock. This results in only a relatively small percentage of most companies' stock being available for active trading by the public on the BASE. Even though individuals have historically constituted the largest group of investors in Argentina's equity markets, in recent years, banks and insurance companies have shown an interest in these markets. Argentine mutual funds, by contrast, continue to have very low participation in the market. Although 105 companies had equity securities listed on the BASE as of December 31, 2011, the 10 most-traded companies on the exchange accounted for approximately 85.75% of total trading value during 2011. Our shares were the most-traded shares on the BASE in 2011, with a 18.02% share of trading volume.

The Córdoba Stock Exchange is another important stock market in Argentina. Securities listed on the Córdoba Stock Exchange include both corporate equity and debt securities and government securities. Through an agreement with the BASE, all of the securities listed on the BASE are authorized to be listed and subsequently traded on the Córdoba Stock Exchange. Thus, many transactions that originate on the Córdoba Stock Exchange relate to companies listed on the BASE and such trades are subsequently settled in Buenos Aires.

Market Regulations

The CNV oversees the Argentine securities markets and is responsible for authorizing public offerings of securities and supervising brokers, public companies and mutual funds. Argentine pension funds and insurance companies are regulated by separate Argentine government agencies, while financial institutions are regulated mainly by the Argentine Central Bank. The Argentine securities markets are governed generally by Law No. 17,811, as amended, which created the CNV and regulates stock exchanges, market operations and the public offering of securities.

In compliance with the provisions of Law No. 20,643 and the Decrees No. 659/74 and No. 2,220/80, most debt and equity securities traded on the exchanges and the MAE must, unless otherwise instructed by the shareholders, be deposited by the shareholders in Caja de Valores, which is a corporation owned by the BASE, the Merval and certain provincial exchanges. Caja de Valores is the central securities depository of Argentina, which provides depository facilities for securities and acts as a transfer and paying agent in connection therewith. It also handles settlement of securities transactions carried out on the BASE and operates the computerized exchange information system.

The level of regulation of the market for Argentine securities and investors' activities is relatively low as compared to the United States and certain other countries, and enforcement of existing regulatory provisions has been limited. In addition, there may be less publicly available information about Argentine companies than is regularly published by or about companies in these countries. However, the CNV has taken steps to strengthen disclosure and regulatory standards for the Argentine securities market, including the issuance of regulations prohibiting insider trading and requiring insiders to report on their ownership of securities, with associated penalties for non-compliance.

In order to improve Argentine securities market regulation, Decree No. 677/01 or Decree for Transparency in the Public Offering , was promulgated and took effect on June 1, 2001. This decree has come to be regarded as the financial consumer's bill of rights . Its objective is to provide transparency and protection to participants in the capital markets. The decree applies to individuals and entities that participate in the public offering of securities and to stock exchanges as well. Among its key provisions, the decree broadens the definition of security; governs the treatment of negotiable securities; obligates publicly listed companies to form audit committees composed of three or more members of the board of the directors, the majority of whom must be independent under CNV regulations; authorizes market-stabilization transactions under certain circumstances; governs insider trading, market manipulation and securities fraud; and regulates going-private transactions and acquisitions of voting shares, including controlling stakes in public companies.

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In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the CNV regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the CNV may be listed on the corresponding stock exchange. This approval does not imply any kind of certification of assurance related to the merits of the quality of the securities, or the solvency of the issuer. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the CNV and the corresponding stock exchange.

Securities can be freely traded on the Argentine markets but certain restrictions exist regarding access by residents and non-residents to the local foreign exchange market and to transfers of foreign exchange abroad. See Item 4. Information on the Company-Government Regulation-Foreign Exchange Market .

On October 2007, the CNV passed Resolution No. 516/07 providing for the voluntary adoption of a corporate governance code. The CNV recommends adoption of such code by public companies but requires that their policy with respect to each topic described in the code be disclosed in detail in the annual report. This resolution was effective for fiscal years beginning on January 1, 2008 and after and, therefore, public companies, including us, have to report on their degree of fulfillment of each topic of such code.

Item 10. Additional Information**Description of Our Bylaws*****General***

Set forth below is a brief description of certain provisions of our bylaws and Argentine law and regulations with regard to our capital stock. Your rights as a holder of our capital stock are subject to Argentine corporate law, which may differ from the corporate laws of other jurisdictions. This description is not purported to be complete and is qualified in its entirety by reference to our bylaws, Argentine law and the rules of the BASE, the Córdoba Stock Exchange as well as the CNV. A copy of our bylaws has been filed with and can be examined at the CNV in Buenos Aires and the SEC in Washington, D.C.

We were incorporated on September 14, 1999, as a stock corporation under the laws of Argentina and registered on September 30, 1999, with the Argentine Superintendency of Companies or IGJ, under corporate registration number 14,519 of Book 7, Volume of Stock Corporations. Our domicile is in Buenos Aires, Argentina. Under our bylaws, our duration is until June 30, 2100 and we are exclusively a financial and investment company (as stated in Chapter 2. Purpose. Article 3. of our by-laws). This duration may be extended by resolution taken at a general extraordinary shareholders meeting.

Our bylaws do not contain any provision governing the ownership threshold above which shareholder ownership must be disclosed.

During the shareholders meeting held on April 23, 2003, we decided not to adhere to the Optional Statutory System for the Mandatory Acquisition of Shares in a Public Offering regime in compliance with Decree No. 677/01, which requires a company to announce whether it has adopted this regime.

Outstanding Capital Stock

Our total subscribed and paid-in share capital as of December 31, 2011, amounted to Ps.1,241,407,017, composed of class A shares and class B shares, each with a par value of Ps.1.00. The following table presents the number of our shares outstanding as of December 31, 2011, and the voting interest that the shares represent.

Shares	Number of Shares	As of December 31, 2011	
		% of Capital Stock	% of Voting Rights
Class A Shares	281,221,650	22.65	59.42
Class B Shares	960,185,367	77.35	40.58
Total	1,241,407,017	100.00	100.00

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Registration and Transfer

The class B shares are book-entry common shares held through Caja de Valores. Caja de Valores maintains a stock registry for us and only those persons listed in such registry will be recognized as our shareholders. Caja de Valores periodically delivers to us a list of the shareholders as at a certain date.

The class B shares are transferable on the books of Caja de Valores. Caja de Valores records all transfers in our registry. Within 10 days of any such transfer, Caja de Valores is required to confirm the registration of transfer with the transferor.

Voting Rights

At shareholders' meetings, each class A share is entitled to five votes and each class B share is entitled to one vote. However, class A shares are entitled to only one vote in certain matters, such as:

a merger or spin-off in which we are not the surviving corporation, unless the acquirer's shares are authorized to be publicly offered or listed on any stock exchange;

a transformation in our legal corporate form;

a fundamental change in our corporate purpose;

a change of our domicile to outside Argentina;

a voluntary termination of our public offering or listing authorization;

our continuation following a delisting or a mandatory cancellation of our public offering or listing authorization;

a total or partial recapitalization of our statutory capital following a loss; or

the appointment of syndics.

All distinctions between our class A shares and our class B shares will be eliminated upon the occurrence of any of the following change of control events:

EBA Holding sells 100% of its class A shares;

EBA Holding sells a portion of our class A shares to a third person who, when aggregating all our class A shares with our class B shares owned by such person, if any, obtains 50% plus one vote of our total votes; or

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the current shareholders of EBA Holding sell shares of EBA Holding that will allow the buyer to exercise more than 50% of the voting power of EBA Holding at any general shareholders meeting of EBA Holding shareholders, except for transfers to other current shareholders of EBA Holding or to their heirs or their legal successors or to entities owned by any of them.

Limited Liability of Shareholders

Shareholders are not liable for our obligations. Shareholders liability is limited to the payment of the shares for which they subscribe. However, shareholders who have a conflict of interest with us and do not abstain from voting may be held liable for damages to us. Also, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or our bylaws may be held liable for damages to us or to third parties, including other shareholders, resulting from such resolutions.

Directors

Our bylaws provide that the board of directors shall be composed by at least three and at most nine members, as decided at a general ordinary shareholders meeting. To be appointed to our Board of Directors, such person must have been presented as a candidate by shareholders who represent at least 10% of our voting rights, at least three business days before the date the general ordinary shareholders meeting is to be held. Our bylaws do not state an age limit over which the directors cannot serve on our board.

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At each annual shareholders meeting, the term of one third of the members of our Board of Directors (no fewer than three directors) expires and their successors are elected to serve for a term of three years. The shareholders meeting shall have the power to fix a shorter period (one or two years) for the terms of office of one, several or all of the directors. This system of electing directors is intended to help maintain the continuity of the board. Alternate directors replace directors until the following general ordinary shareholders meeting is held. Directors may also be replaced by alternate directors if a director will be absent from a board meeting. The board of directors is required to meet at least once every month and anytime any one of the directors or syndics so requests.

Our bylaws state that the board of directors may decide to appoint an executive committee and/or a delegate director.

Our bylaws do not provide for any arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to in this annual report was selected as a director or member of senior management.

Additionally, pursuant to our bylaws, any borrowing powers on behalf of the Company are granted to our Board of Directors. Our Board of Directors has the power to delegate these borrowing powers to our directors through a power of attorney and currently certain of our directors have powers of attorney to negotiate the terms of and borrow money on behalf of the Company. Furthermore, as stated by our bylaws, the chairman of our Board of Directors is also the legal representative of the Company. Although our bylaws do not expressly address a director's power to vote on proposals, arrangements or contracts in which the director has a material interest, pursuant to customary Argentine business practice and certain tenants of Argentine corporate law, our directors do not vote on proposals, arrangements or contracts in which the director has a material interest.

Appointment of Directors and Syndics by Cumulative Voting

The Corporations Law provides for the use of cumulative voting to enable minority shareholders to appoint members of the board of directors and syndics. Upon the completion of certain requirements, shareholders are entitled to appoint up to one third of the vacancies to be filled on the board of directors by cumulative voting. Each shareholder voting cumulatively has the number of votes resulting from multiplying the number of votes to which such shareholder would normally be entitled by the number of vacancies to be filled. Such shareholder may apportion his votes or cast all such votes for one or a number of candidates not exceeding one third of the vacancies to be filled.

Compensation of Directors

The Corporations Law and the CNV establish rules regarding the compensation of directors. The maximum amount of aggregate compensation that the members of the board of directors may receive, including salaries and other compensation for the performance of permanent technical and administrative services, may not exceed 25.0% of profits of each fiscal year. This maximum amount shall be limited to 5.0% when no dividends are distributed to the shareholders and shall be increased proportionately to the dividend distribution until the 25.0% limit is reached when all profits are distributed.

The Corporations Law provides that aggregate director compensation may exceed the maximum percentage of computable profit in any one year when the company's profits are non-existent or too small as to allow payment of a reasonable compensation to board members which have been engaged in technical or administrative services to the company, provided that such proposal is described in the notice of the agenda for the ordinary shareholders meeting and is approved by a majority of shareholders present at such shareholders meeting.

In addition to the above, our bylaws establish that best practices and national and international market standards regarding directors with similar duties and responsibilities shall be considered when determining the compensation of board members.

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Syndics

Our bylaws, in accordance with Argentine law, provide for the maintenance of a supervisory committee whose members are three permanent syndics and three alternate syndics. Syndics are elected for a one-year term and may be re-elected. Alternate syndics replace permanent syndics in case of absence. For the appointment of syndics, each of our class A shares and class B shares has only one vote. Fees for syndics are established by the shareholders at the annual ordinary shareholders meeting. Their function is to oversee the management of the company, to control the legality of the actions of the board of directors, to attend all board of directors meetings, to attend all shareholders meetings, to prepare reports for the shareholders on the financial statements with their opinion, and to provide information regarding the company to shareholders that represent at least 2% of the capital stock. Syndics liabilities are joint and several and unlimited for the non-fulfillment of their duties. They are also jointly and severally liable, together with the members of the board of directors, if the proper fulfillment of their duties as syndics would have avoided the damage or the losses caused by the members of the board of directors.

Shareholders Meetings

Shareholders meetings may be ordinary meetings or extraordinary meetings. An annual ordinary shareholders meeting is required to be held in each fiscal year to consider the matters outlined in Article 234 of the Corporations Law, including, among others:

approval of the financial statements and general performance of the management for the preceding fiscal year;

appointment and remuneration of directors and members of the supervisory committee;

allocation of profits; and

any other matter the board of directors decides to submit to the shareholders meeting concerning the company's business administration. Matters which may be discussed at these or other ordinary meetings include resolutions regarding the responsibility of directors and members of the supervisory committee, as well as capital increases and the issuance of notes.

Extraordinary shareholders meetings may be called at any time to discuss matters beyond the competence of the ordinary meeting, including but not limited to amendments to the bylaws, matters related to the liquidation of a company, limitation of the shareholders preemptive rights to subscribe new shares, issuance of bonds and debentures, transformation of the corporate form, a merger into another company and spin-offs, early winding-up, change of the company's domicile to outside Argentina, total or partial repayment of capital for losses, and a substantial change in the corporate purpose set forth in the bylaws.

Shareholders meetings may be convened by the board of directors or by the syndics. A shareholder or group of shareholders holding at least 5.0% in the aggregate of our capital stock may request the board of directors or the syndics to convene a general shareholders meeting to discuss the matters indicated by the shareholder.

Once a meeting has been convened with an agenda, the agenda limits the matters to be decided upon at such meeting and no other matters may be decided upon.

Additionally, our bylaws provide that any shareholder holding at least 5% in aggregate of our capital stock may present, in writing, to the Board of Directors, before February 28 of each year, proposals of items to be included in the agenda at the annual general ordinary shareholders meeting. The Board of Directors is not obligated to include such items in the agenda.

Class B shares represented by ADSs will be voted or caused to be voted by the Depositary in accordance with instructions of the holders of such ADSs. In the event instructions are not received from the holder, the Depositary shall give a discretionary proxy for the shares represented by such ADSs to a person designated by us.

Notice of each shareholders meeting must be published in the Official Gazette, and in a widely circulated newspaper in the country's territory, at least twenty days prior to the meeting but not more than forty-five days prior to the date on which the meeting is to be held. The board of directors will determine the appropriate publication of notices outside Argentina in accordance with the requirements of the jurisdictions and

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exchanges on which our shares are traded. In order to attend a meeting and to be listed on the meeting registry, shareholders must submit evidence of their book-entry share account held at Caja de Valores at least three business days prior to the scheduled meeting date without counting the meeting day.

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The quorum for ordinary meetings consists of a majority of stock entitled to vote, and resolutions may be adopted by the affirmative vote of 50% plus one vote (an absolute majority) of the votes present whether in person or participating via electronic means of communication. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, shall constitute a quorum. Resolutions are to be adopted by an absolute majority of the votes present. The second meeting may be convened to be held one hour later on the same day as the first meeting had been called for, provided that it is an ordinary shareholders meeting, or within thirty days of the date for which the first ordinary meeting was called.

The quorum for extraordinary shareholders meetings consists of 60% of stock entitled to vote, and resolutions may be adopted by an absolute majority of the votes present. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, shall constitute a quorum. Resolutions are to be adopted by an absolute majority of the votes present. The second meeting has to be convened to be held within thirty days of the date for which the first extraordinary meeting was called, and the notice must be published for three days, at least eight days before the date of the second meeting. Some special matters require a favorable vote of the majority of all the stock holding voting rights, the class A shares being granted the right to only one vote each. The special matters are described in -Voting Rights above.

Dividends

Dividends may be lawfully paid and declared only out of our retained earnings representing the profit realized and liquid on our operations and investments reflected in our annual financial statements, as approved at our annual general shareholders meeting. No profits may be distributed until prior losses are covered. Dividends paid on our class A shares and class B shares will equal one another on a per-share basis.

As required by the Corporations Law, 5% of our net income is allocated to a legal reserve until the reserve equals 20% of our outstanding capital. Dividends may not be paid if the legal reserve has been impaired. The legal reserve is not available for distribution to shareholders.

Our Board of Directors submits our financial statements for the previous fiscal year, together with reports prepared by our supervisory committee, to our shareholders for approval at the general ordinary shareholders meeting. The shareholders, upon approving the financial statements, determine the allocation of our net income.

Our Board of Directors is allowed by law and by our bylaws to decide to pay anticipated dividends on the basis of a balance sheet especially prepared for purposes of paying such dividends.

Under CNV regulations and our bylaws, cash dividends must be paid to shareholders within 30 days of the shareholders meeting approving the dividend. Payment of dividends in shares requires authorization from the CNV, the BASE and the Córdoba Stock Exchange, whose authorizations must be requested within 10 business days after the shareholders meeting approving the dividend. We must make a distribution of the shares available to shareholders not later than three months after receiving authorization to do so from the CNV.

Shareholders may no longer claim the payment of dividends from us after three years have elapsed from the date on which the relevant dividends were made available to such shareholders.

Capital Increases and Reductions

We may increase our capital upon resolution of the general ordinary shareholders meeting. All capital increases must be reported to the CNV, published in the Official Gazette and registered with the Public Registry of Commerce. Capital reductions may be voluntary or mandatory. A voluntary reduction of capital must be approved by an extraordinary shareholders meeting after the corresponding authorization by the BASE, the Córdoba Stock Exchange and the CNV and may take place only after notice of such reduction has been published and creditors have been given an opportunity to obtain payment or guarantees for their claims or attachment. A reduction of capital is mandatory when losses have exceeded reserves and more than 50% of the share capital of the company.

Preemptive Rights

Under Argentine law, it is mandatory that a shareholder of ordinary shares of any given class have preemptive rights, proportional to the number of shares he or she owns, to subscribe for shares of capital stock of the same class or of any other class if the new subscription offer does not include all classes of shares. Shareholders may only decide to suspend or limit preemptive rights by supermajority at an extraordinary shareholders meeting and only in exceptional cases. Shareholders may waive their preemptive rights only on a case-by-case basis.

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In the event of an increase in our capital, holders of class A shares and class B shares have a preemptive right to subscribe for any issue of class B shares in an amount sufficient to maintain the proportion of capital then held by them. Holders of class A shares are entitled to subscribe for class B shares because no further class A shares carrying five votes each are allowed to be issued in the future. Under Argentine law, companies are prohibited from issuing stock with multiple voting rights after they have been authorized to make a public offering of securities.

Preemptive rights are exercisable following the last publication of the notification to shareholders of the opportunity to exercise preemptive rights in the Official Gazette and an Argentine newspaper of wide circulation for a period of 30 days, provided that such period may be reduced to no less than 10 days if so approved by an extraordinary shareholders meeting.

Shareholders who have exercised their preemptive rights and indicated their intention to exercise additional preemptive rights are entitled to additional preemptive rights (accretion rights), on a pro rata basis, with respect to any unsubscribed shares, in accordance with the terms of the Corporations Law. Class B shares not subscribed for by shareholders through the exercise of their preemptive or accretion rights may be offered to third parties.

Holders of ADSs may be restricted in their ability to exercise preemptive rights if a registration statement relating to such rights has not been filed or is not effective or if an exemption from registration is not available.

Appraisal Rights

Whenever our shareholders approve:

a merger or spin-off in which we are not the surviving corporation, unless the acquirer's shares are authorized to be publicly offered or listed on any stock exchange,

a transformation in our legal corporate form,

a fundamental change in our corporate purpose,

a change of our domicile to outside Argentina,

a voluntary termination of our public offering or listing authorization,

our continuation following a delisting or a mandatory cancellation of our public offering or listing authorization, or

a total or partial recapitalization of our statutory capital following a loss, any shareholder that voted against such action or did not attend the relevant meeting may exercise its right to have its shares canceled in exchange for the book value of its shares, determined on the basis of our latest balance sheet prepared in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the periods set forth below.

There is, however, doubt as to whether holders of ADSs, will be able to exercise appraisal rights with respect to class B shares represented by ADSs.

Appraisal rights must be exercised within five days following the adjournment of the meeting at which the resolution was adopted, in the event that the dissenting shareholder voted against such resolutions, or within 15 days following such adjournment if the dissenting shareholder did not attend such meeting and can prove that he was a shareholder on the date of such meeting. In the case of a merger or spin-off involving an entity authorized to make a public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of such transaction

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are listed on any stock exchange. Appraisal rights are extinguished if the resolution giving rise to such rights is overturned at another shareholders meeting held within 75 days of the meeting at which the resolution was adopted.

Payment of the appraisal rights must be made within one year from the date of the shareholders meeting at which the resolution was adopted, except if the resolution was to delist our capital stock, in which case the payment period is reduced to 60 days from the date of the related resolution.

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Preferred Stock

According to the Corporations Law and our bylaws, an ordinary shareholders meeting may approve the issuance of preferred stock. Such preferred stock may have a fixed dividend, cumulative or not cumulative, with or without additional participation in our profits, as decided by shareholders at a shareholders meeting when determining the conditions of the issuance. They may also have other preferences, such as a preference in the event of our liquidation.

The holders of preferred stock shall not be entitled to voting rights. Notwithstanding the foregoing, in the event that no dividends are paid to such holders for their preferred stock, and for as long as such dividends are not paid, the holders of preferred stock shall be entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as the transformation of the corporate form, a merger into another company and spin-offs (when we are not the surviving entity and the surviving entity is not listed on any stock exchange), early winding-up, a change of our domicile to outside Argentina, total or partial repayment of capital for losses and a substantial change in the corporate purpose set forth in our bylaws or in the event our preferred stock is traded on stock exchanges and such trading is suspended or terminated.

Conflicts of Interest

As a protection to minority shareholders, under the Corporations Law, a shareholder is required to abstain from voting on any resolution in which its direct or indirect interests conflict with that of or are different than ours. In the event such shareholder votes on such resolution, and such resolution would not have been approved without such shareholders vote, the resolution may be declared void by a court and such shareholder may be liable for damages to the company as well as to any third party, including other shareholders.

Redemption or Repurchase

According to Decree No. 677/01, a stock corporation may acquire the shares issued by it, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and those set forth by the CNV. The CNV has not yet issued its regulations. The above-mentioned conditions are: (a) the shares to be acquired shall be fully paid up; (b) there shall be a resolution signed by the board of directors to such effect; (c) the acquisition shall be made out of net profits or free or voluntary reserves; and (d) the total amount of shares acquired by the company, including previously acquired shares, shall not exceed 10% of the capital stock or such lower percentage determined by the CNV. The shares acquired by the company in excess of such limit shall be disposed of within the term of 90 days after the date of the acquisition originating such excess.

The shares acquired by the company shall be disposed of by the company within the maximum term of three years counted as from the date of acquisition thereof. Upon disposing of the shares, the company shall make a preemptive offer thereof. Such an offer will not be obligatory if the shares are used in connection with a compensation plan or program for the company's employees or if the shares are distributed among all shareholders pro rata their shareholdings. If shareholders do not exercise, in whole or in part, their preemptive rights, the sale shall be made at a stock exchange.

Liquidation

Upon our liquidation, one or more liquidators may be appointed to wind up our affairs. If no such appointment is made, our Board of Directors will act as liquidator. All outstanding common shares will be entitled to participate equally in any distribution upon liquidation. In the event of a liquidation, in Argentina as well as in any other country, our assets shall first be applied to satisfy our debts and liabilities.

Other Provisions

Our bylaws are governed by Argentine law and the ownership of any kind of our shares represents acceptance of our bylaws and submission to the exclusive jurisdiction of the ordinary commercial courts of Buenos Aires for any claim or dispute related to us, our shareholders, directors and members of the supervisory committee.

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Exchange Controls

For a description of the exchange controls that would affect us or the holders of our securities, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market .

Taxation

The following is a summary of the principal Argentine and U.S. Federal tax consequences arising from the acquisition, ownership and disposition of our class B shares and ADSs. It is based upon Argentine and U.S. Federal tax laws and regulations in effect as of the date of this annual report and is subject to any subsequent changes in such laws and regulations that may come into effect after such date. Any change could apply retroactively and could affect the continued validity of this summary. The summary which follows does not constitute legal advice or a legal opinion with respect to the transactions that the holders of our class B shares or ADSs may enter into, but rather is only a brief description of certain (and not all) aspects of the Argentine and U.S. Federal taxation system related to the acquisition, ownership and disposition of our class B shares and ADSs. In addition, although the following summary is believed to be a reasonable interpretation of the current taxation rules and regulations, we cannot assure you that the applicable authorities or tribunals will agree with all of, or any of, the tax consequences outlined below. Currently, there is no tax treaty between the United States and Argentina.

Argentine Taxes

Taxation of Dividends

In general, dividend payments on ADSs or ordinary shares, whether in cash, property, or stock, are not subject to Argentine withholding tax or other taxes.

There is an exception under which a 35% tax (equalization tax) will be imposed on certain dividends approved by the registrant's shareholders. The equalization tax will be applied only to the extent that distributions of dividends exceed the taxable income of the company increased by non-taxable dividends received by the distributing company in prior years and reduced by Argentine income tax paid by the distributing company.

In this situation the equalization tax will be imposed as a withholding tax on the shareholder receiving the dividend. Dividends distributions made in property (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends are not subject to Argentine taxation.

Taxation of Capital Gains

Pursuant to Decree No. 2,284/91 (the Deregulation Decree), capital gains derived by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or class B shares are not currently subject to income tax.

Beginning on January 1, 2001, capital gains from the sale, exchange or other dispositions of shares not listed in a stock exchange will be subject to income tax when derived by individuals domiciled in Argentina.

In addition, in the case of entities or permanent organizations incorporated or domiciled abroad that, pursuant to their bylaws, charters, documents or the applicable regulatory framework, have as their principal activity investing outside of the jurisdiction of their incorporation or domicile, or are generally restricted from doing business in their country of incorporation, it will be assumed, without any proof to the contrary being admitted, that the seller is an individual domiciled in Argentina. Such entities will be subject to income tax imposed as a withholding tax on the seller receiving the payment (for payments made beginning on April 30, 2001) at the rate of 17.50% (that is, 35% on 50% of the amount of the payment), but the foreign party may choose instead to pay a tax of 35% on the net gain realized on the sale. In such situation, the Deregulation Decree will not be applicable.

On July 3, 2003, the Argentine government's Chief Counsel (*Procurador del Tesoro*) issued an opinion that the provisions of the income tax law that taxed capital gains arising from shares without quotation obtained by resident individuals or offshore companies , as defined by the Argentine Income Tax Law, are no longer in force because they have been implicitly abrogated. The validity of this opinion is difficult to assess. Opinions of the Argentine government's Chief Counsel are binding upon all Argentine government attorneys, including attorneys of the Argentine tax administration.

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Transfer Taxes

No Argentine transfer taxes are applicable on the sale or transfer of ADSs or class B shares.

Tax on Minimum Notional Income

The tax reform in force since 1999 reinstated a tax on assets on Argentine companies. This tax is similar to the asset tax that was previously in effect in Argentina from 1990 to 1995. It applies at a general rate of 1% on a broadly defined asset base encompassing most of the taxpayer's gross assets at the end of any fiscal year ending after December 31, 1998.

Specifically, the Law establishes that banks, other financial institutions and insurance companies will consider a taxable base equal to 20% of the value of taxable assets.

A company's asset tax liability for a tax year will be reduced by its income tax payments, and asset tax payments for a tax year can be carried forward to be applied against the company's income tax liability in any of the following ten tax years.

Personal Assets Tax

Individuals domiciled and undivided estates located in Argentina or abroad will be subject to an annual tax in respect of assets located in Argentina and abroad. The tax rate is from 0.5% to 1.25%, depending on the total amount of assets. Individuals domiciled abroad will pay the tax only in respect of the assets they hold in Argentina. In the case of individuals domiciled abroad, the tax will be paid by the individuals or entities domiciled in Argentina which, as of December 31 of each year, hold the joint ownership, possession, use, enjoyment, deposit, safekeeping, custody, administration or tenure of the assets located in Argentina subject to the tax belonging to the individuals domiciled abroad. When the direct ownership of notes, government securities and certain other investments, except shares issued by companies ruled by the Corporations Law, corresponds to companies domiciled abroad in countries that do not enforce registration systems for private securities (with the exception of insurance companies, open-end investment funds, pension funds or banks and financial entities with head offices in countries that have adopted the international banking supervision standards laid down by the Basel Committee on Banking Supervision) or that pursuant to their bylaws, charter, documents or the applicable regulatory framework, have as their principal activity investing outside of the jurisdiction of their organization or domicile, or are generally restricted from doing business in their country of incorporation, it will be assumed, without any proof to the contrary being admitted, that those assets belong ultimately to individuals and therefore the system for paying the tax for such individuals domiciled abroad is applicable to them.

There is an exception pursuant to a tax reform that was published in the Official Gazette as Law No. 25,585, which went into effect on December 31, 2002. This tax reform introduced a mechanism to collect the personal assets tax on shares issued by companies ruled by the Corporations Law, which ownership belongs to individuals domiciled in Argentina or abroad and companies or entities domiciled abroad. In the case of companies or entities domiciled abroad, it will be assumed, without any proof to the contrary being admitted, that those shares belong ultimately to individuals domiciled abroad.

The tax will be assessed and paid by those companies ruled by the Corporations Law at the rate of 0.5% on the value of the shares or equity interest. The valuation of the shares, whether listed or not, must be made according to their proportional equity value. These companies may eventually seek reimbursement from the direct owner of their shares in respect of any amounts paid to the Argentine tax authorities as personal assets tax. Grupo Financiero Galicia has sought reimbursement for the amount paid corresponding to December 31, 2002. The board of directors submitted the decision on how to proceed with respect to fiscal year 2003 to the annual shareholders meeting held on April 22, 2004. At that meeting, our shareholders voted to suspend all claims on our shareholders for amounts unpaid for fiscal year 2002 and to have us absorb the amounts due for fiscal year 2003 onward when not withheld from dividends.

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Other Taxes

There are no Argentine federal inheritance, succession or gift taxes applicable to the ownership, transfer or disposition of ADSs or class B shares. There are no Argentine stamps, issue, registration or similar taxes or duties payable by holders of ADSs or class B shares.

Deposit and Withdrawal of Class B Shares in Exchange for ADSs

No Argentine tax is imposed on the deposit or withdrawal of class B shares in exchange for ADSs.

United States Taxes

The following is a summary of the material U.S. Federal income tax consequences of the acquisition, ownership and disposition of class B shares or ADSs, as such securities are set forth in the documents or the forms thereof, relating to such securities as in existence on the date hereof, but it does not purport to address all of the tax considerations that may be relevant to a decision to purchase, own or dispose of class B shares or ADSs. This summary assumes that the class B shares or ADSs will be held as capital assets and does not address tax consequences to all categories of investors, some of which (such as dealers or traders in securities or currencies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt entities, banks, insurance companies, persons that received class B shares or ADSs as compensation for the performance of services, persons owning (or deemed to own for U.S. tax purposes) at least 10% or more (by voting power or value) of our shares, investors whose functional currency is not the Dollar and persons that will hold the class B shares or ADSs as part of a position in a straddle or as part of a hedging or conversion transaction for U.S. tax purposes) may be subject to special tax rules. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of class B shares or ADSs.

This summary (i) is based the Internal Revenue Code of 1986, as amended (the Code), existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof; and (ii) is based in part on representations of the Depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this summary, a U.S. Holder is a beneficial owner of class B shares or ADSs who, for U.S. Federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a United States person for United States federal income tax purposes or if (a) a United States court can exercise primary supervision over its administration and (b) one or more United States persons have the authority to control all of the substantial decisions of such trust. A Non-U.S. Holder is a beneficial owner of class B shares or ADSs that is neither a U.S. Holder nor a partnership (or other entity treated as such for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds class B shares or ADSs, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

Each prospective purchaser should consult its own tax advisor with respect to the U.S. Federal, state, local and foreign tax consequences of acquiring, owning or disposing of class B shares or ADSs.

Ownership of ADSs in General

In general, for U.S. Federal income tax purposes holders of ADSs will be treated as the owners of class B shares represented by such ADSs.

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The U.S. Treasury Department has expressed concern that depositaries for American depositary receipts, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. Holders of such receipts or shares. Such actions include, for example, a pre-release of an ADS by a depositary. Accordingly, the analysis regarding the sourcing rules described below and the availability of U.S. tax credits for Argentine taxes withheld on underlying dividend payments made to the depositary could be materially and adversely affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and Grupo Financiero Galicia.

Taxation of Cash Dividends and Distribution of Stock

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, for U.S. Federal income tax purposes, the gross amount of distributions by Grupo Financiero Galicia of cash or property (other than certain distributions, if any, of class B shares or ADSs distributed pro rata to all shareholders of Grupo Financiero Galicia, including holders of ADSs) made with respect to the class B shares or ADSs before reduction for any Argentine taxes withheld therefrom, will constitute dividends to the extent that such distributions are paid out of Grupo Financiero Galicia's current and accumulated earnings and profits, and will be included in the gross income of a U.S. Holder as dividend income. Subject to the discussion below under *Passive Foreign Investment Company Considerations*, non-corporate U.S. Holders generally may be taxed on such distributions on ADSs (or shares that are readily tradable on an established securities market in the United States at the time of such distribution) at the lower rates applicable to long-term capital gains for taxable years beginning on or before December 31, 2012 (i.e., gains from the sale of capital assets held for more than one year). Non-corporate U.S. Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss with respect to such ADSs (or class B shares), that elect to treat the dividend income as investment income pursuant to Section 163(d)(4)(B) of the Code or that receive dividends with respect to which they are obligated to make related payments, will not be eligible for the reduced rates of taxation. Such dividends will not be eligible for the dividends received deduction generally allowed to corporations under the Code.

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, if distributions with respect to the class B shares exceed Grupo Financiero Galicia's current and accumulated earnings and profits, the excess would be treated first as a tax-free return of capital to the extent of such U.S. Holder's adjusted tax basis in the class B shares or ADSs. Any amount in excess of the amount of the dividend and the return of capital would be treated as capital gain. Grupo Financiero Galicia does not maintain calculations of its earnings and profits under U.S. federal income tax principles.

Dividends paid in Pesos will be included in the gross income of a U.S. Holder in an amount equal to the US Dollar value of the Pesos on the date of receipt, which, in the case of ADSs, is the date they are received by the depositary. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. Any gains or losses resulting from the conversion of Pesos between the time of the receipt of dividends paid in Pesos and the time the Pesos are converted into Dollars will be treated as ordinary income or loss, as the case may be, of a U.S. Holder. Dividends received by a U.S. Holder with respect to the class B shares or ADSs will be treated as foreign source income, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, Argentine tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. Federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific categories of income. For this purpose, dividend income with respect to your class B shares or ADSs should generally constitute passive category income, or in the case of certain U.S. Holders, general category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Subject to the discussion below under *Backup Withholding and Information Reporting*, a Non-U.S. Holder generally will not be subject to U.S. Federal income or withholding tax on dividends received on class B shares or ADSs, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

Table of Contents*Taxation of Capital Gains*

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, U.S. Holders that hold class B shares or ADSs as capital assets will recognize capital gain or loss for U.S. Federal income tax purposes upon a sale or exchange of such class B shares or ADSs in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the class B shares or ADSs and the amount realized on their disposition. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. Federal income tax rate applicable to such gain will be lower than the maximum marginal federal income tax rate for ordinary income (other than certain dividends) if the U.S. Holder's holding period for the class B shares or ADSs exceeds one year. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as United States source income or loss for U.S. foreign tax credit purposes. Certain limitations exist on the deductibility of capital losses for U.S. Federal income tax purposes.

The initial tax basis of the class B shares to a U.S. Holder is the Dollar value of the Pesos denominated purchase price determined on the date of purchase. If the class B shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the Dollar value of the cost of such class B shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

With respect to the sale or exchange of class B shares or ADSs, the amount realized generally will be the Dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the class B shares or ADSs are treated as traded on an established securities market, a cash basis taxpayer (or, if it elects, an accrual basis taxpayer) will determine the Dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under *Backup Withholding and Information Reporting*, a Non-U.S. Holder generally will not be subject to U.S. Federal income or withholding tax on gain realized on the sale or exchange of class B shares or ADSs unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations

A Non-United States corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. Federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce passive income or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions, other than certain income derived in the active conduct of a banking business.

The application of the PFIC rules to certain banks is unclear under U.S. Federal income tax law. The United States Internal Revenue Service (IRS) has issued a notice and certain proposed Treasury Regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the Active Bank Exception). However, the IRS notice and proposed Treasury Regulations are inconsistent in certain respects. Since final Treasury Regulations have not been issued, there can be no assurance that Grupo Financiero Galicia or its subsidiaries will satisfy the Active Bank Exception for any given taxable year.

Based on certain estimates of its gross income and gross assets, the nature of its business and relying on the Active Bank Exception, Grupo Financiero Galicia believes that it was not classified as a PFIC for the taxable year ended December 31, 2011. Grupo Financiero Galicia's status in future years will depend on its assets and activities in those years. Grupo Financiero Galicia has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that Grupo Financiero Galicia will not be considered a PFIC for any taxable year. If Grupo Financiero Galicia were a PFIC, a U.S. Holder of class B shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of certain dividends at the lower rates applicable to long-term capital gains, as discussed above under *Taxation of Cash Dividends and Distribution of Stock*) with respect to any gain from the sale or exchange of, and certain distributions with respect to, the class B shares or ADSs.

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If Grupo Financiero Galicia were a PFIC, a U.S. Holder of class B shares or ADSs could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the class B shares or ADSs. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if Grupo Financiero Galicia were treated as a PFIC.

Backup Withholding and Information Reporting

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain holders of stock.

Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, class B shares or ADSs made within the United States, or by a U.S. payor or U.S. middleman, to a holder of class B shares or ADSs (other than an exempt recipient, including a payee that is not a United States person that provides an appropriate certification and certain other persons).

A payor will be required to withhold backup withholding tax from any payments of dividends on, or proceeds from the sale or redemption of, class B shares or ADSs within the United States, or by a U.S. payor or U.S. middleman, to a holder (other than an exempt recipient such as a corporation or a payee that is not a United States person and that provides an appropriate certification) if such Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28% through 2012.

In addition, certain U.S. Holders who are individuals are required to report information relating to an interest in our class B shares or ADSs, subject to certain exceptions (including an exception for the class B shares or ADSs held in accounts maintained by certain financial institutions). U.S. Holders are urged to consult their tax advisers regarding the effect, if any such information reporting requirements with respect to their ownership and disposition of the class B shares or ADSs.

FATCA

Grupo Financiero Galicia may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the Code, as amended, and the regulations promulgated thereunder (often referred to as the Foreign Account Tax Compliance Act or FATCA) to withhold U.S. tax at a 30% rate on all or a portion of distributions made on or after January 1, 2017 on the class B shares or ADSs which are treated as foreign passthrough payments and are therefore considered to be attributable to certain U.S. assets held directly or indirectly by Grupo Financiero Galicia. This 30% U.S. withholding tax could be imposed on payments to certain holders of class B shares and ADSs if Grupo Financiero Galicia is unable to obtain the information required by FATCA from those holders.

If Grupo Financiero Galicia decides to enter into an agreement with the IRS to report the information required by FATCA, then an investor considered to have a U.S. account maintained by Grupo Financiero Galicia may be required to provide the information described below or be subject to U.S. withholding tax on a portion of any distribution on class B shares and ADSs and proceeds from their sale. Investors that are financial institutions, or financial institutions that receive payments on behalf of another person, and that have not entered into an agreement with the IRS (or otherwise established an exemption from FATCA) would also be subject to this U.S. withholding tax.

Generally, under FATCA, a U.S. account is a financial account maintained by a foreign financial institution that is held by one or more specified U.S. persons or U.S.-owned foreign entities. An equity instrument in a financial institution that is regularly traded on an established securities market is not a financial account. Further, under proposed regulations issued in February 2012, a financial account does not include an equity instrument in a financial institution, such as Grupo Financiero Galicia, that is not engaged (or holding itself out as engaged) primarily in certain investment activities, unless the value of the equity instrument is determined, directly or indirectly, primarily by reference to assets giving rise to withholdable payments.

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Each holder of class B shares or ADSs that is considered to have a U.S. account maintained by Grupo Financiero Galicia may be required to provide satisfactory documentation (i) that neither it nor the beneficial owners of the class B shares or ADSs, if other than the holder, are U.S. persons, or (ii) if the holder or the beneficial owners are U.S. persons, information including the name, address and U.S. taxpayer identification number of each U.S. person. Each holder of class B shares or ADSs that fails to provide the requested information generally will be subject to a U.S. withholding tax on any payments made to that holder. A holder who fails to provide the necessary information due to a non-U.S. law prohibiting the provision of this information may be required to execute a valid waiver of the non-U.S. law (and then provide the relevant information to Grupo Financiero Galicia) or dispose of its class B shares or ADSs within a reasonable time.

FATCA is particularly complex and its application to Grupo Financiero Galicia is uncertain at this time. Each holder of class B shares or ADSs should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its particular circumstances.

Medicare Tax on Investment Income

Certain U.S. Holders who are individuals, estates or trusts are required to pay a 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of shares of the class B shares or ADSs for taxable years beginning after December 31, 2012.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE CLASS B SHARES OR ADSs. YOU SHOULD CONSULT AN INDEPENDENT TAX ADVISOR CONCERNING THE TAX CONSEQUENCES OF YOUR PARTICULAR SITUATION.

Material Contracts

Bonds

In connection with Banco Galicia's issuance on May 4, 2011 of its Class I notes due 2018 in the aggregate principal amount of US\$300.0 million, within its global short-term, medium-term and/or long-term note program, for an outstanding face value at any time of up to US\$342.5 million, or the equivalent amount in other currencies, Banco Galicia entered into an indenture with The Bank of New York Mellon, acting as trustee, pursuant to which such notes were issued. This indenture includes a number of significant covenants, which are subject to important qualifications and exceptions, that, among other things, restrict the ability of (i) Banco Galicia and certain of its subsidiaries to directly or indirectly, create, incur, assume or suffer to exist liens upon its present or future assets to secure any indebtedness and (ii) Banco Galicia to merge, consolidate or amalgamate with or into, or convey or transfer or lease all or substantially all of its properties and assets, whether in one transaction or a series of related transactions.

In connection with Tarjeta Naranja S.A.'s issuance on January 28, 2011 of its Class XIII notes due 2017 in the aggregate principal amount of US\$200.0 million, within its global short-term, medium-term and/or long-term note program, for an outstanding face value at any time of up to US\$350.0 million, or the equivalent amount in other currencies, Tarjeta Naranja S.A. entered into an indenture with The Bank of New York Mellon, acting as trustee, pursuant to which such notes were issued. This indenture includes a number of significant covenants, which are subject to important qualifications and exceptions, that, among other things, restrict the ability of Tarjeta Naranja S.A. (and certain of its subsidiaries in specific instances) to (i) incur or guarantee certain indebtedness; (ii) declare or pay certain dividends or make certain distributions; (iii) purchase, redeem, retire or otherwise acquire for value any of its capital stock; (iv) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayments or scheduled sinking fund payments, certain subordinated obligations, or intercompany indebtedness between or among Tarjeta Naranja S.A. and certain of its subsidiaries; (v) make certain investments; (vi) enter into sale and lease-back transactions; (vii) make certain asset dispositions; (viii) issue, assume or guarantee certain indebtedness secured by a lien (or cause or permit certain of its subsidiaries to do so); (ix) engage in certain transactions with affiliates; (x) engage in business activities unrelated to its current business; (xi) limit or encumber the ability of certain of its subsidiaries to pay dividends, pay indebtedness, make loans or advances or transfer properties or assets; (xii) consolidate with or merge into another person or convey, transfer or lease its properties and assets substantially as an entirety to any person; or (xiii) transfer, convey, sell, lease (or otherwise dispose of) or issue voting stock of certain of its subsidiaries.

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Loans

The improved position of Banco Galicia after the foreign debt restructuring, allowed Banco Galicia to have access to new facilities to finance medium- and long-term investment projects. In May 2005 and in November 2007, the IFC granted Banco Galicia a US\$40 million loan and a US\$50 million loan respectively, both facilities fully utilized, with a tenor of up to 8 years, for the financing of investment projects of SMEs mainly active in the agribusiness sector and export oriented. As of December 31, 2011, the principal amount of those facilities amounted to Ps.256.4 million.

In September of 2010, IFC granted Banco Galicia a US\$40 million loan with a 5 year term. In December 2010, FMO granted Banco Galicia a US\$20 million loan with a 6 year term. The purpose of these facilities is to fund long-term loans to SMEs. In addition, in February 2011, IDB granted Banco Galicia a US\$30 million loan with a 5 year term, the proceeds of which are to be used to fund green line and microfinance investment projects. In December 2011, Société de Promotion et de Participation pour la Cooperation Economique (Proparco) granted Banco Galicia a US\$30 million loan with a 6 year term for the financing of investment projects of export oriented SMEs mainly active in the agribusiness sector.

Documents on Display

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this annual report and its exhibits, may be inspected and printed or copied for a fee at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the Public Reference Room by calling the SEC at (202) 942-8090. These materials are also available on the SEC's website at <http://www.sec.gov>. Material submitted by us can also be inspected at the offices of The Nasdaq Stock Market, Inc., 1735 K Street, N.W., Washington, D.C. 20006-1506.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

General

Market risks faced by us are the risks arising from the fluctuations in interest rates and in foreign exchange rates. Our market risk arises mainly from the operations of Banco Galicia in its capacity as a financial intermediary. Our subsidiaries and other entities in which we have a minority equity interest are also subject to market risk. However, the amount of these risks is not significant and they are not discussed below. Policies regarding these risks are applied at the level of our operating subsidiaries.

In compliance with the Argentine Central Bank's regulations, based on the best practices and international standards, Banco Galicia has a Risk Management Division responsible for identifying, monitoring and actively and integrally managing the different risks Banco Galicia and its subsidiaries are exposed to (credit, financial and operational risks). The aim of the Division is to guarantee Banco Galicia's board of directors that it is fully aware of the risks Banco Galicia is exposed to. It also creates and proposes the policies and procedures necessary to mitigate and control such risks. The Risk Management Committee, made-up of four members of the board of directors of Banco Galicia, the CEO and the managers of the Risk Management Division, the Planning and Financial Control Division and Internal Audit, is the highest corporate body to which Banco Galicia's board of directors delegates integral risk management and the executive responsibility to define and enforce risk management policies, procedures and controls. This Committee is also responsible for setting specific limits for the exposure to each risk and approving, when applicable, temporary excesses over said limits as well as being informed of each risk position and compliance with policies.

See Item 6. Directors, Senior Management and Employees-Functions of the Board of Directors of Banco Galicia. Liquidity management is discussed in Item 5. Operating and Financial Review and Prospects -Item 5.B. Liquidity and Capital Resources. Credit risk management is discussed in Item 4. Information on the Company-Selected Statistical Information-Credit Review Process and other sections under Item 4. Information on the Company-Selected Statistical Information describing Banco Galicia's loan portfolio and loan loss experience.

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The following sections contain information on Banco Galicia's sensitivity to interest-rate risk and exchange-rate risk that constitute forward-looking statements that involve risks and uncertainties. Actual results could differ from those projected in the forward-looking statements.

Interest Rate Risk

A distinctive and natural characteristic of financial brokerage is the existence of interest-earning assets and interest-bearing liabilities with different maturities (or different rate repricing periods) and interest rates that can be fixed or variable. This situation leads to a gap or mismatch that arises from the balance sheet and measures the imbalance between fixed- and variable-rate assets and liabilities, and results in the so-called interest-rate risk or else balance sheet structural risk. A commercial bank can face the interest rate risk on both sides of its balance sheet with regard to the income generated by assets (loans and securities) and the expenses related to the interest-bearing liabilities (deposits and others sources of funds).

The policy currently in force defines this gap as the risk that the financial margin and the economic value of equity may vary as a consequence of fluctuations in market interest rates. The magnitude of such variation is associated to the sensitivity to interest rates of the structure of Banco Galicia's assets and liabilities.

Aimed at managing and limiting the sensitivity of Banco Galicia's economic value and results with respect to variations in the interest rate inherent to the structure of certain assets and liabilities, the following caps have been determined:

Limit on the net financial income for the first year.

Limit on the net present value of assets and liabilities.

Limit on the Net Financial Income for the First Year

The effect of interest rate fluctuations on the net financial income for the first year is calculated using the methodology known as scenario simulation. On a monthly basis, net financial income for the first year is simulated in a base scenario and in a +100 b.p. scenario. In order to prepare each scenario, different criteria are assumed regarding the sensitivity to interest rates of assets and liabilities, depending on the historical performance observed of the different balance sheet items. Net financial income for the first year in the +100 b.p. scenario is compared to the net financial income for the first year in the base scenario. The resulting difference is related to the annualized accounting net financial income for the last calendar trailing quarter available, for Banco Galicia on a consolidated basis, before quotation differences and CER adjustment.

As of fiscal year ended December 31, 2011, the negative difference between the net financial income for the first year corresponding to the +100 b.p. scenario and that corresponding to the base scenario accounted for 0.3% of the net financial income for the first year.

The tables below show as of December 31, 2011 and December 31, 2010, in absolute and percentage terms, the change in Banco Galicia's net financial income (NFI) of the first year, as compared to the NFI of the base scenario corresponding to various interest-rate scenarios in which interest rates change 50, 100, 150 and 200 b.p. from those in the base scenario. Banco Galicia's net portfolio is broken down into trading and non-trading. The trading net portfolio represents primarily securities issued by the Argentine Central Bank (Lebac and Nobac).

Net Portfolio (In millions of Pesos, except percentages)	Net Financial Income ⁽¹⁾			
	As of December 31, 2011		As of December 31, 2010	
Change in Interest Rates in b.p.	Variation	% Change in the NFI	Variation	% Change in the NFI
200	36.0	0.69%	(30.4)	(0.92)%
150	25.6	0.49%	(22.9)	(0.69)%
100	15.3	0.29%	(16.2)	(0.49)%
50	5.0	0.10%	(7.8)	(0.23)%
Static				
(50)	(14.7)	(0.28)%	8.4	0.25%
(100)	(24.0)	(0.46)%	16.7	0.50%
(150)	(33.3)	(0.64)%	25.0	0.75%
(200)	(42.5)	(0.82)%	33.3	1.00%

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Net Trading Portfolio <i>(In millions of Pesos, except percentages)</i>	Net Financial Income ⁽¹⁾			
	As of December 31, 2011		As of December 31, 2010	
Change in Interest Rates in b.p.	Variation	% Change in the NFI	Variation	% Change in the NFI
200	98.0	1.88%	40.9	1.23%
150	73.5	1.41%	30.7	0.92%
100	49.0	0.94%	20.4	0.61%
50	24.5	0.47%	10.2	0.31%
Static				
(50)	(24.5)	(0.47)%	(10.3)	(0.31)%
(100)	(49.1)	(0.94)%	(20.5)	(0.62)%
(150)	(73.6)	(1.41)%	(30.7)	(0.92)%
(200)	(98.1)	(1.88)%	(41.0)	(1.23)%

Net Non Trading Portfolio <i>(In millions of Pesos, except percentages)</i>	Net Financial Income ⁽¹⁾			
	As of December 31, 2011		As of December 31, 2010	
Change in Interest Rates in b.p.	Variation	% Change in the NFI	Variation	% Change in the NFI
200	(62.0)	(1.19)%	(71.3)	(2.15)%
150	(47.9)	(0.92)%	(53.6)	(1.61)%
100	(33.7)	(0.65)%	(36.6)	(1.10)%
50	(19.5)	(0.37)%	(18.0)	(0.54)%
Static				
(50)	9.8	0.19%	18.7	0.56%
(100)	25.1	0.48%	37.2	1.12%
(150)	40.3	0.77%	55.7	1.68%
(200)	55.6	1.07%	74.3	2.23%

(1) Net interest of the first year.

Net Present Value of Assets and Liabilities

The net present value of assets and liabilities is also calculated on a monthly basis and taking into account the assets and liabilities of Banco Galicia's consolidated balance sheet. The net present value of the consolidated assets and liabilities, as mentioned, is calculated for a base scenario in which the portfolio of listed securities is discounted using interest rates obtained according to yield curves determined based on the market yields of different reference bonds denominated in Pesos, in Dollars and adjusted by the CER. Yield curves for unlisted assets and liabilities are also created using market interest rates. The net present value of assets and liabilities is also obtained for a second scenario where portfolios are discounted at the rates of the aforementioned yield curves plus 100 b.p. It is worth mentioning that, in order to prepare the second scenario, it is assumed that an increase in domestic interest rates is not transferred to the yield curves of the portfolios in Dollars, and that, in the case of portfolios adjusted by CER, said rates are considered as fixed rates. By comparing the values obtained for each scenario, the difference between the present values of shareholders' equity in each scenario can be drawn.

The limit on a potential loss in the present value of shareholders' equity resulting from a 100 b.p. increase in interest rates regarding the base scenario was established at 3% of the RPC. As of the fiscal year-end, a 100 b.p. increase in interest rates (as mentioned in the paragraph above) resulted in a reduction in the present value of Banco Galicia's shareholders' equity in comparison to the value calculated for the base scenario, equivalent to -1.3% (minus 1.3%) of the RPC.

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The analysis made was based on deterministic methods, which take in consideration only the aforementioned scenario. With the purposes of covering a larger number of scenarios, and therefore, a greater variation range of the pertinent variables, during 2010 a Balance Sheet Structural Risk Manager started being developed, which, with stochastic simulations, will allow to cover a wider range of scenarios and generate results for a large variety of analyses.

One of the main applications of the manager will be the estimation of the economic capital consumption of the balance sheet structural risk. Thanks to the manager it will be possible to improve current estimate of the VaR (Value at Risk) inherent to Banco Galicia's asset and liabilities, based on the generation of a considerable number of simulations of interest rates movements. Likewise, the EaR (Earnings at Risk) will be estimated taking into consideration different interest rates evolution paths and their impact on the net financial income. Both results, VaR and EaR are associated with specific levels of likelihood of occurrence or degree of confidence.

In fiscal year 2012, economic capital will start to be estimated systematically within a comprehensive risk management framework as regards Banco Galicia.

The tables below show as of December 31, 2011 and December 31, 2010, in absolute and percentage terms, the change in Banco Galicia's RPC versus the RPC of the base scenario, corresponding to various interest-rate scenarios in which interest rates change 50, 100, 150 and 200 b.p. from those in the base scenario. Banco Galicia's net portfolio is broken down into trading and non-trading. The trading net portfolio represents primarily securities issued by the Argentine Central Bank (Lebac and Nobac).

Net Portfolio <i>(In millions of Pesos, except percentages)</i>	Net Fair Value			
	As of December 31, 2011		As of December 31, 2010	
	Variation	% Change in the RPC	Variation	% Change in the RPC
Change in Interest Rates in b.p.				
200	(122.2)	(2.70)%	(103.6)	(2.89)%
150	(91.8)	(2.03)%	(78.4)	(2.18)%
100	(60.8)	(1.34)%	(52.7)	(1.47)%
50	(31.1)	(0.69)%	(26.6)	(0.74)%
Static				
(50)	29.7	0.66%	27.0	0.75%
(100)	60.9	1.34%	54.5	1.52%
(150)	90.5	2.00%	82.4	2.30%
(200)	121.0	2.67%	110.8	3.09%

Net Trading Portfolio <i>(In millions of Pesos, except percentages)</i>	Net Fair Value			
	As of December 31, 2011		As of December 31, 2010	
	Variation	% Change in the RPC	Variation	% Change in the RPC
Change in Interest Rates in b.p.				
200	(5.8)	(0.13)%	(2.4)	(0.07)%
150	(4.4)	(0.10)%	(1.8)	(0.05)%
100	(2.9)	(0.06)%	(1.2)	(0.03)%
50	(1.5)	(0.03)%	(0.6)	(0.02)%
Static				
(50)	1.4	0.03%	0.6	0.02%
(100)	2.9	0.06%	1.2	0.03%
(150)	4.4	0.10%	1.8	0.05%
(200)	5.8	0.13%	2.4	0.07%

Net Non Trading Portfolio <i>(In millions of Pesos, except percentages)</i>	Net Fair Value			
	As of December 31, 2011		As of December 31, 2010	
	Variation	% Change in the RPC	Variation	% Change in the RPC
Change in Interest Rates in b.p.				
200	(116.4)	(2.57)%	(101.2)	(2.82)%
150	(87.4)	(1.93)%	(76.6)	(2.13)%
100	(57.9)	(1.28)%	(51.5)	(1.43)%
50	(29.6)	(0.65)%	(26.0)	(0.72)%
Static				

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(50)	28.3	0.63%	26.4	0.74%
(100)	58.0	1.28%	53.3	1.48%
(150)	86.1	1.90%	80.6	2.25%
(200)	115.2	2.54%	108.4	3.02%

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Table of Contents**Foreign Exchange Rate Risk**

Exchange-rate sensitivity is the relationship between the fluctuations of exchange rates and Banco Galicia's net financial income resulting from the revaluation of Banco Galicia's assets and liabilities denominated in foreign currency. The impact of variations in the exchange rate on Banco Galicia's net financial income depends on whether Banco Galicia has a net asset foreign currency position (the amount by which foreign currency denominated assets exceed foreign currency denominated liabilities) or a net liability foreign currency position (the amount by which foreign currency denominated liabilities exceed foreign currency denominated assets). In the first case an increase/decrease in the exchange rate results in a gain/loss, respectively. In the second case, an increase/decrease results in a loss/gain, respectively. Banco Galicia has established limits for its consolidated foreign currency mismatches for the asset and liability positions of 30% and -10% (minus 10%) of Banco Galicia's RPC, respectively. At the end of the fiscal year, Banco Galicia's net asset position in foreign currency represented 2.2% of its RPC.

As of December 31, 2011, Banco Galicia had a net liability foreign currency position of Ps.28.0 million equivalent to US\$6.5 million, after adjusting its on-balance sheet net liability position of Ps.3,425.1 million (US\$795.9 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.3,397.1 million (US\$789.4 million), recorded off-balance sheet.

As of December 31, 2010, Banco Galicia had a net asset foreign currency position of Ps.40.7 million equivalent to US\$10.2 million, after adjusting its on-balance sheet net liability position of Ps.792.5 million (US\$199.3 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.833.2 million (US\$209.6 million), recorded off-balance sheet.

As of December 31, 2009, Banco Galicia had a net asset foreign currency position of Ps.61.1 million equivalent to US\$16.1million, after adjusting its on-balance sheet net liability position of Ps.176.0 million (US\$46.3 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.237.1 million (US\$62.4 million), recorded off-balance sheet.

The tables below show the effects of changes in the exchange rate of the Peso vis-à-vis the Dollar on the value of Banco Galicia's foreign currency net asset position as of December 31, 2011, 2010 and 2009. As of these dates, the breakdown of Banco Galicia's foreign currency net asset position into trading and non-trading is not presented, as Banco Galicia's foreign currency trading portfolio was not material.

Percentage Change in the Value of the Peso Relative to the Dollar ⁽¹⁾	Value of Foreign Currency Net Position as of December 31, 2011		
	Amount	Absolute Variation	% Change
	<i>(In millions of Pesos, except percentages)</i>		
40%	(39.2)	(11.2)	40.0
30%	(36.4)	(8.4)	30.0
20%	(33.6)	(5.6)	20.0
10%	(30.8)	(2.8)	10.0
Static	(28.0) ⁽²⁾		
(10)%	(25.2)	2.8	(10.0)
(20)%	(22.4)	5.6	(20.0)
(30)%	(19.6)	8.4	(30.0)
(40)%	(16.8)	11.2	(40.0)

(1) Devaluation / (Revaluation).

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

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Percentage Change in the Value of the Peso Relative to the Dollar ⁽¹⁾	Value of Foreign Currency Net Position as of December 31, 2010		
	Amount	Absolute Variation	% Change
	<i>(In millions of Pesos, except percentages)</i>		
40%	57.0	16.3	40.0
30%	52.9	12.2	30.0
20%	48.8	8.1	19.9
10%	44.8	4.1	10.1
Static	40.7 ⁽²⁾		
(10)%	36.6	(4.1)	(10.1)
(20)%	32.6	(8.1)	(19.9)
(30)%	28.5	(12.2)	(30.0)
(40)%	24.4	(16.3)	(40.0)

(1) Devaluation / (Revaluation).

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

Percentage Change in the Value of the Peso Relative to the Dollar ⁽¹⁾	Value of Foreign Currency Net Position as of December 31, 2009		
	Amount	Absolute Variation	% Change
	<i>(In millions of Pesos, except percentages)</i>		
40%	85.5	24.4	39.9
30%	79.4	18.3	30.0
20%	73.3	12.2	20.0
10%	67.2	6.1	10.0
Static	61.1 ⁽²⁾		
(10)%	55.0	(6.1)	(10.0)
(20)%	48.9	(12.2)	(20.0)
(30)%	42.8	(18.3)	(30.0)
(40)%	36.7	(24.4)	(39.9)

(1) Devaluation / (Revaluation).

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

Currency Mismatches

Financial brokerage naturally involves the raising of funds and the subsequent use thereof. Both funding (deposits and other alternative sources of financing) and the use of the funds in loans and/or investments can be carried out in assets and liabilities denominated in different currencies. This possible currency mismatch between liabilities and the use thereof on assets generates a source of risk that arises from the variations in the different foreign currency exchange rates. This risk is inherent to the structure of assets and liabilities per currency.

Currency risk is defined as the risk of incurring in equity losses as a consequence of variations in the foreign currency exchange rates in which assets and liabilities (both on and off the Balance Sheet) are denominated.

For purposes of the management and mitigation of the currency risk, two other currencies have been defined apart from the Argentine Peso: Assets and liabilities adjusted by CER and foreign currency.

The policy framework currently in force establishes limits in terms of maximum net asset positions (assets denominated in a currency which are higher than the liabilities denominated in such currency) and net liability positions (assets denominated in a currency which are lower than the liabilities denominated in such currency) for mismatches in Pesos adjusted by CER and in foreign currency, as a proportion of Banco Galicia s RPC, on a consolidated basis.

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Banco Galicia manages mismatches not only regarding assets and liabilities, but also covering mismatches through the foreign currency futures market. Transactions in foreign currency futures (Dollar futures) are carried out through the MAE, Rosario Futures Exchange (ROFEX) and with customers. These transactions are subject to limits that take into consideration particular characteristics of each trading environment. A global exposure limit was set for these futures contracts, equivalent to 100% of Banco Galicia's RPC on a consolidated basis.

The table below shows the composition of Banco Galicia's shareholders' equity by currency and type of principal adjustment, that is Banco Galicia's assets and liabilities denominated in foreign currency, in Pesos and adjustable by the CER, as of December 31, 2011.

	As of December 31, 2011		
	Assets	Liabilities	Gap
	<i>(In millions of Pesos)</i>		
Financial Assets and Liabilities	45,603.2	43,778.1	1,825.1
Pesos Adjusted by CER	548.8	8.8	540.0
Pesos Unadjusted	37,384.7	32,674.5	4,710.2
Foreign Currency ⁽¹⁾	7,669.7	11,094.8	(3,425.1)
Other Assets and Liabilities	5,054.4	3,276.7	1,777.7
Total Gap	50,657.6	47,054.8	3,602.8
Adjusted for Forward Transactions Recorded in Memo Accounts			
Financial Assets and Liabilities	45,603.2	43,778.1	1,825.1
Pesos Adjusted by the CER	548.8	8.8	540.0
Pesos Unadjusted, Including Shareholders' Equity ⁽²⁾	31,345.2	30,032.1	1,313.1
Foreign Currency ^{(1) (2)}	13,709.2	13,737.2	(28.0)
Other Assets and Liabilities	5,054.4	3,276.7	1,777.7
Total Adjusted Gap	50,657.6	47,054.8	3,602.8

(1) In Pesos, at an exchange rate of Ps.4.3032 per US\$1.0.

(2) Adjusted for forward sales and purchases of foreign exchange, without delivery of underlying assets and recorded in Memorandum Accounts

As of December 31, 2011, considering the adjustments from forward transactions registered under memorandum accounts, Banco Galicia had net liability positions in foreign currency and Peso-denominated assets adjusted and non-adjusted by CER.

The paragraphs below describe the composition of the different currency mismatches as of December 31, 2011.

Peso-denominated Assets and Liabilities Adjusted by CER

At fiscal year-end, Banco Galicia had a net asset position of Ps.540.0 million, mainly made up of Ps.538.8 million corresponding to the participation certificate in Galtrust I Financial Trust.

The limit established for the CER-adjusted mismatch is at 100% and at -25% of Banco Galicia's RPC for the net asset position and the net liability position, respectively. At fiscal year-end, the asset position in Pesos adjusted by CER accounted for 15.1% of Banco Galicia's RPC.

Assets and Liabilities Denominated in Foreign Currency

Banco Galicia's assets denominated in foreign currency mainly comprised the following: (i) Loans to the non-financial private sector and residents abroad for Ps.4,290.6 million (principal and interests, net of allowances), and (ii) cash and balances held at the Argentine Central Bank and correspondent banks for Ps.2,764.0 million.

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Banco Galicia's liabilities denominated in foreign currency consisted mainly of: (i) Deposits for Ps.4,537.0 million (principal, interests and exchange rate differences); (ii) Ps.3,459.1 million of subordinated and unsubordinated notes issued by Banco Galicia and the Regional Credit Card Companies; (iii) debt with banks and international credit agencies for Ps.1,475.1 million; (iv) Ps.873.4 million in connection with collections for third parties; and (v) Ps.452.0 million corresponding to creditors on account of the repurchase agreement transactions agreed upon with the Bonar 2015 Bonds portfolio.

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A net liability position of Ps.3,425.1 million stems from the consolidated balance sheet. Furthermore, forward transactions in foreign currency without delivery of the underlying asset for Ps.3,397.1 million were recorded in memorandum accounts. Therefore, as of that date, Banco Galicia's net position in foreign currency adjusted to reflect these transactions was a liability position of Ps.28.0 million, equivalent to US\$6.5 million.

Banco Galicia has set limits as regards foreign-currency mismatches at 30% and 10% of Banco Galicia's RPC for its net asset position and its short position, respectively. At the end of the fiscal year, Banco Galicia's net asset position in foreign currency represented -0.8% of its RPC.

Non-Adjusted Peso-Denominated Assets and Liabilities

Banco Galicia's non-adjusted Peso-denominated assets mainly comprised the following: (i) loans to the non-financial private sector for Ps.26,256.7 million (principal plus interests, net of allowances); (ii) Ps.4,902.7 million correspondent to the holdings of securities issued by the Argentine Central Bank; (iii) cash and balances held at the Argentine Central Bank and correspondent banks for Ps.4,093.0 (including the balance of escrow accounts); (iv) Ps.617.3 million of forward purchases related to repurchase agreement transactions of Bonar 2015 Bonds; (v) Ps.581.9 million corresponding to debt securities and participation certificates in various financial trusts; and (vi) Ps.162.4 million corresponding to holdings of Bonar 2015 Bonds.

Banco Galicia's non-adjusted Peso-denominated liabilities mainly comprised: (i) Deposits for Ps.25,601.6 million (principal plus interests); (ii) liabilities with stores in connection with Banco Galicia's credit card activities and the Regional Credit Card Companies for Ps.4,173.7 million; (iii) Ps.743.2 million in liabilities with local financial institutions (almost all corresponding to the Regional Credit Card Companies); and (iv) Ps.607.2 million corresponding to notes issued by Regional Credit Card Companies and CFA.

The net asset position in non-adjusted Peso-denominated assets and liabilities was of Ps.1,313.1 million at fiscal year-end.

Other Assets and Liabilities

In the category *Other Assets and Liabilities*, the assets were mainly the following: (i) Bank, premises and equipment, miscellaneous and intangible assets for Ps.1,885.3 million; (ii) miscellaneous receivables for Ps.673.6 million; and (iii) equity investments for Ps.75.4 million. Liabilities mainly included Ps.1,203.3 million recorded under *Miscellaneous Liabilities*, and allowances for other contingencies for Ps.570.4 million.

Market Risk

The exposure to portfolios of listed financial instruments, whose value varies according to the movement in their market prices, is subject to a specific policy framework that regulates the risk of incurring a loss as a consequence of the variation of the market price of financial assets whose value is subject to negotiation.

Brokerage transactions and/or investments in government securities, currencies, derivative products and debt instruments issued by the Argentine Central Bank are governed by the policy that limits the maximum tolerable loss in a given fiscal year.

In order to measure and monitor this source of risk, the VaR model is used, among others. This model determines intra-daily, for Banco Galicia individually, the possible loss that could be generated by the positions in securities, derivative instruments and currencies under certain parameters.

The parameters taken into consideration are as follows:

- (i) A 95% - 99% degree of accuracy.

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- (ii) VaR estimates are made for holding periods of one day and n days, where n is defined as the number of days necessary to settle the position in each security.
- (iii) In the case of new issuances, the available trading days are taken into consideration; if there are not enough trading days or if there are no quotations, the volatility of bonds from domestic issuers with similar risk and characteristics is used. Likewise, the measurement method known as Dollar Value of One Basis Point (DVO1) is also applied to measure and monitor the trading of debt instruments issued by the Argentine Central Bank.

Banco Galicia's policy requires that the Risk Management and Treasury Divisions agree on the parameters under which the models work and establishes the maximum losses authorized both for securities, foreign-currency, Argentine Central Bank's debt instruments and derivative products in a fiscal year. Maximum losses were established in:

Securities	Ps.13.0 million.
Currencies	Ps.5.0 million.
Interest Rate Derivatives	Ps.1.0 million.
Lebac / Nobac	Ps.0.9 million.

As a supplement to defined policies, during fiscal year 2011, stress test methodologies were developed for government securities and interest-rate derivatives brokerage transactions that are part of the pricing risk. These programs will start being implemented during fiscal year 2012 and consider as historic scenarios those resulting from statistical simulations.

Then, development and implementation of stress tests for the remaining brokerage transactions will follow.

Item 12. Description of Securities Other Than Equity Securities**Item 12.D. American Depositary Shares****Fees and Charges Applicable to ADS Holders**

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Registration or transfer fees

Expenses of the depositary

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS registered holders

Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to Dollars

As necessary

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Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes.

Any charges incurred by the depositary or its agents for servicing the deposited securities

As necessary

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Fees and Direct and Indirect Payments Made by the Depositary to Us

Past Fees and Payments

Grupo Financiero Galicia S.A. received a payment of US\$260,879.73 during 2011 and US\$350,000 in 2010 for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls), accounting fees and legal fees.

Future Fees and Payments

The Bank of New York Mellon, as depositary, has agreed to reimburse the Company for expenses they incur that are related to establishment and maintenance expenses of the ADSs program. The depositary has agreed to reimburse the Company for its continuing annual stock exchange listing fees and certain accounting and legal fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consists of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse the Company annually for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the depositary will reimburse the Company, but the amount of reimbursement available to the Company is not tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

We expect to receive a similar reimbursement from the depositary for expenses for the fiscal year 2012, to the one we received for the fiscal year 2011.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures.

Under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as amended) as of December 31, 2011. This evaluation identified a specific material weakness in internal control over financial reporting as described below in Management's Annual Report on Internal Control over Financial Reporting and, solely as a result of this identified material weakness, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2011.

(b) Management's Annual Report on Internal Control over Financial Reporting.

1) Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us and our consolidated subsidiaries. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with applicable generally accepted accounting principles. Internal controls and procedures are processes that involve human diligence and compliance and are subject to error in judgment. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

2) Our management, including our Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report. In making this assessment, we used the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO.

3) A material weakness is a control deficiency, or combination of control deficiencies, such that there is a possibility that a material misstatement to the annual or interim financial statements will not be prevented or detected on a timely basis. Based upon our evaluation, we identified one material weakness related to the disclosure of cash flow information in accordance with the presentation requirements of ASC 230-10 under accounting principles generally accepted in the United States of America (US GAAP). Specifically, the Company's control was not effective to ensure the proper classification, in the reconciliation of the statement of cash flows between the generally accepted accounting rules prescribed by the BCRA (Argentine Banking GAAP) and US GAAP, of interest income received or interest expense paid as cash provided by or used in operating activities.

This material weakness resulted in material errors in the presentation of cash flows from operating, investing and financing activities under US GAAP. The restatement of the reconciliation of the statement of cash flows between Argentine Banking GAAP and US GAAP for the years ended December 31, 2010 and 2009 is discussed in Note 35 to the consolidated financial statements.

Solely as a result of this material weakness in internal control over financial reporting described above, we have concluded that, as of the end of the period covered by this annual report, our internal control over financial reporting was not effective, based on the criteria established in Internal Control - Integrated Framework issued by the COSO and related to the specified issue noted above.

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4) Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2011, as stated in their report to our consolidated financial statements.

(c) See Item 18. Financial Statements-Report of the Independent Registered Public Accounting Firm for our registered public accounting firm's attestation report on the effectiveness of our internal control over financial reporting.

(d) Changes in Internal Control over Financial Reporting.

Since December 31, 2011, we have implemented the remedial actions described below. However, during the period covered by this report, there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended) that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation of the Material Weakness in Internal Control over Financial Reporting

Following the identification of the issue described above, we have corrected and enhanced our controls to ensure the that proper classification, in the disclosure of the statement of cash flows in accordance with the presentation requirements included within ASC 230-10 under US GAAP is applied, for interest income received or interest expense paid as cash provided by or used in operating activities.

Item 16. [Reserved]**Item 16A. Audit Committee Financial Expert**

Mr. Luis O. Oddone is our Audit Committee financial expert and he is independent as that term is defined under Nasdaq National Market listing requirements.

Item 16B. Code of Ethics

We have adopted a code of ethics (for Grupo Financiero Galicia and its main subsidiaries) in accordance with the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. We did not modify our code of ethics during fiscal year 2011. In addition, we did not grant any waivers to our code of ethics during fiscal year 2011. In June 2009, we adopted a code of corporate governance good practices in accordance with Argentine legal requirements that received minor modifications in 2010 and 2011. Our code of ethics and our code of corporate governance good practices are attached hereto as Exhibits 11.1 and 11.2.

Item 16C. Principal Accountants Fees and Services

The following table sets forth the total amount billed to us by our independent registered public accounting firm, Price Waterhouse & Co. S.R.L., during the fiscal years ended December 31, 2011 and 2010.

	2011	2010
	<i>(In thousands of Pesos)</i>	
Audit Fees	11,106	8,018
Audit Related Fees	2,192	1,717
Tax Fees	1,147	981
All Other Fees	1,408	919
Total	15,853	11,635

Audit Fees

Audit fees are mainly the fees billed in relation with professional services for auditing our consolidated financial statements under local and U.S. GAAP requirements for fiscal years 2011 and 2010.

Audit-Related Fees

Audit-related fees are fees billed for professional services related to attestation, review and verification services with respect to our financial information and the provision of services in connection with special reports in 2011 and 2010.

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Tax Fees

Tax fees are fees billed with respect to tax compliance and advisory services related to tax liabilities.

All Other Fees

All other fees include fees paid for professional services other than the services reported above under audit fees , audit related fees and tax fees in each of the fiscal periods above.

Audit Committee Pre-approval

Our audit committee is required to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm. Since 2004, our Audit Committee has reviewed and approved audit and non-audit services fees proposed by our independent auditors.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16H. Mine Safety Disclosure

Not applicable.

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PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Report of the Independent Registered Public Accounting Firm as of and for the fiscal years ended December 31, 2011, 2010 and 2009.

Consolidated Balance Sheets as of December 31, 2011 and 2010.

Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009.

Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009.

Notes to the Consolidated Financial Statements.

You can find our audited consolidated financial statements on pages F-1 to F-100 of this annual report.

Item 19. Exhibits

Exhibit	Description
1.1	Unofficial English language translation of the Bylaws (<i>estatutos sociales</i>).****
2.1	Form of Deposit Agreement between The Bank of New York and the registrant, including the form of American Depositary Receipt.*
2.2	Indenture, dated as of May 18, 2004, among Banco Galicia, The Bank of New York and Banco Rio de la Plata S.A.**
2.3	Indenture, dated as of June 4, 2009, among Grupo Financiero Galicia, The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York (Luxembourg) S.A.*****
2.4	Indenture, dated as of June 8, 2010, among Grupo Financiero Galicia, The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****
2.5	Indenture, dated as of May 4, 2011, among Banco de Galicia y Buenos Aires S.A., The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****
2.6	Indenture, dated as of January 28, 2011, among Tarjeta Naranja S.A., The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****
4.1	English translation of form of Financial Trust Contract, dated April 16, 2002, among Banco Galicia, Banco Provincia de Buenos Aires and BAPRO Mandatos y Negocios S.A.***
4.2	Form of Restructured Loan Facility (as evidenced by the Note Purchase Agreement, dated as of April 27, 2004, among Banco de Galicia y Buenos Aires S.A., Barclays Bank PLC, the holders party thereto and Deutsche Bank Trust Company Americas).**

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4.3 Form of First Amendment and Waiver to Restructured Loan Facility (as evidenced by the First Amendment and Waiver to the Note Purchase Agreement, dated as of December 20, 2004, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).****

4.4 Form of Second Amendment to Restructured Loan Facility (as evidenced by the Second Amendment to the Note Purchase Agreement, dated as of August 25, 2006, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).*****

4.5 Form of Third Amendment to Restructured Loan Facility (as evidenced by the Third Amendment to the Note Purchase Agreement, dated as of December 28, 2007, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).*****

4.6 Loan Agreement, dated as of July 24, 2007, between Grupo Financiero Galicia S.A. and Merrill Lynch International.*****

4.7 Stock Purchase Agreement, dated as of June 1, 2009, among American International Group Inc., AIG Consumer Finance Group, Inc. and Banco de Galicia y Buenos Aires S.A., and the other parties signatory thereto.*****

4.8 Loan Agreement, dated as of September 8, 2010, between Banco de Galicia y Buenos Aires S.A. and International Finance Corporation.*****

4.9 Loan Agreement, dated as of December 17, 2010, between Banco de Galicia y Buenos Aires S.A. and Netherlands Financierings-Moatschappy Voor Ontwikkelingslanden N.V.*****

4.10 Loan Agreement, dated as of February 15, 2011, between Banco de Galicia y Buenos Aires S.A. and Inter-American Development Bank.*****

8.1 For a list of our subsidiaries as of the end of the fiscal year covered by this annual report, please see Item 4. Information on the Company-Organizational Structure .

11.1 Code of Ethics.*****

11.2 Code of Corporate Governance Good Practices.*****

12.1 Certification of the principal executive officer required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification of the principal financial officer required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification of the principal executive officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification of the principal financial officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference from our Registration Statement on Form F-4 (333-11960).

** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2003.

*** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2002.

**** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2004.

***** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2006.

***** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2007.

***** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2008.

***** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2009.

***** Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2010.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf. GRUPO FINANCIERO GALICIA S.A.

By: /s/ Pedro Alberto Richards
Name: Pedro Alberto Richards
Title: Chief Executive Officer

By: /s/ José Luis Gentile
Name: José Luis Gentile
Title: Chief Financial Officer

Date: May 15, 2012