

GRUPO FINANCIERO GALICIA SA

Form 20-F

April 30, 2015

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**AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 30, 2015**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20 F**

**(Mark One)**

**Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934**  
**or**

**Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the fiscal year ended December 31, 2014**

**or**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**or**

**Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of event requiring this Shell Company Report \_\_\_\_\_

Commission File Number 000-30852

**GRUPO FINANCIERO GALICIA S.A.**

(Exact name of Registrant as specified in its charter)

**GALICIA FINANCIAL GROUP**

(Translation of Registrant's name into English)

**REPUBLIC OF ARGENTINA**

(Jurisdiction of incorporation or organization)

**Grupo Financiero Galicia S.A.**

**Tte. Gral. Juan D. Perón 430**

**C1038 AAJ-Buenos Aires, Argentina**

(Address of principal executive offices)

**Pedro A. Richards, Chief Executive Officer**

**Tel: 54 11 4 343 7528 / Fax: 54 11 4 331 9183, prichards@gfgsa.com**

**Perón 430, 25° Piso C1038AAJ Buenos Aires ARGENTINA**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

**American Depositary Shares, each representing ten Class B ordinary Shares**

**Name of each exchange on which registered  
Nasdaq Capital Market**

**Title of each class**

**Class B Ordinary Shares, Ps.1.00 par value, (not for trading but only in connection with the listing of the American Depositary Shares on the Nasdaq Capital Market)  
Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

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

None

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

Class A Ordinary Shares, Ps.1.00 par value	281,221,650
Class B Ordinary Shares, Ps.1.00 par value	1,019,042,947

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards  Other

As issued by the International Accounting Standards Board

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

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

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**PRESENTATION OF FINANCIAL INFORMATION**

Grupo Financiero Galicia S.A. ( Grupo Financiero Galicia or Grupo Galicia ) is a financial services holding company incorporated in Argentina and is one of Argentina's largest financial services groups. In this annual report, references to we, our, and us are to Grupo Financiero Galicia and its consolidated subsidiaries, except where otherwise noted. Our consolidated financial statements consolidate the accounts of the following companies:

Grupo Financiero Galicia;

Banco de Galicia y Buenos Aires S.A. ( Banco Galicia or the Bank ), our largest subsidiary, consolidated with (i) Banco Galicia Uruguay S.A. (in liquidation) ( Galicia Uruguay ), (ii) Galicia Cayman S.A. ( Galicia Cayman ), only until September 30, 2014 as on October 1 it was merged into Banco Galicia, (iii) Tarjetas Regionales S.A. ( Tarjetas Regionales ) and its operating subsidiaries, (iv) Tarjetas del Mar S.A. ( Tarjetas del Mar ), (v) Galicia Valores S.A., (vi) Galicia Administradora de Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversión ( Galicia Administradora de Fondos ) but only until March 31, 2014, as in April it was sold to Grupo Financiero Galicia, (vii) Compañía Financiera Argentina S.A. ( Compañía Financiera Argentina or CFA ) and (viii) Cobranzas y Servicios S.A. (collectively, Banco Galicia or the Bank except where otherwise noted);

Sudamericana Holding S.A. ( Sudamericana ) and its subsidiaries;

Galicia Warrants S.A. ( Galicia Warrants );

Net Investment S.A. ( Net Investment );

Galicia Administradora de Fondos (consolidated with Grupo Financiero Galicia since April 2014); and

Galval Agente de Valores S.A. ( Galval ), the results of which were consolidated only during the first half of fiscal year 2012, since on September 4, 2012, the Board of Directors of Grupo Financiero Galicia (the Board of Directors ) approved the sale of 100% of its interest in Galval. Such transaction was approved by the Central Bank of Uruguay in June 2013 and was consummated on June 12, 2013.

We maintain our financial books and records in Argentine Pesos and prepare our financial statements in conformity with the accounting rules of the Argentine Central Bank, which entity prescribes the generally accepted accounting principles for all financial institutions in Argentina. This annual report refers to those accounting principles as

Argentine Banking GAAP . Argentine Banking GAAP differs in certain relevant respects from generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP . Argentine Banking GAAP also differs in certain significant respects from the generally accepted accounting principles in the United States, which we refer to as U.S. GAAP . See Note 33 to our audited consolidated financial statements included in this annual report for a description of the differences between Argentine GAAP and Argentine Banking GAAP, and Note 36 to our audited consolidated financial statements included in this annual report for a discussion of the principal differences between

Argentine Banking GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of our net income for the three fiscal years ended December 31, 2014 and total shareholders' equity as of December 31, 2014 and 2013, and Item 5.

Operating and Financial Review and Prospects - Item 5.A. Operating Results-U.S. GAAP and Argentine Banking GAAP Reconciliation .

In this annual report, references to US\$ and Dollars are to United States Dollars and references to Ps. or Pesos are to Argentine Pesos. The exchange rate used in translating Pesos into Dollars and used in calculating the convenience translations included in the following tables is the Reference Exchange Rate which is published by the Argentine Central Bank and which was Ps.8.5520, Ps.6.5180 and Ps.4.9173 per US\$1.00 as of December 31, 2014, December 31, 2013 and December 31, 2012, 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 at any other rate.

Our fiscal year ends on December 31, and references in this annual report to any specific fiscal year are to the twelve-month period ended December 31 of such year.

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

We have expressed all amounts in millions of Pesos, except percentages, ratios, multiples and per-share data.

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Certain figures included in this annual report have been rounded for ease of presentation. Percentage figures included in this annual report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this annual report may vary from those obtained by performing the same calculations using the figures in the financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

**FORWARD LOOKING STATEMENTS**

This annual report contains forward-looking statements that involve substantial risks and uncertainties, including, in particular, statements about our plans, strategies and prospects under the captions Item 4. Information on the Company-Capital Investments and Divestitures, Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results-Principal Trends and Item 5.B. Liquidity and Capital Resources. All statements other than statements of historical facts contained in this annual report (including statements regarding our future financial position, business strategy, budgets, projected costs and management's plans and objectives for future operations) are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of such words as may, will, expect, intend, estimate, anticipate, believe, continue or other similar terminology. We believe that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided with respect to these statements. Because these statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely from those contemplated in such forward-looking statements include but are not limited to:

changes in Argentine government regulations applicable to financial institutions, including tax regulations and changes in or failures to comply with banking or other regulations;

changes in general political, legal, social or other conditions in Argentina, Latin America or abroad;

fluctuations in the Argentine rate of inflation;

changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies, including expected or unexpected turbulence or volatility in domestic or international financial markets;

changes in the macroeconomic situation at the regional, national or international levels, and the influence of these changes on the microeconomic conditions of the financial markets in Argentina;

increased competition in the banking, financial services, credit card services, insurance, asset management, mutual funds and related industries;

changes in interest rates which may, among other things, adversely affect margins;

a loss of market share by any of Banco Galicia's main businesses;

a change in the credit cycle, increased borrower defaults and/or a decrease in the fees charged to clients;

Banco Galicia's inability to sustain or improve its performance;

Banco Galicia's inability to obtain additional debt or equity financing on attractive conditions or at all, which may limit its ability to fund existing operations and to finance new activities;

technological changes and changes in Banco Galicia's ability to implement new technologies;

changes in the saving and consumption habits of its customers and other structural changes in the general demand for financial products, such as those offered by Banco Galicia;

possible financial difficulties of the Argentine government;

volatility of the Peso and the exchange rates between the Peso and foreign currencies; and

other factors discussed under Item 3. Key Information - Item 3.D. Risk Factors in this annual report. You should not place undue reliance on forward-looking statements, which speak only as of the date that they were made. Moreover, you should consider these cautionary statements in connection with any written or oral

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forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to forward-looking statements after completion of this annual report to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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

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Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****Item 3.A. Selected Financial Data**

The following table presents summary historical financial and other information about us as of the dates and for the periods indicated.

Our financial statements do not include any effect for inflation accounting other than the adjustments to non-monetary assets through February 28, 2003.

The selected consolidated financial information as of December 31, 2014, and December 31, 2013, and for the fiscal years ended December 31, 2014, and 2013, has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2012, December 31, 2011, and December 31, 2010, and for the fiscal years ended December 31, 2012, December 31, 2011, and December 31, 2010, has been derived from our audited consolidated financial statements not included in this annual report.

You should read this data in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements included in this annual report.

	<b>Fiscal Year Ended December 31,</b>				
<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<i>(in millions of Dollars, except as noted)<sup>(1)</sup></i>					
<i>Unaudited</i>	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>				

**Consolidated Income Statement in Accordance with Argentine Banking GAAP**

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Financial Income	2,322	19,860	13,076	9,129	6,018	3,615
Financial Expenses	1,207	10,321	6,170	3,941	2,274	1,413
Net Financial Income <sup>(2)</sup>	1,115	9,539	6,906	5,188	3,744	2,202
Provision for Losses on Loans and Other Receivables	282	2,411	1,776	1,347	843	552
Income before Taxes	623	5,330	3,056	2,125	1,861	667
Income Tax	(233)	(1,992)	(1,232)	(789)	(754)	(258)
Net Income / (Loss)	390	3,338	1,824	1,336	1,107	409
Basic Earnings / (Loss) per Share (in Pesos)	0.30	2.57	1.45	1.08	0.89	0.33
Diluted Earnings / (Loss) per Share (in Pesos)	0.30	2.57	1.45	1.08	0.89	0.33
Cash Dividends per Share (in Pesos)			0.03	0.02	0.01	0.02
Stock Dividends per Share (in Pesos)						
Book Value per Share (in Pesos)	0.92	7.88	5.34	3.92	2.86	1.99

**Amounts in Accordance with U.S. GAAP**

Net Income / (Loss)	410	3,504	1,575	1,310	867	2,294
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	0.32	2.70	1.27	1.06	0.70	1.85
Book Value / (Deficit) per Share (in Pesos)	0.92	7.88	5.34	4.12	3.12	2.41
Financial Income	2,342	20,032	13,109	9,187	5,986	4,778
Financial Expenses	1,209	10,343	6,178	3,923	2,241	1,343
Net Financial Income / (Loss)	1,133	9,689	6,931	5,264	3,745	3,435
Provision for Losses on Loans and Other Receivables	281	2,400	1,795	1,338	888	550
Income Tax	221	1,890	1,176	780	679	508

**Consolidated Balance Sheet in Accordance with Argentine Banking GAAP**

Cash and Due from Banks	1,983	16,959	12,560	8,345	6,419	5,646
Government Securities, Net	1,170	10,010	3,987	3,627	5,228	2,268
Loans, Net	7,789	66,608	55,265	42,593	30,905	21,354
Total Assets	12,548	107,314	83,156	63,458	51,193	35,708
Deposits	7,562	64,666	51,395	39,945	30,135	22,223
Other Funds <sup>(3)</sup>	3,789	32,402	24,814	18,643	17,506	11,015
Total Shareholders Equity	1,198	10,246	6,947	4,870	3,552	2,470
Average Total Assets <sup>(4)</sup>	10,817	92,510	69,844	54,416	41,636	29,118

**Percentage of Period-end Balance Sheet Items**

**Denominated in Dollars:**

Loans, Net of Allowances	4.20	4.20	5.27	6.32	13.88	14.53
Total Assets	12.11	12.11	11.74	11.42	15.15	18.98
Deposits	7.46	7.46	7.15	7.84	15.05	18.08
Total Liabilities	13.61	13.61	13.71	14.29	23.57	23.01

**Amounts in Accordance with U.S. GAAP**

Trading Securities	1,231	10,530	3,326	3,450	5,310	2,700
Available-for-Sale Securities	504	4,313	4,819	3,251	2,882	2,385
Total Assets	14,078	120,393	92,729	72,398	55,957	40,594
Total Liabilities	12,880	110,150	85,785	67,290	52,081	37,597



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Shareholders Equity (Deficit)	1,198	10,243	6,944	5,108	3,876	2,997
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	<b>Fiscal Year Ended December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>				
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b><i>Profitability and Efficiency</i></b>					
Net Yield on Interest Earning Assets <sup>(5)</sup>	14.42%	13.77%	14.14%	13.27%	11.38%
Financial Margin <sup>(6)</sup>	13.56	12.75	12.11	11.72	10.02
Return on Average Assets <sup>(7)</sup>	3.85	2.91	2.80	3.07	1.76
Return on Average Shareholders' Equity <sup>(8)</sup>	39.07	32.47	32.12	37.39	18.63
Net Income from Services as a Percentage of Operating Income <sup>(9)</sup>	37.40	38.03	38.15	39.57	44.73
Efficiency ratio <sup>(10)</sup>	60.51	66.65	68.84	67.88	71.42
<b><i>Capital</i></b>					
Shareholders' Equity as a Percentage of Total Assets	9.55%	8.35%	7.67%	6.94%	6.92%
Total Liabilities as a Multiple of Shareholders' Equity	9.47x	10.97 x	12.03 x	13.41 x	13.46 x
Total Capital Ratio	15.91%	14.28%	13.02%	12.63%	15.19%
<b><i>Liquidity</i></b>					
Cash and Due from Banks as a Percentage of Total Deposits	26.23%	24.44%	20.89%	21.30%	25.40%
Loans, Net as a Percentage of Total Assets	62.07	66.46	67.12	60.37	59.80
<b><i>Credit Quality</i></b>					
Past Due Loans <sup>(11)</sup> as a Percentage of Total Loans	2.61%	2.69%	2.53%	1.82%	2.57%
Non-Accrual Loans <sup>(12)</sup> as a Percentage of Total Loans	3.57	3.57	3.37	2.63	3.37
Allowance for Loan Losses as a Percentage of Non-accrual Loans <sup>(12)</sup>	105.78	103.80	115.85	152.01	137.57
Net Charge-Offs <sup>(13)</sup> as a Percentage of Average Loans	2.81	2.33	2.00	1.49	2.38
<b>Ratios in Accordance with U.S. GAAP</b>					
<b><i>Capital</i></b>					
Shareholders' Equity (deficit) as a Percentage of Total Assets	8.51	7.49	7.06	6.93	7.38%
Total Liabilities as a Multiple of Total Shareholders' Equity	10.75 x	12.35 x	13.17 x	13.44 x	12.54 x
<b><i>Liquidity</i></b>					
Loans, Net as a Percentage of Total Assets	55.29%	59.43%	58.74%	55.06%	52.56%
<b><i>Credit Quality</i></b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	129.78	127.05	138.77	202.23	163.37
<b><i>Inflation and Exchange Rate</i></b>					
Wholesale Inflation <sup>(14)</sup>	28.3%	14.8%	13.1%	12.7%	14.6%
Consumer Inflation <sup>(15)</sup>	23.9%	11.0%	10.8%	9.5%	10.9
Exchange Rate Variation <sup>(16)</sup> (%)	31.2	32.6	14.3	8.2	4.7
CER <sup>(17)</sup>	24.3	10.5	10.6	9.5	11.0

*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, 2014, amounts into Dollars was Ps.8,5520 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) *Primarily includes 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 (as defined herein).*
- (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.

	<b>Exchange Rate <sup>(1)</sup></b>			
	<b>High</b>	<b>Low</b>	<b>Average</b>	<b>Period-End</b>
	<i>(in Pesos per Dollar)</i>			
2010	3.9857	3.7942	3.9226 <sup>(2)</sup>	3.9758
2011	4.3035	3.9715	4.1442	4.3032
2012	4.9173	4.3048	4.5760	4.9173
2013	6.5180	4.9228	5.5442	6.5180
2014	8.5555	6.5430	8.2314	8.5520
October 2014	8.5027	8.4475	8.4803	8.5023

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November 2014	8.5260	8.5065	8.5140	8.5255
December 2014	8.5555	8.5263	8.5495	8.5520
January 2015	8.6395	8.5537	8.6024	8.6395
February 2015	8.7260	8.6488	8.6859	8.7243
March 2015	8.8197	8.7310	8.7790	8.8197

(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 27, 2015, the exchange rate was Ps.8.8935 for US\$1.00.

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**Item 3.B. Capitalization and Indebtedness**

Not applicable.

**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 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**

*Market conditions and the government's intervention in the economy may adversely affect our business and prospects.*

Grupo Galicia's results of operations may be affected by inflation, fluctuations in the exchange rate, modifications in interest rates, changes in the government's policies, and other political or economic developments either internationally or in Argentina or other events that affect the country.

Historically, Argentina's economy has experienced periods of high levels of instability and volatility, low or negative economic growth and high and fluctuating levels of inflation and devaluation. There are a number of factors that could have a material and adverse effect on Argentina's economy, in general, and, in particular, on Grupo Galicia's results of operations, the rights of the holders of securities issued by Grupo Galicia and the value of such securities. These factors include, but are not limited to, Argentina's inability to sustain economic growth, the effects of inflation, Argentina's limited ability to obtain external financing, a decline in the international prices for Argentina's main commodity exports, fluctuations in the exchange rate of other countries against which Argentina competes, regulatory actions taken by the Government (including, for example, the nationalization of YPF, certain changes in the legal framework applicable to the capital markets, and restrictions regarding the foreign exchange market), actions taken by the Government regarding the enforcement of the ongoing lawsuit with the holdout creditors from Argentina's debt default and the vulnerability of the Argentine economy to external shocks.

After the presidential elections in October 2011, and in light of the foreign exchange imbalance that arose as a result of the increase in the dollarization of the private sector portfolio and the decrease in the balance of payment current account surplus, the Government issued a series of regulations with a view to stabilizing Argentina's stock of international reserves. The main measures taken included: (i) suspension of regulations that allowed non-financial Argentine residents (both individuals and entities) to purchase foreign currency for the following concepts: real estate

investments abroad, loans granted to non-residents, direct investment contributions abroad, portfolio investments abroad, other investments abroad by residents, among other saving transactions, (ii) new obligations regarding the repatriation of funds (applicable, for example, to insurance and mining companies), (iii) shorter periods within which to convert foreign currency into Pesos when there is an obligation to repatriate funds, (iv) the implementation of a reporting system which includes a pre-import of Goods Affidavit ( DJAI ), an Anticipated Affidavit of Services ( DJAS ) and an Anticipated Affidavit of (Financial) Payments Abroad ( DAPE *Please see below Risk Factors Relating to Us* ) whereby, for example, importers of goods for consumption are required to file such declarations with the Federal Public Revenue Authority prior to issuing any purchase order (or

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similar document), otherwise, they cannot make any import-related payment or fulfill the necessary customs procedures to obtain the clearance of the imported goods, (v) the imposition of a 35% tax on credit card purchases made abroad and (vi) the reduction of the limit imposed on financial entities with respect to their net positive position in foreign currency. In 2014, certain restrictions on access to the foreign exchange market for savings were partially lifted for individuals able to demonstrate the origin of their revenues.

During 2014, the economic activity showed signs of contraction mainly due to a significant reduction in sales by the automotive sector, among others. Although the government implemented several actions in order to counteract the weakening of the economy, the financial metrics for 2014 demonstrated a weakening as compared to 2013.

Factors such as those described above as well as general governmental regulatory intervention and the deterioration in certain variables in the international context could lead to a slowdown in the Argentine economic growth rate and a high inflation rate. Further, no assurance can be given that additional events in the future, such as the enactment of new regulations by the Argentine government or authorities will not occur. In addition, in October presidential elections will take place in Argentina, and its outcome is still uncertain. As a result of all the foregoing, the financial position and results of operations of private sector companies in Argentina, including Grupo Galicia, the rights of holders of securities issued by such institutions and the value of such securities may be negatively and adversely impacted.

***The performance of the Argentine economy may deteriorate due to current economic conditions and any significant decline may adversely impact Grupo Galicia's financial condition.***

According to the Argentine Institute of Statistics and Census ( INDEC ), Argentina's Gross Domestic Product ( GDP ), in real terms, grew by 3.1% in 2008, 0.1% in 2009, 9.5% in 2010, 8.4% in 2011, 0.8% in 2012, 2.9% in 2013 and 0.5% in 2014. Thus, after the recovery observed in 2010 and 2011, in 2012 the economy suffered a slowdown as a result of the negative impact of lower crop yields, Brazil's economic slowdown, and the deterioration in the investment climate due to heightened regulations and the domestic economy's loss of competitiveness resulting from a level of inflation that exceeded the exchange depreciation rate. The reversal of some of these factors, primarily the improvement recorded in the agricultural sector and the recovery of the automotive sector as a result of a higher demand from Brazil, contributed to the acceleration of the Argentine economy in 2013. During 2014, however, the level of economic activity decreased and the GDP only grew at an annual rate of 0.5%. International factors, such as the strengthening of U.S. currency which impacted commodity price dynamics (particularly worth mentioning for the Argentine economy are those of soy and oil) and the stagnation of the Brazilian economy, contributed to the lower GDP growth rate. In addition to these events, the macroeconomic imbalances as well as the regulatory risks continue, creating risks as to the domestic economy's performance.

A less favorable international economic environment, a lack of stability and competitiveness of the Peso against other foreign currencies, the low level of confidence among consumers and foreign and domestic investors, a higher inflation rate and future political uncertainties, among other factors, may affect the development of the Argentine economy and cause volatility in the local capital markets.

In addition, the Argentine economy may be subject to further deterioration as a result of the following economic conditions:

a limited availability of long-term credit;



difficulty in reducing the high spending growth rate;

high inflation rates;

the shortage of foreign currency, which limits economic growth and which could lead to additional restrictions on the foreign exchange market;

the ongoing review of the regulatory framework applicable to many private sector activities which remains uncertain; and

the dependency of economic recovery on high commodity prices, which are volatile and beyond the control of the Argentine government.

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A continued slowdown in Argentina's economic growth or an increased level economic instability may have a significant adverse effect on Grupo Galicia's business, financial position and results of its operations and the trading price for its ADSs.

***If the high levels of inflation continue, the Argentine economy and Grupo Galicia's financial position and business could be adversely affected.***

The high rate of economic growth in recent years, which has been fueled by Argentina's full utilization of its installed productive capacity, along with expansive fiscal and monetary policies, has caused a high level of inflation in Argentina since 2007. According to INDEC data, the CPI grew 10.9% in 2010, 9.5% in 2011, 10.8% in 2012, 10.9% in 2013 and 23.9% in 2014. The WPI increased 14.6% in 2010, 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014. In the past, inflation has materially undermined the Argentine economy and the 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, could adversely affect the level of economic activity and employment.

A high inflation rate also affects Argentina's competitiveness abroad, real salaries, employment, consumption and interest rates. A high level of uncertainty with regard to these economic variables, and a general lack of stability in terms of inflation, could lead to shortened contractual terms and affect the ability to plan and make decisions. This may have a negative impact on economic activity and on the income of consumers and their purchasing power, all of which could materially and adversely affect Grupo Galicia's financial position, results of operations and business.

In addition to the above, the accuracy of the measurements of the INDEC is in doubt, and the current actual consumer and wholesale price indices may be significantly higher than those indicated by INDEC. If a correction of the CPI and other INDEC indices is deemed necessary, this may lead to a marked loss of confidence in the Argentine economy. A new index with nationwide coverage (the Índice de Precios al Consumidor Nacional urbano or IPCNu), the methodology of which was developed with help from the IMF, was introduced in January 2014 to replace the previous CPI index used by the INDEC that only covered the Autonomous City of Buenos Aires (Buenos Aires) and its outskirts. Although IPCNu's initial figures were close to figures calculated by private consultants, during 2014 the IPCNu measurements gradually began to differ from those of private consultants and, as a result of such differentiation, the accuracy of the measurements of the IPCNu is also in doubt.

***Argentina's ability to obtain financing and to attract direct foreign investment is limited and may adversely affect Grupo Galicia's financial position, results of operations and business.***

As of the date hereof, Argentina has very limited access to foreign financing, primarily as a result of a default in December 2001 on its debt to foreign bondholders, multilateral financial institutions and other financial institutions. Although Argentina settled all of its outstanding debt with the IMF in 2006, carried out a variety of debt swaps with certain bondholders between 2004 and 2010, and reached an agreement with the Paris Club in 2014, the Government is still in default with some of its foreign creditors.

In this regard, among other issues, Argentina is currently involved in litigation in U.S. courts with the holdout bondholders, i.e. those bondholders that chose not to participate in the above mentioned debt swaps. Although the Government timely made payment on its 2005 and 2010 restructured bonds, some of the holders of such bonds did not receive their payments due to injunctions imposed by the relevant New York court. As a consequence, the Government was declared in technical default on its 2005 and 2010 restructured bonds in July 2014. The outcome of this litigation and the technical default is still uncertain. In addition, the foreign shareholders of several Argentine companies,

mostly public utilities, have filed claims with the International Centre for Settlement of Investment Disputes ( ICSID ), alleging that the emergency measures adopted by the Argentine government differ from the fair and equitable treatment provisions set forth in several bilateral investment treaties to which Argentina is a party. Both items would entail a contingent debt that would exceed US\$20 billion. In 2014, the Government fully paid Repsol's claim stemming from the Government's nationalization of the oil company YPF, in 2012, and also reached an agreement with other five foreign companies that had pending claims in the ICSID.

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Argentina's default on its foreign debt and the abovementioned claims that have been filed against Argentina may prevent the Argentine government and Argentine private sector companies from accessing the international capital markets and receiving direct foreign investment. Due to the same, the Argentine government may not be able to foster economic growth. Moreover, direct foreign investment in the private sector, which is also necessary to foster economic growth, may not occur at the necessary or optimal levels. These risks may be additionally exacerbated due to the limited liquidity available for investment in the local capital markets, as well as the highly concentrated pool of potential local investors.

If Argentina does not fully recover 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 restart the investment cycle and achieve a high economic growth rate. If this occurs, Argentina's fiscal condition may be adversely affected, which could generate more inflation and undermine the Argentine government's ability to implement economic policies designed to foster growth. The difficulty of sustaining economic growth in the long term, along with a reasonable stability in prices, may result in another episode of economic instability, which could have a material adverse effect on the prospects of the Argentine economy and, therefore, could have a material adverse effect on Grupo Galicia's financial condition and operating results and on the trading prices for its ADSs.

***A decline in the international prices of Argentina's main commodity exports and an additional real appreciation of the Peso against the U.S. Dollar could affect the Argentine economy and create new pressures on the foreign exchange market, and have a material adverse effect on Grupo Galicia's financial condition, prospects and operating results.***

Argentina's economic recovery since the 2001-2002 crisis has taken place within a context of increasing prices for commodity exports, such as soy, which represented 28% of Argentine exports in 2014. 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). However, this reliance on the export of certain commodities, such as soy, has made the Argentine more vulnerable to fluctuations in their prices.

A significant increase in the real appreciation of the Peso could affect Argentina's competitiveness, substantially affecting exports, and this, in turn could prompt new recessionary pressures on the country's economy and a new imbalance in the foreign exchange market, which could lead to a high degree of volatility in the exchange rate. Most importantly, in the short term, a significant appreciation of the real exchange rate could substantially reduce the Argentine public sector's tax revenues in real terms, given the strong reliance on taxes on exports (withholdings). The occurrence of the foregoing could lead to higher inflation and potentially materially and adversely affect the Argentine economy, as well as Grupo Galicia's financial condition and operating results and, thus, the trading prices for its ADSs.

***Volatility in the regulatory framework could have a material adverse effect on Argentina's economy in general, and on Grupo Galicia's financial position, specifically.***

In response to the 2001-2002 economic crisis, the Argentine government enacted several laws amending the regulatory framework governing a number of different activities. The Argentine government continues to exert significant control over the economy. For example, since fiscal year 2012, the Argentine Central Bank passed a number of regulations that require financial entities, including Banco Galicia, to provide loans with interest rates that are below the then prevailing market interest rates and, during the fiscal year 2014, the Argentine Central Bank passed new regulations limiting the interest rates and fees that can be charged by financial entities for certain types of loans to individuals. In addition, political and social pressures could inhibit the Argentine government's implementation of

policies designed to maintain price stability, generate growth and enhance consumer and investor confidence.

Existing or new regulations that could potentially be enacted in the future by Argentine authorities could materially and adversely affect the assets, revenues and operating income of private sector companies, including Grupo Galicia, the rights of holders of securities issued by those entities, or the value of those securities.

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The lack of regulatory foresight could impose significant limitations on the activities of the financial system and Grupo Galicia's business, and would generate uncertainty regarding its future financial position and results of operations and the trading price for its ADSs.

***The Argentine economy and its goods, financial services and securities markets remain vulnerable to external factors, which could affect Argentina's economic growth and Grupo 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 affect capital flows to issuers in other countries, and consequently, affect the trading prices of their securities. Decreased capital inflows and lower prices in the securities market of a country may have a material adverse effect on the real economy of those countries in the form of higher interest rates and foreign exchange volatility.

During periods of uncertainty in international markets, investors generally choose to invest in high-quality assets (flight to quality) over emerging market assets. This has caused and could continue to cause an adverse impact on the Argentine economy and has and could continue to adversely affect the country's economy in the near future.

During 2011 and 2012, Greece and, to a lesser extent, other European countries such as Portugal, Ireland, Spain and Italy, continued facing significant problems, and the risk of these issues continuing into the future continues to be a concern. The problems faced by the European Union's periphery countries, resulting from a combination of factors such as low growth, fiscal woes and financial pressures, are particularly acute. Reestablishing financial and fiscal stability to offset the low or zero growth continues to pose a challenge. As a result, the leading economies of the European Union imposed emergency economic plans in such countries which plans are still in place. During 2014, the U.S. Federal Reserve reduced its asset purchase and its monetary easing programs. Therefore, such changes started to strengthen the U.S. Dollar globally, affecting commodity prices evolution and lowering capital inflows to emerging markets.

A new global economic and/or financial crisis or the effects of deterioration in the current international context, could affect the Argentine economy and, consequently, Grupo Galicia's results of operations, financial condition and the trading price for its ADSs.

***The exchange rate used for financial reporting may not reflect Grupo Galicia's economic reality.***

It has been noted that an official exchange rate exists in Argentina that is lower than a blue-chip or market exchange rate. The official exchange rate between Pesos and Dollars, which is published by the Argentine Central Bank, was used for converting the amounts reflected in the financial statements of Grupo Galicia contained herein. As this official exchange rate is lower than the blue-chip or market exchange rate that exists in Argentina, the amounts contained in this annual report may not accurately reflect Grupo Galicia's economic reality, which could affect Grupo Galicia's purchasing power in Dollars and its capacity to meet its obligations denominated in Dollars which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

***A potential future devaluation of the Peso may hinder or potentially prevent Grupo Galicia from being able to honor 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 debts denominated in or indexed or otherwise connected to a foreign currency, generate very high inflation rates, reduce real salaries significantly, and have an adverse effect on companies

focused on the domestic market, such as public utilities and the financial industry. Devaluation could also adversely affect the Argentine government's capacity to honor its foreign debt, with adverse consequences for Grupo Galicia's and Banco Galicia's businesses, which could affect Grupo Galicia's capacity to meet future obligations denominated in a foreign currency which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

During 2014 the exchange rate of the Argentine peso had an erratic path. On January the official exchange rate suffered a devaluation of approximately 23% against the U.S. dollar, and since then the ARS/USD parity observed a more stable path, reaching a devaluation of approximately 30.7% during the fiscal year. As a consequence, the exchange rate as of the date of this report may not be indicative of current or future exchange rates.

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***The Argentine foreign exchange market is subject to controls, which may adversely affect the ability and the manner in which Grupo Galicia repays its obligations denominated in, indexed or to otherwise connected to a foreign currency.***

Decree No. 1570/01, effective as of December 3, 2001, established certain restrictions on the transfer of foreign currencies out of Argentina, prohibiting most ordinary foreign currency transfers abroad. Decree No. 1606/01 maintained the same restrictions, but has incorporated additional restrictions regarding the transfers of funds that entered Argentina after December 3, 2001 to foreign countries.

Subsequently, the Argentine government issued Decree No. 616/05 (and supplementary regulations), which regulated Argentina's capital inflows and outflows. Basically, this decree establishes that, subject to certain exceptions, funds transferred into Argentina by residents and non-residents are subject to a deposit, called an *encaje*, equal to 30% of the amount transferred, which must be deposited in U.S. Dollars for one year in a local financial institution, during which time such amount will not bear interest. This deposit cannot be transferred and cannot be used as security. This regulation also establishes that Argentine companies must obtain the approval of the Argentine Central Bank (BCRA, as per its initials in Spanish) in order to transfer funds from Argentina to accounts abroad, subject to certain exceptions, and also sets forth the prerequisites for individuals to acquire and transfer funds in the foreign exchange market without requiring that prior authorization.

Since late 2011, the controls and regulations in respect of the foreign exchange market have become more stringent, limiting the possibility of transferring funds abroad. For further details on these and other exchange control measures in respect of the foreign exchange market, please see the section titled Item 8. Financial Information-Legal Proceedings .

No assurance can be provided that the abovementioned regulations will not be amended, or that no new regulations will be enacted in the future imposing greater limitations on funds flowing into and out of the Argentine foreign exchange market. Any such measures, as well as any additional controls and/or restrictions, could materially affect Grupo Galicia's ability to access the international capital markets and may undermine its ability to make payments of principal and/or interest on its obligations denominated in a foreign currency or transfer funds abroad (in total or in part) to make payments on its obligations (which could affect Grupo Galicia's financial condition and results of operations). Therefore, Argentine resident or non-resident investors should take special notice of these regulations (and their amendments) that limit access to the foreign exchange market. Grupo Galicia may be prevented from making payments in U.S. Dollars and/or making payments outside Argentina due to the restrictions in place at that time in the foreign exchange market and/or due to the restrictions on the ability of companies to transfer funds abroad.

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

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain in the United States. Grupo Galicia and substantially all of its subsidiaries are companies incorporated under the laws of Argentina. Most of their shareholders, directors, members of the Supervisory Syndics' 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 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 Galicia's executive officers and directors. Additionally, under Argentine law, the enforcement of foreign judgments will only be allowed if the requirements in sections 517 to 519 of the National Code of Civil and Commercial Procedures are met or, if it is one of the powers governed by provincial law, the requirements in the



applicable local code of procedure, and provided that the foreign judgment does not infringe on concepts of public policy in Argentine law, as determined by the competent courts of Argentina. An Argentine court may consider the enforcement of foreign judgments which order payments to be made pursuant to a foreign-currency denominated security, to holders outside Argentina is contrary to the public policy of Argentina if for instance at such time there are legal restrictions in place prohibiting Argentine debtors from transferring foreign currency abroad to pay off debts.

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***The measures adopted by the Argentine government and the claims filed by workers on an individual basis or as part of a labor union action may lead to pressures to increase salaries or additional benefits, which would increase companies', including Grupo Galicia's, operating costs.***

In the past, the Argentine government has passed laws and regulations requiring private sector companies to maintain certain salary levels and provide their employees with additional benefits. Furthermore, employers, both in the public sector and in the private sector, have been experiencing intense pressures from their personnel, or from the labor unions representing them, demanding salary increases and certain benefits for the workers, given the high inflation rates.

Grupo Galicia cannot assure you that the Argentine government will not adopt measures in the future mandating salary increases or the provision of additional employee benefits or that the employees or their unions will not exert pressure in demanding those measures. Any such measures could have a material and adverse effect on Grupo Galicia's expenses and business, results of operations and financial condition and, thus, on the trading prices for its ADSs.

### **Risk Factors Relating to the Argentine Financial System**

***The stability of the Argentine financial system is dependent upon the ability of financial institutions, including Banco Galicia, the main subsidiary of Grupo Galicia, to maintain and increase the confidence of depositors.***

The measures implemented by the Argentine government in late 2001 and early 2002, in particular the restrictions imposed on depositors to withdraw money freely from banks and the pesification and restructuring of their deposits, were strongly opposed by depositors due to the losses on their savings and undermined their confidence in the Argentine financial system and in all financial institutions operating in Argentina.

If depositors once again withdraw their money from banks in the future, 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 adversely affect the confidence of Argentine depositors in local banks.

In the future, an adverse economic situation, even if it is not related to the financial system, could trigger a massive withdrawal of capital from local banks by depositors, as an alternative to protect their assets from potential crises. Any massive withdrawal of deposits could cause liquidity issues in the financial sector and, consequently, a contraction in credit supply.

The occurrence of any of the above could have a material and adverse effect on Grupo Galicia's expenses and business, results of operations and financial condition and, thus, on the trading prices for its ADSs.

***If financial intermediation activity volumes relative to GDP are not restored to significant levels, the capacity of financial institutions, including Banco Galicia, the main subsidiary of Grupo Galicia, to generate profits may be negatively affected.***

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity dropped dramatically: private sector credit plummeted 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 it had on depositors' confidence in the financial system created uncertainty as to its ability to act as an intermediary between savings and credit. Further, the ratio of total financial system's private-sector deposits and loans to GDP is low when

compared to international levels and lower than the periods prior to the crisis, with loans to the private sector representing approximately 15% of GDP as of December 31, 2014.

There is no assurance that financial intermediation activities will continue in a manner sufficient to reach the necessary volumes to provide financial institutions, including Banco Galicia, with sufficient capacity to generate income, or that those actions will be sufficient to prevent Argentine financial institutions, such as Banco

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Galicia, from having to assume excessive risks in terms of maturity mismatches. Under these circumstances, for an undetermined period of time, the scale of operations of Argentine-based financial institutions, including Banco Galicia, their business volume, the size of their assets and liabilities or their income-generation capacity could be much lower than before the crisis which may, in turn, impact the results of operations of Banco Galicia and, potentially, the trading price for Grupo Galicia's ADSs.

***The Argentine financial system's growth and income, including that of Banco Galicia, the main subsidiary of Grupo Galicia, depend in part on the development of medium- and long-term funding sources.***

In spite of the fact that the financial system's and Banco Galicia's deposits continue to grow, they are mostly demand or short-term time deposits and 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 sources of medium and long-term funding or if they are required to pay high costs in order to obtain the same and/or if they cannot generate profits and/or maintain their current volume and/or scale of their business, this may adversely affect Grupo Galicia's ability to honor its debts.

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

Argentine financial institutions continue to be exposed, to some extent, to public sector debt 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 growth and development in the long term, generating tax revenues and controlling public expenditures, which could, either partially or totally, fail to take place.

Banco Galicia's exposure to the public sector as of December 31, 2014 was Ps.10,968 million, representing approximately 10.4% of its total consolidated assets and 1.1 times its shareholders' equity. Of this total, Ps.3,405 million corresponded to Argentine government securities, while the remaining Ps.7,563 million were Argentine Central Bank debt instruments. As a result, Banco Galicia's income-generating capacity may be materially impacted, or may be particularly affected 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 may be adversely affected by the Argentine government's repayment capacity or its failure to meet its obligations in regard to Argentine government obligations owed to Banco Galicia.

***In the future, the Argentine government may impose new limitations on creditors' rights in Argentina and on the possibility of enforcing certain guarantees, which could adversely affect the financial conditions of financial institutions, including Banco Galicia, the main subsidiary of Grupo Galicia.***

To protect debtors affected by the 2001-2002 economic crisis, beginning in 2002, the Argentine government passed various laws and regulations that temporarily suspended the ability of creditors to enforce their guarantees and exert their rights under similar instruments established in financing agreements in the event of a default by the debtor. Such limitations have, in some cases, restricted Argentine creditors, such as Banco Galicia, from initiating actions and/or lawsuits to collect and recover on defaulted loans. While these rules have ceased to be applicable, in the event of an adverse economic environment or in other circumstances, the Government could pass new rules and regulations restricting the ability of creditors to enforce their rights pursuant to loan agreements, guarantees and similar instruments or documents, the impact of which may have an adverse effect on the business of financial institutions in Argentina, including those of Banco Galicia.

***The Consumer Protection Law may limit some of the rights afforded to Grupo Galicia and its subsidiaries.***

Argentine Law No. 24,240 (the Consumer Protection Law ) sets forth a series of rules and principles designed to protect consumers, which include Banco Galicia s customers. The Consumer Protection Law was amended by Law No. 26,361 on March 12, 2008 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 public policy regulations designed to protect credit card holders.

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The application of both the Consumer Protection Law and the Credit Card Law by administrative authorities and courts at the federal, provincial and municipal levels has increased. This trend has increased general consumer protection levels. In the event that Grupo Galicia and its subsidiaries are found to be liable for violations of any of the provisions of the Consumer Protection Law or the Credit Card Law, the potential penalties could limit some of Grupo Galicia and its subsidiaries' rights, for example, with respect to their ability to collect payments due from services and financing provided by Grupo Galicia or its subsidiaries, and adversely affect their financial results of operations. Grupo Galicia cannot assure you that court and administrative rulings based on the newly-enacted regulation or measures adopted by the enforcement authorities will not increase the degree of protection given to its debtors and other customers in the future, or that they will not favor the claims brought by consumer groups or associations. This may prevent or hinder the collection of payments resulting from services rendered and financing granted by Grupo Galicia's subsidiaries, which may have an adverse effect on their results and operations.

***Class actions against financial institutions for an indeterminate amount may adversely affect the profitability of the financial system and of Banco Galicia, specifically.***

Certain public and private organizations have initiated class actions against financial institutions in Argentina. Class actions are contemplated in the Argentine National Constitution and the Consumer Protection Law, however, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Notwithstanding the foregoing, the courts have admitted class actions providing for some guidance with respect to the procedures for trying the same. These courts have admitted several complaints filed against financial institutions to defend collective interests, based on arguments that object to the charges applied to certain products, the interest rates applied and the advisory services rendered in the sale of government securities, among others.

Final judgments entered against financial institutions under these class actions may affect the profitability of financial institutions in general and of Banco Galicia specifically in relation to class actions filed against Banco Galicia. If these class actions plaintiffs were to prevail, their success could have an adverse effect on the financial or insurance industry and, consequently, on Grupo Galicia's business and financial condition. For further information regarding class actions brought against Banco Galicia, please refer to Item 8. Financial Information Legal Proceedings .

***Administrative procedures filed by the tax authorities of certain Argentine provinces against financial institutions, such as Banco Galicia (the primary subsidiary of Grupo Galicia) and amendments to tax laws applicable to Grupo Galicia could generate losses for Grupo Galicia.***

Buenos Aires tax authorities, as well as certain provincial tax authorities, have initiated administrative proceedings against financial institutions in order to collect higher gross income taxes from such financial institutions from the year ended 2002 and onwards. The Argentine Federal Court of Appeals granted Banco Galicia a preliminary injunction in an amount corresponding to the Compensatory Bond (as defined below) in Banco Galicia's challenge of an assessment by the Buenos Aires tax authorities. The Argentine Supreme Court of Justice affirmed the opinion of the Argentine Federal Court of Appeals, and the Court of Appeals therefore ordered the fiscal authority to refrain from starting tax enforcement proceedings or otherwise requesting precautionary measures for such purpose. The aim of the Compensatory Bond was to compensate financial institutions for losses that they would have otherwise incurred as a result of the measures implemented to confront the 2001-2002 economic crisis, in particular, the asymmetric pesification. The final decision regarding these proceedings remains uncertain and financial institutions, including Banco Galicia, may suffer substantial losses.

In addition, although Banco Galicia considers it has met its tax obligations regarding current regulations and has properly recorded provisions for those risks based on the opinions and advice of its external legal advisors and pursuant to the applicable accounting standards, certain risk factors may render those provisions inadequate. Tax

authorities may not agree with Grupo Galicia's tax treatment, possibly leading to an increase in the tax responsibilities.

Moreover, amendments to existing regulations may increase Grupo Galicia's tax rate and a material increase in the tax burden could adversely affect its financial results.

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**Risk Factors Relating to Us**

***Grupo Galicia may be unable to repay its financial obligations due to a lack of liquidity it may suffer because of being a holding company***

Grupo Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate or hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo 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 Galicia may be forced to resort to financing options at unappealing prices, rates and conditions. Additionally, such financing could be unavailable when Grupo Galicia may need it.

Grupo Galicia's subsidiaries are under no obligation to pay any amount to enable Grupo Galicia to carry out investment activities and/or to cancel its liabilities, or to give Grupo Galicia funds for such purposes. Each of the subsidiaries is a legal entity separate from Grupo Galicia, and due to certain circumstances, legal or contractual restrictions, as well as to the subsidiaries' financial condition and operating requirements, Grupo Galicia's ability to receive dividends and its ability to develop its business and/or to comply with payment obligations, could be limited. Under certain regulations and agreements, Banco Galicia has restrictions related to dividend distribution. In particular, effective as of the end of 2011, the Argentine Central Bank implemented new regulations regarding dividend distribution. These new regulations established that after paying dividends, financial institutions must still have an excess of computable capital over the new minimum requirement of 75%, an increase from the previous requirement of 30%. As a result of these regulations, Banco Galicia was unable to declare dividends for the fiscal year ended December 31, 2014, and therefore the ability of Grupo Financiero Galicia to pay dividends has been negatively impacted. In addition, the Federal Public Revenue Authority enacted new regulation (effective since February, 2013), requiring an Anticipated Affidavit of (Financial) Payments Abroad (named DAPE) in order to complete payments of dividends to non-residents (among other concepts which are also subject to the mandatory DAPE).

Notwithstanding the fact that the repayment of such obligations could be afforded by Grupo Galicia through other means, such as bank loans or new issues in the capital market, investors should take notice of the above prior to deciding on their investment in debt or equity of Grupo Galicia. For further information on dividend distribution restrictions, see Item 5.B. Liquidity and capital Resources.

***Corporate governance standards and disclosure policies that govern companies listing their shares as part of the public offerings system in Argentina may differ from those regulating highly-developed capital markets, such as the U.S. As a foreign private issuer, Grupo Galicia applies disclosure policies and requirements that differ from those governing U.S. domestic registrants.***

Argentine disclosure requirements, are more limited than those in the United States in important respects and, as a foreign private issuer, Grupo Galicia may be subject to different disclosure and other requirements than a domestic U.S. registrant. For example, as a foreign private issuer in the U.S., Grupo Galicia is not subject to the same requirements and disclosure policies as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue financial statements, report on significant events and the standards 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.

In addition, although Argentine laws provide for certain requirements that are similar to those prevailing in the U.S. in relation to publicly listed companies (including, for example, those related to price manipulation), in general, applicable Argentine laws are different to those in the U.S. and in certain aspects may provide different or fewer



protections or remedies as compared to U.S. laws. Further, Grupo Galicia relies on exemptions from certain Nasdaq rules that are applicable to domestic companies. Accordingly, the information available about Grupo Galicia to you is not the same as, and may be more limited than, the information available to shareholders of a U.S. company.

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***Adverse conditions in the credit, capital and foreign exchange markets may have a material adverse effect on Grupo Galicia's financial position and results of operations and adversely impact it by limiting its ability to access funding sources.***

Grupo Galicia may sustain losses relating to its investments in fixed- or variable-income securities on the exchange market and its monetary position due to, among other reasons, changes in market prices, defaults and fluctuations in interest rates and in exchange rates. A deterioration in the capital markets may cause Grupo Galicia to record net losses due to a decrease in the value of its investment portfolios, in addition to losses caused by the volatility in financial market prices, even if the economy overall is not affected. Any of these losses could have an adverse effect on Grupo Galicia's results of operations.

A percentage of Banco Galicia's liquidity is derived from local banks and the local capital market. As of December 31, 2014, Banco Galicia's liquidity ratio was 38.6%, as measured by liquid assets as a percentage of total deposits (liquid assets that include cash, bank loans, holdings of securities issued by the Argentine Central Bank ( Lebac and Nobac ), net interbank loans, short-term placements with correspondent banks and repurchase agreement transactions in the local market). Any disruptions in the local capital market or in the local financial market, as have been experienced by Argentina in the past, 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 position and/or results of operations.

***Grupo Galicia's subsidiaries estimate and establish reserves for potential credit risk or future credit losses, which may be inadequate or insufficient, and which may, in turn, materially and adversely affect its financial position and results of operations.***

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

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

***If Grupo Galicia's main subsidiary, Banco Galicia, should fail to detect money laundering and other illegal or inappropriate activities in a comprehensive or timely manner, the business interests and reputation of Banco Galicia, and consequently, that of Grupo Galicia, may be harmed.***

Banco Galicia must be in compliance with all applicable laws against money laundering, funding of terrorist activities and other regulations. These laws and regulations require, among other things, that Banco Galicia adopt and implement control policies and procedures which involve "know your customer" principles that comply with the applicable regulations and reporting suspicious or unusual transactions to the applicable regulatory authorities. While Banco Galicia has adopted policies and procedures intended to detect and prevent the use of its network for money laundering activities and by terrorists, terrorist organizations and other types of organizations, those 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 activities. To the extent that Banco Galicia has not detected or does not detect those 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 customers use it for money laundering activities or other illegal activities.

***A disruption or failure in Grupo Galicia's information technology system could adversely affect its operations and financial position.***

The success of Grupo Galicia's subsidiaries is dependent upon the efficient and uninterrupted operation of their communications and computer hardware systems, including those systems related to the operation of their ATM networks. Grupo Galicia's communications, systems or transactions could be harmed or disrupted by fire, floods, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or disruptions. Any of the foregoing events may cause disruptions in Grupo Galicia's systems, delays and the loss of critical data, and could prevent it from operating at optimal levels. In addition, the contingency plans in place

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may not be sufficient to cover all those events and, therefore, this may mean that the applicable insurance coverage is limited or inadequate, preventing Banco Galicia from receiving full compensation for the losses sustained as a result of such a disruption. If any of these events occur, it could damage the reputation, entail serious costs and affect Grupo Galicia's transactions, as well as its results of operations and financial position.

### **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* (which is 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 (of which Banco Galicia owns 77%), a holding company controlled by Banco Galicia, and CFA (of which Banco Galicia owns 97% and Grupo Financiero Galicia owns 3%) we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. 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. 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.107,314 million as of December 31, 2014.

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 the extraordinary shareholders' meeting. Our principal executive offices are located at Teniente General Juan D. Perón 430, Twenty-Fifth 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, 2014. Percentages indicate the ownership interests held.

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All the companies shown in the chart are incorporated in Argentina, except for Galicia Uruguay, which is incorporated in Uruguay and which is currently not an operating financial institution.

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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 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.

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 new common shares were designated as class B shares, with a par value of Ps.1. 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 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. 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.

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 paid for such shares 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, an increase from 93.60%.

In September 2013, Grupo Financiero Galicia announced that it had reached an agreement to merge Lagarcu  S.A. and Theseus S.A. into Grupo Financiero Galicia. The consolidated financial statements prepared specifically for this merger were issued as of June 30, 2013 and the effective date of such merger was September 1, 2013.

This merger resulted in an increased ownership interest by Grupo Financiero Galicia in its principal subsidiary Banco Galicia of 25,454,193 class B shares of Banco Galicia representing 4.526585% of the total capital stock of Banco Galicia previously owned by Lagarcué S.A. and Theseus S.A.

Consequently, Grupo Financiero Galicia agreed to increase its capital stock by issuing 58,857,580 new class B shares representing 4.526585% of the outstanding capital stock of Grupo Financiero Galicia to be delivered to the shareholders of Lagarcué S.A. and Theseus S.A.

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Additionally, Grupo Financiero Galicia, together with Banco Galicia and the shareholders of Lagarcué S.A. and Theseus S.A., signed a supplemental agreement governing operational issues and providing for the settlement and mutual withdrawal of any pending claims.

All documentation related to the merger of Lagarcué S.A. and Theseus S.A. into Grupo Financiero Galicia was approved at the extraordinary shareholders meeting of Grupo Financiero Galicia held on November 21, 2013, including the exchange ratio and the above mentioned capital increase of Ps.58,857,580 through the issuance of 58,857,580 class B shares, with a face value of Ps.1, one vote per share, entitled to participate in the profits of the financial year beginning on January 1, 2013.

On December 18, 2013, the definitive merger agreement contemplating the merger of Lagarcué S.A. and Theseus S.A. into Grupo Galicia was registered in a public deed pursuant to the terms of paragraph 4 of article 83 of the *Ley de Sociedades Comerciales* (Law No. 19,550, as amended, the Commercial Corporations Law or Corporations Law ), and effective as of September 1, 2013. Therefore, 25,454,193 class B shares of Banco Galicia, representing 4.526585% of its capital stock previously owned by Lagarcué S.A. and Theseus and S.A. were transferred to Grupo Financiero Galicia. As a result, Grupo Financiero Galicia owns 560,199,603 shares of Banco Galicia, representing 99.621742% of its capital stock and voting rights.

On February 25, 2014, the Board of Directors of Grupo Financiero Galicia resolved to issue an offer to acquire all remaining shares of Banco Galicia owned by third parties, amounting to 2,123,962 shares, at an amount of Ps.23.22 per share, which was approved by the *Comisión Nacional de Valores* (the National Securities Commission , or the CNV ) on April 24, 2014.

On February 27, 2014, by Resolution No. 17,300, the Board of the CNV consented to the merger of Lagarcué S.A. and Theseus S.A into Grupo Financiero Galicia and to the above mentioned increase in capital of Grupo Financiero Galicia.

In compliance with Argentine regulations, Grupo Financiero Galicia made all required communications and paid the amounts corresponding to the remaining shares of Banco Galicia held by third parties. On August 4, 2014, Grupo Financiero Galicia became the owner of 100% of the outstanding capital stock of Banco Galicia when the relevant unilateral declaration to acquire the remaining shares of Banco Galicia held by third parties recorded as a public deed pursuant to Article 95 of the Law No. 26,831 (the Capital Markets Law , in Spanish *Ley de Mercado de Capitales* ).

Moreover, on April 15, 2014, the Board of Directors approved the purchase of 95% of the capital stock of Galicia Administradora de Fondos from Banco Galicia for an amount of Ps.39 million.

### ***Banco Galicia***

Banco Galicia. 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 mutual fund FIMA Acciones and founded the predecessor of the asset manager 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.

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

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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 phase into the *Interior* of Argentina where high growth potential was believed to exist. Typically the *Interior* is underserved relative to Buenos Aires and its surroundings with respect to access to financial services and its population tends to use fewer banking services. 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 populous 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 insurance 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.

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

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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.

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.334 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. During the fiscal year ended December 31, 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. See *-Compañía Financiera Argentina* below.

On February 25, 2014, Grupo Financiero Galicia, which controlled 99.62% of the shares of Banco Galicia, resolved to issue an offer to acquire the 2,123,962 shares of Banco Galicia owned by third parties. On April 24, 2014, said transaction was approved by the CNV and on July 14, 2014, it was incorporated by the Argentine Superintendency of Corporations. Currently, 100% of the outstanding capital stock of Banco Galicia is owned by Grupo Financiero Galicia. See *-Grupo Financiero Galicia* above.

In addition, Banco Galicia requested to delist its shares from the BASE to become a privately held company. Banco Galicia's quotation was suspended on April 30, 2014. On August 21, 2014, the CNV approved Banco Galicia's request to delist its shares from the BASE.

On April 15, 2014, Banco Galicia sold its interest in Galicia Administradora de Fondos to Grupo Financiero Galicia for Ps.39 million.

During the third quarter of fiscal year 2014, Banco Galicia sold to Visa Argentina S.A., a company in which the Bank has a 15.9% equity interest, its equity investment in Banelco S.A., for Ps.40 million.

*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\$1,321 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% of the foreign debt eligible for restructuring. As of December 31, 2014, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1 million.

Banco Galicia paid creditors who elected to participate in the cash offer and the Boden offer and issued (i) US\$649 million of long-term Dollar-denominated debt instruments, of which US\$465 million were Dollar-denominated notes due 2014 (referred to as the 2014 Notes) and (ii) US\$400 million of medium-term Dollar-denominated debt instruments, of which US\$353 million were Dollar-denominated notes due 2010 (referred to as the 2010 Notes).

In January 2010, Banco Galicia paid the last amortization installment of its 2010 Notes, for a principal amount of US\$34 million and in November 2010, Banco Galicia redeemed all its 2014 Notes, for an outstanding principal amount of US\$102 million.

During February 2011, Banco Galicia partially redeemed capitalized interest of its Subordinated Notes Due 2019 for US\$90 million (and accrued interest thereof for US\$1.4 million), which amount was capitalized between January 1, 2004 and December 31, 2010, and was originally scheduled to be paid on January 1, 2014.

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In addition, in December 2011, with respect to such notes, Banco Galicia made an advance payment of interest, including both interests that capitalized from January 1, 2011 to June 30, 2011, of US\$6 million, and accrued interest thereof for US\$0.3 million. Such payment was originally scheduled to be made on January 1, 2014.

In January 2014, Banco Galicia paid cumulative interest accrued on these notes from July 1, 2011 to December 31, 2013 for US\$29 million.

As of December 31, 2014, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$224 million. For more information see Item 5.A. Operating Results-Contractual Obligations and Operating Results-Funding .

Grupo Financiero Galicia holds a credit against Banco Galicia for a face value of US\$10 million, as a result of the acquisition from third parties of subordinated loans maturing in 2019.

### *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 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011. Therefore and having fulfilled its obligations, its shareholders have resolved, at the shareholders meeting held on June 30, 2010, to voluntarily dissolve and liquidate the company.

Furthermore, taking into consideration the financial condition and the evolution estimated in the liquidation process, shareholders decided to reduce the company s computable capital for a value equal to US\$2.1 million through the voluntary redemption of shares, which was carried out on October 18, 2010. During 2013 and 2014, shareholders decided two new voluntary redemptions of shares. These redemptions were carried out for a value equal to US\$2.1 million and US\$3.3 million, on November 18, 2013 and September 10, 2014, respectively.

As of the date of this annual report, Galicia Uruguay is 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.

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 of its creditors for their consideration. The plan was approved in whole on July 10, 2003 by the vote of 99.7% of its creditors, exceeding the legal majority required, 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.

In March 2014, Galicia Cayman shareholders approved the move of the registered office of the company from the Cayman Islands to Argentina. Galicia Cayman was incorporated in Argentina by the Provincial Registry of Corporations of the Province of Mendoza as Galicia Cayman S.A.

In September 2014, the Bank entered into a preliminary agreement to merge Galicia Cayman into the Bank, effective as of October 1, 2014. The Bank controlled 99.989% of the shares of Galicia Cayman and had an option to purchase the remaining 0.011% which was owned by Cobranzas y Servicios SA. In November 2014, the Bank's shareholders, through an extraordinary shareholders meeting, exercised the above mentioned option and proceeded to implement the dissolution without liquidation of Galicia Cayman.

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### *Regional Credit Card Companies*

In the mid-1990s, Banco Galicia made the strategic decision to target the non-account holding individuals market, which, in Argentina, typically includes the low and medium-low income segments of the population who live in the *Interior* of the country, in addition to certain locations of the Greater Buenos Aires. To implement this strategic decision, in 1995 Banco Galicia began investing in non-bank companies (the Regional Credit Card 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.

In 1995, Banco Galicia made the first investment in this business by acquiring a minority stake in Tarjeta Naranja S.A. ( Tarjeta Naranja ) and in 1997 increased its ownership to 80%. This company had begun operations in 1985 in the city of Córdoba, 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. ( Tarjetas Cuyanas ), 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. ( Tarjetas del Mar ), to operate in the city of Mar del Plata and its area of influence. Tarjetas del Mar 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 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 owns the shares of Tarjeta Naranja, Comfiar S.A., Tarjetas Cuyanas, and Tarjetas del Mar. In addition, between 1999 and 2000, Tarjetas Regionales acquired Tarjetas del Sur S.A., a credit card company operating in southern Argentina. In March 2001, Tarjetas del Sur S.A. merged into Tarjeta Naranja.

During 2012, the ownership interests in Tarjetas Regionales and its operating subsidiaries were modified due to the following events:

Tarjeta Naranja s board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja (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 and Tarjetas Cuyanas. 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.

During May 2014, an extraordinary shareholders meeting of Tarjetas del Mar approved a capital increase of Ps.32 million, which was fully subscribed for by Sociedad Anónima Importadora y Exportadora de la Patagonia. As a consequence, the Bank currently holds a 58.8% equity interest in Tarjetas del Mar, while Compañía Financiera Argentina holds a 1.2% equity interest and Sociedad Anónima Importadora y Exportadora de la Patagonia holds the remaining 40%.



As of December 31, 2014, Banco Galicia held 77% of Tarjetas Regionales. In turn, Tarjetas Regionales directly and indirectly held 100% of Tarjeta Naranja and 100% of Tarjetas Cuyanas.

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 had approximately 200,000 cards outstanding. As of December 31, 2014, the Regional Credit Card Companies, on a consolidated basis, had approximately 9 million issued cards and were the largest proprietary brand credit card operation in Argentina.

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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.

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.

In addition, Tarjeta Naranja has exported its business model to the Dominican Republic, where it commenced operations in 2007 through a joint venture with Grupo León, and to Peru, where we commenced operations in 2011 through a joint venture with Banco de Crédito del Perú. As of the end of the second quarter of 2012, Tarjeta Naranja Dominicana S.A.'s shareholders decided to sell to Banco Múltiple León S.A. (holder of the remaining 50% interest in Tarjeta Naranja Dominicana S.A.'s capital stock) Tarjeta Naranja Dominicana S.A.'s rights related to customers and to start the liquidation of the company. Later, on October 14, 2014, Tarjeta Naranja entered into the final agreement to transfer its interest in Tarjeta Naranja Perú (a joint venture, equivalent to 24% of the capital stock of such company, to Grupo Crédito S.A. for US\$900,000. As of the date of this annual report, the shares have been transferred.

***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.

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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 insurance 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, property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property, 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. (Galicia Broker), an insurance broker.

In addition, during fiscal year 2012 Galicia Seguros, together with other three insurance companies, created Nova Re Compañía Argentina de Reaseguros S.A., the goal of which is to increase the scope of offerings of reinsurance products in Argentina.

## ***Galicia Administradora de Fondos***

Incorporated in 1958, Galicia Administradora de Fondos manages the FIMA family mutual funds that are distributed by Banco Galicia through its multiple channels (network of branches and home banking and investment centers, among others). The company's team is comprised of asset management professionals whose goal is to manage FIMA family funds in order to meet the demand of individuals, companies and institutions. The assets of each fund are distributed across a variety of assets, such as bonds, negotiable obligations, trusts, shares and deposits, among others, in line with the fund's investment objective.

On April 15, 2014, Banco Galicia sold its 95% interest in Galicia Administradora de Fondos to Grupo Financiero Galicia.

Its shareholders are Grupo Financiero Galicia, with a 95% stake, and Galicia Valores, with the remaining 5%.

## ***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.

During the 2011 fiscal year, the shareholders decided to amend the corporate purpose of Net Investment to be able to invest in additional companies in related, accessory and/or supplementary activities.

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### ***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 No. 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%

### **Business**

#### ***Banking***

Banco Galicia, our largest subsidiary, 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, small and medium-sized companies, and individuals.

Banco Galicia is one of 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, 2014, 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 8.79% and of 8.78% respectively, as of the end of 2014. On a consolidated basis, as of the end of fiscal year 2014, Banco Galicia had total assets of Ps.105,962 million, total loans of Ps.66,593 million, total deposits of Ps.64,708 million, and its shareholders equity amounted to Ps.9,899 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, 2014, was comprised of 261 full service banking branches, located throughout the country, 1,684 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 nearly 3 million customers, who were comprised of mostly individuals but who also included more than 77,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and small- and medium-sized companies. Specifically, based on internal studies undertaken by Banco Galicia, it is estimated that Banco Galicia 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 small- and medium-sized companies 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.A. Operating Results-Results by Segments-Banking.

#### ***Wholesale Banking***

The Wholesale Banking division manages and builds the relationships with companies from all economic sectors and supports its business model by being closely related to its corporate customers, providing dedicated and focused services.

Banco Galicia has granted across Argentina multiple credit lines to companies to finance needs ranging from working capital to medium- to long-term investment projects.

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The offer of Peso and Dollar-denominated medium- and long-term financing continued being improved through a broad offer of agreements with domestic and international agencies, such as the Inter-American Development Bank ( IDB ), FONTAR (*Fondo Tecnológico Argentino*), and the Bank for Investment and Foreign Trade ( BICE ), among others. 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.

Through the Credit Line for Productive Investment (a credit line that is required to be offered by financial entities pursuant to Communication A 5380 and Communication A 5449) in order to finance investment projects to purchase capital goods and/or to finance the construction of facilities to produce goods and/or services and to market goods (excluding inventories), Banco Galicia disbursed more than Ps.5,300 million for approximately 5,900 loans to finance investment projects and more than 58,000 promissory note transactions. It is noteworthy that over 80% of the above-mentioned amount relates to financing for micro-, small- and medium-sized companies.

Galicia Office, Banco Galicia's corporate e-banking service, provides a quick, dynamic and safe channel to manage the online accounts of corporate customers and continues to grow year after year. In this respect, Galicia Office's transaction volumes increased by 51% as compared to fiscal year ended December 31, 2013.

During fiscal year 2014, the new version of Galicia Office, Galicia Office 3.0, was implemented, built on four focal points: design, user-friendliness, functionality and security.

These new features, along with improvements to menus, access and several other functionalities, continued to enhance customers' internet transactions. Banco Galicia personnel also visited different areas of Argentina in order to communicate news about this product-channel.

In fiscal year 2014, Banco Galicia sought to establish its reputation as a bank that offers treasury solutions to companies and focused on developing new products that would allow it to differentiate itself from other players in the market. The introduction of the new payments menu which includes, for example, a self-service option for the delivery of checks for payments to suppliers, the ability to write checks online, and the ability to view checks for the payment to suppliers for non-customers through e-banking stood out.

## Corporate Banking

This segment is comprised of companies and/or economic groups with annual sales over Ps.700 MM, multinational companies and listed companies. During fiscal year 2014, the Bank maintained its leading position and consolidated its presence in Corporate Banking, achieving first place in the Business-to-Business perceived quality ranking created by Mercado magazine. This was attained thanks to an effective commercial planning, the improvement in the service offering and the implementation of a differentiated advisory model, which allows the Bank to be close to its customers, meeting their different needs.

The constant search for tailor-made solutions, through the ongoing financial support and the cash management service offering, made it possible for the Bank to increase its treasury volumes by more than 60% as compared to the previous fiscal year.

During 2014, the Bank strengthened its position in syndicated loans and corporate debt issuances under the public offering system (notes and financial trusts) through its completion of leading more than 75 transactions, thus doubling the number of transactions conducted during 2013.



With respect to foreign trade transactions, the service model for such segment was supplemented in order to provide more expedient and tailor-made professional services in respect of the same.

Companies

This segment is comprised of companies whose revenues range from Ps.70 million to Ps.700 million. Among these types of companies, Banco Galicia is the leading bank in the segment, standing out in all business sectors. There are a total of 19 corporate banking centers throughout Argentina.

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The synergy with the network of branches, supplemented with a team of professionals at each center specialized in foreign trade, treasury solutions, the agricultural sector and companies, is focused on offering a comprehensive service that is tailor-made to each business, with decentralized and regional decision and resolution.

The companies serviced by this segment increased their cross-selling again in 2014 and their number of transactions through the usual channels and primarily by joining Galicia Office and receiving its services.

### Agricultural and Livestock Sector

For the ninth year in a row, according to the annual survey of ICASA/Mora y Araujo Consultant for *Chacra Magazine* that establishes the best positioned brands in this sector, Banco Galicia was ranked first among private banks in the agriculture and livestock sector.

Tarjeta Galicia Rural holds more than 37% of the market share of credit card-related transactions in this segment, having experienced a 36% increase in sales volumes, as compared to the 2013 fiscal year. More than 95 interest-free agreements were entered into with leading agricultural and livestock sector companies.

Noteworthy among the business activities carried out during the 2014 fiscal year were multiple financing offers to finance agricultural campaigns, including the structuring of loans to best suit each producer's needs and the development of capital market transactions for such segment.

During the 2014 fiscal year, the twelfth edition of the *Excelencia Agropecuaria La Nación - Banco Galicia Award* (La Nación-Banco Galicia's Agricultural Excellence Award) was achieved and *Banco Galicia - Revista Chacra a la Gestión Solidaria del Campo Award* (Banco Galicia-Chacra Magazine's Rural Solidarity Award) and CAPA-Banco Galicia Award to the agricultural journalism were granted.

As in prior fiscal years, the Bank supported the research and outreach activities of Universidad Austral. The Bank also continued supporting the activities of the *Fundación Producir Conservando*, and the work of Asociación Argentina de Productores en Siembra Directa (Argentine Association of No-till Farming), as well as different activities promoted by *Consortios Regionales de Experimentación Agrícola* (Agricultural Experimentation Regional Consortiums).

### Foreign Trade

During the 2014 fiscal year, the foreign trade volumes (imports plus exports) amounted to US\$12,023 million, which accounts for 9% of the trade balance.

Out of the total foreign trade transactions, 64% were carried out through electronic banking, representing a 36% increase as compared to fiscal year 2013.

During 2014, adjustments were made to the e-platform used for foreign trade transactions which improvements provided for a faster, more secure and more interactive tool for these customers to use from their offices.

Within the LEAN program, a methodology which aims to add value to products and services provided by the Bank and also to apply the most efficient practices and continuously look for improvement opportunities, the Bank continued to develop and update the foreign trade operating system, seeking increased efficiency and customer service.

### 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.

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### Non-Financial Public Sector

Services provided to the non-financial public sector include e-collection and payment solutions to various agencies, municipalities and universities, with technology-based, value-added solutions that facilitate and enhance daily operations according to transactional needs.

During 2014, non-financial public sector work was intended to strengthen the use of foreign trade tools among customers.

Through a business campaign targeting companies on the Automotive Property Registry, a 50% market share was achieved at national level, generating a new source of income and transactional deposits, as well as a source of customers to generate new payroll direct deposit.

In line with Banco Galicia's strategy to generate increased transactional deposits, an alternative form of time deposit that can be cancelled before its maturity was offered to public sector customers for the first time in 2014. Bank Galicia also continued with its rollout and offering of collections and payment products to the public sector.

### *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.70 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 checking 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.

During 2014, in order to continue creating a specialized experience focused on the customer and to consolidate the leadership in the High-Income segment, the Bank developed new proposals for the Business and PyMEs segment (comprised by self employed individuals and small- and medium-size companies).

The Bank also continued to take the lead in payroll direct deposit, increasing by 4% the number of customers, as compared to 2013, which led to an increase in its market share.

The Retail Banking Division's customer base grew 7% during 2014, exceeding 2 million customers.

In particular, the Business and PyMEs segment had a 13% increase in its customer base. The most important business achievements for such segment were the 9% increase in payroll accounts and, in terms of credit, the extending of loans as part of the Credit Line for Productive Investment for over Ps.1,100 million.

In turn, the Galicia Éminent service, a service aimed at the high-income customer segment, showed an interannual growth of 11%. In a highly competitive environment, as a result of the attractiveness of the segment, Galicia Éminent managed to be ranked first, based on studies conducted by private consulting firms in terms of service, and maintained its leadership position in premium credit card consumption throughout the year, as per the information furnished by Visa and Mastercard.

The Move service, an offering for the young people segment, began being marketed during 2014, seeking to attract many new customers at a low cost while also positioning the Bank as a leader in this new segment.

In the general income segment, the specific needs of customers were addressed by dividing the customers into sub-segments. First, for customer with a medium-high income, the Bank worked on relaunching the Prefer value offering, which relaunch generated an increase in the consumption and satisfaction level of these customers. For the medium income sub-segment, the Bank worked hard on implementing a contact policy to develop customers who established relationships through indirect channels and who became increasingly important during this year.

Furthermore, the Bank worked on improving its efficiency by reviewing the profitability of channels and moving transactions between channels, always taking into account the customers preferences or habits.

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The Business Intelligence Division also worked on implementing the contact policy in order to acquire new customers and to sell new products to existing clients, communicate benefits, foster the use of different channels for the purpose of improving the activation and cross-selling new products after such new clients joined. In terms of relational communication, there was a 72% growth, as compared to 2013.

During the second half of 2014, the Bank also focused on the business intelligence service by the Wholesale Banking Division. This synergy between the wholesale Banking Division and the Retail Banking Division allowed adopting the best practices of both banking services and creating increased efficiency in the use of resources, increasing the volume of contacts to customers from the area.

The Private Banking Division offers professional financial services to individuals with medium- to high- net worth, through the management of their investments and the provision of financial advisory services. Private Banking offers its customers a wide range of domestic financial investment alternatives, such as deposits, FIMA mutual funds, government and corporate securities, as well as trusts and notes where Banco Galicia acts as an arranger.

One of the Private Banking premises, in line with the Bank's strategy to differentiate itself from competitors through service quality, is the preferential treatment of its customers. In this regard, the service has a wide network of highly-trained officers, an investment center that operates from 8 a.m. to 6 p.m. and exclusive spaces for service.

In 2014, the Private Banking Division obtained the recertification of its Service Model under ISO 9001.

The credit and debit card business continued its strong growth during 2014, with a 40% increase in purchases, as compared to 2013, and over 210 million transactions during 2014, representing a 5% increase as compared to transactions during 2013. The Bank's market share in the banking means of payment (i.e., credit and debit cards business) reached 12.3%.

During the 2014 fiscal year, over 370,000 primary cards and 330,000 additional cards were issued, totaling approximately 4 million cards. With approximately 2,500 business agreements, Banco Galicia provides benefits to its customers at approximately 12,000 stores in various industries and throughout the country.

Through the program to encourage consumption and production of goods and services called AHORA 12 (NOW 12 Installments), Ps.556 million were financed from its beginning in September to year-end.

Regarding customers' rewards for their relation with the Bank and the use of bank products, customers can take advantage of several benefits through the Quiero! Fidelity Program and plan trips through the QuieroViajes program.

Banco Galicia's extensive network of branches is one of the key components of its distribution network, and one of its most important competitive advantages. Banco Galicia's distribution network is supported by its intranet, information technology systems, customer incentives offered in connection therewith and the constant monitoring of its customer service quality.

As of December 31, 2014, Banco Galicia's geographical distribution of its branches was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires and Greater Buenos Aires	152

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Rest of the Province of Buenos Aires	34
Santa Fe	16
Córdoba	15
Mendoza	9
Chubut	5
Entre Ríos	4
Río Negro and Tucumán	3 each
Corrientes, La Pampa, Misiones, San Luis and Tierra del Fuego	2 each
Catamarca, Chaco, Formosa, Jujuy, La Rioja, Neuquén, Salta, Santa Cruz, Santiago del Estero and San Juan	1 each
<b>Total</b>	<b>261</b>

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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.

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 application for smart phones simplifies access to services from cell phones. With the right design to fit the screen of these devices, customers may perform queries, make investments, transfer money and pay bills, including credit card bills.

In 2014, the Indirect Channels Division was created, its mission is to develop internal and external channels to attract new customers and market Consumer Banking products. The area is made up of the Retail Sales Unit (especially focused on cross-selling and attraction of customers based on their salaries), the Indirect Sales Channel Unit (focused on attracting customers through sellers or retailers with a potentially high volume distribution network) and the Commercial Planning for Telephone Banking Unit (focused on attracting customers and cross-selling through internal and external call centers). During the year, the new division attracted 33% of the Bank's new customers.

Additionally, the first collections and payments center was created to handle large cash volume transactions, creating a safe and dynamic environment both for customers and employees. During 2015, the Bank plans to continue to open more of these centers.

### *Consumption*

Through its Regional Credit Card Companies and CFA, Banco Galicia offers financing for low- and mid-income consumer segments.

### 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 and Tarjetas Cuyanas).

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, 2014, Tarjetas Regionales had more than 3 million active accounts, 8.6 million issued credit cards and more than 230,000 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market share of issued credit cards in Argentina was approximately 19% and of active accounts in Argentina was approximately 20%. As the credit card processor for all of its credit card operations, Tarjetas Regionales processes approximately 152 million transactions per year.



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. 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.

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In addition, 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 the network of merchants that have agreed to accept these proprietary credit cards. As of December 31, 2014, these proprietary credit cards accounted for, on average, approximately 52% of its issued credit cards and approximately 75% 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 262 branches, client service centers and other points of sale strategically located in most major Argentine cities. 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.A. Operating Results-Results by Segments-Regional Credit Cards .

## Compañía Financiera Argentina

CFA is the leading financial company in Argentina in the personal loan business. As of December 31, 2014, CFA's assets were over Ps.3,731 million and its shareholders' equity was Ps.1,164 million. CFA employed 1,109 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 442,322 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 - Loans*

*Personal Loans:* Unsecured personal loans payable in installments.

*Consumer Loans:* 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.

*Payroll Loans:* Granted to affiliates or associate members of mutuals, cooperatives, unions, and to companies' employees.

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

*Efectivo Sí - Savings*

**Time Deposits:** An investment alternative which allows customers to receive returns over its invested money in a quick and streamlined manner.

**Savings Account and Debit Card:** Mainly aimed at retired individuals who receive their salaries through Efectivo Sí.

*Efectivo Sí - Cards*

**Credit Cards:** CFA is the issuer of Visa and MasterCard, both at domestic and international level.

*Efectivo Sí - Insurance*

**Insurance:** CFA sells different types of insurance policies from leading companies of the market to meet customers' needs.

**Retirement and pension payment - National Social Security Administration:** Aimed at retired individuals and pensioners collecting their payments at CFA.

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Throughout the year, the *Efectivo Sí* trademark continued to be strengthened, mainly through advertising in major soccer tournaments organized by the Argentine Soccer Association.

CFA's net income for fiscal year 2014 amounted to Ps.113 million (including the results of Cobranzas y Servicios in accordance with its 5% equity interest). At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.2.726 million, representing a 10% decrease as compared to fiscal year 2013 and had strong portfolio quality ratios.

CFA's objective is to secure, maintain and expand its leading position in the consumer finance market. During 2015, 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.A. Operating Results-Results by Segments-CFA.

### *Financial Division*

The Financial Division of Banco Galicia includes the Financial Operations, Banking Relations, Assets and Liabilities Management and Information Management and Support areas. The Financial Division is also involved in mutual funds and in brokerage services 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 the board of directors of Banco Galicia. 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 an agent in respect of the *Mercado Abierto Electrónico* ( MAE ) and as a member of the Rosario Futures Exchange ( ROFEX ), Financial Products Division. Through Galicia Valores, this division offers customers the ability to buy and sell securities on the BASE.

Within the framework of the Capital Markets Law, the Bank was authorized by the CNV to act as a settlement and clearing agent and trading agent- comprehensive, and was added as member of the Buenos Aires Stock Market (the Merval ).

During the year, the Bank adjusted its internal processes and IT systems to the regulatory requirements of the above-mentioned law, and the CNV's regulations.

In 2014, the volume traded in the foreign exchange market decreased as a result of foreign exchange restrictions. In the wholesale market, the total volume traded among banks in the MAE decreased by 14%, as compared to 2013, from US\$58,200 million in 2013 to US\$49,900 million in 2014, whereas the volume traded by the Bank decreased by 18%, from US\$5,050 million in 2013 to US\$4,143 million in 2014, maintaining third position ranking according to the MAE.

Regarding the futures market, Banco Galicia's position in the MAE's ranking decreased from third to fourth place, and the Bank was ranked second in ROFEX. In both markets, Banco Galicia traded a total volume of US\$7,026 million, 37% less than the US\$11,110 million traded in 2013. The foreign trade volume transacted amounted to US\$12,600 million, 25% lower than that in 2013. In addition, dollar trading transactions significantly increased as a result of loosening foreign exchange restrictions, from US\$74 million in 2013 to US\$600 million in 2014.

The total volume traded in fixed income through the MAE evidenced a 14% increase, from US\$107,219 million in 2013 to US\$122,440 million in 2014. Banco Galicia climbed to the first place in the annual ranking according to the MAE, with an 18% increase, as compared to the previous year, reaching US\$16,320 million traded and a 13% market share.

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

The Assets and Liabilities Management Division is in charge of preparing and analyzing information aimed at managing the mismatches inherent in banking activities, maintaining the exposure within the policies determined by Banco Galicia's board of directors.

The Bank's activities include the provision of support to the Assets and Liabilities Committee through the analysis and quantification of the risks associated with different business strategies and market scenarios, as well as the follow-up of liquidity policies and currency mismatches, whether due to regulations of the Argentine Central Bank or other Banco Galicia operations, and the assessment of the Bank's funding unit results of operations through a transfer pricing method so as to assess the profitability of each business unit, isolated from the rate, term and currency risk exposure.

## ***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 is an insurance broker. In the 2012 fiscal year, Galicia Seguros, together with three other insurance companies, created Nova Re Compañía Argentina de Reaseguros S.A., which aims to increase the reinsurance offers in the Argentinean market. These companies operations are all located in Argentina.

Total insurance production of the aforementioned insurance companies amounted to Ps.1,762 million during 2014, 33% higher than the volume of premiums of the previous year (Ps.1,322 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.440 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 2014 amounted to Ps.510 million of annualized premiums. This represented a 29% growth as compared to the previous year, thus increasing the insurance policy lapse ratio and extending the types of coverage offered by adding insurance policies in new lines of business, including liability insurance and burial insurance.

Law No. 26,425 that created the Argentine Social Security Integrated System (*Sistema Integrado Previsional Argentino*) 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 2015.

## ***Other Businesses***

**Galicia Administradora de Fondos:** This is the company that manages the FIMA family mutual funds that are distributed by Banco Galicia through its various channels (network of branches, home banking and investment centers, among others). The company's team is comprised of asset management professionals the goal of whom is to manage the FIMA family funds and to meet the demands of the individuals, companies and institutions it serves.

During fiscal year 2014, the market volume for mutual funds increased 82%, primarily due to bond funds, amounting to Ps.132,328 million as of the end of 2014. The total assets of the FIMA family mutual funds increased 79% from the previous fiscal year, reaching, as of December 31, 2014, a volume of Ps.11,885 million, representing a market share of 9%.

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The outlook for fiscal year 2015 foresees a continued growth of mutual funds and a development of business activity in the framework of the new Capital Markets Law, such as the provision of investment advice and management services.

**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.

During the 2011 fiscal year, the shareholders of Net Investment decided to amend the corporate purpose in order to be able to invest in additional companies in related, accessory and/or supplementary activities.

For fiscal year 2015, the board of directors of Net Investment is analyzing business alternatives and opportunities.

**Galicia Warrants:** this company is a leading company in the deposit certificates and warrants issuance market. It has been conducting transactions since 1994, supporting medium and large companies with respect to stock custody. Galicia Warrants' main objective is to enable its customers to access credit and financing secured by the property kept under custody. Galicia Warrants' main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. In fiscal year 2014, Galicia Warrants recorded an income from services of Ps.43 million and a net income of Ps.13 million.

For a breakdown of the other businesses' revenues for the last three financial years, see 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.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 market share of private-sector deposits in the Argentine financial system was 8.79% as of December 31, 2014, as compared to 9.20% as of December 31, 2013 and 9.11% as of December 31, 2012.

With respect to loans to the private sector, Banco Galicia's Argentine market share was 8.78% as of December 31, 2014, as compared to 8.78% and 9.03% as of December 31, 2013 and December 31, 2012, respectively.

According to the information published by the Argentine Central Bank, as of December 31, 2014, 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 small and medium-sized companies. Specifically, Banco Galicia believes it is one of the primary providers of financial services to individuals, the primary private-sector institution serving the small and medium-sized companies sector, and has traditionally maintained a leading position in the agriculture and livestock sector.

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### *Argentine Banking System*

As of December 31, 2014, the Argentine financial system consisted of 81 financial institutions, of which 65 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 65 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 53 private-sector banks, 33 were private-sector domestically-owned banks and 20 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks).

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, Credicoop, HSBC Bank and Patagonia. 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, 2014, private-sector banks accounted for 52.1% of total deposits and 60.4% of total net loans in the Argentine financial system. As of December 31, 2014, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 2.5% of net loans in the Argentine financial system.

As of December 31, 2014, 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) must guarantee their commitments. According to information published by the Argentine Central Bank, as of December 31, 2014, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 47.6% of deposits and 37.1% 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 81 as of December 31, 2014, with the ten largest banks holding 76% of the system s deposits from the private sector and 70% of the system s loans to the private sector as of December 31, 2014.

Foreign banks continue to have a significant presence in Argentina, despite the fact that the number of foreign banks decreased by 19 through December 2014, 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.

Starting in fiscal year 2013 and continuing through fiscal year 2014, the Argentine Central Bank took a more active role in the management of financial institutions business, by means of the establishment of new regulations, such as: the establishment of guidelines for granting credit through the Credit Line for Productive Investment (established to finance investment projects and working capital for specific purposes and having certain characteristics), the establishment of caps on interest rates on personal loans, pledge loans and credit card loans, as well as the creation of the requirement to obtain an authorization to increase fees. In addition, it established minimum interest rates on time deposits for individuals.

### ***Regional Credit Cards***

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, Banco MasVentas, Banco Municipal de Rosario and CFA. 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 regional basis, the Regional Credit Card Companies target low- to middle-income clients by offering personalized services in each region, focusing their commercial efforts mainly on medium- and low-income segments. 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

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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 distribution network, which is the second largest in Argentina, has allowed the Regional Credit Card Companies to establish a local presence in all 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 230,000 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.

### ***Compañía Financiera Argentina***

CFA markets all of its financial products mainly to medium- and low-income segments. CFA's main competitors are: Banco Cetelem, Banco Columbia, Banco de Servicios y Transacciones, Cooperativa la Capital del Plata, Caja de Crédito Cuenca, Banco de Servicios Financieros, Banco Supervielle and Banco Sáenz (Frávega Group).

CFA also faces competition with certain entities which render non-regulated services, or small chains, located in less populated cities. Some big chains of retailers 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 2014, the Argentine insurance industry was comprised of approximately 184 insurance companies, 36 of which were dedicated exclusively to life insurance and 16 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 26,000 individuals and 550 companies.

During 2014, the insurance industry continued growing. Production amounted to Ps.109 billion, 28% higher than the level recorded for the period before.

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 segment, representing 45%, followed by the workers' compensation segment, representing 32%.

Within the life insurance segment, the group life insurance segment is the most significant, representing 68%, followed by individual life insurance, representing 14%, and personal accident insurance, representing 14%.

As of June 2014, based on internal studies undertaken by Galicia Seguros it is estimated that Galicia Seguros ranked fifth in terms of net premiums for life insurance policies underwritten, first in terms of net premiums for home insurance policies underwritten and first in terms of net premiums for theft 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, located in the *Interior*, mainly serves the medium and low income segments of the population, who tend to use fewer banking and financial services. CFA s network serves the low income segment of the population, mainly in Buenos Aires and its

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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.

	<b>December 2014</b>
<b>Branches (number)</b>	
Bank Branches	261
Regional Credit Card Cos. Branches	207
CFA Branches	59
Business Centers and In-House Facilities	35
Eminent s space with Private-Banking	17
<b>Electronic Banking Terminals (number)</b>	
ATMs	853
Self-Service Terminals	831
<b>Electronic Banking Transactions (thousands per month)</b>	
ATMs + Self-Service Terminals	10,465
Phone-Banking	574
e-banking	38,447

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, an e-banking website ([www.bancogalicia.com](http://www.bancogalicia.com)) and a mobile banking service platform Galicia Móvil.

Banco Galicia is the leading Argentine bank in terms of relevance on social networks. Customers find social networks a means to talk to Banco Galicia quickly, effectively and frankly. Banco Galicia consistently focuses on adapting to the varying situations that result from the use of social media, using these opportunities as a chance to improve its relationship with its customers. Through its work on the digital platform, Banco Galicia has established an excellent reputation regarding its online services, providing not only traditional services, but also involving the use of social networks, cellular phones and transactional, informative and communicative services, with the purpose of promoting the Bank s business and establishing effective channels of communication with its current and potential customers. 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 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

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availability is enhanced through extended business hours. 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, Tarjeta Naranja has the website [www.tiendanaranja.com](http://www.tiendanaranja.com) aimed at selling products associated with its primary merchants. Similarly, Tarjetas Cuyanas has the website [www.preciosbajos.com](http://www.preciosbajos.com). 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 *Efectivo Si Consumer Loans* in approximately 340 active merchants, 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.

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. In addition Sudamericana has a telemarketing center of its own.

**Property**

The following are our main property assets, as of December 31, 2014:

Property	Address	Square Meters (approx.)	Main Uses
<b>Grupo Financiero Galicia</b>			
- Rented	-Tte. Gral. Juan D. Perón 430, 25th floor, Buenos Aires, Argentina	89	Administrative activities
<b>Banco de Galicia y Buenos Aires S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	18.046	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	41.407	Administrative activities
	-Florida 361, Buenos Aires, Argentina	9.210	Administrative activities
	-Corrientes 6287, Buenos Aires, Argentina	4.800	Land for corporate building
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3.777	Administrative activities
	-Corrientes 411, 3rd and 4th floors, Buenos Aires, Argentina	3.276	Administrative activities
<b>Banco Galicia Uruguay S.A. (in liquidation)</b>			
- Rented	-Bernardina Frago de Rivera 1438, Montevideo, Uruguay	580	Storage
	- Dr. Luis A. de Herrera 1052 - Tower C , Unit 1309, Montevideo, Uruguay	87	Administrative activities
<b>Tarjeta Naranja S.A.</b>			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,900	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,200	Storage



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	-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 center
	-Av. Colón 377, Córdoba, Argentina	300	Administrative activities
	Av. Corrientes 3135, CABA, Argentina	1,124	Administrative activities
<b>Tarjetas Cuyanas S.A.</b>			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,160	Administrative activities
	-Belgrano 1462 Anexo II y III, Mendoza, Argentina	474	Administrative activities and printing center
	-Belgrano 1478 Anexo I Casa Matriz, Mendoza, Argentina	1,156	Administrative activities
	-Olascoaga 348, San José, Guaymallén, Mendoza, Argentina	580	Storage
<b>Compañía Financiera Argentina</b>			
- Rented	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	9,275	Administrative Activities
<b>Galicia Warrants S.A.</b>			
- 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
	-Santa Marta, Alderete, Tucumán, Argentina	2,100	Storage
<b>Galicia Seguros S.A.</b>			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities

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As of December 31, 2014, our distribution network consisted of:

Banco Galicia: 261 branches located in Argentina, 139 of which were owned and 122 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja: 214 sales points located in 21 of the 23 Argentine provinces, 163 of which were rented by the company.

Tarjetas Cuyanas: 48 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 which were leased.

CFA: 41 branches, 38 mini-branches and 16 payment centers, all of which were leased and with at least one branch located in each of Argentina's provinces.

**Capital Investments and Divestitures**

During 2014, our capital expenditures amounted to Ps.1,170 million, distributed as follows:

Ps.475 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.695 million in organizational and IT system development expenses.

During 2013, our capital expenditures amounted to Ps.990 million, distributed as follows:

Ps.344 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.646 million in organizational and IT system development expenses.

During 2012, our capital expenditures amounted to Ps.868 million, distributed as follows:

Ps.300 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.568 million in organizational and IT system development expenses.

These capital expenditures were made mainly in Argentina.

In February 2012, Tarjetas Regionales carried out a capital increase that was mainly subscribed for by the minority shareholders of its subsidiaries, Tarjeta Naranja and Tarjeta Cuyanas, and which was predominantly funded by the contribution of such minority shareholders' holdings in such subsidiaries. The Bank's direct and indirect interest in Tarjetas Regionales amounted to 77% of the capital stock with the remaining 23% of the capital stock held by the minority shareholders who became shareholders in Tarjetas Regionales. As a result of this transaction, Tarjetas Regionales' direct and indirect interest in Tarjeta Naranja and Tarjetas Cuyanas amounts to 100% of the capital stock of such subsidiaries.

During the 2012 fiscal year, Galicia Seguros invested Ps.12 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.

In October 2013, Galicia Seguros approved the sale of its 4% ownership interest in Nova Re to Patria Re, a Mexican reinsurance company. This transaction is subject to the corresponding authorization of the National Insurance Superintendency and once it is approved Galicia Seguros will continue to own 35% of Nova Re.

As a result of a number of acquisitions of shares in the market, since December 16, 2013, Grupo Financiero Galicia increased its ownership of outstanding shares in and voting rights for its subsidiary Banco Galicia to 95%, reaching a position of nearly total control according to Argentine regulations. On December 19, 2013, Grupo Financiero Galicia announced that it had finalized the merger of Lagarcué S.A. and Theseus S.A. into Grupo Financiero Galicia, further increasing its ownership interest in Banco Galicia by 4.5% (which was previously owned by Lagarcué S.A. and Theseus S.A.). As a result of the foregoing transactions, as of the year ended December 31, 2013, Grupo Financiero Galicia controlled 99.6% of the capital stock of Banco Galicia.

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On February 25, 2014, Grupo Financiero Galicia resolved to issue an offer to acquire the 2,123,962 shares of Banco Galicia owned by third parties at a price of Ps.23.22 per share. On April 24, 2014, said transaction was approved by the CNV and on July 14, 2014, it was incorporated by the Argentine Superintendency of Corporations. On August 4, 2014, the above approval in respect of such acquisition was made part of the public record, and, as a consequence of this acquisition, Grupo Financiero Galicia currently owns 100% of the shares of the Bank.

On April 15, 2014, Banco Galicia sold its interest in Galicia Administradora de Fondos to Grupo Financiero Galicia, for Ps.39 million.

During May 2014, the shareholders of Tarjetas del Mar approved a capital increase of Ps.32 million, which was fully subscribed for by Sociedad Anónima Importadora y Exportadora de la Patagonia. As a result, the Bank has a 58.8% equity interest in Tarjetas del Mar, while Compañía Financiera Argentina holds a 1.2% and Sociedad Anónima Importadora y Exportadora de la Patagonia holds the remaining 40%.

During the third quarter of fiscal year 2014, the Bank transferred to Visa Argentina S.A. its equity investment in Banelco S.A., for Ps.40 million.

On October 14, 2014, Tarjeta Naranja executed the final agreement to sell its equity interest in Tarjeta Naranja Perú, equivalent to 24% of the capital stock, to Grupo Crédito S.A. for US\$900,000. As of the date of this annual report, the shares have been sold.

*Investment planning*

We have budgeted capital expenditures for the fiscal year ending December 31, 2015, for the following purposes and amounts:

	<i>(In millions of Pesos)</i>	
Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones and other fixed assets)	Ps.	890
Organizational and IT System Development		887
<b>Total</b>	<b>Ps.</b>	<b>1,777</b>

These capital expenditures will be made mainly in Argentina.

Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2015 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.8.5520, Ps.6.5180 and Ps.4.9173 per US\$1.00 as of December 31, 2014, December 31, 2013 and December 31, 2012, 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 .

**Table of Contents*****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. 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, 2014.

	Fiscal Year Ended December 31, 2014 (*)								
	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>									
<b>Assets</b>									
Government Securities	7,561	1,814	23.99	1,199	40	3.34	8,760	1,854	21.16
<b>Loans</b>									
Private Sector	55,704	16,072	28.85	3,368	164	4.87	59,072	16,236	27.49
Public Sector									
Total Loans <sup>(1)</sup>	55,704	16,072	28.85	3,368	164	4.87	59,072	16,236	27.49
Other	2,400	664	27.67	117	4	3.42	2,517	668	26.54
<b>Total Interest-Earning Assets</b>	<b>65,665</b>	<b>18,550</b>	<b>28.25</b>	<b>4,684</b>	<b>208</b>	<b>4.44</b>	<b>70,349</b>	<b>18,758</b>	<b>26.66</b>
Cash and Gold	7,838			6,499			14,337		
Equity in Other Companies	2,123			534			2,657		
Other Assets	7,451			325			7,776		
Allowances	(2,550)			(59)			(2,609)		
<b>Total Assets</b>	<b>80,527</b>			<b>11,983</b>			<b>92,510</b>		

**Liabilities and Equity**

<b>Deposits</b>									
Checking Accounts				1			1		
Savings Accounts	8,722	20	0.23	1,464			10,186	20	0.20
Time Deposits	28,418	6,555	23.07	1,811	35	1.93	30,229	6,590	21.80
<b>Total Interest-Bearing Deposits</b>	<b>37,140</b>	<b>6,575</b>	<b>17.70</b>	<b>3,276</b>	<b>35</b>	<b>1.07</b>	<b>40,416</b>	<b>6,610</b>	<b>16.35</b>
Debt Securities	3,110	811	26.08	5,866	674	11.49	8,976	1,485	16.54
Other	1,492	477	31.97	1,197	39	3.26	2,689	516	19.19
<b>Total Interest-Bearing Liabilities</b>	<b>41,742</b>	<b>7,863</b>	<b>18.84</b>	<b>10,339</b>	<b>748</b>	<b>7.23</b>	<b>52,081</b>	<b>8,611</b>	<b>16.53</b>
Demand Deposits	14,432			686			15,118		
Other Liabilities	14,789			1,350			16,139		
Minority Interests	629						629		
Shareholders Equity	8,543						8,543		
<b>Total Liabilities and Equity</b>	<b>80,135</b>			<b>12,375</b>			<b>92,510</b>		
<b>Spread and Net Yield</b>									
Interest Rate Spread			9.41			(2.79)			10.13
Cost of Funds Supporting Interest-Earning Assets			11.97			15.97			12.24
Net Yield on Interest-Earning Assets			16.28			(11.53)			14.42

(\*) Rates include the CER adjustment.

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

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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, 2013.

	Fiscal Year Ended December 31, 2013 (*)								
	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>								
<b>Assets</b>									
Government Securities	3,755	568	15.13	401	27	6.80	4,156	595	14.33
<b>Loans</b>									
Private Sector	44,965	11,368	25.28	2,940	138	4.69	47,905	11,506	24.02
Public Sector	7						7		
Total Loans <sup>(1)</sup>	44,972	11,368	25.28	2,940	138	4.69	47,912	11,506	24.01
Other	2,009	364	18.14	83	7	8.78	2,092	371	17.77
<b>Total Interest-Earning Assets</b>	<b>50,736</b>	<b>12,300</b>	<b>24.24</b>	<b>3,424</b>	<b>172</b>	<b>5.04</b>	<b>54,160</b>	<b>12,472</b>	<b>23.03</b>
Cash and Gold	6,344			3,467			9,811		
Equity in Other Companies	1,446			263			1,709		
Other Assets	5,671			625			6,296		
Allowances	(2,059)			(73)			(2,132)		
<b>Total Assets</b>	<b>62,138</b>			<b>7,706</b>			<b>69,844</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
Checking Accounts				1			1		
Savings Accounts	7,140	15	0.20	938			8,078	15	0.18
Time Deposits	21,782	3,755	17.24	1,475	17	1.15	23,257	3,772	16.22
<b>Total Interest-Bearing Deposits</b>	<b>28,922</b>	<b>3,770</b>	<b>13.04</b>	<b>2,414</b>	<b>17</b>	<b>0.70</b>	<b>31,336</b>	<b>3,787</b>	<b>12.09</b>
Debt Securities	2,153	430	19.96	4,198	440	10.48	6,351	870	13.70
Other	1,426	332	23.28	666	23	3.45	2,092	355	16.97
<b>Total Interest-Bearing Liabilities</b>	<b>32,501</b>	<b>4,532</b>	<b>13.94</b>	<b>7,278</b>	<b>480</b>	<b>6.60</b>	<b>39,779</b>	<b>5,012</b>	<b>12.60</b>
Demand Deposits	11,264			464			11,728		



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Other Liabilities	10,895	1,113	12,008
Minority Interests	711		711
Shareholders Equity	5,618		5,618

<b>Total Liabilities and Equity</b>	<b>60,989</b>	<b>8,855</b>	<b>69,844</b>
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**Spread and Net Yield**

Interest Rate Spread	10.30	(1.56)	10.43
Cost of Funds Supporting			
Interest-Earning Assets	8.93	14.02	9.25
Net Yield on Interest-Earning Assets	15.31	(9.00)	13.77

(\*) Rates include the CER adjustment.

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

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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, 2012.

	Fiscal Year Ended December 31, 2012 (*)								
	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>								
<b>Assets</b>									
Government Securities	5,154	695	13.48	94	2	2.23	5,248	697	13.28
<b>Loans</b>									
Private Sector	31,552	7,846	24.87	3,645	197	5.40	35,197	8,043	22.85
Public Sector									
Total Loans <sup>(1)</sup>	31,552	7,846	24.87	3,645	197	5.40	35,197	8,043	22.85
Other	2,265	383	16.91	127	4	2.76	2,392	387	16.17
<b>Total Interest-Earning Assets</b>	<b>38,971</b>	<b>8,924</b>	<b>22.90</b>	<b>3,866</b>	<b>203</b>	<b>5.23</b>	<b>42,837</b>	<b>9,127</b>	<b>21.31</b>
Cash and Gold	4,350			2,799			7,149		
Equity in Other Companies	851			265			1,116		
Other Assets	4,435			527			4,962		
Allowances	(1,543)			(105)			(1,648)		
<b>Total Assets</b>	<b>47,064</b>			<b>7,352</b>			<b>54,416</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
Checking Accounts				1			1		
Savings Accounts	5,395	11	0.19	1,274			6,669	11	0.16
Time Deposits	15,125	2,222	14.69	1,586	14	0.91	16,711	2,236	13.38
<b>Total Interest-Bearing Deposits</b>	<b>20,520</b>	<b>2,233</b>	<b>10.88</b>	<b>2,861</b>	<b>14</b>	<b>0.50</b>	<b>23,381</b>	<b>2,247</b>	<b>9.61</b>
Debt Securities	1,032	186	18.03	3,719	361	9.70	4,751	547	11.51
Other	1,153	212	18.39	1,637	64	3.91	2,790	276	9.89
<b>Total Interest-Bearing Liabilities</b>	<b>22,705</b>	<b>2,631</b>	<b>11.59</b>	<b>8,217</b>	<b>439</b>	<b>5.35</b>	<b>30,922</b>	<b>3,070</b>	<b>9.93</b>
Demand Deposits	8,922			615			9,537		

Other Liabilities	7,972	1,256	9,228
Minority Interests	569		569
Shareholders Equity	4,160		4,160

<b>Total Liabilities and Equity</b>	<b>44,328</b>	<b>10,088</b>	<b>54,416</b>
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**Spread and Net Yield**

Interest Rate Spread	11.31	(0.12)	11.38
Cost of Funds Supporting Interest-Earning Assets	6.75	11.35	7.17
Net Yield on Interest-Earning Assets	16.15	(6.10)	14.14

(\*) 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, 2014 compared with the fiscal year ended December 31, 2013; and (ii) the fiscal year ended December 31, 2013,

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compared with the fiscal year ended December 31, 2012. Differences related to both rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2014/ Fiscal Year 2013,			Fiscal Year 2013/ Fiscal Year 2012,		
	Increase (Decrease) due to changes in Volume Rate Net Change			Increase (Decrease) due to changes in Volume Rate Net Change		
	<i>(in millions of Pesos)</i>					
<b>Interest Earning Assets</b>						
Government Securities						
Pesos	790	456	1,246	(231)	104	(127)
Dollars	17	(4)	13	15	10	25
<b>Total</b>	<b>807</b>	<b>452</b>	<b>1,259</b>	<b>(216)</b>	<b>114</b>	<b>(102)</b>
Loans <sup>(1)</sup>						
Private Sector						
Pesos	2,956	1,748	4,704	3,389	133	3,522
Dollars	21	5	26	(35)	(24)	(59)
<b>Total</b>	<b>2,977</b>	<b>1,753</b>	<b>4,730</b>	<b>3,354</b>	<b>109</b>	<b>3,463</b>
Other						
Pesos	81	219	300	(52)	33	(19)
Dollars	7	(10)	(3)	(1)	4	3
<b>Total</b>	<b>88</b>	<b>209</b>	<b>297</b>	<b>(53)</b>	<b>37</b>	<b>(16)</b>
<b>Total Interest-Earning Assets</b>						
Pesos	3,827	2,423	6,250	3,106	270	3,376
Dollars	45	(9)	36	(21)	(10)	(31)
<b>Total</b>	<b>3,872</b>	<b>2,414</b>	<b>6,286</b>	<b>3,085</b>	<b>260</b>	<b>3,345</b>
<b>Interest Bearing Liabilities</b>						
Savings Account						
Pesos	3	2	5	4		4
Dollars						
<b>Total</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>4</b>		<b>4</b>
Time Deposits						
Pesos	1,328	1,472	2,800	1,100	433	1,533
Dollars	5	13	18	(1)	4	3
<b>Total</b>	<b>1,333</b>	<b>1,485</b>	<b>2,818</b>	<b>1,099</b>	<b>437</b>	<b>1,536</b>
With Other Financial Entities						
Pesos	21	114	135	81	43	124
Dollars	14	5	19	(14)	(10)	(24)

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Total	35	119	154	67	33	100
Notes						
Pesos	226	155	381	222	22	244
Dollars	188	46	234	49	30	79
Total	414	201	615	271	52	323
Other liabilities						
Pesos	(1)	11	10	(9)	5	(4)
Dollars	(2)	(1)	(3)	(39)	22	(17)
Total	(3)	10	7	(48)	27	(21)
<b>Total Interest Bearing Liabilities</b>						
Pesos	1,577	1,754	3,331	1,398	503	1,901
Dollars	205	63	268	(5)	46	41
<b>Total</b>	<b>1,782</b>	<b>1,817</b>	<b>3,599</b>	<b>1,393</b>	<b>549</b>	<b>1,942</b>

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

The increase of Ps.6,286 million in interest income for the fiscal year ended December 31, 2014, as compared to the previous year, is mainly explained by the Ps.3,872 million benefit from the increase in the volume of interest-earning assets representing the 61.6% of such growth, together with the Ps.2,414 million increase in interest rates, representing the 38.4%.

In particular, the Ps.6,250 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 (representing 77.2% of the increase). The average volume of private sector loans amounted to Ps.55,704 million for fiscal year 2014, as compared to Ps.44,965 million for the previous fiscal year. Likewise, the increase in interest rates in Pesos was primarily a result of the 357 basis points ( b.p. ) increase in the average interest rate for loans to the private sector, from 25.25% to 28.85%. The Ps.1,259 million increase in interest from government securities was due to an increase in volume equal to PS.807 million and an increase in interest rates (accounting for Ps.452 million), mainly as a consequence of the higher average rate accrued on Lebac and Nobac.

In terms of interest expenses, the Ps.3,599 million increase for the fiscal year ended December 31, 2014, as compared to 2013, is primarily a result of the increase in the interest rate payable on time deposits, which increased from 17.04% to 23.07% (583 b.p.), together with a 30% increase in the volume of time deposits (from Ps.21,782 million in 2013 to Ps.28,418 million in 2014). As a consequence, the interest rate payable on time deposits represented the 52.7% of the net change on time deposits as of the end of fiscal year 2014, as compared to the 28.5% as of the end of fiscal year 2013, while in terms of volume time deposits represented the 47.3% in 2014, lower than

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the 71.5% in 2013. The higher amount of notes outstanding accompanied the evolution of the interest bearing liabilities, Ps.414 million in terms of volume and Ps.201 million in terms of interest rate, increases primarily attributable to the issuances of notes by Tarjeta Naranja, Tarjetas Cuyanas, CFA and Grupo Financiero Galicia.

**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.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos, except percentages)</i>		
<b>Total Average Interest-Earning Assets</b>			
Pesos	65,665	50,736	38,971
Dollars	4,684	3,424	3,866
<b>Total</b>	<b>70,349</b>	<b>54,160</b>	<b>42,837</b>
<b>Net Interest Earned <sup>(1)</sup></b>			
Pesos	10,687	7,768	6,293
Dollars	(540)	(308)	(236)
<b>Total</b>	<b>10,147</b>	<b>7,460</b>	<b>6,057</b>
<b>Net Yield on Interest-Earning Assets <sup>(2)</sup> (%)</b>			
Pesos	16.28	15.31	16.15
Dollars	(11.53)	(9.00)	(6.10)
<b>Weighted-Average Yield</b>	<b>14.42</b>	<b>13.77</b>	<b>14.14</b>
<b>Interest Spread, Nominal Basis <sup>(3)</sup> (%)</b>			
Pesos	9.41	10.30	11.31
Dollars	(2.79)	(1.56)	(0.12)
<b>Weighted-Average Yield</b>	<b>10.13</b>	<b>10.43</b>	<b>11.38</b>
<b>Credit Related Fees Included in Net Interest Earned</b>			
Pesos	224	223	192
Dollars	2	6	
<b>Total</b>	<b>226</b>	<b>229</b>	<b>192</b>

(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.*

**Table of Contents****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.

	<b>Fiscal Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Government Securities</b>			
<b>Pesos</b>			
<b>Recorded at Cost plus Yield</b>	<b>30</b>	<b>396</b>	<b>596</b>
Bonar Bonds		392	558
Others	30	4	38
<b>Recorded at Fair Value</b>	<b>1,480</b>	<b>491</b>	<b>99</b>
Bonar Bonds	1,437	459	89
Others	43	32	10
<b>Issued by Argentine Central Bank</b>	<b>7,247</b>	<b>2,077</b>	<b>2,684</b>
Lebac Unquoted	3,649	1,110	1,165
Lebac Quoted	3,581	949	1,309
Nobac Unquoted			47
Nobac Quoted		18	125
Nobac Repurchase Agreement Transactions	17		38
Lebac Repurchase Agreement Transactions			
<b>Total Government Securities in Pesos</b>	<b>8,757</b>	<b>2,964</b>	<b>3,379</b>
<b>Dollars</b>			
<b>Recorded at Cost plus Yield</b>	<b>287</b>	<b>741</b>	<b>229</b>
Government Bonds	287	741	229
<b>Recorded at Fair Value</b>	<b>966</b>	<b>252</b>	<b>20</b>
Boden 2015 Bonds	39	25	11
Government Bonds	927	227	9
<b>Total Government Securities in Dollars</b>	<b>1,253</b>	<b>993</b>	<b>249</b>
<b>Total Government Securities</b>	<b>10,010</b>	<b>3,957</b>	<b>3,628</b>
<b>Corporate Securities</b>			
Corporate Equity Securities (Quoted) in Pesos			
Corporate Equity Securities (Quoted) in Dollars		30	
<b>Allowances</b>			<b>(1)</b>
<b>Total Government and Corporate Securities</b>	<b>10,010</b>	<b>3,987</b>	<b>3,627</b>



In 2014 the increase in our holdings of Argentine government securities denominated in Pesos was attributable to an increase in our holdings of Lebac and Nobac for Ps.7,247 million. The portfolio of government securities denominated in Pesos for securities recorded at fair value reflects Grupo Financiero Galicia's holdings of bonds issued by the Argentine government due in 2015, 2016, 2017 and 2019 for Ps.75 million, Ps.374 million, Ps.798 million and Ps.190 million, respectively.

Regarding our holdings of government securities denominated in dollars as of December 31, 2014, the increase in securities recorded at fair value includes debt securities of the provinces of Neuquén, Chubut, Buenos Aires and Mendoza, among others. The lower position in securities recorded at cost plus yield in dollars was primarily due to the decrease in securities of the provinces of Neuquén and Chubut.

In 2013 we increased our holdings of Argentine government securities denominated in Dollars, securities recorded at cost plus yield and securities recorded at fair value.

The decrease in our holdings of Argentine government securities in 2012 can be mainly attributed to the decrease 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.558 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

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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, 2014					Net Position
	Holdings	Forward Purchases <sup>(1)</sup>	Forward Sales <sup>(2)</sup>	Spot purchases to be settled	Spot sales to be settled	
<b>Government Securities</b>						
<b>Holdings Recorded at Cost plus Yield</b>						
Pesos	30					30
Dollars	287					287
<b>Holdings Recorded at Fair Value</b>						
Pesos	1,480	21	(90)	5	(1)	1,415
Dollars	966			2	(35)	933
<b>Securities issued by the Argentine Central Bank</b>						
Pesos	7,247	465	(16)	94	(76)	7,714
<b>Total Government Securities</b>	<b>10,010</b>	<b>486</b>	<b>(106)</b>	<b>101</b>	<b>(112)</b>	<b>10,379</b>
<b>Corporate Equity Securities (Quoted)</b>						
<b>Total Government and Corporate Securities</b>	<b>10,010</b>	<b>486</b>	<b>(106)</b>	<b>101</b>	<b>(112)</b>	<b>10,379</b>

(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, 2014 amounted to Ps.10,379 million.

The net position of government securities at cost plus yield issued in Pesos, for Ps.30 million, mainly corresponds to debt issued by provinces. The net position of government securities at cost plus yield issued in Dollars amounts to Ps.287 million and can primarily be attributed to debt issued by the province of Entre Ríos and to the Argentine Savings Bond for Economic Development (BAADE), a sovereign bond issued in Dollars by the Government of Argentina designed for financing public investment projects in strategic sectors, infrastructure and hydrocarbons.

The net position corresponding to government securities at fair value in Pesos, in the amount of Ps.1,415 million, mainly corresponds to bonds issued by the Argentine government due in 2016, 2017 and 2019 for Ps.374 million, Ps.785 million and Ps.190 million, respectively. The net position of government securities at fair value in Dollars can primarily be attributed to debt issued by the provinces of Neuquén, Chubut, Buenos Aires and Mendoza.

Regarding securities issued by the Argentine Central Bank, the net position corresponds to our holding of Lebac in the amount of Ps.7,714 million.



**Table of Contents***Remaining Maturity and Weighted-Average Yield*

The following table analyzes the remaining maturity and weighted-average yield of our holdings of government and corporate securities as of December 31, 2014. 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)
<b>Government Securities</b>									
<b>Recorded at Fair Value</b>									
Pesos	1,480	87	27.1%	1,389	28.8%	2	29.4%	2	9.1%
Dollars	966	253	19.4%	713	5.2%				
<b>Recorded at Cost plus Yield</b>									
Pesos	30	3	29.7%	27	28.6%				
Dollars	287	78	6.2%	209	7.9%				
<b>Instruments Issued by the Argentine Central Bank</b>									
Pesos	7,247	7,247	25.6%						
<b>Securities Without Quotation</b>									
Pesos									
Dollars									
<b>Total Government Securities</b>	<b>10,010</b>	<b>7,668</b>	<b>25.2%</b>	<b>2,338</b>	<b>19.7%</b>	<b>2</b>	<b>29.4%</b>	<b>2</b>	<b>9.1%</b>
<b>Corporate Debt Securities</b>									
<b>Total Portfolio</b>	<b>10,010</b>	<b>7,668</b>	<b>25.2%</b>	<b>2,338</b>	<b>19.7%</b>	<b>2</b>	<b>29.4%</b>	<b>2</b>	<b>9.1%</b>

(1) Effective yield based on December 31, 2014 quoted market values.

**Loan Portfolio**

Our total loans reflect Banco Galicia's, the Regional Credit Card Companies' and 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 CFA's loan portfolio, by type of loan and total loans with guarantees.

	<b>As of December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of Pesos)</i>				
<b>Principal and Interest</b>					
Non-Financial Public Sector				1	3
Local Financial Sector	193	633	357	326	81
Non-Financial Private Sector and Residents Abroad <sup>(1)</sup>					
Advances	3,987	3,349	3,098	2,302	979
Promissory Notes	16,304	13,323	10,460	6,412	4,534
Mortgage Loans	1,661	1,803	1,159	960	950
Pledge Loans	500	481	311	202	119
Personal Loans	6,996	8,051	7,283	5,786	4,094
Credit Card Loans	37,348	27,389	19,279	13,392	9,120
Placements in Banks Abroad	261	586	277	66	215
Other Loans	1,337	1,237	1,619	2,463	2,082
Accrued Interest, Adjustment and Quotation Differences					
Receivable	969	827	661	421	277
Documented Interest	(348)	(271)	(201)	(166)	(82)
<b>Total Non-Financial Private-Sector and Residents Abroad</b>	<b>69,015</b>	<b>56,775</b>	<b>43,946</b>	<b>31,838</b>	<b>22,288</b>
<b>Total Gross Loans</b>	<b>69,208</b>	<b>57,408</b>	<b>44,303</b>	<b>32,165</b>	<b>22,372</b>
Allowance for Loan Losses	(2,615)	(2,129)	(1,732)	(1,284)	(1,038)
<b>Total Loans</b>	<b>66,593</b>	<b>55,279</b>	<b>42,571</b>	<b>30,881</b>	<b>21,334</b>
Loans with Guarantees					
With Preferred Guarantees <sup>(2)</sup>	2,695	2,433	1,699	1,441	1,257
Other Guarantees	9,463	8,257	6,830	4,866	3,695
<b>Total Loans with Guarantees</b>	<b>12,158</b>	<b>10,690</b>	<b>8,529</b>	<b>6,307</b>	<b>4,952</b>

(1) Categories of loans include:

- Advances: short-term obligations drawn on by customers through overdrafts.

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- *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.*

For the fiscal year ended December 31, 2014, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.69,208 million, a 21% increase as compared to the fiscal year ended December 31, 2013, as a result of increases in loans to both individuals and companies by 24% and 18%, respectively.

For the fiscal year ended December 31, 2013, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.57,408 million, a 30% increase as compared to the fiscal year ended December 31, 2012, as a result of increases in loans to both companies and individuals by 29% and 30%, respectively.

***Loans by Type of Borrower***

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2014, 2013 and 2012. The middle-market companies category includes Banco Galicia's loans to small and medium-sized companies 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.

	As of December 31,					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
<b>Commercial Loans</b>	<b>29,104</b>	<b>42.0</b>	<b>24,572</b>	<b>42.8</b>	<b>19,042</b>	<b>43.0</b>
Corporate	8,590	12.4	6,508	11.3	6,257	14.1
Middle-Market Companies	20,514	29.6	18,064	31.5	12,785	28.9
- Agribusiness	9,289	13.4	7,882	13.7	5,474	12.4
- Small and medium-sized companies	11,225	16.2	10,182	17.8	7,311	16.5
<b>Individuals</b>	<b>39,649</b>	<b>57.3</b>	<b>31,988</b>	<b>55.7</b>	<b>24,609</b>	<b>55.5</b>
- Bank	20,538	29.7	16,322	28.4	12,916	29.1
- Regional Credit Card Companies	16,096	23.3	12,439	21.7	9,260	20.9
- CFA	3,015	4.3	3,227	5.6	2,433	5.5
<b>Financial Sector <sup>(1)</sup></b>	<b>455</b>	<b>0.7</b>	<b>848</b>	<b>1.5</b>	<b>652</b>	<b>1.5</b>
<b>Non-Financial Public Sector</b>						
<b>Total <sup>(2)</sup></b>	<b>69,208</b>	<b>100.0</b>	<b>57,408</b>	<b>100.0</b>	<b>44,303</b>	<b>100.0</b>

(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.

**Table of Contents****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.

	As of December 31,					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
<b>Financial Sector <sup>(1)</sup></b>	<b>455</b>	<b>0.7</b>	<b>848</b>	<b>1.5</b>	<b>652</b>	<b>1.5</b>
Services						
Non-Financial Public Sector						
Communications, Transportation Health and Others	2,886	4.2	2,882	5.0	2,064	4.7
Electricity, Gas, Water Supply and Sewage Services	216	0.3	260	0.5	244	0.6
Other Financial Services	366	0.5	231	0.4	165	0.3
<b>Total</b>	<b>3,468</b>	<b>5.0</b>	<b>3,373</b>	<b>5.9</b>	<b>2,473</b>	<b>5.6</b>
Primary Products						
Agriculture and Livestock	8,178	11.8	7,160	12.5	4,845	10.9
Fishing, Forestry and Mining	1,459	2.1	478	0.8	134	0.3
<b>Total</b>	<b>9,637</b>	<b>13.9</b>	<b>7,638</b>	<b>13.3</b>	<b>4,979</b>	<b>11.2</b>
<b>Consumer</b>	<b>39,747</b>	<b>57.4</b>	<b>31,720</b>	<b>55.3</b>	<b>24,168</b>	<b>54.5</b>
<b>Retail Trade</b>	<b>2,237</b>	<b>3.2</b>	<b>2,326</b>	<b>4.0</b>	<b>1,749</b>	<b>4.0</b>
<b>Wholesale Trade</b>	<b>3,699</b>	<b>5.4</b>	<b>3,075</b>	<b>5.4</b>	<b>2,476</b>	<b>5.6</b>
<b>Construction</b>	<b>709</b>	<b>1.0</b>	<b>707</b>	<b>1.2</b>	<b>594</b>	<b>1.3</b>
<b>Manufacturing</b>						
Foodstuffs	2,943	4.3	2,303	4.0	2,615	5.9
Transportation Materials	996	1.4	963	1.7	1,041	2.3
Chemicals and Oil	2,269	3.3	1,557	2.7	1,140	2.6
Other Manufacturing Industries	3,048	4.4	2,898	5.0	2,416	5.5
<b>Total</b>	<b>9,256</b>	<b>13.4</b>	<b>7,721</b>	<b>13.4</b>	<b>7,212</b>	<b>16.3</b>
<b>Other Loans</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Total <sup>(2)</sup></b>	<b>69,208</b>	<b>100.0</b>	<b>57,408</b>	<b>100.0</b>	<b>44,303</b>	<b>100.0</b>



*(1) Includes local and international financial sectors.*

*(2) Before the allowance for loan losses.*

Consumer loans account for the majority of the loan portfolio, which as of the fiscal year-end represented 57.4% of the total loan portfolio; as compared to the 55.3% for fiscal year 2013 and 54.5% for fiscal year 2012.

As for business activities, the most significant categories during the fiscal year ended December 31, 2014 were loans to the primary production sector, the manufacturing industry and trade (wholesale and retail), with a total portfolio share of 13.9%, 13.4% and 8.6%, respectively.

The most significant growth as compared to fiscal year 2013 occurred in the primary production sector with a 26% increase, in the consumer sector with an increase of 25% and in the manufacturing sector, which increased 20%.

**Table of Contents***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, 2014.

	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, 2014
<i>(in millions of Pesos)</i>							
<b>Non-Financial Public Sector <sup>(1)</sup></b>							
<b>Financial Sector <sup>(1)</sup></b>	<b>73</b>	<b>120</b>					<b>193</b>
<b>Private Sector and Residents</b>							
<b>Abroad</b>	<b>38,558</b>	<b>14,724</b>	<b>6,881</b>	<b>8,059</b>	<b>645</b>	<b>148</b>	<b>69,015</b>
- Advances	2,718	1,063	205	1			3,987
- Promissory Notes	3,801	5,796	2,453	4,131	112	11	16,304
- Mortgage Loans	80	201	301	728	214	137	1,661
- Pledge Loans	21	107	121	250	1		500
- Personal Loans	567	1,710	1,677	2,726	316		6,996
- Credit-Card Loans	29,178	5,834	2,120	216			37,348
- Other Loans	1,572	13	4	7	2		1,598
- Accrued Interest and Quotation							
Differences Receivable <sup>(1)</sup>	970						970
- (Documented Interest)	(348)						(348)
- (Unallocated Collections)	(1)						(1)
<b>Allowance for Loan Losses <sup>(2)</sup></b>	<b>(2,615)</b>						<b>(2,615)</b>
<b>Total Loans, Net</b>	<b>36,016</b>	<b>14,844</b>	<b>6,881</b>	<b>8,059</b>	<b>645</b>	<b>148</b>	<b>66,593</b>

(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.

*Interest Rate Sensitivity of Outstanding Loans*

The following table presents the interest rate sensitivity of our outstanding loans due after one year by denomination as of December 31, 2014.

	In millions of Pesos	As a % of Total Loans
Variable Rate <sup>(1)(2)</sup>		
Pesos	2,371	24.5%
Dollars	52	0.5%

<b>Total</b>	<b>2,423</b>	<b>35.0%</b>
<b>Fixed Rate <sup>(2)(3)</sup></b>		
Pesos	7,205	74.4%
Dollars	53	0.5%
<b>Total</b>	<b>7,258</b>	<b>74.9%</b>

(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.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

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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 Risk Management Division manages the Bank's risks in a comprehensive manner and follows international best practices. It is independent from other divisions as it reports directly to the Bank's General Division. This structure reflects the high level of commitment from each of the Bank's governance bodies to risk management. It also strengthens the independence of management while still keeping management involved in business decisions and focused on managing the risk profile of the Bank by providing them with state-of-the-art tools and systems for identifying, measuring, monitoring and mitigating the risks faced by the Bank.

The mission of the Risk Management Division is comprised of the following activities: (i) actively and comprehensively managing and monitoring the risks assumed by Banco Galicia and its subsidiaries to ensure compliance with the internal policies and regulations in force; (ii) keeping the board of directors of Banco Galicia informed with respect to the risks Banco Galicia faces and proposing how to deal with such risks; (iii) strengthening risk management and fully understanding the risks undertaken by providing a global view of the business; (iv) designing policies and procedures to mitigate and control risks; (v) quantifying the capital required by each business and recommending to the General Division the appropriate allocation and profitability of each risk undertaken; and (vi) facilitating communication regarding dispensations from risk internal policies to Banco Galicia's General Division, as appropriate, together with a compliance plan.

The Risk Management Division's responsibilities include: (i) ensuring contingency plans are in place for risks posing a threat to business continuity; (ii) recommending the most suitable methodologies for Banco Galicia to measure identified risks; (iii) guaranteeing that the launching of any new product includes a previous assessment of potential risks involved; and (iv) providing technical support and assisting management with global risk management.

The Risk Management Division handles financial, operational, credit, reputational and strategic risks.

During fiscal year 2014 Banco Galicia created the Compliance Division, which reports to the board of directors of Banco Galicia, responsible for monitoring the Bank's compliance with laws, regulations and internal policies, in order to prevent economic or penal sanctions and to reduce any reputational impact. It is an independent division that coordinates and assists with the identification, advice, monitoring, reporting and early warning of risks of compliance.

The Prevention and Control of Money Laundering and Funding of Terrorist Activities Division monitors Banco Galicia's compliance with the regulations set forth by the Argentine Central Bank and with Law No. 25,246, as amended and supplemented, with respect to the concealment and laundering of assets from illegal activities. The Financial Information Unit (the UIF), under the supervision of the Ministry of Justice, is in charge of the analysis, treatment and transmission of any information in connection with this risk.

Banco Galicia has policies, procedures and control structures in place related to the features of the various products offered, which assist in monitoring transactions in order to identify unusual or suspicious transactions and reporting such transactions to the UIF. The Anti-Money Laundering Unit is in charge of managing such risk, through the implementation of control and prevention procedures, as well as through communication thereof to the rest of the organization via employee training and incorporation of such risk into handbooks.

Banco Galicia has appointed a director to be responsible for the management of such risk, and has created a committee in charge of planning, coordinating and enforcing compliance with the policies set by the board of directors of Banco Galicia. Such regulations are based on Banco Galicia's know your customer policy, which is implemented and enforced worldwide. The internal and external auditors regularly review management of such risk.

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

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

In order to obtain timely information and to provide a flexible and efficient structure that assists in responding and adjusting to the then current macro and microeconomic variables, the above-mentioned functions, both for companies and for individuals, are under the direction of divisions and departments that report directly to the Credit Division.

The Credit Division has specific departments for complex businesses which include banks, capital market and agri-business, and specific departments for the review and analysis of sectors based on their type of activity and environmental risk.

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, checking 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 furnishes credit information) or with Banco Galicia (credit screening).

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

Before approving a loan, Banco Galicia performs an assessment of the potential borrower and his/her financial condition. Approvals of loans exceeding a certain threshold amount are analyzed based on the credit line and the customer. For loans below such amount, Banco Galicia uses automated risk assessment systems that provide financial and non-financial information on the borrower and that provide projections based on the financial statements of the borrower 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 generally approved by the Divisions of Corporate Credit Approval and of Credit Analysis pursuant to set authorization levels. However, loans exceeding a certain amount and loans granted to (domestic or foreign) financial institutions and to related customers are approved by the Credit Committee.

The Customer Credit Recovery Division is responsible for reducing the deterioration of the credit quality of the portfolio under management and also for working with customers on their credit quality for their re-eligibility for loans. It is also responsible for the preventive management of the Bank's portfolio by using strategic behavior models that help anticipate non-performing credit customers.

The Portfolio Recovery Division covers the court and out-of-court proceedings of customers within the individuals and companies portfolio. Additionally, the division advises on legal aspects to the Credit Division.

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The Planning Department is responsible for the strategic vision of the area, defining efficiency ratios and action plans, proposing alternatives which contribute to an ongoing improvement and ensuring the compliance of the established objectives.

It is also responsible for ensuring regulatory compliance in accordance with the regulations passed by the applicable authorities, and for reviewing and proposing changes to Banco Galicia's internal policies, with respect to both credit granting and recovery of past-due loans. This department consistently interfaces with the Risk Management Division.

### *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, provided by the customer, and 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.

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, 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, 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 supervises the whole process of recovery, including recovery procedures of such collection agencies.

### *Compañía Financiera Argentina*

CFA maintains its own credit products and limits. Assessment of the credit risk of each customer is based on certain information required, provided by the customer, and 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.

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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-whenver 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 prospectively applies the consumer portfolio classification criteria to commercial loans of up to Ps.2.5 million. 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.

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.4 million or 1% of the bank's computable capital (the RPC) 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.4 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.

*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 such exposure.

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**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 Communication A 2729 of the Argentine Central Bank.

Consumer Portfolio.

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.

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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        Loans to borrowers who fall within the conditions described above under Commercial Technical Reasons        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 interest 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**

<b>Category</b>	<b>Secured</b>	<b>Unsecured</b>
1. Normal Situation	1%	1%
2. (a) Under Observation and Low Risk	3%	5%
2. (b) Under Negotiation or Refinancing Agreements	6%	12%
3. With Problems and Medium Risk	12%	25%
4. High Risk of Insolvency and High Risk	25%	50%
5. Uncollectible	50%	100%
6. Uncollectible Due to Technical Reasons	100%	100%

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, 2014, 2013 and 2012, we maintained a general loan loss allowance of Ps.1,283 million, Ps.1,010 million and Ps.938 million, respectively, which exceeded by Ps.457 million, Ps.442 million and Ps.501 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.



**Table of Contents****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.

<b>Loan Portfolio Classification</b>	<b>As of December 31, 2014</b>					
	<b>Amounts Past</b>					
	<b>Amounts Not Yet Due</b>		<b>Due</b>		<b>Total Loans</b>	
	<i>(in millions of Pesos, except percentages)</i>					
	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
1. Normal and Normal Performance	65,279	96.9			65,279	94.3
2. With Special Follow-up - Under observation and Low Risk	1,457	2.2			1,457	2.1
3. With Problems and Medium Risk	339	0.5	439	24.3	778	1.1
4. High Risk of Insolvency and High Risk	327	0.4	1,049	58.1	1,376	2.0
5. Uncollectible			315	17.4	315	0.5
6. Uncollectible Due to Technical Reasons			3	0.2	3	
<b>Total</b>	<b>67,402</b>	<b>100.0</b>	<b>1,806</b>	<b>100.0</b>	<b>69,208</b>	<b>100.0</b>

<b>Loan Portfolio Classification</b>	<b>As of December 31, 2013</b>					
	<b>Amounts Past</b>					
	<b>Amounts Not Yet Due</b>		<b>Due</b>		<b>Total Loans</b>	
	<i>(in millions of Pesos, except percentages)</i>					
	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
1. Normal and Normal Performance	54,119	96.9			54,119	94.3
2. With Special Follow-up - Under observation and Low Risk	1,238	2.2			1,238	2.1
3. With Problems and Medium Risk	311	0.6	415	26.9	726	1.3
4. High Risk of Insolvency and High Risk	197	0.3	724	46.9	921	1.6
5. Uncollectible			402	26.1	402	0.7
6. Uncollectible Due to Technical Reasons			2	0.1	2	
<b>Total</b>	<b>55,865</b>	<b>100.0</b>	<b>1,543</b>	<b>100.0</b>	<b>57,408</b>	<b>100.0</b>

	<b>As of December 31, 2012</b>					
	<b>Amounts Past</b>					
	<b>Amounts Not Yet Due</b>		<b>Due</b>		<b>Total Loans</b>	
	<i>(in millions of Pesos, except percentages)</i>					
	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>



	Amounts	%	Amounts	%	Amounts	%
<b>Loan Portfolio Classification</b>						
1. Normal and Normal Performance	41,791	96.8			41,791	94.3
2. With Special Follow-up - Under observation and Low Risk	1,017	2.4			1,017	2.3
3. With Problems and Medium Risk	244	0.5	353	31.5	597	1.4
4. High Risk of Insolvency and High Risk	128	0.3	535	47.6	663	1.5
5. Uncollectible			233	20.8	233	0.5
6. Uncollectible Due to Technical Reasons			2	0.1	2	
<b>Total</b>	<b>43,180</b>	<b>100.0</b>	<b>1,123</b>	<b>100.0</b>	<b>44,303</b>	<b>100.0</b>

	As of December 31, 2011						
	Amounts Not Yet Due			Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>						
	Amounts	%	Amounts	%	Amounts	%	
<b>Loan Portfolio Classification</b>							
1. Normal and Normal Performance	30,716	97.3			30,716	95.5	
2. With Special Follow-up - Under observation and Low Risk	605	1.9			605	1.9	
3. With Problems and Medium Risk	162	0.5	163	27.9	325	1.0	
4. High Risk of Insolvency and High Risk	96	0.3	276	47.0	372	1.2	
5. Uncollectible			144	24.6	144	0.4	
6. Uncollectible Due to Technical Reasons			3	0.5	3		
<b>Total</b>	<b>31,579</b>	<b>100.0</b>	<b>586</b>	<b>100.0</b>	<b>32,165</b>	<b>100.0</b>	

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Loan Portfolio Classification	As of December 31, 2010					
	Amounts Not Yet Due		Amounts Past Due		Total Loans	
	<i>(in millions of Pesos, except percentages)</i>					
	Amounts	%	Amounts	%	Amounts	%
1. Normal and Normal Performance	21,230	97.4			21,230	94.9
2. With Special Follow-up - Under observation and Low Risk	387	1.8			387	1.7
3. With Problems and Medium Risk	114	0.5	145	25.1	259	1.2
4. High Risk of Insolvency and High Risk	65	0.3	252	43.7	317	1.4
5. Uncollectible			178	31.0	178	0.8
6. Uncollectible Due to Technical Reasons			1	0.2	1	
<b>Total</b>	<b>21,796</b>	<b>100.0</b>	<b>576</b>	<b>100.0</b>	<b>22,372</b>	<b>100.0</b>

**Amounts Past Due and Non-Accrual Loans**

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,				
	2014	2013	2012	2011	2010
	<i>(in millions of Pesos, except ratios)</i>				
<b>Total Loans <sup>(1)</sup></b>	<b>69,208</b>	<b>57,408</b>	<b>44,303</b>	<b>32,165</b>	<b>22,372</b>
<b>Non-Accrual Loans <sup>(2)</sup></b>					
With Preferred Guarantees	50	39	13	17	28
With Other Guarantees	59	58	29	13	37
Without Guarantees	2,363	1,954	1,453	814	690
<b>Total Non-Accrual Loans <sup>(2)</sup></b>	<b>2,472</b>	<b>2,051</b>	<b>1,495</b>	<b>844</b>	<b>755</b>

**Past Due Loan Portfolio**

Non-Financial Public Sector					
Local Financial Sector					
Non-Financial Private Sector and Residents Abroad					
Advances	169	150	96	65	94
Promissory Notes	121	76	54	35	53
Mortgage Loans	12	28	9	11	16
Pledge Loans	9	5	1	3	7
Personal Loans	262	243	188	116	131
Credit-Card Loans	1,200	1,003	740	340	238
Placements with Correspondent Banks					
Other Loans	33	38	35	16	37

<b>Total Past Due Loans</b>	<b>1,806</b>	<b>1,543</b>	<b>1,123</b>	<b>586</b>	<b>576</b>
Past Due Loans					
With Preferred Guarantees	42	34	10	11	19
With Other Guarantees	38	47	25	11	35
Without Guarantees	1,726	1,462	1,088	564	522
<b>Total Past Due Loans</b>	<b>1,806</b>	<b>1,543</b>	<b>1,123</b>	<b>586</b>	<b>576</b>
<b>Allowance for Loan Losses</b>	<b>2,615</b>	<b>2,129</b>	<b>1,732</b>	<b>1,284</b>	<b>1,038</b>
<b>Ratios (%)</b>					
As a % of Total Loans:					
- Total Past Due Loans	2.61	2.69	2.53	1.82	2.57
- Past Due Loans with Preferred Guarantees	0.06	0.06	0.02	0.03	0.09
- Past Due Loans with Other Guarantees	0.05	0.08	0.06	0.04	0.16
- Past Due Unsecured Amounts	2.50	2.55	2.45	1.75	2.32
- Non-Accrual Loans <sup>(2)</sup>	3.57	3.57	3.37	2.63	3.37
- Non-Accrual Loans <sup>(2)</sup> (Excluding Interbank Loans)	3.59	3.62	3.40	2.64	3.42
Non-Accrual Loans <sup>(2)</sup> as a Percentage of Loans to the Private Sector	3.57	3.57	3.37	2.63	3.37
Allowance for Loan Losses as a % of:					
- Total Loans	3.78	3.71	3.91	3.99	4.64
- Total Loans Excluding Interbank Loans	3.79	3.76	3.94	4.02	4.70
- Total Non-Accrual Loans <sup>(2)</sup>	105.78	103.80	115.85	152.01	137.57
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans <sup>(2)</sup>	4.41	4.73	2.81	3.55	8.65
Non-Accrual Loans as a Percentage of Total Past Due Loans	136.88	132.92	133.13	144.05	131.08

(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 .

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At the end of the fiscal year ended December 31, 2014, our non-accrual loans to the private sector remained unchanged from 2013 at 3.57%.

Banco Galicia has entered into certain debt renegotiation 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.88 million, Ps.97 million and Ps.99 million as of December 31, 2014, 2013 and 2012, 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 .

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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:

	As of December 31,				
	2014	2013	2012	2011	2010
	<i>(in millions of Pesos)</i>				
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	117	127	86	53	56
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued <sup>(1)</sup>	6	6	4	3	3

(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 income statement (such charge offs are immaterial amounts charged to income before any allowances for loan losses are recorded) therefore, are not reflected in the allowance.

	Fiscal Year Ended				
	December 31,				
	2014	2013	2012	2011	2010
	<i>(in millions of Pesos, except ratios)</i>				
<b>Total Loans, Average <sup>(1)</sup></b>	<b>59,094</b>	<b>47,964</b>	<b>35,213</b>	<b>26,219</b>	<b>16,801</b>
<b>Allowance for Loan Losses at Beginning of Period <sup>(2)</sup></b>	<b>2,129</b>	<b>1,732</b>	<b>1,284</b>	<b>1,038</b>	<b>806</b>
Changes in the Allowance for Loan Losses During the Period <sup>(2)</sup>					
Provisions Charged to Income	2,339	1,701	1,295	820	524
Prior Allowances Reversed	(1)		(12)	(22)	
Charge-Offs (A)	(1,840)	(1,304)	(835)	(552)	(488)
Inflation and Foreign Exchange Effect and Other Adjustments	(12)				196
<b>Allowance for Loan Losses at End of Period</b>	<b>2,615</b>	<b>2,129</b>	<b>1,732</b>	<b>1,284</b>	<b>1,038</b>
<b>Charge to the Income Statement during the Period</b>					
Provisions Charged to Income <sup>(2)</sup>	2,339	1,701	1,295	820	524
Direct Charge-Offs, Net of Recoveries (B)	(181)	(187)	(132)	(162)	(89)
Recoveries of Provisions	(1)		(60)	(22)	
<b>Net Charge (Benefit) to the Income Statement</b>	<b>2,157</b>	<b>1,514</b>	<b>1,103</b>	<b>636</b>	<b>435</b>

**Ratios (%)**

Charge-Offs Net of Recoveries (A+B) to Average Loans <sup>(4)</sup>	2.81	2.33	2.00	1.49	2.38
Net Charge to the Income Statement to Average Loans <sup>(4)</sup>	3.65	3.16	3.13	2.42	2.59

(1) *Before the allowance for loan losses.*

(2) *Includes quotation differences for Galicia Uruguay.*

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

During 2014, the Bank established allowances for loan losses in an amount of Ps.2,339 million. The increase recorded in the allowances for loan losses in fiscal year 2014 was primarily related to the growth and seasoning of the consumer loan portfolio and to the worsening of certain macroeconomic variables, as inflation rate.

#### ***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

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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.

	As of December 31,								
	2014			2013			2012		
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>									
Non-Financial Public Sector									
Local Financial Sector			0.3			1.1			0.8
Non-Financial Private Sector and Residents Abroad									
Advances	121	0.2	5.8	95	0.2	5.8	68	0.2	7.0
Promissory Notes	94	0.1	23.6	56	0.1	23.2	41	0.1	23.6
Mortgage Loans	13		2.4	11		3.1	4		2.6
Pledge Loans	5		0.7	3		0.8	1		0.7
Personal Loans	299	0.4	10.1	261	0.5	14.0	190	0.4	16.4
Credit-Card Loans	759	1.1	54.0	676	1.2	47.7	461	1.0	43.5
Placements in Correspondent Banks			0.4			1.0			0.6
Other	19		2.8	22		3.1	15		4.7
Unallocated <sup>(1)</sup>	1,305	1.9		1,005	1.8		952	2.2	
<b>Total</b>	<b>2,615</b>	<b>3.8</b>	<b>100.0</b>	<b>2,129</b>	<b>3.7</b>	<b>100.0</b>	<b>1,732</b>	<b>3.9</b>	<b>100.0</b>

	As of December 31,					
	2011			2010		
	Amount	% of Loans	Loan Category %	Amount	% of Loans	Loan Category %
<i>(in millions of Pesos, except percentages)</i>						
Non-Financial Public Sector						
Local Financial Sector				1.0		0.4
Non-Financial Private Sector and Residents Abroad						
Advances	49	0.2	7.2	55	0.3	4.4
Promissory Notes	36	0.1	19.9	43	0.2	20.3
Mortgage Loans	6		3.0	11	0.1	4.3
Pledge Loans	1		0.6	3		0.5
Personal Loans	128	0.4	18.0	139	0.6	18.3
Credit-Card Loans	232	0.7	41.6	167	0.8	40.8
Placements in Correspondent Banks			0.2			1.0
Other	9		8.4	17	0.1	10.2
Unallocated <sup>(1)</sup>	823	2.6		604	2.7	

<b>Total</b>	<b>1,284</b>	<b>4.0</b>	<b>100.0</b>	<b>1,038</b>	<b>4.6</b>	<b>100.0</b>
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(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, 2014, 2013 and 2012.

	<b>Fiscal Year Ended</b>		
	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Charge-offs by Type</b>			
Advances	95	53	50
Promissory Notes	180	79	71
Mortgage Loans	75	1	3
Pledge Loans	5		2
Personal Loans	410	374	275
Credit-Card Loans			
Banco Galicia	255	271	160
Regional Credit Card Companies	691	467	229
Other Loans	129	59	45
<b>Total<sup>(1)</sup></b>	<b>1,840</b>	<b>1,304</b>	<b>835</b>

(1) *Do not include the amounts directly charged off to the income statement.*



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During fiscal year 2014, Ps.1,840 million was charged off against the allowance for loan losses, including the Regional Credit Card Companies and CFA's loan portfolios, while in fiscal year 2013 it amounted to Ps.1,304 million. For both fiscal years, the increases as compared to the prior years were attributable to the seasoning of the individuals loan portfolio.

**Foreign Outstandings**

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 1.0% or more of our total assets:

Country	Fiscal Year Ended December 31,		
	2014	2013	2012
	<i>(in millions of Pesos)</i>		
<b>United Kingdom</b>			
Demand Deposits			4
Other			
<b>Total</b>			<b>4</b>
<b>United States</b>			
Demand Deposits	47	71	122
Overnight Placements	261	586	278
Other	10	14	30
<b>Total</b>	<b>318</b>	<b>671</b>	<b>430</b>
<b>Germany</b>			
Demand Deposits	32	36	11
Other			
<b>Total</b>	<b>32</b>	<b>36</b>	<b>11</b>

As of December 31, 2014, we had the following foreign outstandings:

Ps.318 million (0.3% of our total assets) representing liquid placements with United States financial institutions, of which Ps.261 million represented overnight placements and Ps.47 million corresponded to demand deposits.

Ps.32 million with German financial institutions corresponding to demand deposits.

**Deposits**

The following table sets out the composition of our deposits as of December 31, 2014, 2013 and 2012. Our deposits represent deposits with Banco Galicia and CFA.

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
Checking Accounts and Other Demand Deposits	15,755	12,394	9,916
Savings Accounts	16,897	11,801	9,478
Time Deposits	30,730	26,185	19,694
Other Deposits <sup>(1)</sup>	722	574	577
Plus: Accrued Interest, Quotation Differences and CER Adjustment	562	441	280
<b>Total Deposits</b>	<b>64,666</b>	<b>51,395</b>	<b>39,945</b>

(1) Includes among other, deposits originated by Decree No. 616/05, Reprogrammed Deposits under judicial proceedings and other demand deposits.

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In 2014, our consolidated deposits increased 26% mainly as a result of a Ps.8,457 million increase in deposits in checking and savings accounts and a Ps.4,545 million increase in time deposits. As in prior years, these increases were mainly due to deposits received by Banco Galicia.

In 2013, our consolidated deposits increased 29% primarily as a result of a Ps.4,801 million increase in deposits in checking and savings accounts and a Ps.6,491 million increase in time deposits. These increases were mainly a result of deposits received by Banco Galicia.

In 2012, our consolidated deposits increased 33% primarily as a result of a Ps.4,180 million increase in deposits in checking and savings accounts and a Ps.5,543 million increase in time deposits. These increases were mainly due to deposits received by Banco Galicia.

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

The following table provides a breakdown of our consolidated deposits as of December 31, 2014, 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>					
<b>Checking Accounts and Demand Deposits</b>	<b>Ps.15,755</b>	<b>26.6%</b>		<b>%</b>	<b>Ps.15,755</b>	<b>24.6%</b>
<b>Savings Accounts</b>	<b>14,088</b>	<b>23.8</b>	<b>2,809</b>	<b>58.3</b>	<b>16,897</b>	<b>26.4</b>
<b>Time Deposits</b>	<b>28,811</b>	<b>48.6</b>	<b>1,919</b>	<b>39.8</b>	<b>30,730</b>	<b>47.9</b>
Maturing Within 30 Days	8,161	13.8	694	14.4	8,855	13.8
Maturing After 31 Days but Within 59 Days	11,862	20.0	299	6.2	12,161	19.0
Maturing After 60 Days but Within 89 Days	4,334	7.3	237	4.9	4,571	7.1
Maturing After 90 Days but Within 179 Days	2,571	4.3	343	7.1	2,914	4.6
Maturing After 180 Days but Within 365 Days	1,288	2.2	317	6.6	1,605	2.5
Maturing After 365 Days	595	1.0	29	0.6	624	0.9
<b>Other Deposits</b>	<b>629</b>	<b>1.0</b>	<b>94</b>	<b>1.9</b>	<b>723</b>	<b>1.1</b>
Maturing Within 30 Days	374	0.6	83	1.7	457	0.7
Maturing After 31 Days but Within 59 Days						
Maturing After 60 Days but Within 89 Days						
Maturing After 90 Days but Within 179 Days	2				2	
Maturing After 180 Days but Within 365 Days	136	0.2			136	0.2
Maturing After 365 Days	117	0.2	11	0.2	128	0.2

<b>Total Deposits</b> <sup>(1)</sup>	<b>59,283</b>	<b>100.0%</b>	<b>4,822</b>	<b>100.0%</b>	<b>64,105</b>	<b>100.0%</b>
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*(1) Only principal. Excludes the CER adjustment.*

The categories with the highest concentration of maturities per their original term are those within the segments within 30 Days and after 31 days but within 59 days (Pesos and Dollars), which accounted for 32.8% of the total and corresponded mainly to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2014, the average original term of non-adjusted Peso-denominated time deposits was approximately 43 days and for Dollar-denominated time deposits the original term was 48 days. Dollar-denominated deposits, for Ps.4,822 million (only principal), represented 7.5% of total deposits.

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The following table provides information about the maturity of our outstanding time deposits exceeding US\$100,000, as of December 31, 2014.

	<b>Deposits over US\$100,000</b> <i>(in millions of Pesos)</i>
Time Deposits	
Within 30 Days	3,678
After 31 Days but Within 59 Days	8,941
After 60 Days but Within 89 Days	2,379
After 90 Days but Within 179 Days	1,474
After 180 Days but Within 365 Days	1,195
After 365 Days	184
<b>Total Outstandig Time Deposits Exceeding US\$100.000 <sup>(1)</sup></b>	<b>17,851</b>

(1) Only principal.

**Return on Equity and Assets**

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

	<b>Fiscal Year Ended</b> <b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos, except percentages)</i>		
Net Income / (Loss)	3,338	1,824	1,336
Average Total Assets	92,510	69,844	54,416
Average Shareholders Equity	8,543	5,618	4,160
Shareholders Equity at End of the Period	10,246	6,947	4,870
Net Income as a Percentage of:			
Average Total Assets	3.85	2.91	2.80
Average Shareholders Equity	39.07	32.47	32.12
Declared Cash Dividends	100.00	38.60	24.35
Dividend Payout Ratio	3.00	2.12	1.82
Average Shareholders Equity as a Percentage of Average			
Total Assets	9.23	8.04	7.65
Shareholders Equity at the End of the Period as a			
Percentage of Average Total Assets	11.08	9.95	8.95

**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.

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Short-Term Borrowings</b>			
Argentine Central Bank	7	6	1
Other Banks and International Entities			
Credit Lines from Domestic Banks	377	529	419
Credit Lines from Foreign Banks	507	378	198
Notes	228	161	312
<b>Total</b>	<b>1,119</b>	<b>1,074</b>	<b>930</b>

As of the end of fiscal year 2014, our short-term borrowings mainly consisted of credit lines from foreign banks, which represented 45.3% of our short term borrowings. Credit lines from domestic banks represented 33.7%

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We also borrow funds under different credit arrangements from local and foreign banks and international lending agencies as follows:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Banks and International Entities</b>			
Contractual Short-term Liabilities			
Other Lines from Foreign Banks	507	378	198
Total Short-term Liabilities	507	378	198
<b>Total Banks and International Entities</b>	<b>507</b>	<b>378</b>	<b>198</b>
<b>Domestic and Financial Institutions</b>			
Contractual Short-term Liabilities:			
Other Lines from Credit from Domestic Banks			
Total Short-term Liabilities	377	529	419
<b>Total Domestic and Financial Institutions</b>	<b>377</b>	<b>529</b>	<b>419</b>
<b>Total</b>	<b>884</b>	<b>907</b>	<b>617</b>

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

	<b>As of December 31,</b>				
	<b>Annual Interest</b>				
	<b>Maturity</b>	<b>Rate</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<i>(in millions of Pesos)</i>					
<b>Notes(*)</b>					
Tarjetas Cuyanas S.A. Class XI Series I					
<i>(Quarterly interest, principal payable at maturity)</i>	2014	20.50%		13	
Tarjeta Naranja Class XXIII Series I					
<i>(Quarterly interest, principal payable at maturity)</i>	2014	24.50%		35	
Tarjeta Naranja Class XXII Series I					
<i>(Quarterly interest, principal payable at maturity)</i>	2014	21.00%		42	
CFA Class IX Series I					
<i>(Quarterly interest, principal payable at maturity)</i>	2014	18.89%		45	
CFA Class X Series I	2014	23.5%		26	

<i>(Quarterly interest, principal payable at maturity)</i>			
Tarjeta Naranja Class XVIII Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.70%	46
Tarjeta Naranja Class XIX Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	19.00%	53
Tarjetas Cuyanas Class VIII Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.75%	50
Tarjetas Cuyanas Class IX Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	19.25%	33
CFA Class VI Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	15.50%	81
CFA Class VII Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.90%	49
CFA Class XI Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2015	Badlar + 297 b.p.	50
CFA Class XII Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2015	Badlar + 247 b.p.	50
CFA Class XIII Series I			
<i>(Quarterly interest, principal payable at maturity)</i>	2015	2.75%	128
<b>Total</b>			<b>228 161 312</b>

(\* ) *Only principal.*



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The following table sets forth the items listed below for our significant short-term borrowings for the fiscal years ended December 31, 2014, 2013 and 2012:

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 calculated on a daily basis, and

the weighted-average interest rate for each period.

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos, except percentages)</i>		
<b>Argentine Central Bank</b>			
Weighted-average Interest Rate at End of Period	%	%	%
Maximum Balance Recorded at the Monthly Closing Dates	8	6	1
Average Balances for Each Period	5	4	1
Weighted-average Interest Rate for the Period	%	%	%
<b>Credit Lines from Domestic Banks</b>			
Weighted-average Interest Rate at End of Period	27.5%	26.0%	19.4%
Maximum Balance Recorded at the Monthly Closing Dates	681	694	419
Average Balances for Each Period	524	504	326
Weighted-average Interest Rate for the Period	31.0%	21.0%	16.0%
<b>Credit Lines from Foreign Banks</b>			
Weighted-average Interest Rate at End of Period	3.4%	2.3%	3.8%
Maximum Balance Recorded at the Monthly Closing Dates	1,498	535	1,155
Average Balances for Each Period	871	300	906
Weighted-average Interest Rate for the Period	2.5%	1.8%	2.6%
<b>Repurchases with Domestic Banks</b>			
Weighted-average Interest Rate at End of Period	%	%	11.0%
Maximum Balance Recorded at the Monthly Closing Dates	433	456	428
Average Balances for Each Period	59	113	173
Weighted-average Interest Rate for the Period	21.7%	12.1%	9.6%
<b>Notes</b>			
Weighted-average Interest Rate at End of Period	25.5%	22.8%	17.6%
Maximum Balance Recorded at the Monthly Closing Dates	228	402	387

Average Balances for Each Period	114	268	304
Weighted-average Interest Rate for the Period	24.0%	19.3%	16.8%

***Regulatory Capital****Grupo Financiero Galicia*

Grupo Financiero Galicia's capital adequacy is not under the supervision of the Argentine Central Bank. Grupo Financiero Galicia has to comply with the minimum capital requirement established by the Corporations Law. On October 8, 2012, through Decree 1331/12, such amount was determined to be Ps.100,000.

*Banco Galicia*

Banco Galicia is subject to the capital adequacy rules of the Argentine Central Bank. The capital adequacy regulations are based on the Basel Committee methodology which establishes the minimum capital a financial institution is required to maintain in order to cover the various risks inherent to its business activity and endemic to its assets. Such risks include: credit risk, generated both by exposure to the private sector and to the public sector; market risk, generated by positions in securities, foreign-currency and CER; and interest-rate risk, generated by

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mismatches between assets and liabilities in terms of interest-rate repricing. Historically, the minimum capital requirement imposed by the regulations was 8% of risk-weighted assets, for exposure to both the private sector and the public sector, with such requirement decreasing depending on the existence of certain guarantees in the case of private-sector assets and for certain liquid assets. In the past years, the Argentine Central Bank established amendments to the rule, the main and most recent of which are detailed below.

As of February 1, 2012, the Argentine Central Bank established an additional capital requirement for operational risk coverage, equal to 15% of the annual average of financial income and net income from services corresponding to the last 36 months before the calculation date, excluding certain items that are considered extraordinary or not closely related to such risk.

Subsequently, the Argentine Central Bank modified the regulation regarding minimum capital requirements for financial entities, which came into effect in fiscal year 2013.

The main changes regarding computable capital are as follows:

The computable regulatory capital is divided into core capital (or Tier I) and supplemental capital (or Tier II). Deductions (i.e., organization and development expenses) become part mainly of the core capital.

The result of the period is part of the core capital (previously it was part of the supplemental capital).

The supplemental capital is comprised of subordinated notes and 100% of the provisions for loan losses in connection with the loan portfolio in normal situation (previously 50%).

In addition to a 20% value write-off per annum for subordinated notes beginning on the fifth year before their due date, the new regulation establishes that the same have to be considered at 90% of their value, writing-off 10 p.p. every 12 months.

The main changes regarding capital requirements are as follows:

Financing to the non-financial public sector in Pesos: 0% (previously: 8%).

Bank premises and equipment and miscellaneous assets: 8% (previously: 10%)

Changes in weights:

Mortgage loans to households: from 50% to 35% of the 8%, if the amount is lower than 75% of the property's value.

Consumer loan portfolio<sup>(1)</sup>: 75% of the 8% (previously: 100% of the 8%).

In addition, on January 8, 2015, through its Communication A 5694, the Argentine Central Bank established an additional minimum capital requirement for financial entities considered systemically important. Within this framework, the Argentine Central Bank informed Banco Galicia that it was considered to be part of this group. The additional requirement is equivalent to 1% of risk-weighted assets and can only be integrated with Level I Ordinary Capital. The regulation also established a schedule for the implementation of said requirement, which begins with the application of a coefficient of 0.075 in the first quarter of 2016 and reaches 1.00 in January 2019.

On January 23, 2015, the monetary authority issued its Communication A 5700, which established, among other things, the obligation to deduct from stockholders' equity the holdings in companies whose corporate purpose is: (i) the development of activities of financial assistance through leasing and factoring, (ii) temporary purchase of shares in companies to subsequently sell these holdings, (iii) the issuance of credit cards, debit cards and similar. To this purpose, the regulation also established a schedule that begins with a deduction of 25%, which starts in June 2015 and reaches 100% in June 2018.

Minimum capital requirements must be met by the Bank, both on an individual basis and on a consolidated basis with its significant subsidiaries.

*(1) Defined as individuals with loans in an amount less than Ps.200 thousand, and Micro SMEs with loans in an amount less than Ps.6 million, provided that the amount of the agreement does not exceed 30% of their revenues.*

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In the table below, Banco Galicia's information on regulatory capital and compliance with minimum capital requirements regulations is consolidated with Tarjetas Regionales and its subsidiaries, CFA and Galicia Uruguay.

<i>(in millions of Pesos, except percentages)</i>	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Minimum capital required (A)</b>	<b>7,077</b>	<b>5,691</b>	<b>4,266</b>
Allocated to Financial Assets, Fixed Assets, Other Assets and to Lending to the Public Sector	5,098	4,328	3,486
Allocated to Market Risk	200	58	16
Allocated to Interest-Rate Risk			47
Allocated to Operational Risk	1,779	1,305	717
<b>Computable Capital (B)</b>	<b>10,133</b>	<b>7,513</b>	<b>5,611</b>
- Tier I	8,041	5,478	4,272
- Tier II	2,020	1,805	1,314
Additional Capital- Market Variation	72	230	25
<b>Excess over Required Capital (B)-(A)</b>	<b>3,056</b>	<b>1,822</b>	<b>1,345</b>
<b>Total Capital Ratio (%)</b>	<b>15.91</b>	<b>14.28</b>	<b>13.02</b>

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

As of December 31, 2014, Banco Galicia's consolidated computable capital exceeded the minimum capital requirement of Ps.7,077 million by Ps.3,056 million, or 43%. As of December 31, 2013, the minimum capital requirement was Ps.5,691 million and Banco Galicia's consolidated computable capital exceeded such amount by Ps.1,822 million, or 32%.

The above noted minimum capital requirement increase of Ps.1,386 million as compared to December 31, 2013, was primarily a result of: i) higher requirements in connection with financing to the private sector for Ps.770 million, due to the growth of this portfolio; and ii) higher requirements in connection with operational risk for Ps.474 million.

Computable capital increased Ps.2,620 million as compared to December 31, 2013, mainly as a result of: i) a higher Tier I capital, of Ps.2,563 million, mainly due to the increase in net income and partially offset by higher deductions resulting from organization and development expenses; and ii) an increase in Tier II capital, of Ps.215 million.

#### *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.100,000. 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.

#### *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.3 million, increasing to Ps.6 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.10 million. For companies that offer property insurance that includes damage coverage (excluding those related to vehicles) the requirement is Ps.3 million (increasing to Ps.15 million for companies that offer all property and casualty products).

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- (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 36<sup>th</sup> 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, 2014, the computable capital of the companies controlled by Sudamericana exceeded the minimum requirement of Ps.267 million by Ps.45.6 million.

Sudamericana also owns Galicia Broker, 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.100,000.

## **Government Regulation**

### ***General***

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

In its capacity as a company listed in Argentina, Grupo Financiero Galicia must comply with the disclosure, reporting, governance and other rules applicable to it issued by the markets in which it is listed and its regulators, including the Capital Markets Law, Law No. 20,643, the Decrees No. 659/74 and No. 2,220/80 and the CNV's General Regulation No. 622/13, as amended (the CNV Rules). The Capital Markets Law replaced Law No.17,811 and Decree No. 677/01, with the aim of regulating the capital market through the supervision of the CNV and broadening the CNV's powers. Additionally, the law intends to enhance the growth of local markets, to develop new and simplified negotiating systems and to create new regulation standards for the Argentine stock exchange, markets and other intervenient agents.

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 or, in Spanish *Ley de Defensa de la Competencia* ), Law No. 22,820 (Fair Business Practice Law, in Spanish *Ley de Lealtad Comercial* ) and Law No. 24,240, as amended, (the Consumer Protection Law or, in Spanish *Ley de Defensa del Consumidor* ).



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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 Law No. 21,526, as amended (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 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 (the Credit Cards Law). Both the Argentine Central Bank and the Secretariat of Domestic 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 is regulated by the Corporations Law, as previously noted, and is 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 (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, 2015.

### ***Foreign Exchange Market***

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

Pursuant to Decree No. 260/02, all foreign exchange transactions in Argentina must be conducted through the Argentine single and free-floating exchange market (in Spanish, *mercado único y libre de cambios*). These foreign exchange transactions are consummated using the exchange rate freely agreed upon the parties, but subject to Argentine Central Bank regulations. In addition, these transactions have to be conducted only through authorized entities supervised by the Argentine Central Bank (local banks and exchange agencies). This system continues to be in force today, with certain amendments. Only the principal features currently in force are detailed below.

According to Decree No. 616/05, which became effective on June 10, 2005, the executive branch of the Argentine government established that:

(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.

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- (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) 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 the acquisition of foreign currency to repay external debts service;

- (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
  
- (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 only to any amounts exceeding US\$2 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.

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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 such 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 (without requesting the Argentine Central Bank's prior authorization):

- (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, capital reduction or liquidation of direct investments (as it is defined by the Argentine Central Bank) in the non-financial private sector in Argentina if they were (w) made after October 28th, 2011, (x) the funds related to that investment were previously cleared through the local foreign exchange market, (y) the investment remained in Argentina for a minimum term of 365 days, and (z) the payment is wired to a bank account or a beneficiary established in a country listed as cooperator on transparency and exchange of information for tax purposes; 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. As of July 5, 2012, the Argentine Central Bank suspended the applicability of Communication A 5,236 by the Argentine Central Bank, Section 4.2 of which had historically allowed Argentine individuals and companies to access the Argentine foreign exchange market to purchase foreign currency, up to certain designated amounts (to hold them locally or transfer them abroad) without being obligated to subsequently demonstrate how said funds were used. This channel provided entities with the ability to (among others) make real estate investments abroad and to hold savings denominated in foreign currencies in Argentina or abroad. Currently, the Argentine Central Bank and the Argentine Federal Revenue Authority ( AFIP ) are allowing only Argentine individuals to purchase foreign currencies for savings purposes and for minimum amounts (not to transfer funds abroad). For purchases of foreign currencies by companies (for savings or reserve purposes), an authorization of the Argentine Central Bank must be obtained.

Access to the foreign exchange local market for the transfer of profits and dividends abroad is permitted when (i) corresponding to audited and final balance sheets; and (ii) an anticipated affidavit of payments abroad ( DAPE ) is previously obtained from the AFIP.

It should be noted that since 2011, the Argentine national government has established a variety of informal or *de facto* restrictions that hinder the transfer of funds abroad. Hence, independently from the regulatory treatment for each transfer concept and even when complying with all formal requirements, occasionally transfers abroad cannot be completed due to such restrictions.

For instance, the Argentine Central Bank established an informal procedure, not written in any regulation, known as the scheduling of transactions ( *calendarización* in Spanish). This scheduling procedure implies that all transfers of funds exceeding a certain amount (which may vary but is currently set at US\$150,000) requires the informal authorization of the Argentine Central Bank. The intervening bank shall inform the Argentine Central Bank at least ten days in advance of all the transactions that are in a condition to be completed (since they have complied with all

formal requirements). Then the Argentine Central Bank determines the particular date and amount of such transaction that may be completed, according to the trade balance of its currencies reserves (payments of royalties and dividends are often the last concepts authorized by the Argentine Central Bank).

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***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\$1.00 exchange rate, which exchange rate was greater than the Ps.1 per US\$1.00 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 Communication 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 Communication 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.

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, 2014 and charged to income, amounted to Ps.4.8 million.

During fiscal year 2010, Banco Galicia amortized the total remaining balance of the deferred losses from *amparo claims* for Ps.281 million.



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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 Institutions 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.

*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 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.1.4 per US\$1.00 (1.4:1), and (c) the Dollar-denominated bank deposits were converted into Peso-denominated bank deposits at an

exchange rate of Ps.1.4 per US\$1.00 (1.4:1), 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.1.4 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,

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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.

On October 9, 2013, the Argentine Congress extended the validity of the Emergency Law until December 31, 2015.

***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.

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 were conducted, the last one of which was based on information as of April 30, 2013.

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### *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, interest rate risk and operational risk.

Commercial banks headquartered in Buenos Aires must maintain minimum capital requirements in the amount of Ps.26 million. 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. 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. Finally, the minimum capital requirements related to operational risk aim to counteract the risk associated with losses resulting from inadequate or failed internal processes and systems, human error, or from certain external events. Over time, the Argentine Central Bank has established amendments to the rule the most recent of which are described in -Selected Statistical Information-Regulatory Capital .

### *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 and (ii) listed shares and participation certificates in mutual funds not included for the purposes of determining capital requirements associated with market risk.

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's 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, they are not allowed to provide certain services and activities, such as checking accounts, foreign trade transactions, etc.

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As of January 2015, financial institutions must not acquire i) over 12.5% of the capital stock; ii) over 12.5% of the total of votes; or iii) a participation equivalent to the corporate will even when it is below the 12.5% before mentioned- of other companies that provide up to two complementary financial services (to those provided by the financial entity), without the prior authorization of the Argentine Central Bank. The acquisition of participations is not authorized when such companies provide more than two complementary financial services. This regulation does not directly affect those financial institutions that already provide several complementary services or those that control companies that already provide complementary financial services, but it should be considered for possible future acquisitions.

***Computable Regulatory Capital***

Pursuant to the Argentine Central Bank's regulations, a bank's RPC is calculated as: (a) the minimum core capital (Tier 1 capital) which includes: (i) capital contributions, capital adjustments, reserves, irrevocable capital contributions pending capitalization (excluding premium), unassigned unaudited results of past fiscal years, (ii) 100% of the results of the past fiscal year (plus or minus depending on whether they are positive or negative) registered on the latest audited quarterly financial statement in the event the yearly financials are not audited, (iii) 100% of the results of the current fiscal year (plus or minus depending on whether they are positive or negative) registered at the close of the latest quarterly financial statement once it is audited, (iv) 50% of the net income and 100% of the losses from the latest available audited quarterly or yearly statements, (v) breakdowns not included in financial statements or the corresponding auditors report (made according to the Minimum Standard of External Audit established by the Argentine Central Bank), plus the share premium arising from the above mentioned instruments as certain requirements are met, minus certain deductible items, including (i) securities deposited with custodians that are not registered, (ii) securities issued by foreign countries with ratings under the Argentine government's rating and the instrument does not have a regular quotation in stock markets for relevant values, (iii) demand securities in correspondent bank accounts with foreign financial institutions with ratings below investment grade and (iv) unregistered ownership over real property, goodwill, incorporation and development expenses and other intangibles and provisioning deficiencies as determined by the Superintendency; plus (b) the supplementary capital (Tier 2 capital), which includes (i) securities issued by the financial institution and share premiums resulting therefrom as certain requirements are met and (ii) the provisions required by the Argentine Central Bank for loan losses on portfolio customers in normal situation and covered with preferred A guarantees (without exceeding 1.25% of risk-weighted assets for credit), minus certain deductible concepts.

***Capital Adequacy Requirements***

See -Selected Statistical Information-Regulatory Capital.

***Capitalization of Debt Instruments***

Through Communication A 5282, as amended, 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 Communication, 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 the case of clauses (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 the case of clause (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.

***Profit Distribution***

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



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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 Communication A 3486, dated March 22, 2002, and Communication 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 Communication 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.

As of February 13, 2015, the percentages of minimum cash requirements applicable in accordance with Argentine Central Bank regulations for Banco Galicia, are as follows:

## Demand deposits:

Peso-denominated checking accounts and savings accounts: 17%.

Dollar-denominated savings accounts: 50%.

## Time deposits (by remaining maturity):

Peso-denominated: up to 29 days: 13%; from 30 to 59 days: 10%; from 60 to 89 days: 6%; from 90 to 179 days: 1%; from 180 to 365 days: 0%; and more than 365 days: 0%.

Dollar-denominated: up to 29 days: 50%; from 30 to 59 days: 38%; from 60 to 89 days: 25%; from 90 to 179 days: 14%; from 180 to 365 days: 5%; 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 for the benefit of clearing houses.

As of December 31, 2014, Banco Galicia was in compliance with its legal reserve requirements, and has continued to be up to the date of this annual report.

***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.

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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.

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 Communication A 3911, as amended, establishes that the average monthly financial assistance to non-financial public sector, in the aggregate, shall not be higher than 35% of the bank's total assets as of the end of the previous month.

The Argentine Central Bank also regulates the level of total financial exposure (defined as financial assistance or credit plus equity participations) of a bank to a related party. Until August 2013 a related party was defined as bank's affiliates and related individuals, affiliate meaning 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, and related individuals meaning bank's directors, senior management, syndics (*síndicos*) and such persons' direct relatives. On August 9, 2013, the Argentine Central Bank issued the Communication A 5472, through which the definition of related parties was modified and broadened.

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:

Individual maximum limits for customers over which a bank has control

Domestic financial entities

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%.

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

Domestic companies with complementary services

Domestic companies with complementary services associated with brokerage activities, 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%

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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%

In addition, subject to the 25% limitation on financial exposure at the end of every month, these companies can offer financing to financial services users, not subject to the Credit Cards Law but in compliance with regulations related to interest rates in financing operations, applying the corresponding factors.

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%

Individual maximum limits for customers over which there is a personal relationship

Lender is rated from 1 to 3: 5% of its RPC.

In addition, the aggregate amount of a bank's total financial exposure to its related parties, except for the ones subject to individual maximum limits higher than 10% (complementary services companies), 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 .

***Limitation on interest rates, fees and other substantial elements***

On June 10, 2014, the Argentine Central Bank issued a series of Communications which set forth: i) regulatory limits on the interest rates chargeable on personal loans, pledge loans and credit card loans (Communication A 5590); ii) the requirement for an authorization to increase fees (Communication A 5685); and iii) an alternative method for expressing the total financial cost of a loan, which going forward will be expressed as an annual nominal rate applicable to the loans granted (Communication A 5592).

In addition, through its Communication A 5640, the Argentine Central Bank established minimum rates effective from October 8, 2014, for time deposits of individuals in pesos for amounts lower than certain values (Ps.120,000 through October and Ps.350,000 from November onwards). Minimum rates cannot be lower than the

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product of the last reference interest rate on liabilities and a coefficient which depends on the term of the deposit (from 30 to 44 days: 0.87; from 45 to 59 days: 0.89; for 60 days or more: 0.93). The above mentioned reference interest rate is the average rate of the Lebac in Pesos, for the closest term to 90 days of the second month immediately preceding the date of the deposits (October: 26.31% per annum; November: 26.80% per annum).

***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 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.
- (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.

***Foreign Currency Position***

Through several communications, 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 Communication 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 Communication A 4598, dated November 17, 2006, the Argentine Central Bank allowed, in certain cases, the limit to increase by 15%. Communication 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.

In February 2014, the Argentine Central Bank established limits to a bank's net position in foreign currency, setting a cap equivalent to 30% of its computable regulatory capital or its own liquid resources, whichever is less, and a second cap equivalent to 10% of its computable regulatory capital for positions in forward transactions. In September 2014, the Argentine Central Bank reduced the above mentioned cap to 20% of the bank computable regulatory capital or its own liquid resources.

***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. The deposit insurance system covers all Peso and foreign currency deposits

held in demand deposit accounts, savings accounts and time deposits. The Argentine Central Bank may modify, at any time, and with general scope, the amount of the mandatory deposit guarantee insurance.

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.



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Through its Communication A 5641, dated October 6, 2014, the Argentine Central Bank increased the maximum limit to cover the risk associated with bank deposits through the Deposit Insurance Fund. Said limit was set at Ps.120,000 until the end of October, and increased to Ps.350,000 in November. In addition, the Communication increased the monthly contribution of financial entities to said fund to 0.06% of the monthly average of deposits, beginning in November 2014 (previous contribution: 0.015%).

### ***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.

The holders of the following deposits are entitled to the general preferential right established by the Financial Institutions Law in the following order:

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.

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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.

### ***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).

The Argentine Central Bank has issued regulations to enforce public disclosure of companies' pricing (fees and interest rates) to ensure consumer awareness of such pricing.

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In addition, during 2014 the Argentine Central Bank issued a series of regulations in order to establish caps on interest rates on personal loans, pledge loans and credit card loans, as well as to establish a requirement for an authorization to increase fees.

### **Concealment and Laundering of Assets of a Criminal Origin**

Law No. 25,246 (as amended in July 2011 by Law No. 26,683) 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 (i) the foregoing acts were crimes that are particularly serious, meaning those crimes with a punishment that is greater than three years of imprisonment; (ii) the perpetrator committed the crime for profit; and (iii) 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.

In addition, the regulations establish that: (i) 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; (ii) 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 (iii) 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 responsible for establishing and maintaining 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 . Also, we have appointed two directors to fulfill the roles of Compliance Officer and substitute Compliance Officer. 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.

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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: (i) 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; (ii) 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, (iii) 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; (iv) significant and unusual movements in custodial accounts; (v) frequent use by infrequent clients of special investment accounts whose owner is the financial entity; and (vi) 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.

Law No. 26,734 enacted on December 22, 2011, incorporated terrorism financing and the financing of terrorism as an aggravating circumstance to all criminal conduct in the Argentine Criminal Code.

Such law punishes any individual who either directly or indirectly collects or provides goods or money with the intention of being used, or knowing that they will be used, in whole or in part (i) to finance committing a crime with the purpose established in Section 41.5, (ii) for an organization who commits or attempts to commit crimes with the purpose established in Section 41.5 and (iii) for a person who commits or attempts to commit or participates in any way with committing crimes with the purpose established in Section 41.5.

The new legislation also punishes terrorism as an aggravating factor in other punishable crimes when any such offense was committed in order to terrorize the population.

## **Item 4.A. Unresolved Staff Comments**

None.

## **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 years, in order to increase our recurrent earnings generation capacity, we have undertaken to expand the volume of our business with the private sector.

We have increased our customer base and our fee-based business 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.

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



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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 deterioration of individuals loan portfolios and also due to the worsening of the economic condition.

In spite of the recent slowdown in the Argentine economy, Banco Galicia has managed to expand its business with the private sector and to improve its income generation, while strengthening its financial condition and the coverage of its credit risks in a scenario of deterioration of asset quality.

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. Fiscal year 2015 will be more challenging as the world economy is more volatile, certain commodities prices are falling, the economic activity in Brazil is slowing down, and as there are still certain domestic problems such as a growing fiscal deficit, difficulties to access to the foreign exchange market, pressure on the foreign currency exchange rate and high levels of inflation, which could negatively impact the Argentine economy.

### **The Argentine Economy**

The fiscal year 2014 was characterized by low volatility in the international financial markets. However, the gradual scaling back by the U.S. Federal Reserve of its monetary stimulus programs, along with a decline in the prices of commodities, particularly oil, had an adverse effect on the value of higher risk assets. Whereas the stock exchanges of developed countries increased, on average, by 2%, stock exchanges of emerging markets dropped by almost 5%.

Due to the nearing completion of the U.S. Federal Reserve's asset purchase program, the market believes that a rise in the reference interest rate is likely to occur. These expectations caused the prices of commodities to fall by about 18%, with the oil price decreasing by 46% in 2014. The better economic outlook in developed countries, which countries are generally net importers of oil, along with a higher expected return on bonds issued by those countries, caused a reversal of capital flows in emerging markets and placed a high level of pressure on their currencies. In contrast with this capital movement, a drop of around 80 b.p. was noted in the interest rate of 10-year U.S. bonds that matured in 2014 with a return of about 2%.

In connection with the global activity level, developed economies grew at an estimated 1.8% rate in 2014 (as compared to the United States of America and the United Kingdom which grew at a rate of 2.2% and 3.2% respectively). Europe would have ended 2014 with a 0.8% increase in its GDP, resuming a positive trend after a 0.4% decrease in 2013. Additionally, the emerging economies decelerated their pace of expansion, as they grew by 4.4% in 2014, as compared to 4.7% in 2013.

In short, in 2014, the international environment was characterized (especially during the second half of the year) by the global appreciation of the U.S. Dollar, a moderate reversal of the capital flow in emerging economies and a deterioration in exchange rates for South American economies. In this regard, the prices of Argentina's major export products ended the year with an average 10% decrease, when compared to 2013, according to the commodity index prepared by the Argentine Central Bank.

From a domestic standpoint, 2014 was a year in which the economy suffered from a deterioration of the international economic environment and from a partial readjustment of relative prices locally. Both factors lead to a weak performance of the Argentine economy in general. Some private estimates reflect a contraction of about 2.5% in 2014, as compared to the 3.2% expansion in 2013. Although the activity level dropped throughout the year, it was worse during the second half of the year, which will have a negative drag higher than 1% for 2015. It is noteworthy that the

economic activity figures prepared by the INDEC suggest a 0% increase in GDP although there is no information available yet regarding the fourth quarter of the year.

The general weakness in Argentine economic activity began having a negative impact on employment dynamics in 2014. The unemployment rate increased to 6.9% of the economically active population for the fourth quarter of 2014 from 6.4% for the same quarter of 2013.

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In the monetary area, the main monetary aggregates maintained a moderate pace, again falling below the nominal growth of the economy. The monetary base of the Argentine government ended the year with an annual 22.5% expansion, 1.3 percentage points ( p.p. ) below the 2013 growth. Particularly, the monetary base increased by Ps.85,368 million, which is almost exclusively due to the increased financing provided to the National Treasury (Ps.161,508 million) and, to a lesser extent, foreign currency purchases (Ps.48,334 million), as compared to 2013, when the Argentine Central Bank was a clear seller of foreign currency. In addition, repurchase transactions decreased by Ps.26,809 million, while transactions related to Argentine Central Bank Bills and Notes (Lebacs and Nobacs, respectively) decreased by Ps.94,639 million. This trend was as well reflected in the performance of the private-sector M2 (money in circulation and deposits in savings and checking accounts that belong to the private sector), which grew 25.6%, as compared to the 24.6% growth recorded in 2013. On the other hand, total M2 (including deposits from the public sector) ended 2014 with a 29.5% increase, after increasing by 27.1% annually in 2013.

In respect of the changes in domestic interest rates, their fluctuations reflected monetary policy decisions made during 2014. Although interest rates on time deposits ended the year at levels similar to those of December 2013, a temporary increase was noted during the first half of 2014 due to volatility in the exchange rate in late 2013 and early 2014, and the increase in Argentine Central Bank's reference rates for the first months of 2014. During the second half of 2014, the exchange rate stability and the restored liquidity of Argentine banks lead to a decrease in interest rates. For example, the Badlar 2014 rate reached a maximum of 26.3% in April 2014, whereas its average value was approximated 20% in December.

The reference exchange rate established by the Argentine Central Bank increased from Ps.6.518 to Ps.8.552 per U.S. Dollar between December 30, 2013 and December 30, 2014, equivalent to a 31.2% depreciation; while the average exchange rate increased from Ps.6.319 to Ps.8.550.

Inflation in 2014 was 23.9%, as measured by the IPCNu of the INDEC, above the 10.9% reported by the CPI of the INDEC in the previous year. In turn, the Domestic Wholesale Price Index (IPIM as per its initials in Spanish) recorded a 28.3% increase. It is noteworthy that there are also private estimates of inflation that determine a rate considerably higher than the ones mentioned above.

In the fiscal area, tax revenues, including social security increased 36.3% in 2014, as compared to 25.9% in 2013. On the other hand, primary expenditures increased by 43.4% on an annual basis in 2014. As a result, the Argentine public sector recorded a primary deficit amounting to Ps.38,562 million, equivalent to 0.9% of GDP, which entails a decline as compared to the primary deficit amounting to Ps.22,479 million in 2013 (0.7% of GDP). After interest payments for Ps.71,158 million, the financial deficit amounted to Ps.108,720 million, equivalent to 2.5% of GDP.

In respect of the external sector in 2014, the estimated current account balance of payments recorded a deficit amounting to approximately US\$5,500 million (the accumulated deficit for the third quarter of the year amounted to US\$3,266 million). In this regard, the estimated deficit for the year would represent a slight decline as compared to that recorded in 2013, which amounted to US\$4,786 million. The imbalance would represent 1 p.p. measured in terms of GDP. This decline was partly due to a decrease in the year's balance of trade surplus, the positive balance of which amounted to US\$6,687 million, US\$1,317 million lower than the amount reached in 2013.

Exports decreased by 11.9%, as compared to the previous year, due to the near 9.8% decline in volumes, reinforced by a 2.5% drop in prices. This decline in the volumes exported represents a significant drop, as compared to the 3% increase noted in 2013.

On the other hand, imports also showed a strong contraction, as compared to the previous year, as they decreased by about 11.4% annually, after increasing by 8.3% in 2013. This contraction was due to a decline of about 12% in the

volumes acquired, partially moderated by a 1% rise in prices. The purchases of automotives and parts were the two items that decreased most, 49% and 21%, respectively.

Within this environment, the non-financial private sector's capital account (as per estimates made by the single free exchange market or MULC as per its initials in Spanish) posted a net foreign currency outflow of US\$237 million in 2014, as compared to a net inflow of US\$2,290 million in 2013. As of December 31, 2014, the Argentine Central Bank's international reserves amounted to US\$31,443 million, US\$843 above what was noted in late 2013.

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### **The Argentine Financial System**

Financial intermediation evolved at a slower pace, which was reflected by the loans-to-private-sector to GDP ratio, an indicator of the financial system's depth, which decreased by 1 p.p. during the year and stood at 13.3%.

Total loans to the private sector increased by 20%, as compared to late 2013, reaching Ps.591,064 million. Loans that increased the most were consumer credit lines, made up of loans through credit cards and personal loans, which increased by 27%, reaching Ps.239,892 million at year-end. As regards short-term commercial loans, mainly made up of overdrafts and promissory notes, they grew by 19%, amounting to Ps.164,091 million. Collateral loans increased by 3%, with a final balance of Ps.32,761 million, whereas mortgage loans increased by 9%, to Ps.48,688 million. In turn, loans to the public sector accounted for 8% of total assets as of November 2014 (the latest information available), decreasing 0.5 percentage points inter-annually.

The financial system's total deposits increased 30% during the year, reaching Ps.967,753 million. Deposits from the non-financial private sector increased 32%, amounting to Ps.711,747 million, whereas deposits from the public sector reached Ps.253,753 million, representing a 25% growth. Within deposits from the private sector, transactional deposits grew 35%, reaching Ps.370,328 million, while time deposits increased 28%, reaching Ps.316,448 million.

The average interest rate paid by private banks in December 2014 for time deposits in Pesos of up to 59 days was 21.37%, with an increase of 186 b.p. inter-annually. With respect to lending rates, in December 2014 the rates that were applicable to overdrafts and promissory notes were 30.80% (+321 b.p. during the year), 24.20% (+182 b.p. during the year), respectively.

As measured in November 2014, financial institutions increased their liquidity levels (in relation to total deposits) when compared to the prior year, with an average rate of 26.4%. In financial standing terms, the Argentine financial system's net worth increased by Ps.47,695 million, which represents a 41% increase as compared to 2013. The system's profitability was equivalent to 4.2% of total assets (+1 p.p.), while the return on shareholders' equity was 33.6% (+6 p.p.).

During the first 11 months of the year, income from interest and income from services represented 5.8% and 4.3% of total assets, respectively. In turn, administrative expenses increased from 7.1% to 7.4% of total assets, while provisions for loan losses remained unchanged at 1.0% of total assets.

The non-accrual loan portfolio to the non-financial private sector reached 2.0% in November 2014, a 0.3 p.p. increase when compared to the same month of the previous year. The coverage of the private-sector non-accrual loan portfolio with allowances remained at 140%, a level similar to the prior year.

As to the financial system's structure, as of December 31, 2014, the financial system was composed of 81 financial institutions, considering both banks and non-banking institutions. Of such total, 65 were banks, of which 53 were private banks. Also, of the latter, 33 were domestic-owned private banks and 20 were foreign-owned banks. There were 12 government-owned banks and 16 non-banking financial institutions.

The concentration of the financial system, measured by the market share of private sector deposits of the ten leading banks, reached 76% as of December 31, 2014.

Based on information as of December 2014, the Argentine financial system's banks employed a total of 106,234 people, representing a 1.1% increase during the year.

**The Argentine Insurance Industry**

The insurance industry continued to grow on the financial period 2014. Production amounted to Ps.108,913 million, 28.4% higher than the level recorded for 2013. Out of the total insurance production, 80% related to

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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 45% of property insurance, followed by the workers' compensation segment with 32%.

Within the life insurance business, group life insurance represented 68% of the segment, followed by individual life insurance, representing 14%, and personal accident insurance, representing 14%.

**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 WPI and the CPI, for the fiscal years 2014, 2013 and 2012. 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>	<b>For the 12-month period ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Price Indices <sup>(1) (2)</sup>			
WPI	28.27	14.76	13.13
CPI	23.91	10.95	10.84
Adjustment Indices			
CER	24.34	10.53	10.55

(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 WPI could be substantially higher than those indicated by INDEC. For example, according to private sector estimates, the CPI approximately increased by 24% (rather than 10.8%) in 2012, 27% (rather than 10.9%) in 2013 and 41% (rather than 23.9%) in 2014.

In the first two months of 2015, the WPI increased 0.4% and the CPI increased 2.1%. Over the same period, the CER increased 2.1%.

**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.

**As of December 31,**  
**2014      2013      2012**  
*(In millions of Pesos)*

<b>Assets</b>			
In Pesos, Unadjusted	93,496	72,613	55,494
In Pesos, Adjusted by the CER	819	781	717
In Foreign Currency <sup>(1)</sup>	12,999	9,762	7,247
<b>Total Assets</b>	<b>107,314</b>	<b>83,156</b>	<b>63,458</b>
<b>Liabilities and Shareholders Equity</b>			
In Pesos, Unadjusted, Including Shareholders Equity	97,430	72,696	55,082
In Pesos, Adjusted by the CER	11	8	8
In Foreign Currency <sup>(1)</sup>	13,212	10,452	8,369
<b>Total Liabilities and Shareholders Equity</b>	<b>110,653</b>	<b>83,156</b>	<b>63,459</b>

(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.21,347 million and liabilities to Ps.19,485 million.



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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.

Two other currencies have been defined apart from the Argentine Peso: assets and liabilities adjusted by CER and foreign currency. Banco Galicia's policy 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.

An adequate balance between assets and liabilities denominated in foreign currency characterizes the management strategy for this risk factor, seeking to achieve full coverage of long-term asset-liability mismatches and allowing a short-term mismatch management margin that contributes to the possibility of improving certain market situations. Short- and long-term goals are attained by appropriately managing assets and liabilities and by using the financial products available in our market, particularly dollar futures both in institutionalized markets (MAE and ROFEX) and in forward transactions performed with customers.

Transactions in foreign currency futures (Dollar futures) are subject to limits that take into consideration the particular characteristics of each trading environment.

### **Results of Operations for the Fiscal Years Ended December 31, 2014, December 31, 2013 and December 31, 2012**

We discuss below our results of operations for the fiscal year ended December 31, 2014 as compared with our results of operations for the fiscal year ended December 31, 2013, and our results of operations for the fiscal year ended December 31, 2013 as compared with our results of operations for the fiscal year ended December 31, 2012.

#### ***Net Income/Loss***

	<b>Fiscal Year Ended</b>			<b>Change</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014/2013</b>	<b>2013/2012</b>
	<i>(in millions of Pesos, except percentages)</i>				
<b>Consolidated Income Statement</b>					
Financial Income	19,860	13,076	9,129	6,784	3,947
Financial Expenses	10,321	6,170	3,941	4,151	2,229
Net financial Income	9,539	6,906	5,188	2,633	1,718
Provision for Losses on Loans and Other Receivables	2,411				