

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 Lagarcu  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 Lagarcu  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 Lagarcu  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 Lagarcu  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 *Comisi n 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 Lagarcu  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 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
			Administrative activities
	-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>
<b>Spread and Net Yield</b>			
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
<b>Non-Financial Private Sector and Residents Abroad <sup>(1)</sup></b>					
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
<b>Accrued Interest, Adjustment and Quotation Differences</b>					
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>
<b>Loans with Guarantees</b>					
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	<p>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.</p> <p>This category is divided into two subcategories:</p> <p>(2.a). Under Observation;</p> <p>(2.b). Under Negotiation or Refinancing Agreements.</p>
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 Technical Reasons                      Loans to borrowers who fall within the conditions described above under Commercial Portfolio-Uncollectible due to Technical Reasons .

**Loan Loss Provision Requirements**

**Allocated Provisions.** Minimum allowances for loan losses are required for the different categories in which loans are classified. The rates vary by classification and by whether the loans are secured. The percentages apply to total customer obligations, both principal and interest. The allowance for loan losses on the performing portfolio is unallocated, while the allowances for the other classifications are individually allocated. Regulations provide for the suspension of 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 Past						
	Amounts Not Yet Due		Due		Total Loans	
	Amounts	%	Amounts	%	Amounts	%
<i>(in millions of Pesos, except percentages)</i>						
<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>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 Outstanding 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**

	Fiscal Year Ended December 31,			Change December 31,	
	2014	2013	2012	2014/2013	2013/2012
	<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	1,776	1,347	635	429
Net income from Services	5,699	4,239	3,200	1,460	1,039
Income from Insurance Activities	1,238	905	652	333	253
Administrative Expenses	9,221	7,428	5,774	1,793	1,654
Minority Interest	(230)	(209)	(186)	(21)	(23)
Income / (Loss) from Equity Investments	213	124	117	89	7
Miscellaneous Income / (Loss), Net	503	295	275	208	20

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Income Tax	(1,992)	(1,232)	(789)	(760)	(443)
<b>Net income / (Loss)</b>	<b>3,338</b>	<b>1,824</b>	<b>1,336</b>	<b>1,514</b>	<b>488</b>
Return on Average Assets <sup>(1)</sup>	3.85	2.91	2.80	0.94	0.11
Return on Average Shareholders Equity	39.07	32.47	32.12	6.60	0.35

(1) For the calculation of the return on average assets, profits or losses corresponding to minority interests are excluded from net income.

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Net income for the fiscal year ended December 31, 2014 was Ps.3,338 million, as compared to Ps.1,824 million for the fiscal year ended December 31, 2013 and Ps.1,336 million for the fiscal year ended December 31, 2012.

Net earnings per share for the fiscal year ended December 31, 2014 were Ps.2.57, as compared to Ps.1.48 for the fiscal year ended December 31, 2013 and Ps.1.08 for the fiscal year ended December 31, 2012.

The return on average assets and the return on average shareholders' equity for the fiscal year ended December 31, 2014 were 3.85% and 39.07%, respectively, as compared to 2.91% and 32.47%, respectively, for the fiscal year ended December 31, 2013 and to 2.80% and 32.12%, respectively, for the fiscal year ended December 31, 2012.

*Fiscal Year 2014 compared to Fiscal Year 2013*

Net income for the fiscal year ended December 31, 2014 was Ps.3,338 million, as compared to Ps.1,824 million for the fiscal year ended December 31, 2013, representing a Ps.1,514 million or 83% increase. Such increase was primarily attributable to:

a Ps.6,784 million increase in financial income, from Ps.13,076 million to Ps.19,860 million,

a Ps.1,460 million increase in net income from services, from Ps.4,239 million to Ps.5,699 million, and

a Ps.333 million increase in income from insurance activities, from Ps.905 million to Ps.1,238 million.

Such changes were partially offset by:

a Ps.4,151 million increase in financial expenses, from Ps.6,170 million to Ps.10,321 million,

a Ps.635 million increase in provision for loan losses and other receivables, from Ps.1,776 million to Ps.2,411 million,

a Ps.1,793 million increase in administrative expenses, from Ps.7,428 million to Ps.9,221 million, and

a Ps.760 million increase in income tax, from Ps.1,232 million to Ps.1,992 million.

The growth in income as compared to the year ended December 31, 2013, was mainly due to the increase in operating income (net financial income plus net income from services), which was higher than the 24% increase in administrative expenses and, as a consequence, there was an improvement in the efficiency ratio. The higher income included an increase in income from insurance activities, which increased 37%.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Net income for the fiscal year ended December 31, 2013 was Ps.1,824 million, as compared to Ps.1,336 million for the fiscal year ended December 31, 2012, representing a Ps.488 million or 37% increase. Such increase was primarily attributable to:

a Ps.3,947 million increase in financial income, from Ps. 9,129 million to Ps.13,076 million,

a Ps.1,039 million increase in net income from services, from Ps.3,200 million to Ps.4,239 million, and

a Ps.253 million increase in income from insurance activities, from Ps.652 million to Ps.905 million.

Such changes were partially offset by:

a Ps.2,229 million increase in financial expenses, from Ps.3,941 million to Ps.6,170 million,

a Ps.429 million increase in provision for loan losses and other receivables, from Ps.1,347 million to Ps.1,776 million,

a Ps.1,654 million increase in administrative expenses, from Ps.5,774 million to Ps.7,428 million, and

a Ps.443 million increase in income tax, from Ps.789 million to Ps.1,232 million.

The growth in income as compared to the year ended December 31, 2012, was the result of a significant increase in the volume of financial intermediation with the private sector, together with the improvement of the efficiency ratio, as the increase in operating income (net financial income plus net income from services) was higher than the increase recorded in administrative expenses.

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Our financial income was composed of the following:

	<b>Fiscal Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	16,211	11,369	8,010
Income from Government and Corporate Securities, Net	2,448	939	962
Other <sup>(1)</sup>	1,201	768	157
<b>Total</b>	<b>19,860</b>	<b>13,076</b>	<b>9,129</b>

(1) Reflects income from receivables from financial leases, premiums on forward sales of foreign currency, CER adjustment and, during fiscal year 2014, results from foreign-exchange differences.

The following table shows our yields on interest-earning assets and cost of funds:

	<b>As of December 31,</b>					
	<b>2014</b>		<b>2013</b>		<b>2012</b>	
	<b>Average Balance</b>	<b>Rate</b>	<b>Average Balance</b>	<b>Rate</b>	<b>Average Balance</b>	<b>Rate</b>
	<i>(in millions of Pesos, except rates)</i>					
<b>Interest-Earning Assets</b>	<b>70,349</b>	<b>26.66</b>	<b>54,160</b>	<b>23.03</b>	<b>42,837</b>	<b>21.31</b>
Government Securities	8,760	21.16	4,156	14.33	5,248	13.28
Loans	59,072	27.49	47,912	24.01	35,197	22.85
Other	2,517	26.54	2,092	17.77	2,392	16.17
<b>Interest-Bearing Liabilities</b>	<b>52,081</b>	<b>16.53</b>	<b>39,779</b>	<b>12.60</b>	<b>30,922</b>	<b>9.93</b>
Savings Accounts	10,186	0.20	8,078	0.18	6,669	0.16
Time Deposits	30,229	21.80	23,257	16.22	16,711	13.38
Debt Securities	8,976	16.54	6,351	13.70	4,751	11.51
Other Interest-bearing Liabilities	2,690	19.18	2,093	16.96	2,791	9.90
<b>Spread and Net Yield</b>						
Interest Spread, Nominal Basis <sup>(1)</sup>		10.13		10.43		11.38
Net Yield on Interest-earning Assets <sup>(2)</sup>		14.42		13.77		14.14
Financial Margin <sup>(3)</sup>		13.56		12.75		12.11

- (1) Reflects the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities. Interest rates include the CER adjustment.*
  - (2) Net interest earned divided by average interest-earning assets. Interest rates include the CER adjustment.*
  - (3) Represents net financial income, divided by average interest-earning assets.*
- Fiscal Year 2014 compared to Fiscal Year 2013*

Financial income for the fiscal year ended December 31, 2014 was Ps.19,860 million, as compared to Ps.13,076 million for the fiscal year ended December 31, 2013, representing a 52% increase. Such increase was the result of a higher average volume of interest-earning assets, together with a higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2014 was 26.66%, a 363 b.p. increase as a result of the growth reflected in the average interest rate of every interest-earning asset, primarily, loans to the private sector and government securities.

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The average of interest-earning assets increased Ps.16,189 million, from Ps.54,160 million for the fiscal year ended December 31, 2013 to Ps.70,349 million for the fiscal year ended December 31, 2014. Out of this growth, Ps.11,160 million corresponded to the increase of the average loan portfolio which totaled Ps.59,072 million, 23% higher than the Ps.47,912 million for the fiscal year ended December 31, 2013. Within the loans to the private sector segment, a Ps.9,959 million (or 36%) increase in credit cards and a Ps.2,981 million (or 22%) growth in promissory notes, stood out.

Credit growth was influenced by projects that were undertaken pursuant to the Credit Line for Productive Investment set forth by the Argentine Central Bank aiming to finance investment projects and working capital for specific purposes and with certain characteristics. As of the end of fiscal year 2014, the Bank complied with the loan placement pursuant to the conditions set forth by the Argentine Central Bank for the 2014 quota. The amount to be granted by Banco Galicia was Ps.2,151 million for the first parts of the 2014 quota and Ps.2,750 million for the second parts of the 2014 quota.

According to Argentine Central Bank information, as of December 31, 2014, Banco Galicia's estimated market share of loans to the private sector, excluding loans granted by the Regional Credit Card Companies, was 8.78%, equal to the market share as of December 31, 2013.

The average interest rate on total loans was 27.49% for the fiscal year ended December 31, 2014, as compared to 24.01% for the fiscal year ended December 31, 2013.

The average interest rate earned on Peso-denominated loans to the private sector was 28.85% for the fiscal year ended December 31, 2014, as compared to 25.28% for the fiscal year ended December 31, 2013, representing a 357 b.p. increase. This interest rate was influenced by projects that were undertaken pursuant to the Credit Line for Productive Investment (with nominal annual fixed rates of 17.50% and 19.50% for the first and second part of the 2014 quota, respectively), and by the regulation issued by the Argentine Central Bank in order to establish caps on interest rates on personal loans, pledge loans and credit card loans.

The average interest rate earned on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2014 was 4.87%, as compared to 4.69% for the fiscal year ended December 31, 2013, representing a 18 b.p. increase.

The average position in government securities for the fiscal year ended December 31, 2014 was Ps.8,760 million, as compared to the Ps.4,156 million for the fiscal year ended December 31, 2013, representing an increase of 111% as a consequence of the increase of Ps.3,806 million in the average position on Peso-denominated government bonds and of Ps.798 million in the average position on Dollar-denominated government bonds. This variation was due to higher balances, mainly in securities issued by the Argentine Central Bank and, to a lesser extent, in bonds issued by the Argentine government due in 2016, 2017 and 2019 and provincial treasury bills and debt securities.

The average yield on government securities for the fiscal year ended December 31, 2014 was 21.16%, as compared to 14.33% for the fiscal year ended December 31, 2013, a 683 b.p. increase, as a consequence of a higher average yield in Pesos. Thus, the average interest rate on government securities denominated in Pesos for the fiscal year ended December 31, 2014 was 23.99%, as compared to 15.13% for the fiscal year ended December 31, 2013, a 886 b.p. increase, mainly due to the higher average rate accrued on Lebac.

The average interest rate on government securities denominated in Dollars for the fiscal year ended December 31, 2014 was 3.34%, as compared to 6.80% for the fiscal year ended December 31, 2013, a 346 b.p. decrease, mainly due to the yield corresponding to provincial treasury bills and debt securities.

The average Other Interest-Earning Assets for the fiscal year ended December 31, 2014 was Ps.2,517 million, as compared to Ps.2,092 million for the fiscal year ended December 31, 2013, representing an increase of 20%, mainly attributable to the higher average balance of financial investments carried out by the Regional Credit Card Companies, together with an increase in the average balance of reverse repurchase agreement transactions.

The average rate on Other Interest-Earning Assets for the fiscal year ended December 31, 2014 was 26.54%, as compared to 17.77% for the fiscal year ended December 31, 2013, a 877 b.p. increase. Such growth was



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attributable to the variation in the average rate of other Peso-denominated assets, as such rate increased to 27.67% for the fiscal year ended December 31, 2014 from 18.14% for the fiscal year ended December 31, 2013, predominantly as a result of the higher yields on financial investments, in line with the evolution of interest rates in the Argentine financial system. This return was offset by the decrease in the foreign currency average rate, from 8.78% to 3.42% for the same period.

The line item *Other Financial Income* recorded an increase of Ps.433 million, mainly due to the higher income from foreign-currency forward transactions, from Ps.578 million profit in fiscal year 2013 to Ps.830 million profit in fiscal year 2014. Such line item also includes Ps.13 million profit from currency quotation differences, composed of a Ps.241 million gain from foreign exchange brokerage activities and a Ps.228 million loss from the valuation of the foreign currency net position. For the fiscal year ended December 31, 2013 the result from currency quotation differences was negative and was disclosed under the item *Other* in the Financial Expenses table.

The following table indicates our market share in the segments listed below:

<i>(in percentages)</i>	<b>Fiscal Year Ended</b>		
	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total Deposits	6.64	6.92	6.75
Private-Sector Deposits			
Total	8.79	9.20	9.11
Deposits in Checking and Savings Accounts and Time Deposits	9.06	9.47	9.39
Total Loans	8.08	8.07	8.19
Private-Sector Loans	8.78	8.78	9.03

*Exclusively Banco Galicia and CFA within the Argentine market, based on daily information on deposits and loans prepared by the Argentine Central Bank. End-of-month balances are used. Deposits and loans include only principal. The Regional Credit Card Companies data is not included.*

*Fiscal Year 2013 compared to Fiscal Year 2012*

Financial income for the fiscal year ended December 31, 2013 was Ps.13,076 million, as compared to Ps.9,129 million for the fiscal year ended December 31, 2012, representing a 43% increase. Such increase was the result of a higher average volume of interest-earning assets, together with a higher average yield.

The average yield on interest-earning assets for the fiscal year ended December 31, 2013 was 23.03%, as compared to 21.31% for the fiscal year ended December 31, 2012, a 172 b.p. increase as a result of the growth reflected in the average interest rate of every interest-earning asset, primarily, loans to the private sector and government securities.

The average of interest-earning assets for the fiscal year ended December 31, 2013 was Ps.54,160 million as compared to Ps.42,837 million for the fiscal year ended December 31, 2012, representing a 26% increase. Out of this increase, Ps.12,715 million corresponded to the increase in the size of the average loan portfolio which totaled Ps.47,912 million for the fiscal year ended December 31, 2013, 36% higher than the Ps.35,197 million for the fiscal year ended December 31, 2012. Within the loans to the private sector segment, a Ps.8,110 million (or 42%) increase in credit cards, a Ps.2,863 million (or 27%) increase in promissory notes, a Ps.768 million (or 11%) increase in personal loans

and a Ps.644 million (or 56%) increase in mortgage loans, stood out.

Credit growth was influenced by projects that were undertaken pursuant to the Credit Line for Productive Investment set forth by the Argentine Central Bank in July 2012. As of the end of fiscal years 2012 and 2013, the Bank complied with the loan placement pursuant to the conditions set forth by the Argentine Central Bank for the 2012 quota (Ps.1,348 million) and the 2013 quota (first semester: Ps.1,623 and second semester: Ps.1,872 million).

According to Argentine Central Bank information, as of December 31, 2013, Banco Galicia's estimated market share of loans to the private sector, excluding loans granted by the Regional Credit Card Companies, was 8.78%, as compared to 9.03% as of December 31, 2012.

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The average interest rate on total loans was 24.01% for the fiscal year ended December 31, 2013, as compared to 22.85% for the fiscal year ended December 31, 2012, representing an increase of 116 b.p.

The average interest rate earned on Peso-denominated loans to the private sector was 25.28% for the fiscal year ended December 31, 2013, as compared to 24.87% for the fiscal year ended December 31, 2012, representing a 41 b.p. increase. This interest rate was influenced by projects that were undertaken pursuant to the Credit Line for Productive Investment, as loans granted under this credit line are required to be denominated in Pesos and the interest rate to be received by financial entities shall be of up to a 15.25% nominal annual fixed rate for the 2013 quota (2012 quota: 15.01%).

The average interest rate earned on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2013 was 4.69%, as compared to 5.40% for the fiscal year ended December 31, 2012, representing a 71 b.p. decrease.

The average position in government securities for the fiscal year ended December 31, 2013 was Ps.4,156 million, as compared to Ps.5,248 million for the fiscal year ended December 31, 2012, representing a decrease of 21%. This was attributable to a Ps.1,399 million decrease in the average position on Peso-denominated government bonds, primarily due to a decrease in the average position of securities issued by the Argentine Central Bank (Lebac and Nobac).

The average position in Dollar-denominated government bonds recorded an increase of Ps.307 million during the fiscal year ended December 31, 2013, mainly due to the acquisition of provincial treasury bills and debt securities.

The average yield on government securities for the fiscal year ended December 31, 2013 was 14.33%, as compared to 13.28% for the fiscal year ended December 31, 2012, a 105 b.p. increase.

The average interest rate on government securities denominated in Pesos for the fiscal year ended December 31, 2013 was 15.13%, as compared to 13.48% for the fiscal year ended December 31, 2012, a 165 b.p. increase, mainly due to the higher average rate accrued on Lebac and Nobac, as well as on Bonar 2015 Bonds.

The average interest rate on government securities denominated in Dollars for the fiscal year ended December 31, 2013 was 6.80%, as compared to 2.23% for the fiscal year ended December 31, 2012, a 457 b.p. increase, mainly due to the evolution of the prices corresponding to provincial treasury bills and debt securities.

The average **Other Interest-Earning Assets** for the fiscal year ended December 31, 2013 was Ps.2,092 million, as compared to Ps.2,392 million for the fiscal year ended December 31, 2012, representing a decrease of Ps.300 million, mainly attributable to the lower average balance of reverse repurchase agreement transactions, partially offset by the higher average balances related to receivables from financial leases.

The average rate on **Other Interest-Earning Assets** for the fiscal year ended December 31, 2013 was 17.77%, as compared to 16.17% for the fiscal year ended December 31, 2012, a 160 b.p. increase. Such growth was attributable to the variation in the average rate of other Peso-denominated assets as such rate increased to 18.14% for the fiscal year ended December 31, 2013 from 16.91% for the fiscal year ended December 31, 2012, predominantly as a result of the variation in the other interest-earning assets participation in terms of average volume and rate. Likewise, the foreign currency average rate increased to 8.78% from 2.76% for the same period.

The financial income for the fiscal year ended December 31, 2013 included, under the item **Other** in the Financial Income table above, a Ps.578 million profit from foreign-currency forward transactions, while in fiscal year 2012 profit from foreign-currency forward transactions represented a gain of Ps.26 million.



**Table of Contents****Financial Expenses**

Our financial expenses were composed of the following:

	<b>Fiscal Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
Interest on Deposits	6,577	3,780	2,245
Notes	1,485	869	547
Contributions and Taxes	1,480	1,009	630
Other <sup>(1)</sup>	779	512	519
<b>Total</b>	<b>10,321</b>	<b>6,170</b>	<b>3,941</b>

(1) Includes interest accrued on liabilities resulting from financial brokerage with international banks and credit entities, premiums payable on repurchase agreement transactions, CER adjustment and, during fiscal year 2013 and 2012, results from foreign-exchange differences.

Fiscal Year 2014 compared to Fiscal Year 2013

The financial expenses for the fiscal year ended December 31, 2014 were Ps.10,321 million, as compared to Ps.6,170 million for the fiscal year ended December 31, 2013, a 67% increase. Such growth was attributable to a 31% increase in the average balance of interest-bearing liabilities combined with a 393 b.p. increase in the average cost thereof.

The average interest-bearing liabilities for the fiscal year ended December 31, 2014 were Ps.52,081 million, as compared to Ps.39,779 million for the fiscal year ended December 31, 2013. Such growth was attributable to the Ps.9,080 million higher total interest-bearing deposits, which increased from Ps.31,336 million to Ps.40,416 million, and to the Ps.2,625 million increase in the average balance of debt securities, from Ps.6,351 million to Ps.8,976 million.

With respect to the total average interest-bearing deposits for the fiscal year ended December 31, 2014, Ps.37,140 million were Peso-denominated deposits and Ps.3,276 million were Dollar-denominated deposits, as compared to Ps.28,922 million and Ps.2,414 million, respectively, for the fiscal year ended December 31, 2013. Average Peso-denominated deposits recorded an increase of 28%, with a growth of 22% in savings accounts and 30% in time deposits. Average deposits in Dollars increased 36% during fiscal year 2014, mainly due to the exchange rate evolution during the period.

Using Argentine Central Bank information, considering only deposits from the private sector in checking and savings accounts and time deposits, Banco Galicia's estimated Argentine deposit market share was 9.06% for the fiscal year ended December 31, 2014, as compared to 9.47% for the fiscal year ended December 31, 2013.

The average rate on interest-bearing deposits (savings accounts and time deposits) for the fiscal year ended December 31, 2014 was 16.35%, as compared to 12.09% for the fiscal year ended December 31, 2013, a 426 b.p. increase, attributable to the evolution of the interest rate on time deposits, which was in line with the financial system

dynamics. Peso-denominated deposits for the fiscal year ended December 31, 2014 accrued at a 17.70% average interest rate, as compared to 13.04% for the fiscal year ended December 31, 2013, a 466 b.p. increase. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2014 was 1.07%, as compared to 0.70% for the fiscal year ended December 31, 2013, a 37 b.p. increase.

The average balance of debt securities for the fiscal year ended December 31, 2014 was Ps.8,976 million, an increase of Ps.2,625 million or 41% as compared to Ps.6,351 million for the fiscal year ended December 31, 2013. This growth was mainly attributable to the issuance of notes by Tarjeta Naranja, Tarjetas Cuyanas, CFA and Grupo Financiero Galicia and to the variation in the quotation of the Dollar during the period.

The average interest rate for debt securities for the fiscal year ended December 31, 2014 was 16.54%, as compared to 13.70% for the fiscal year ended December 31, 2013, this increase was mainly attributable to the increase in the interest rate on the subordinated debt securities issued by Banco Galicia, according to contractual conditions.

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The average balance of *Other Interest-Bearing Liabilities* for the fiscal year ended December 31, 2014 was Ps.2,689 million, with an average rate of 19.19%, as compared to Ps.2,092 million for the fiscal year ended December 31, 2013, with an average rate of 16.97%. This item includes mainly Peso and Dollar-denominated debt with local and international banks and credit entities, and Peso and Dollar-denominated obligations in connection with repurchase agreement transactions for government securities. The Ps.597 million increase in the average amount was mainly attributable to the growth in the balance of debt with international banks and credit entities.

Likewise, the 222 b.p. growth recorded in the average rate of *Other Interest-Bearing Liabilities* as compared to fiscal year 2013 was mainly related to transactions in Pesos, since the average interest rate in Pesos increased from 23.28% in fiscal year 2013 to 31.97% as of the end of fiscal year 2014, mainly due to the higher cost of funding for loans granted by local financial entities, principally attributable to the Regional Credit Card Companies. The average interest rate in dollars was 3.26%, a 19 b.p. decrease from the 3.45% recorded a year before.

The item *Other Financial Expenses* amounted to Ps.779 million, representing an increase of Ps.267 million (52%), mainly due to the higher expenses related to foreign-currency forward transactions. It is worth mentioning that as of December 31, 2013, financial expenses included Ps.152 million loss from currency quotation differences, composed of a Ps.326 million loss from the valuation of the foreign currency net position and a Ps.174 million gain from foreign exchange brokerage activities.

*Fiscal Year 2013 compared to Fiscal Year 2012*

The financial expenses for the fiscal year ended December 31, 2013 were Ps.6,170 million, as compared to Ps.3,941 million for the fiscal year ended December 31, 2012, a 57% increase. Such growth was attributable to a 29% increase in the average balance of interest-bearing liabilities combined with a 267 b.p. increase in the average cost thereof.

The average interest-bearing liabilities for the fiscal year ended December 31, 2013 were Ps.39,779 million, as compared to Ps.30,922 million for the fiscal year ended December 31, 2012. Such growth was attributable to the Ps.7,955 million increase in total interest-bearing deposits, which increased from Ps.23,381 million to Ps.31,336 million, and to the Ps.1,600 million increase in the average balance of debt securities, from Ps.4,751 million to Ps.6,351 million. These increases were offset by a decrease of Ps.698 million in the average balance of *Other Interest-Bearing Liabilities*, from Ps.2,790 million to Ps.2,092 million.

With respect to the total average interest-bearing deposits for the fiscal year ended December 31, 2013, Ps.28,922 million were Peso-denominated deposits and Ps.2,414 million were Dollar-denominated deposits, as compared to Ps.20,520 million and Ps.2,861 million, respectively, for the fiscal year ended December 31, 2012.

Average Peso-denominated deposits increased by 41%, with an increase of 32% in savings accounts and 44% in time deposits. Average deposits in Dollars fell 16% during fiscal year 2013, with deposits in savings accounts decreasing 26% and time deposits decreasing by 7%.

Using Argentine Central Bank information, considering only deposits from the private sector in checking and savings accounts and time deposits, Banco Galicia's estimated Argentine deposit market share was 9.47% for the fiscal year ended December 31, 2013, as compared to 9.39% for the fiscal year ended December 31, 2012, an 8 b.p. increase.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2013 was 12.09%, as compared to 9.61% for the fiscal year ended December 31, 2012, a 248 b.p. increase. Peso-denominated deposits for the fiscal year ended December 31, 2013 accrued at a 13.04% average interest rate, as compared to 10.88% for the fiscal year ended December 31, 2012, a 216 b.p. increase. The rate of Dollar-denominated deposits for the fiscal year ended

December 31, 2013 was 0.70%, as compared to 0.50% for the fiscal year ended December 31, 2012, a 20 b.p. increase.

The average balance of debt securities for the fiscal year ended December 31, 2013 was Ps.6,351 million, as compared to Ps.4,751 million for the fiscal year ended December 31, 2012, a 34% increase. This increase was mainly attributable to the issuance of notes by Tarjeta Naranja, Tarjetas Cuyanas and CFA, to Grupo Financiero's issuance of its Class III and Class IV notes and to the variation in the quotation of the Dollar during the period.



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The average interest rate for debt securities for the fiscal year ended December 31, 2013 was 13.70%, as compared to 11.51% for the fiscal year ended December 31, 2012, a 219 b.p. increase.

The average balance of *Other Interest-Bearing Liabilities* for the fiscal year ended December 31, 2013 was Ps.2,092 million, with an average rate of 16.79%, as compared to Ps.2,790 million for the fiscal year ended December 31, 2012, with an average rate of 9.89%, a 25% decrease in the average balance and a 708 b.p. increase in the average rate, respectively. This item includes mainly Peso and Dollar-denominated debt with local and international banks and credit entities, and Peso and Dollar-denominated obligations in connection with repurchase agreement transactions for government securities. The Ps.698 million decrease in the average balance was mainly attributable to a lower average balance of debt with international banks and credit entities and to the decrease of Dollar-denominated obligations in connection with repurchase agreement transactions for government securities. This variation was partially offset by the growth recorded in financing from local entities.

The financial expenses for the fiscal year ended December 31, 2013 included a Ps.152 million loss from currency quotation differences. These financial expenses were composed of a Ps.174 million gain from foreign exchange brokerage activities and a Ps.326 million loss from the valuation of the foreign currency net position. For the fiscal year ended December 31, 2012 financial expenses included a Ps.189 million loss from currency quotation differences, composed of a Ps.160 million gain from foreign exchange brokerage activities and a Ps.349 million loss from the valuation of the foreign currency net position.

***Net Financial Income******Fiscal Year 2014 compared to Fiscal Year 2013***

Net financial income for the fiscal year ended December 31, 2014 was Ps.9,539 million, with a corresponding financial margin of 13.56%, as compared to Ps.6,906 million for the fiscal year ended December 31, 2013 with a corresponding financial margin of 12.75%.

The net financial income for the fiscal year ended December 31, 2014 (excluding the results from currency quotation differences and the results from foreign-currency forward transactions) amounted to Ps.8,959 million as compared to Ps.6,480 million income for the fiscal year ended December 31, 2013, with a corresponding financial margin of 12.74% and 11.96%, respectively. This variation was attributable to a higher volume of transactions, offset by a lower spread (defined as the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities) which decreased to 10.13% for the fiscal year ended December 31, 2014 from 10.43% for the fiscal year ended December 31, 2013.

***Fiscal Year 2013 compared to Fiscal Year 2012***

Net financial income for the fiscal year ended December 31, 2013 was Ps.6,906 million, with a corresponding financial margin of 12.75%, as compared to Ps.5,188 million for the fiscal year ended December 31, 2012 with a corresponding financial margin of 12.11%, a Ps.1,718 million increase and a 64 b.p. increase, respectively.

The net financial income for the fiscal year ended December 31, 2013 included a Ps.426 million gain from currency quotation differences, comprised of a Ps.174 million gain from foreign exchange brokerage activities and a Ps.252 million gain from the valuation of the foreign-currency net position and the results from foreign-currency forward transactions. For the fiscal year ended December 31, 2012, such result amounted to a Ps.163 million loss comprised of a Ps.323 million loss from the valuation of the foreign currency net position and the results from foreign-currency forward transactions which was partially offset by a Ps. 160 million gain from foreign exchange brokerage activities.

The higher result from quotations differences for the fiscal year ended December 31, 2013 as compared to the fiscal year ended December 31, 2012 was mainly due to higher income from foreign-currency forward transactions.

Consequently, net financial income before quotation differences was Ps.6,480 million, Ps.1,129 million higher than the Ps.5,351 million for the fiscal year ended December 31, 2012. This increase was attributable to the significant growth in the volume of activity with the private sector, offset by a lower spread, which decreased to 10.43% for the fiscal year ended December 31, 2013 from 11.38% for the fiscal year ended December 31, 2012.

**Table of Contents*****Provision for Losses on Loans and Other Receivables******Fiscal Year 2014 compared to Fiscal Year 2013***

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2014 were Ps.2,411 million, as compared to Ps.1,776 million for the fiscal year ended December 31, 2013, a Ps.635 million increase attributable to past due loans with both, companies and individuals. The non-accrual loan portfolio as of December 31, 2014 represented 3.57% of total loans, in line with the ratio recorded a year before. During 2014, Banco Galicia established allowances for loan losses equal to Ps.2,339 million.

The coverage of the non-accrual portfolio with allowances increased from 103.80% at fiscal year ended 2013 to 105.78% as of December 31, 2014. During fiscal year 2013 the Bank's policy for establishing anticyclical provisions was discontinued and a procyclical policy was implemented, which reflects IFRS standards in a more reliable way. This in turn influenced the decrease of the coverage ratio.

Direct charges, net of recoveries, represented a gain of Ps.181 million. Charge-offs against allowances for loan losses were equal to Ps.1,840 million, as compared to Ps.1,304 million as of the end of fiscal year 2013, which increase mainly related to the seasoning of the portfolio.

***Fiscal Year 2013 compared to Fiscal Year 2012***

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2013 were Ps.1,776 million, as compared to Ps.1,347 million for the fiscal year ended December 31, 2012, a Ps.429 million increase primarily attributable to individual past due loans. The non-accrual loan portfolio as a percentage of total loans increased from 3.37% as of December 31, 2012 to 3.57% as of December 31, 2013. During 2013, Banco Galicia established allowances for loan losses equal to Ps.1,701 million.

The coverage of the non-accrual portfolio with allowances decreased from 115.85% at fiscal year-end 2012 to 103.80% as of December 31, 2013. During fiscal year 2013 the Bank's policy for establishing anticyclical provisions was discontinued and a procyclical policy was implemented, which reflects IFRS standards in a more reliable way. This in turn influenced the decrease of the coverage ratio.

Direct charges, net of recoveries, represented a gain of Ps.187 million. Charge-offs against allowances for loan losses were equal to Ps.1,304 million. The increase was mainly due to the increase in delinquency in credit-card and personal loans.

***Net Income from Services***

Our net income from services consisted of:

	<b>Fiscal Year Ended December 31,</b>			<b>% Change December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2014/2013</b>	<b>2013/2012</b>
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Income From					
Credit and Debit Cards	5,376	4,097	3,037	31	35

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Deposit Accounts	1,341	879	652	53	35
Credit-related Fees	227	289	234	(21)	24
Check Collection	182	105	79	73	33
International Trade	180	128	99	41	29
Safe Deposit Box	167	124	99	35	25
Collection Services (Taxes and Utility Bills)	126	87	64	45	36
CFA	137	122	104	12	17
Financial Fees	97	82	70	18	17
Cash Management	69	55	39	25	41
Services for Shipments	59	43	26	37	65
Other (1)	345	223	151	55	48
<b>Total Income</b>	<b>8,306</b>	<b>6,234</b>	<b>4,654</b>	<b>33</b>	<b>34</b>
<b>Total Expenses</b>	<b>2,607</b>	<b>1,995</b>	<b>1,454</b>	<b>31</b>	<b>37</b>
<b>Net Income from Services</b>	<b>5,699</b>	<b>4,239</b>	<b>3,200</b>	<b>34</b>	<b>32</b>

(1) Includes, among others, fees from investment banking activities, asset management, assets under custody and guarantees granted.

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*Fiscal Year 2014 compared to Fiscal Year 2013*

Net income from services for the fiscal year ended December 31, 2014 was Ps.5,699 million, as compared to Ps.4,239 million for the fiscal year ended December 31, 2013, a 34% increase. The evolution in the business volume and the rise in prices (in compliance with the procedures established by the regulations of the Argentine Central Bank), account for the increases in most of the items noted in the chart above.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2014 was Ps.2,219 million, as compared to Ps.1,683 million for the fiscal year ended December 31, 2013, a 32% increase. Such increase was mainly attributable not only to the greater number of credit cards managed, but also to the greater average amount of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those issued by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2014 was 2.9 million, as compared to 2.5 million for the fiscal year ended December 31, 2013, a 14% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2014 was Ps.3,157 million, as compared to Ps.2,414 million for the fiscal year ended December 31, 2013, a 31% increase. Such increase was mainly attributable to an increase in the amount of purchases made during the fiscal year together with a greater number of issued credit cards. The Regional Credit Card Companies had issued 8.9 million credit cards as of December 31, 2014, as compared to 8.3 million credit cards as of December 31, 2013, a 7% increase.

Consequently, income generated from credit card transactions amounted to Ps.5,376 million in 2014, Ps.1,279 million higher from the Ps.4,097 million generated in 2013.

The increase of fees which stood out were those related to national and regional credit cards fees (31%) and to deposit accounts (53%).

Total deposit accounts for the fiscal year ended December 31, 2014 were 3 million, representing a 9% increase.

Expenses from services for the fiscal year ended December 31, 2014 were Ps.2,607 million, as compared to Ps.1,995 million for the fiscal year ended December 31, 2013, representing a 31% increase. Such increase was mainly attributable to the growth in expenses related to credit and debit card transactions and to the total benefits program, together with a higher turnover tax.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Net income from services for the fiscal year ended December 31, 2013 was Ps.4,239 million, as compared to Ps.3,200 million for the fiscal year ended December 31, 2012, a 32% increase. The Bank's strategic positioning in the different segments, the significant growth in the business volume and the rise in prices, in line with the dynamics of the market, account for the increases in all items noted in the chart above.

Banco Galicia's income from credit and debit card transactions, on an individual basis, for the fiscal year ended December 31, 2013 was Ps.1,683 million, as compared to Ps.1,224 million for the fiscal year ended December 31, 2012,



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a 38% increase. Such growth was mainly attributable not only to the greater number of credit cards managed, but also to the greater average amount of purchases made with each card during the year. The total number of cards managed by Banco Galicia excluding those issued by the Regional Credit Card Companies and CFA, for the fiscal year ended December 31, 2013 was 2.5 million, as compared to 2.2 million for the fiscal year ended December 31, 2012, a 17% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2013 was Ps.2,414 million, as compared to Ps.1,813 million for the fiscal year ended December 31, 2012, a 33% increase. Such growth was mainly attributable to an increase in the amount of purchases made during the fiscal year together with a greater number of issued credit cards. The Regional Credit Card Companies had issued 8.3 million credit cards as of December 31, 2013, as compared to 7.5 million credit cards as of December 31, 2012, a 10% increase.

Consequently, income generated from credit card transactions amounted to Ps.4,097 million in 2013, a 35% increase from the Ps.3,037 million generated in 2012.

In addition to income from credit cards transactions, significant growth was achieved by Banco Galicia particularly in the form of fees collected in connection with deposit accounts (35%).

The increase of fees which stood out were those related to national and regional credit cards fees (31%) and to deposit accounts (53%).

Total deposit accounts for the fiscal year ended December 31, 2013 were 2.8 million, as compared to 2.6 million for the fiscal year ended December 31, 2012, representing a 7% increase.

Expenses from services for the fiscal year ended December 31, 2013 were Ps.1,995 million, as compared to Ps.1,454 million for the fiscal year ended December 31, 2012, representing a 37% increase. Such increase was mainly attributable to the growth in expenses related to credit and debit card transactions (expenses corresponding to processing and promotions, among others), together with a higher turnover tax.

The following table sets forth the number of credit cards outstanding as of the dates indicated:

Credit Cards	December 31,			% Change	
	2014	2013	2012	2014/2013	2013/2012
	<i>(number of credit cards, except otherwise noted)</i>			<i>(percentages)</i>	
<b>Visa</b>	<b>1,750,960</b>	<b>1,586,344</b>	<b>1,400,979</b>	<b>10</b>	<b>13</b>
Gold	395,732	324,903	304,967	22	7
International	906,701	826,297	714,920	10	16
Domestic	68,980	90,245	115,336	(24)	(22)
Business	85,039	71,307	57,845	19	23
Corporate	3,241	3,139	2,924	3	7
Platinum	291,267	270,453	204,987	8	32
<b>Galicia Rural</b>	<b>17,107</b>	<b>15,476</b>	<b>12,472</b>	<b>11</b>	<b>24</b>
<b>American Express</b>	<b>986,962</b>	<b>810,780</b>	<b>644,710</b>	<b>22</b>	<b>26</b>
Gold	307,072	238,088	211,297	29	13

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International	427,932	345,380	282,744	24	22
Platinum	251,958	227,312	150,669	11	51
<b>MasterCard</b>	<b>126,880</b>	<b>107,235</b>	<b>100,288</b>	<b>18</b>	<b>7</b>
Gold	43,824	34,935	30,592	25	14
MasterCard	82,652	71,779	69,058	15	4
Argencard	404	521	638	(22)	(18)
<b>Regional Credit Card Companies</b>	<b>8,879,717</b>	<b>8,270,150</b>	<b>7,494,721</b>	<b>7</b>	<b>10</b>
Local Brands <sup>(1)</sup>	4,654,234	4,552,203	4,242,386	2	7
Visa	3,646,229	3,164,358	2,741,907	15	15
MasterCard	537,947	519,342	478,173	4	9
American Express	41,307	34,247	32,255	21	6
<b>CFA</b>	<b>170,930</b>	<b>101,412</b>	<b>88,987</b>	<b>69</b>	<b>14</b>
Visa	155,228	93,881	79,488	65	18
MasterCard	15,702	7,531	9,499	108	(21)
<b>Total</b>	<b>11,932,556</b>	<b>10,891,397</b>	<b>9,742,157</b>	<b>10</b>	<b>12</b>

**Total Amount of Purchases (in millions of Pesos)**

	<b>Ps.</b>	<b>101,814</b>	<b>Ps.</b>	<b>75,925</b>	<b>Ps.</b>	<b>52,804</b>	<b>34</b>	<b>44</b>
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(1) It corresponds to Tarjeta Naranja, Tarjetas Cuyanas, Tarjetas del Mar and La Anónima.



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The following table sets forth the components of our administrative expenses:

	Fiscal Year Ended December 31,			% Change December 31,	
	2014	2013	2012	2014/2013	2013/2012
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Salaries and Social Security Contributions	4,549	3,681	2,785	24	32
Personnel Services	150	128	158	17	(19)
Amount Accrued in Relation to Directors and Syndics Compensation	85	64	50	33	28
Advertising and Publicity	414	383	359	8	7
Electricity and Communications	249	217	192	15	13
Property-related Expenses	466	376	281	24	34
Taxes	851	608	436	40	39
Other	2,457	1,971	1,513	25	30
<b>Total</b>	<b>9,221</b>	<b>7,428</b>	<b>5,774</b>	<b>24</b>	<b>29</b>

*Fiscal Year 2014 compared to Fiscal Year 2013*

Administrative expenses for the fiscal year ended December 31, 2014 were Ps.9,221 million, as compared to Ps.7,428 million for the fiscal year ended December 31, 2013, a 24% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2014 were Ps.4,699 million, as compared to Ps.3,809 million for the fiscal year ended December 31, 2013, a 23% increase. Such increase was mainly attributable to the salary increase agreement with the unions. For the fiscal year ended December 31, 2013, the staff of Grupo Financiero Galicia and its subsidiaries was composed of 12,603 employees, while as of the end of fiscal year 2014 the same staff was composed of 12,012 employees.

The remaining administrative expenses for the fiscal year ended December 31, 2014 were Ps.4,522 million, as compared to Ps.3,619 million for the fiscal year ended December 31, 2013, a 25% increase. Such increase was mainly attributable to the increase in amounts payable due to the different services provided.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Administrative expenses for the fiscal year ended December 31, 2013 were Ps.7,428 million, as compared to Ps.5,774 million for the fiscal year ended December 31, 2012, a 29% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2013 were Ps.3,809 million, as compared to Ps.2,943 million for the fiscal year ended December 31, 2012, a 29% increase. Such increase was mainly attributable to the salary increase agreement with the unions. For the fiscal year ended December 31, 2012, the staff of Grupo Financiero Galicia and its subsidiaries was comprised of 13,316 employees, while as of the end of fiscal year 2013 the same staff was comprised of 12,603 employees.



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The remaining administrative expenses for the fiscal year ended December 31, 2013 were Ps.3,619 million, as compared to Ps.2,831 million for the fiscal year ended December 31, 2012, a 28% increase. Such increase was mainly attributable to a higher level of activity, to the geographic expansion of Banco Galicia and the Regional Credit Card Companies and to the increase in amounts payable due to the different services provided.

***Income from Insurance Activities***

*Fiscal Year 2014 compared to Fiscal Year 2013*

Income from insurance activities amounted to Ps.1,238 million for the fiscal year ended December 31, 2014, 37% higher than the Ps.905 million of income recorded for the fiscal year ended December 31, 2013. The increase in income was mainly as a result of the increase in the volume of premiums issued, primarily due to the evolution of property and life insurance products sold.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Income from insurance activities amounted to Ps.905 million for the fiscal year ended December 31, 2013, 39% higher than the Ps.652 million of income recorded for the fiscal year ended December 31, 2012, mainly as a result of a significant increase in the volume of premiums issued for the insurance products sold.

***Income/(Loss) from Equity Investments***

*Fiscal Year 2014 compared to Fiscal Year 2013*

Income from equity investments for the fiscal year ended December 31, 2014 was Ps.213 million, as compared to Ps.124 million for the fiscal year ended December 31, 2013. The 72% increase was mainly attributable to: i) the profit from the sale of Banco Galicia's equity investment in Banelco S.A. to VISA Argentina S.A., for Ps.40 million and ii) the collection of higher dividends from VISA Argentina S.A., for Ps.17 million.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Income from equity investments for the fiscal year ended December 31, 2013 was Ps.124 million, as compared to Ps.117 million for the fiscal year ended December 31, 2012. The Ps.7 million increase was mainly attributable to the collection of higher dividends from VISA Argentina S.A.

***Miscellaneous Income/(Loss), Net***

*Fiscal Year 2014 compared to Fiscal Year 2013*

Miscellaneous net income for the fiscal year ended December 31, 2014 was Ps.503 million, as compared to Ps.295 million for the fiscal year ended December 31, 2013.

The higher income of Ps.208 million was mainly due to the increase of Ps.80 million in profits from loans recovered and punitive interest, together with a lower establishment of net allowances for Ps.56 million.

*Fiscal Year 2013 compared to Fiscal Year 2012*

Miscellaneous net income for the fiscal year ended December 31, 2013 was Ps.295 million, as compared to Ps.275 million for the fiscal year ended December 31, 2012.

The higher income of Ps.20 million was mainly due to the increase of Ps.138 million in profits from loans recovered and punitive interest, partially offset by the higher establishment of net allowances for Ps.116 million.

**Table of Contents****Income Tax***Fiscal Year 2014 compared to Fiscal Year 2013*

The income tax charge for the fiscal year ended December 31, 2014 was Ps.1,992 million, as compared to Ps.1,232 million for the fiscal year ended December 31, 2013, a Ps.760 million increase.

The effective income tax rate for fiscal year 2014 was 37.4%, lower than the 40.3% recorded in 2013.

*Fiscal Year 2013 compared to Fiscal Year 2012*

The income tax charge for the fiscal year ended December 31, 2013 was Ps.1,232 million, as compared to Ps.789 million for the fiscal year ended December 31, 2012, a Ps.443 million increase.

The effective income tax rate for fiscal year 2013 was 40.3%, lower than the 37.1% recorded in 2012.

**U.S. GAAP and Argentine Banking GAAP Reconciliation****General**

We prepare our financial statements in accordance with Argentine Banking GAAP. The more significant differences between Argentine Banking GAAP and U.S. GAAP relate to the determination of the allowance for loan losses, the carrying value of certain government securities and receivables for government securities, the accounting of Banco Galicia's foreign debt restructuring, goodwill, securitization and recognition of deferred income taxes. For more detail on differences in accounting treatment between Argentine Banking GAAP and U.S. GAAP as of December 31, 2014, see Note 36 to our consolidated financial statements.

**Allowances for Loan Losses**

With respect to the determination of the allowance for loan losses, we follow the rules of the Argentine Central Bank. Under these rules, reserves are based on minimum reserve requirements established by the Argentine Central Bank. U.S. GAAP requires that an impaired loan be generally valued at the present value of expected future cash flows discounted at the loan's effective rate or at the fair value of the collateral if the loan is collateral dependent. For the purposes of analyzing our loan loss reserve under U.S. GAAP, we divide our loan portfolio into performing and non-performing commercial and consumer loans.

The following table shows the allowance for loan losses for the periods indicated under Argentine Banking GAAP and U.S. GAAP and the corresponding shareholders' equity adjustment under U.S. GAAP:

	December 31, 2014	December 31, 2013	December 31, 2012
	<i>(in millions of Pesos)</i>		
Argentine Banking GAAP	2,678.1	2,172.3	1,761.4
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	97.0	104.7	70.6

ASC 450	2,558.8	2,056.1	1,660.5
<b>U.S. GAAP Shareholders Equity Adjustment <sup>(1)</sup></b>	<b>22.2</b>	<b>11.4</b>	<b>30.3</b>

*(1) Including qualitative and quantitative adjustments.  
ASC 310 Analysis*

The non-performing commercial loan portfolio is comprised of loans falling into the following classifications of the Argentine Central Bank:

With Problems

High Risk of Insolvency

Uncollectible

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The following table shows our loan loss reserve under ASC 310 for our non-performing commercial loan portfolio as of the dates indicated.

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<i>(in millions of Pesos)</i>		
Loan Loss Reserve Under U.S. GAAP			
ASC 310			
Analysis	97.0	104.7	70.6

For such non-performing commercial loans, we applied the procedures required by ASC 310. For loans that were not collateral dependent, the expected future cash flows to be received from the loans were discounted using the interest rate at each balance sheet date for variable loans. Loans that were collateral dependent, and for which there was an expectation that the loan balance would be recovered via the exercise of collateral, were valued using the fair value of the collateral. In addition, in order to assess the fair value of collateral, we discounted collateral valuations due to the extended period of time that it can take to foreclose on assets in Argentina.

*ASC 450 Analysis*

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified.

Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Many factors can affect Banco Galicia's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

The increase in the allowances recorded under ASC 450 is mostly due to a higher volume of credit card and personal loans granted during 2014 and 2013 and the worsening of macroeconomic factors, such as inflation rate and unemployment. The table below shows our loan loss reserve under ASC 450 for consumer and performing commercial loans as of the dates indicated.

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<i>(in millions of Pesos)</i>		
Loan Loss Reserve Under U.S. GAAP			
ASC 450			
Analysis	2,558.8	2,056.1	1,660.5

In addition to assessing the reasonableness of the loan loss reserve as described above, Grupo Financiero Galicia makes an overall determination of the adequacy of each period's reserve based on such ratios as:

Loan loss reserves as a percentage of non-accrual loans,

Loan loss reserves as a percentage of total amounts past due, and

Loan loss reserves as a percentage of past-due unsecured amounts.

The table below shows the above-mentioned ratios as of the dates indicated.

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Loan Loss Reserves as a Percentage of Non-accrual Loans	129.78%	127.05%	138.77%
Loan Loss Reserves as a Percentage of Total Amounts Past Due	81.86%	79.52%	87.80%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	153.96%	147.83%	159.09%

The allowance for loan losses has increased approximately 20% during 2014 under U.S. GAAP. This variation is due to an increase in the portfolio of loans to the private sector and to the qualitative approach reflecting current economic conditions, industry performance trends, geographic or obligor concentrations, within each portfolio segment required for smaller-balance impaired and unimpaired.



**Table of Contents*****Carrying Value of Certain Government Securities and Receivables for Government Securities***

As of December 31, 2013, our holding of Bonar 2015 Bonds have been recorded at their acquisition cost increased according to the accrual of their internal rate of return under Argentine Banking GAAP. During 2014 they were fully settled.

Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

Under U.S. GAAP, all of these assets are carried at fair value as fully explained in Note 36 to our financial statements and -U.S. GAAP - Critical Accounting Policies .

The table below shows the book value, market value and amortized cost of Bonar 2015 Bonds as of December 31, 2014 and 2013, respectively.

	December 31, 2014				December 31, 2013				
	Book Amortized Value	Book Amortized Value	Market Value	Unrealized (Loss)/Gain	Book Amortized Value	Book Amortized Value	Market Value	Unrealized (Loss)/Gain	
	Cost	Argentine US Banking GAAP	Argentine US Banking GAAP	Shareholders Equity Adjustment	Cost	Argentine US Banking GAAP	Argentine US Banking GAAP	Shareholders Equity Adjustment	
<i>(In millions of Pesos)</i>									
Bonar 2015 Bonds					196	392	396	200	4

***Foreign Debt Restructuring***

For U.S. GAAP purposes, the restructuring is accounted for in each of two steps. The first step of the restructuring required the holders of our debt to exchange its old debt for new debt in two tranches. Pursuant to Determining Whether a Debtor's Modification or Exchange of Debt Instruments is within the scope of ASC 470 (ASC 820), we did not receive any concession from the holders of the debt and therefore, the first step of the restructuring was not considered a trouble debt restructuring. Pursuant to Debtors Accounting for a Modification or Exchange of Debt Instruments ASC 470-50, the first step of the restructuring was accounted for as a modification of the old debt and therefore we did not recognize any gain or loss. The second step of the restructuring offers the holders of our debt issued in the first step explained above the option to exchange it for new securities including cash, Boden 2012 Bonds and our equity shares. Pursuant to U.S. GAAP, this second step of the restructuring was accounted for in accordance with Accounting by Debtors and Creditors for Trouble Debt Restructurings ASC 310-40, as a partial settlement of the debt through the transfer of certain assets and equity at its fair value. After deducting the considerations used to repay the debt, ASC 310-40 requires the comparison of the future cash outflows of the restructured debt and the carrying of the debt at the restructuring date.

Gain on troubled debt restructuring is only recognized when the remaining carrying value of the debt at the date of the restructuring exceeds the total future cash payments of the restructured debt reduced by the fair value of the assets and equity given as payment of the debt. Since the total future cash outflows of the restructured debt exceeds the carrying value of the old debt, no gain on restructuring was recorded under U.S. GAAP.

As a result, under U.S. GAAP, the carrying amount of the restructured debt is greater than the amount recorded under Argentine Banking GAAP. Therefore, under U.S. GAAP, a new effective interest rate was determined to reflect the present value of the future cash payments of the restructured debt.

Furthermore, under U.S. GAAP, expenses incurred in a trouble debt restructuring are expensed as incurred. Expenses related to the issuance of equity were deducted directly from the shareholders' equity.

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Shareholders Equity adjustments between Argentine Banking GAAP and U.S. GAAP as of December 31, 2014 and December 31, 2013, amounted to Ps.(55) million and Ps.(33) million, respectively.

**Securizations**

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2014 and 2013:

	2014		As of December 31,		2013	
	Book Value Argentine Banking GAAP	Fair Value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment	Book Value Argentine Banking GAAP	Fair Value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment
Galtrust I <sup>(1)</sup>	788	806	18	743	743	
Financial Trust Galicia <sup>(2)</sup>				151	143	(8.8)
<b>Total</b>	<b>788</b>	<b>806</b>	<b>18</b>	<b>894</b>	<b>886</b>	<b>(8.8)</b>

**(1) Financial Trust Galtrust I**

The financial trust Galtrust I was created in October 2000 in connection with the securitization of provincial loans for a total amount of Ps.1,102 million. The securitized loans were from the portfolio of loans granted to provincial governments, guaranteed by the federal tax revenues shared with the provincial governments.

During 2002, the portfolio of loans included and the related retained interest in Galtrust I was subject to the pesification. As a result, the retained interest in the trust was converted into Pesos at an exchange rate of Ps.1.40 to US\$1.00 and the interest rate for their debt securities changed to CER plus 10%. During 2003, Galtrust I had swapped its provincial loans for Bogar Bonds due 2018.

Under Argentine Banking GAAP, this transaction was accounted for as sales and the participation certificates retained by the Bank are recorded at the present value of cash flows discounted by the I.R.R. of instruments with similar characteristics and duration and with volatility. When the book value exceeds the present value, the monthly accrual is recorded in an asset offset account.

The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage, and its balance as of December 31, 2014 and 2013, was Ps.788 million and Ps.743 million, respectively.

In accordance with ASC 810, Grupo Financiero Galicia was deemed to be the primary beneficiary of this trust and, therefore, the Bank reconsolidated the assets and liabilities of the mentioned trust. Upon consolidation, the Bogar Bonds were classified as available-for-sale securities and measured at fair value with changes recorded in other comprehensive income.

Debt securities have been cancelled as of December 31, 2014 and 2013.

**(2) Financial Trust Galicia**

Under this trust, Argentine government promissory notes in Pesos at 2% due 2014 for Ps.108.0 million were transferred and a certificate of participation and debt securities were received in exchange. Those Argentine government promissory notes were previously received in exchange of national secured loans held by us.

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For Argentine Banking GAAP purposes, the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust. The cost of these securities was determined based on the book value of the promissory notes transferred.

This transfer was not considered a true sale for U.S. GAAP purposes, and therefore, it was recorded as a secured borrowing according to ASC 860. Therefore, we recognized in our consolidated balance sheet the promissory notes transferred to the financial trust.

Under U.S. GAAP, the promissory notes were classified as loans recorded at amortized cost with the corresponding loan loss reserve, as applicable. The U.S. GAAP adjustment is related to the difference between the cost basis used under both standards. For Argentine Banking GAAP, the cost was determined based on the carrying value of national secured loans previously held and exchanged for the promissory notes, while under U.S. GAAP, the cost was determined based on the fair value of each national secured loan transferred in exchange of the promissory notes received.

As of December 31, 2014 this trust was cancelled.

**Additional information required by U.S. GAAP**

The table below presents the aggregated assets and liabilities of the financial trusts which have been consolidated for U.S. GAAP purposes:

<i>(In millions of Pesos)</i>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
Cash and Due from Banks	Ps. 4	Ps. 13
Government Securities and Promissory Notes	764	963
Loans	144	
Accrued interest, adjustments and exchange rate differences receivable	3	
Allowances	(6)	
Other Assets	35	
<b>Total Assets</b>	<b>Ps. 945</b>	<b>Ps. 976</b>
Debt Securities	Ps. 98	Ps. 90
Accrued interest	1	
Certificates of Participation	836	886
Other Liabilities	10	
<b>Total Liabilities</b>	<b>Ps. 945</b>	<b>Ps. 976</b>

Our maximum loss exposure, which amounted to Ps.945 million and Ps.976 million as of December 31, 2014 and 2013, respectively, is based on the unlikely events that all the assets in the VIEs become worthless and incorporates potential losses associated with assets recorded on our balance sheet.

***Negative Goodwill    Compañía Financiera Argentina and subsidiaries***

The Argentine Central Bank's board of directors, through Resolution No.124 dated June 7, 2010, authorized Banco Galicia to purchase 95% of the shares belonging to the following companies: CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.). Furthermore, through the above-mentioned resolution the Argentine Central Bank authorized the subsidiary Tarjetas Regionales to purchase the remaining 5% of the shares belonging to such companies.

The total purchase price paid amounted to Ps.328.3 million for CFA, Ps.0.8 million for Cobranzas y Servicios S.A. and Ps.4.8 million for Procesadora Regional S.A. (former Universal Processing Center S.A.).

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Pursuant to Argentine Central Bank rules, and due to the difference between the acquisition cost and the estimated fair value of assets and liabilities acquired as of June 30, 2010, a negative goodwill amounting to Ps.500.6 million was recorded by CFA and a negative goodwill of Ps.16.8 million was recorded by Cobranzas y Servicios S.A., both of which were recorded under the line item Liabilities-Provisions. With regard to Procesadora Regional S.A. (former Universal Processing Center S.A.), a goodwill amounting to Ps.4.0 million was recorded under Intangible Assets Goodwill. The negative goodwill is subsequently charged to Income on a straight-line basis during 60 months.

Under U.S. GAAP, ASC 805 requires the acquisition of controlling interest of CFA, Cobranzas y Servicios S.A. and Procesadora Regional S.A. (former Universal Processing Center S.A.) to be accounted for as a business combination applying the purchase method, recognizing all net assets acquired at their fair value.

Considering that the net assets acquired were originally recorded at their estimated fair value under Argentine Banking GAAP, no adjustments for U.S. GAAP purposes were recorded in this regard. However, the negative goodwill recorded as a liability and being amortized over a 60 months period under Argentine Banking GAAP, has been fully recognized as a gain in the consolidated statement of income for U.S. GAAP purposes under the caption Miscellaneous Income.

In addition, the amortization of negative goodwill recorded under Argentine Banking GAAP has been reversed for U.S. GAAP purposes.

As of December 31, 2014 and 2013 we had a balance of Ps.50 million and Ps.149 million, respectively, related to the negative goodwill.

## ***Income Tax***

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and, therefore, income taxes for Banco Galicia and CFA are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, we and our non-bank subsidiaries apply the deferred income tax method.

For the purposes of U.S. GAAP reporting, we applied ASC 740-10 Accounting for Income Taxes . Under this method, income tax is recognized based on the assets and liabilities method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax basis of our assets and liabilities. Deferred tax assets are recognized if it is more likely than not those assets will be realized.

According to the taxable income projections, Grupo Financiero Galicia estimates that is more likely than not that it will recover the temporary differences and the presumed minimum income tax with future taxable income and the presumed minimum income tax will be utilized. Therefore, no valuation allowance was provided against presumed minimum income tax and temporary differences.

Accounting for Uncertainty in Income Taxes , ASC 740-10 was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards ASC 740-10. ASC 740-10 became effective for us on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We classify income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on our overall financial position or results of operations.





**Table of Contents****Summary**

As a result of the above and other differences, our net income and shareholders' equity under Argentine Banking GAAP and U.S. GAAP for the periods indicated were as follows:

	Net Income (Loss)		Shareholders' Equity (Deficit)	
	Argentine Banking GAAP	U.S. GAAP	Argentine Banking GAAP	U.S. GAAP
	<i>(in millions of Pesos)</i>			
Fiscal Year 2014	3,338	3,504	10,246	10,243
Fiscal Year 2013	1,824	1,575	6,947	6,944
Fiscal Year 2012	1,336	1,310	4,870	5,108

The significant differences that result between shareholders' equity under U.S. GAAP and shareholders' equity under Argentine Banking GAAP primarily reflect that:

Under U.S. GAAP, Bonar 2015 Bonds are reflected at market values, with changes from market values at the time of exchange being recognized as other comprehensive income. With the improvement in the Argentine economy, market values have increased, with a favorable influence on our financial position.

Under U.S. GAAP, ASC 850-40 defines three stages for the costs of computer software developed or obtained for internal use: the preliminary project stage, the application development stage and the post-implementation operation stage. Under U.S. GAAP, only second stage costs should be capitalized. Under Argentine Banking GAAP, the Bank capitalized costs relating to all three of the stages of software development.

The difference between the consideration transferred for the acquisition of Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, such difference was recorded in the line item Liabilities-Provisions. Pursuant to the Argentine Central Bank regulations, negative goodwill must be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

The recognition of the Deferred Income Taxes differs under Argentine Banking GAAP as compared to U.S. GAAP. Under Argentine Banking GAAP banking companies are not allowed to record Deferred Income Tax, as such Grupo Galicia and its non-banking subsidiaries have recognized a deferred tax asset for local purposes. As such, the U.S. GAAP adjustment includes: (a) Deferred Income Taxes for banking companies not recorded for local purposes and; (b) tax effects on the USGAAP adjustments including in the reconciliation.

In accordance with U.S. GAAP under ASC 310, loan origination fees net of certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield. Under Argentine Banking GAAP, the Bank does not defer loan origination fees and costs.

The significant differences that result between net income under U.S. GAAP and net income under Argentine Banking GAAP primarily reflect that under U.S. GAAP the difference between the consideration transferred for the acquisition of CFA and Cobranzas y Servicios S.A. and the fair value of the assets acquired and liabilities assumed was recognized as a gain in earnings on the acquisition date. Instead, under Argentine Banking GAAP, the negative goodwill is charged to Income on a straight-line basis during 60 months.

### **Results by Segments**

The presentation of our segment disclosures for the years ended December 31, 2014, 2013 and 2012 corresponds with our internal reporting structure, considering the banking business as one single segment that is evaluated regularly by our management in deciding how to allocate resources and in assessing the performance of our business.

We measure the performance of each of our business segments primarily in terms of Net income, in accordance with the regulatory reporting requirements of the Argentine Central Bank. Net income and other information by segment are based on Argentine Banking GAAP and are consistent with the presentation of our consolidated financial statements.

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Our disclosure segments are as follows:

**Banking:** our banking business segment represents Banco Galicia consolidated line by line with Galicia Uruguay and the results of other small banking-related subsidiaries.

**Regional Credit Cards:** our regional credit cards business segment represents the accounts of Tarjetas Regionales consolidated with its subsidiaries.

**CFA:** the CFA business segment primarily extends unsecured personal loans to low and middle-income segments of the Argentine population. It represents the accounts of Compañía Financiera Argentina and Cobranzas y Servicios.

**Insurance:** our insurance business segment represents the accounts of Sudamericana and its subsidiaries.

**Other Grupo Galicia Businesses:** this segment includes the results of Net Investment, Galicia Warrants and Galicia Administradora de Fondos (since April 2014, when Banco Galicia sold its interest in the company to Grupo Financiero Galicia).

Our results by segments are shown in Note 31 to our audited consolidated financial statements. Below is a discussion of our results of operations by segments for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

**Banking**

The table below shows the results of our banking business segment.

<i>In millions of Pesos, except percentages</i>	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Financial Income	6,528	4,425	3,188
Net Income from Services	2,965	2,012	1,477
<b>Net Operating Revenue</b>	<b>9,493</b>	<b>6,437</b>	<b>4,666</b>
Provisions for Loan Losses	1,265	821	593
Administrative Expenses	4,981	3,964	3,095
<b>Net Operating Income</b>	<b>3,247</b>	<b>1,652</b>	<b>978</b>
<b>Income from Equity Investments</b>			
Tarjetas Regionales SA	587	465	435
Compañía Financiera Argentina	287	293	308

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Sudamericana	28	22	14
Others	205	85	(60)
<b>Income from Equity Investments</b>	<b>1,107</b>	<b>864</b>	<b>697</b>
<b>Other Income (Loss)</b>	<b>99</b>	<b>(6)</b>	<b>(31)</b>
<b>Pre-tax Income</b>	<b>4,453</b>	<b>2,511</b>	<b>1,643</b>
Income Tax Provision	1,295	674	342
<b>Net Income</b>	<b>3,158</b>	<b>1,837</b>	<b>1,301</b>
Net Income as a % of Grupo Financiero Galicia's Net Income	95%	101%	97%
Average Loans	43,372	35,341	25,872
Average Deposits	54,417	42,145	32,220

Net income for this segment amounted to Ps.3,158 million, a Ps.1,321 million increase, or 72%, as compared to Ps.1,837 million for the fiscal year ended December 31, 2013, which in turn was Ps.536 million higher than the Ps.1,301 million for the fiscal year ended December 31, 2012.

The Ps.1,321 million growth in net income was primarily a result of an increase of Ps.3,057 million in net operating revenues, Ps.243 million in income from equity investments and Ps.105 million in other income, offset by higher administrative expenses in an amount of Ps.1,018 million, provisions for loans losses in an amount of Ps.444 million and income tax in an amount of Ps.621 million.

The increase in net income for the fiscal year 2013 as compared to the fiscal year 2012 was primarily attributable to the growth in the volume of financial intermediation with the private sector and to an improved efficiency ratio as a result of the growth recorded in net operating revenues, which was partially offset by administrative expenses.

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During the fiscal year ended December 31, 2014, the growth in net financial income was due to the increase in the volume of financial intermediation, together with an improvement in financial margins.

The average yield on interest-earning assets recorded an increase as compared to the fiscal year ended December 31, 2013, primarily as a result of the growth reflected in the average interest rate of loans to the private sector and of government securities.

The average of interest-earning assets as of the end of fiscal year 2014 experienced an increase as compared to fiscal year ended December 31, 2013, due to the growth recorded in average loans to the private sector, with increases of Ps.5,531 million (or 37%) in credit cards and of Ps.2,906 million (or 21%) in promissory notes, standing out.

Credit growth was influenced by projects that were undertaken pursuant to the Credit Line for Productive Investment set forth by the Argentine Central Bank. For more information, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results - Results of Operations .

According to information provided by the Argentine Central Bank, as of December 31, 2014, Banco Galicia s estimated market share of loans to the private sector was 8.29%, as compared to 8.15% as of December 31, 2013 and 8.41% as of December 31, 2012.

The average position in government securities for the fiscal year ended December 31, 2014 increased as compared to the previous year, due to higher balances, primarily, in securities issued by the Argentine Central Bank and, to a lesser extent, in bonds issued by the Argentine government due in 2016, 2017 and 2019 and provincial treasury bills and debt securities.

Financial expenses as of the end of fiscal year 2014 increased as compared to the previous fiscal year, as a consequence of a higher average balance of interest-bearing liabilities combined with an increase in the average cost thereof. Out of total interest-bearing liabilities, variations in transactional deposits stood out, which were higher than the increase recorded in time deposits. In addition, the increase in the average rate on interest-bearing deposits (savings accounts and time deposits) for the fiscal year ended December 31, 2014 as compared to the previous fiscal year, was mainly attributable to the evolution of the interest rate on time deposits, which was in line with the financial system dynamics.

According to information provided by the Argentine Central Bank, as of December 31, 2014, Banco Galicia s estimated market share of deposits from the private sector was 8.65%, as compared to 9.02% as of December 31, 2013 and 8.91% as of December 31, 2012.

Net income for the fiscal year ended December 31, 2014, included a Ps.1,106 million gain from currency quotation differences, comprised of a Ps.241 million gain from foreign exchange brokerage activities and a Ps.865 million gain from the valuation of the foreign currency net position and the result from foreign currency forward transactions. Net income for the fiscal year ended December 31, 2013, included a Ps.477 million gain from currency quotation differences, comprised of a Ps.173 million gain from foreign exchange brokerage activities and a Ps.304 million gain from the valuation of the foreign currency net position and the result from foreign currency forward transactions.

Net income from services was Ps.2,965 million for the fiscal year ended December 31, 2014, as compared to Ps.2,012 million for the fiscal year ended December 31, 2013, a 47% increase, which in turn was 36% higher than the Ps.1,477 million for the fiscal year ended December 31, 2012. The increase in the business volume and the rise in prices (in compliance with the procedures established by the regulations of the Argentine Central Bank), account for the increases.

The main components of income from services are fees related to credit and debit card transactions and deposit accounts. With respect to credit cards, the most important component for the Bank's income from services, revenue from such segment increased 32% for the fiscal year ended December 31, 2014, with almost 3 million credit cards managed, compared to 2.5 million for the fiscal year ended December 31, 2013 and to 2.2 million for the fiscal year ended December 31, 2012. Such growth was accompanied by an increase in consumption during the past three fiscal years.

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Provisions for loan losses and other receivables were Ps.1,265 million for the fiscal year ended December 31, 2014, representing an increase of Ps.444 million as compared to Ps.821 million for the fiscal year ended December 31, 2013, primarily due to the evolution of both the consumer and the commercial portfolios. Provisions for loan losses and other receivables as of the fiscal year ended December 31, 2013, represented an increase of Ps.227 million as compared to Ps.593 million for the fiscal year ended December 31, 2012, primarily attributable to the seasoning of the consumer loan portfolio.

Administrative expenses were Ps.4,981 million for the fiscal year ended December 31, 2014, as compared to Ps.3,964 million for the fiscal year ended December 31, 2013, a 26% increase. In turn, administrative expenses for the fiscal year ended December 31, 2013, were 28% higher as compared to Ps.3,095 million for the fiscal year ended December 31, 2012. These increases were attributable to both higher personnel expenses and other administrative expenses.

The increase in personnel expenses (salaries, Argentine social security contributions and expenses related to personnel services) was mainly due to the salary increase agreed upon with unions. As of the fiscal year ended December 31, 2014 the Bank had 5,374 employees, while as of the fiscal year ended December 31, 2013 the Bank had 5,487 employees.

The increase in other administrative expenses was mainly attributable to the increase in expenses related to services provided to the Bank.

Income from equity investments was Ps.1,107 million for the fiscal year ended December 31, 2014, Ps.243 million higher as compared to Ps.864 million for the fiscal year ended December 31, 2013, which in turn was Ps.168 million higher than the Ps.697 million for the fiscal year ended December 31, 2012. The increase recorded in the fiscal year ended December 31, 2014 was mainly attributable to i) the higher profits from Tarjetas Regionales mainly due to the increase in net operating revenues, partially offset by an increase in administrative expenses, provisions for loan losses and income tax, ii) the profit generated from the transfer of the Bank's equity investment in Banelco S.A. to VISA Argentina S.A., iii) the results from Galicia Administradora de Fondos, which included the income generated from its sale to Grupo Financiero Galicia and iv) the collection of higher dividends from VISA Argentina S.A. These increases were partially offset by a lower result from CFA, which was highly influenced by extraordinary expenses due to an administrative reorganization and by the caps to interest rates on credits established by the Argentine Central Bank. For more information, see *-Regional Credit Cards*, *-CFA* and *-Insurance*.

Other net profits for the fiscal year ended December 31, 2014 were Ps.99 million, Ps.105 million higher as compared to the Ps.6 million loss for the fiscal year ended December 31, 2013, which was lower than the Ps.31 million loss for the fiscal year ended December 31, 2012. Other net profits for the fiscal year 2014 were the consequence of lower net other provisions recorded for Ps.84 million together with higher punitive interests equal to Ps.26 million. During fiscal year 2013, other net loss was mainly attributable to profits from loans recovered and punitive interest, of Ps.77.5 million, partially offset by an increase in net other provisions recorded, for Ps.37.9 million.

The income tax charge during the fiscal year ended December 31, 2014 was Ps.1,295 million, Ps.621 million higher than the Ps.674 million for fiscal year 2013.

***Regional Credit Cards***

The table below shows the results of our regional credit cards business segment.

<i>In millions of Pesos, except percentages</i>	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Financial Income	1,714	1,453	1,169
Net Income from Services	3,261	2,664	2,053
<b>Net Operating Revenue</b>	<b>4,975</b>	<b>4,117</b>	<b>3,222</b>
Provisions for Loan Losses	776	703	580
Administrative Expenses	3,197	2,598	2,014
<b>Net Operating Income</b>	<b>1,002</b>	<b>816</b>	<b>628</b>
Income from Equity Investments	(14)	(14)	(9)
Other Income (Loss)	314	218	177
Minority Interests			(10)
<b>Pre-tax Income</b>	<b>1,302</b>	<b>1,020</b>	<b>786</b>
Income Tax Provision	517	402	351
<b>Net Income</b>	<b>785</b>	<b>618</b>	<b>435</b>
Net Income as a % of Grupo Financiero Galicia's Net Income	24%	34%	33%
Average Loans	12,727	9,909	7,301



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For the fiscal year ended December 31, 2014, the Regional Credit Card Companies recorded net income of Ps.785 million, as compared to Ps.618 million for the fiscal year ended December 31, 2013, representing a Ps.168 million or 27% increase.

The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2014 was mainly attributable to an increase in net operating revenues of Ps.858 million, partially offset by increases of Ps.599 million in administrative expenses, Ps.73 million in provisions for loan losses and Ps.115 million in income tax.

The net operating revenues for the fiscal year ended December 31, 2014 amounted to Ps.4,975 million, a 21% increase as compared to the Ps.4,117 million for fiscal year ended December 31, 2013, as a result of higher net financial income in an amount of Ps.261 million and higher net income from services in an amount of Ps.597 million. The increase in net operating income was due to the growth of the average amount of purchases and financing, and to an increase in the number of transactions.

For the fiscal year ended December 31, 2014, provisions for loan losses in an amount of Ps.776 million were recorded, Ps.73 million higher than in the previous fiscal year, mainly due to an increase in the size of the loan portfolio and to higher levels of past due loans. Nevertheless, considering that IFRS regulations are effective (with the method of Markov provisioning methodology, which takes into consideration the behavior of the clients in the last five years), and since the level of past due loans was low during the above-mentioned period, provisions requirements were lower, and therefore part of the provisions accumulated during previous fiscal years with the previous method were absorbed.

Administrative expenses for the fiscal year ended December 31, 2014 amounted to Ps.3,197 million, a 23% increase from the fiscal year ended December 31, 2013, mainly due to the salary increase agreed upon with unions, the higher level of economic activity and the higher costs during the period.

In 2014 and 2013 fiscal years, other net income amounted to Ps.314 million and Ps.218 million, respectively, with increases of 44% and 23%, respectively, mainly as a result of an increase in loans recovered.

The income tax charge during fiscal year 2014 was Ps.517 million, Ps.115 million higher than in fiscal year 2013.

The Regional Credit Card Companies experienced growth in the following key indicators during fiscal year ended December 31, 2014, as compared to fiscal year ended December 31, 2013:

average statements issued: 4% growth, reaching an annual average of 3.0 million customers;

increase in retail sales: 36%, from Ps.37,894 million to Ps.51,616 million;

increase in loan portfolio: 34%, amounting to Ps.20,644 million;

increase in the number of purchase transactions: 4%, reaching 144 million; and

increase in the size of the distribution network: 1%, reaching a total of 262 service centers. Regarding the distribution network, in fiscal year ended December 31, 2014, Tarjeta Naranja opened one new branch located in the *Interior*. Tarjetas Cuyanas opened one branch located in the province of Tucuman.

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The Regional Credit Card Companies had 5,232 employees as of December 31, 2014, as compared to 5,669 employees as of December 31, 2013.

In fiscal year 2013, the Regional Credit Card Companies recorded net income of Ps.618 million, as compared to Ps.435 million for the fiscal year ended December 31, 2012, representing a Ps.183 million or 42% increase.

The increase in net income for fiscal year ended December 31, 2013 was mainly attributable to an increase in net operating revenues for Ps.895 million, partially offset by higher administrative expenses for Ps.584 million, provisions for loan losses for Ps.123 million and income tax for Ps.51 million.

The net operating revenues for fiscal year 2013 amounted to Ps.4,117 million, a 28% increase as compared to the Ps.3,222 million for fiscal year 2012, as a consequence of increases of Ps.284 million in net financial income and Ps.611 million in net income from services. The increase in net operating income was due to a higher average amount of purchases and financing, and to the increase in the number of transactions.

In the 2013 fiscal year provisions for loan losses of Ps.703 million were recorded, Ps.123 million higher than in the previous fiscal year, mainly as a result of an increase in the size of the loan portfolio and of higher levels of past due loans in line with the economy in general.

Administrative expenses for the fiscal year 2013 amounted to Ps.2,598 million, a 29% increase from fiscal year 2012, mainly due to the higher level of economic activity, the geographic expansion of the branch network and the higher costs during such period.

In fiscal year 2013, other net income amounted to Ps.218 million, Ps.41 million higher than the Ps.177 million recorded in fiscal year 2012, mainly as a result of an increase in past due loans recovered.

The income tax charge during the fiscal year 2013 was Ps.402 million, Ps.51 million higher than in fiscal year 2012.

The Regional Credit Card Companies experienced growth in the following key indicators during fiscal year ended December 31, 2013, as compared to the fiscal year ended December 31, 2012:

average statements issued: 11% growth, reaching an annual average of 2.9 million customers;

increase in retail sales: 43%, from Ps.26,538 million to Ps.37,894 million;

increase in loan portfolio: 33%, amounting to Ps.15,407 million;

increase in the number of purchase transactions: 11%, reaching Ps.138 million; and

increase in the size of the distribution network: 2%, reaching a total of 260 service centers.

The Regional Credit Card Companies employed 5,669 employees as of December 31, 2013, as compared to 6,098 employees as of December 31, 2012.

Regarding the branch network, in fiscal year ended December 31, 2013, Tarjeta Naranja opened 4 branches, which were located in Buenos Aires. Tarjetas Cuyanas opened two branches, both located in the *Interior*.

### CFA

The table below sets forth the results of operations of CFA's business segment:

<i>In millions of Pesos, except percentages</i>	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Financial Income	1,106	952	793
Net Income from Services	140	109	80
<b>Net Operating Revenue</b>	<b>1,246</b>	<b>1,061</b>	<b>873</b>
Provisions for Loan Losses	369	253	174
Administrative Expenses	769	663	525
<b>Net Operating Income</b>	<b>108</b>	<b>145</b>	<b>174</b>
Income from Equity Investments	2	1	
Other Income (Loss)	102	89	136
<b>Pre-tax Income</b>	<b>212</b>	<b>234</b>	<b>310</b>
Income Tax Provision	83	92	94
<b>Net Income</b>	<b>129</b>	<b>143</b>	<b>216</b>
Net Income as a % of Grupo Financiero Galicia's Net Income	4%	8%	16%
Average Loans	2,994	2,707	2,040
Average Deposits	1,120	919	699

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CFA's net income for the fiscal year ended December 31, 2014 amounted to Ps.129 million, Ps.14 million lower than the Ps.143 million gain for the fiscal year ended December 31, 2013.

The lower net income for the fiscal year ended December 31, 2014 was highly influenced by extraordinary expenses due to an administrative reorganization and by caps on interest rates for certain loans established in June 2014, by Communication A 5590 issued by the Argentine Central Bank.

Net operating revenue for the fiscal year ended December 31, 2014 amounted to Ps.1,246 million, a Ps.185 million increase as compared to the fiscal year ended December 31, 2013, mainly due to the growth of the credit card portfolio as CFA changed its main product in order to maintain similar income as compared to the previous years as a consequence of the impact generated by the cap on interest rates established by the Argentine Central Bank. The increase in net operating revenue was partially offset by certain costs of funding.

Net income from services amounted to Ps.140 million for the fiscal year ended December 31, 2014, a Ps.31 million increase as compared to the fiscal year ended December 31, 2013, mainly due to the increase in credit card sales, as a consequence of the change in CFA's business core (currently: credit cards loans; until June 2014: personal loans), as was mentioned above.

Provisions for loan losses for the fiscal year ended December 31, 2014 amounted to Ps.369 million, increasing Ps.116 million as compared to the fiscal year ended December 31, 2013, as a result of changes in the past due loan portfolio.

Administrative expenses for the fiscal year ended December 31, 2014 amounted to Ps.769 million, an increase of Ps.106 million as compared to the fiscal year ended December 31, 2013, influenced by an administrative reorganization, together with the increases recorded in salaries for Ps.43 million, professional fees for Ps.11 million, rental activities for Ps.19 million, maintenance/systems for Ps.10 million and amortizations for Ps.4 million.

For fiscal year ended December 31, 2014, CFA had more than 440,000 customers, 1,112 employees, 59 branches and 36 points of sale throughout Argentina. As of the same date, CFA's net loans to the private sector amounted to Ps.2,727 million and its shareholders equity totaled Ps.1,164 million.

CFA's net income for the fiscal year ended December 31, 2013 amounted to Ps.143 million, Ps.74 million lower than the Ps.216 million gain for the fiscal year ended December 31, 2012.

The lower net income for the fiscal year ended December 31, 2013 was highly influenced by extraordinary expenses due to an administrative reorganization and by Communication A 5460 issued by the Argentine Central Bank, which eliminated fees on loan origination beginning September 2013.

Net operating revenue for the fiscal year ended December 31, 2013 amounted to Ps.1,061 million, a Ps.188 million increase as compared to the fiscal year ended December 31, 2012, mainly due to the growth of the loan and credit cards portfolio, which had a stable yield during such periods. This increase was partially offset by a higher cost of funding.

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Net income from services amounted to Ps.109 million for the fiscal year ended December 31, 2013, a Ps.29 million increase as compared to the fiscal year ended December 31, 2012, mainly due to the increase of sales. To a lesser extent, it was influenced by a higher income from credit cards as a result of an increase in the portfolio size.

Provisions for loan losses for the fiscal year ended December 31, 2013 amounted to Ps.253 million, increasing Ps.79 million as compared to the fiscal year ended December 31, 2012, as a result of changes in the past due loan portfolio.

Administrative expenses for the fiscal year ended December 31, 2013 amounted to Ps.663 million, an increase of Ps.138 million as compared to the fiscal year ended December 31, 2012. The main increases were recorded in salaries and other personnel expenses for Ps.74 million, professional fees for Ps.9 million, amortizations for Ps.7 million (due to the remodeling of certain branches) and advertising for Ps.3 million.

For fiscal year ended December 31, 2013, CFA had more than 530,000 customers, 1,170 employees, 59 branches and 36 points of sale throughout Argentina. As of the same date, CFA's net loans to the private sector amounted to Ps.3,020 million and its shareholders equity totaled Ps.1,032 million.

**Insurance**

The table below shows the results of our insurance business segment.

<i>In millions of Pesos, except percentages</i>	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Financial Income	145	103	54
Net Operating Revenue	145	103	54
Administrative Expenses	269	194	132
<b>Net Operating Income</b>	<b>(124)</b>	<b>(91)</b>	<b>(78)</b>
Income from Insurance Activity	485	365	257
Income from Equity Investments	1	0	0
Other Income (Loss)	(1)	0	0
<b>Pre-tax Income</b>	<b>361</b>	<b>274</b>	<b>180</b>
Income Tax Provision	127	96	64
<b>Net Income</b>	<b>234</b>	<b>178</b>	<b>116</b>
Net Income as a % of Grupo Financiero Galicia's Net Income	7%	10%	9%

As a consequence of the activities carried out by Sudamericana's subsidiaries, the segment related to the results of its main accounts (earned premiums, claims, acquisition costs, etc.) are included under Income from Insurance Activities.

The results of this segment mainly represent the results of Galicia Seguros.

Net income for fiscal year 2014 amounted to Ps.234 million, Ps.56 million higher than in fiscal year 2013. This growth was due to the increase of premiums earned, which were mainly the result of Galicia Seguros performance. In general, the issuance of all products offered increased, in particular, homeowners insurance, theft and life insurance. In addition, Galicia Seguros started offering surety insurance.

Administrative expenses grew following the increase in acquisition costs, mainly corresponding to expenses related to the issuance of policies, salary increases and increases in other expenses within a context of higher costs.

It is important to note that during the three years described herein the claims ratio has remained at the same or similar level.

As of December 31, 2014, the insurance segment had more than 8 million insured under all its lines of business.

Net income for fiscal year 2013 amounted to Ps.178 million, Ps.63 million higher than in fiscal year 2012. This significant increase responds to the increase of premiums earned, which were mainly the result of Galicia Seguros performance through group life insurance, home insurance and accidental, death and dismemberment insurance sold through Banco Galicia and the Regional Credit Card Companies.

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The administrative expenses grew following the increase in acquisition costs, mainly corresponding to expenses related to the issuance of policies, salary increases and increases in other expenses within a context of higher costs.

As of December 31, 2013, the insurance segment had almost 8 million insured under all their lines of business.

**Other Grupo Galicia Businesses**

In fiscal year 2014, this segment recorded a Ps.63 million profit, mainly generated by net revenues from Galicia Administradora de Fondos equal to Ps.38 million. The remaining profit corresponded to Galicia Warrants and Net Investment.

In fiscal year 2013, this segment recorded a Ps.12 million profit, predominantly from Galicia Warrants (Ps.11 million).

In fiscal year 2012, this segment recorded a Ps.8 million profit, predominantly from Galicia Warrants, as Net Investment recorded a Ps.0.01 million loss.

**Consolidated Assets**

The structure and main components of our consolidated assets as of the dates indicated were as follows:

	For the year ended December 31,					
	2014		2013		2012	
	Amounts	%	Amounts	%	Amounts	%
	<i>(in millions of Pesos, except percentages)</i>					
Cash and Due from Banks	16,959	15.8	12,560	15.1	8,345	13.2
Government and Corporate Securities	10,010	9.3	3,987	4.8	3,627	5.7
Loans	66,608	62.1	55,265	66.5	42,593	67.1
Other Assets	13,737	12.8	11,344	13.6	8,893	14.0
<b>Total</b>	<b>107,314</b>	<b>100.0</b>	<b>83,156</b>	<b>100.0</b>	<b>63,458</b>	<b>100.0</b>

Of our Ps.107,314 million total assets as of December 31, 2014, Ps.105,962 million, or 98.7%, corresponded to Banco Galicia on a consolidated basis. The remaining Ps.1,353 million, or 1.3%, were primarily attributable to Sudamericana on a consolidated basis. The composition of our assets demonstrates an increase in the amounts of all line items.

The line item Cash and Due from Banks included cash for Ps.4,369 million, balances held at the Argentine Central Bank for Ps.12,466 million and balances held in correspondent banks for Ps.124 million. The balance held at the Argentine Central Bank is used for meeting the minimum cash requirements set by the Argentine Central Bank.

Our holdings of government and corporate securities as of December 31, 2014 amounted to Ps.10,010 million. Our holdings of government and corporate securities are shown in more detail in Item 4. Information on the Company-Selected Statistical Information-Government and Corporate Securities .

Our total net loans amounted to Ps.66,608 million as of December 31, 2014, of which Ps.66,593 million corresponded to Banco Galicia (including the Regional Credit Card Companies portfolios) and the remaining amount to secured



loans held by Sudamericana. For more information on Banco Galicia's and CFA's loan portfolio, see Item 4. Information on the Company-Selected Statistical Information-Loan Portfolio .

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The Other Assets line item mainly includes the following items recorded in our balance sheet under Other Receivables Resulting from Financial Brokerage, unless otherwise noted:

	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(In millions of Pesos)</i>		
<b>Other Receivables Resulting from Financial Brokerage</b>	<b>6,983</b>	<b>5,848</b>	<b>4,483</b>
Debt Securities	1,258	1,385	403
Participation certificates in, and debt securities of, different financial trusts, created by Banco Galicia or by third parties	1,102	973	755
Balances at the Argentine Central Bank as guarantees in favor of clearing houses	1,304	826	608
Galtrust I <sup>(1)</sup>	788	743	674
Government securities and guarantees of forward sales and purchase of foreign exchange in favor of MAE and ROFEX	256	371	171
Other Financing	86	83	310
The Almafuerde Special Fund <sup>(2)</sup>		82	120
Others	2,189	1,385	1,442
<b>Receivables from Financial Leases</b>	<b>1,048</b>	<b>1,128</b>	<b>849</b>
<b>Equity Investments</b>	<b>52</b>	<b>89</b>	<b>76</b>
<b>Miscellaneous Receivables</b>	<b>1,575</b>	<b>1,010</b>	<b>870</b>
<b>Bank Premises and Equipment, Miscellaneous Assets and Intangible Assets</b>	<b>3,759</b>	<b>3,062</b>	<b>2,462</b>
<b>Others<sup>(3)</sup></b>	<b>320</b>	<b>207</b>	<b>153</b>
<b>Total</b>	<b>13,737</b>	<b>11,344</b>	<b>8,893</b>

- (1) Corresponding to our holdings of debt securities and participation certificates issued by the Galtrust I Financial Trust, resulting from the securitization of loans to the provincial public sector in late 2000.
- (2) Corresponding to holdings of the participation certificate in, and debt securities of, the special fund jointly formed by Banco Galicia and other private sector banks in order to facilitate the recovery of the assets of former Almafuerde Bank.
- (3) It includes, others relating to insurance asset, among other concepts.

**Exposure to the Argentine Public Sector**

The following table shows our total net exposure to the Argentine public sector as of December 31, 2014, 2013 and 2012. This exposure mainly consisted of exposure of Banco Galicia.

	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Net Position in Government Securities</b>	<b>10,379</b>	<b>4,298</b>	<b>3,995</b>

Trading	2,665	1,351	186
Bonar 2015 Bonds		392	558
Lebac and Nobac	7,714	2,555	3,251
<b>Loans</b>	<b>15</b>	<b>13</b>	<b>26</b>
<b>Other Receivables Resulting from Financial Brokerage</b>	<b>867</b>	<b>1,105</b>	<b>1,001</b>
Trusts Certificates of Participation and Securities	830	1,079	997
Other	37	26	4
<b>Total Assets <sup>(1)</sup></b>	<b>11,261</b>	<b>5,416</b>	<b>5,022</b>

(1) Does not include deposits with the Argentine Central Bank, which constitute one of the items by which Banco Galicia complies with the Argentine Central Bank's minimum cash requirements.

As of December 31, 2014, our total exposure to the public sector was equal to Ps.11,261 million.

Excluding the holding of debt securities issued by the Argentine Central Bank for Ps.7,714 million, compared to Ps.2,555 million for fiscal year 2013, net exposure to the non-financial public sector increased by Ps.686 million in fiscal year 2014. The increase in the exposure to the public sector during the last twelve months was mainly due to the acquisition of bonds issued by the Argentine government due in 2016, 2017 and 2019.

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As of December 31, 2013, our total exposure to the public sector amounted to Ps.5,416 million. Excluding the holding of debt securities issued by the Argentine Central Bank for Ps.2,555 million, compared to Ps.3,251 million for fiscal year 2012, net exposure to the non-financial public sector increased by Ps.1,090 million in fiscal year 2013. The increase in the exposure to the public sector during the last twelve months was mainly due to the acquisition of Bonar 2014 bonds and of provincial treasury bills and debt securities.

## **Funding**

Banco Galicia's and the Regional Credit Card Companies' and CFA's lending activities are our main asset-generating businesses. Accordingly, most of our borrowing and liquidity needs are associated with these activities. We also have liquidity needs at the level of our holding company, which are discussed in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Liquidity-Holding Company on an Individual Basis. Our objective is to maintain cost-effective and well diversified funding to support current and future asset growth in our businesses. For this, we rely on diverse sources of funding. The use and availability of funding sources depends on market conditions, both local and foreign, and prevailing interest rates. Market conditions in Argentina include a structurally limited availability of domestic long-term funding.

Our funding activities and liquidity planning are integrated into our asset and liability management and our financial risks management and policies. The liquidity policy of Banco Galicia is described in Item 5. Operating and Financial Review and Prospects-Item 5.B. Liquidity and Capital Resources-Banco Galicia's Liquidity Management and our other financial risk policies, including interest rate, currency and market risks are described in Item 11. Quantitative and Qualitative Disclosures about Market Risk. Our funding sources are discussed below.

Traditionally, our primary source of funding has been Banco Galicia's deposit taking activity. Although Banco Galicia has access to Argentine Central Bank financing, management does not view this as a primary source of funding in line with our overall strategies discussed herein.

Other important sources of funding have traditionally included issuing Dollar-denominated medium and long-term debt securities issued in foreign capital markets and borrowing from international banks and multilateral credit agencies. After the restructuring of its foreign debt in May 2004 and until the US\$300 million bond issuance in May 2011, Banco Galicia had not relied on the issuance of new debt securities, and entered into three long term loan agreements with the International Finance Corporation (the IFC) in 2005, 2007 and 2010 for US\$130 million, with the purpose of funding long-term loans to small and medium-sized companies. In addition, Banco Galicia entered into a long-term loan agreement with the Netherlands Development Finance Company (the FMO) on December 17, 2010 for US\$20 million and a long-term loan agreement with the IDB on February 15, 2011 for US\$30 million. In December 2011 Proparco, the Development Financial Institution partly owned by Agence Française de Développement, granted Banco Galicia a US\$30 million loan, with a 6 year term, for the financing of investment projects of small and medium-sized companies mainly active in the agribusiness and export sectors.

Selling government securities under repurchase agreement transactions has been a recurrent source of funding for Banco Galicia. Currently, although not presently such an important source of funding, repurchase agreement transactions are part of the liquidity policy of the Bank. Within its liquidity policy, Banco Galicia considers its unencumbered liquid government securities holdings as part of its available excess liquidity. See Item 5. Operating and Financial Review and Prospects -Item 5.B. Liquidity and Capital Resources-Banco Galicia's Liquidity Management.

The Regional Credit Card Companies fund their business through the issuance of notes in the local and international capital markets, borrowing from local financial institutions and debt with merchants generated in the ordinary course

of business of any credit card issuing company. In 2014, the Regional Credit Card Companies issued notes in an amount equal to Ps.1,973 million and received loans for Ps.972 million.

CFA funds its business through the issuance of debt securities in the local market, borrowing from financial institutions and time deposits from institutional investors (insurance companies and mutual funds).

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Below is a breakdown of our funding as of the dates indicated:

	For the year ended December 31,					
	2014		2013		2012	
	Amounts	%	Amounts	%	Amounts	%
	<i>(in millions of Pesos, except percentages)</i>					
<b>Deposits</b>	<b>64,666</b>	<b>60.3</b>	<b>51,395</b>	<b>61.8</b>	<b>39,945</b>	<b>62.8</b>
Checking Accounts and Other Demand Deposits	15,755	14.7	12,394	14.9	9,916	15.6
Savings Accounts	16,897	15.8	11,801	14.2	9,478	14.9
Time Deposits	30,730	28.6	26,185	31.5	19,694	31.0
Other Deposits	722	0.7	574	0.7	577	0.9
Interest Payable and Differences in quotation	562	0.5	441	0.5	280	0.4
<b>Debt with Financial Institutions <sup>(1)</sup></b>	<b>1,848</b>	<b>1.7</b>	<b>2,153</b>	<b>2.5</b>	<b>2,111</b>	<b>3.4</b>
Domestic Financial Institutions	1,120	1.0	1,468	1.7	1,137	1.8
International Banks and Credit Agencies	727	0.7	685	0.8	546	0.9
Repurchases	1				428	0.7
<b>Notes (Unsubordinated and Subordinated) <sup>(1)</sup></b>	<b>10,176</b>	<b>9.5</b>	<b>7,612</b>	<b>9.2</b>	<b>5,467</b>	<b>8.6</b>
<b>Other obligations</b>	<b>20,378</b>	<b>19.0</b>	<b>15,048</b>	<b>18.1</b>	<b>11,065</b>	<b>17.5</b>
<b>Shareholders Equity</b>	<b>10,246</b>	<b>9.5</b>	<b>6,947</b>	<b>8.4</b>	<b>4,870</b>	<b>7.7</b>
<b>Total Funding</b>	<b>107,314</b>	<b>100.0</b>	<b>83,155</b>	<b>100.0</b>	<b>63,458</b>	<b>100.0</b>

*(1) Includes accrued interest, quotation differences, and CER adjustment where applicable.*

As of December 31, 2014, deposits represented 60.3% of our funding, down from 61.8% as of December 31, 2013 and 62.8% as of December 31, 2012. Our deposit base increased 26% in 2014, 29% in 2013 and 32.6% in 2012. During the 2014 fiscal year, the Ps.13,272 million increase in deposits was due to the increase in transactional deposits (deposits in checking and savings accounts) and time deposits. The increase registered during 2013 was also the result of an increase in transactional deposits and time deposits. For more information on deposits, see Item 4. Information on the Company-Selected Statistical Information-Deposits .

As of December 31, 2014, credit lines from international banks and credit agencies representing Dollar-denominated debt subject to foreign law amounted to Ps.727 million. Of this total, Ps.190 million corresponded to trade loans; Ps.58 million corresponded to an IFC loan granted to Banco Galicia in 2005, which increased at the end of 2010 with the signing of a new agreement; Ps.80 million corresponded to a long-term loan agreement with the FMO and Ps.63 million corresponded to a loan agreement with Proparco. The increase of Ps.42 million as compared to December 31, 2013 was mainly as a result of a decrease in trade loans.

As of December 31, 2013, credit lines from international banks and credit agencies representing Dollar-denominated debt subject to foreign law amounted to Ps.685 million. Of this total, Ps.379 million corresponded to trade loans; Ps.139 million corresponded to an IFC loan granted to Banco Galicia in 2005, which increased at the end of 2010 with the signing of a new agreement; Ps 88 million corresponded to a long-term loan agreement with the FMO and Ps.62 million corresponded to a loan agreement with Proparco. The increase of Ps.139 million as compared to December 31, 2012 was mainly as a result of a decrease in trade loans.

Our debt securities outstanding amounted to Ps.10,176 million (principal and interest) as of December 31, 2014, as compared to Ps.7,612 million as of December 31, 2013, and Ps.5,467 million as of December 31, 2012. Of our debt securities outstanding at the end of fiscal year 2014, Ps.6,190 million (only principal) corresponded to Dollar-denominated debt subject to foreign law and Ps.3,593 million (only principal) corresponded to Peso-denominated debt.

As of December 31, 2014, the breakdown of our Dollar-denominated debt was as follows:

	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>Total<sup>(1)</sup></b>
<b>Banco Galicia</b>			
2019 Notes	2019	16.00%	1,913
9% Notes Due 2003	2003	9.00%	7
Fixed Rate Due 2018	2018	8.75%	2,555
<b>Tarjeta Naranja</b>			
Notes Class XIII	2017	9.00%	1,715
<b>Total</b>			<b>6,190</b>

(1) Only principal

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As of December 31, 2014, the breakdown of our Pesos-denominated debt was as follows:

		<b>Annual</b>	
	<b>Maturity</b>	<b>Interest Rate</b>	<b>Total<sup>(1)</sup></b>
<b>Grupo Financiero Galicia</b>			
Notes Class V Series I	2015	Badlar + 425 b.p.	102
Notes Class V Series II	2017	Badlar + 525 b.p.	78
Notes Class VI Serie I	2016	Badlar + 325 b.p.	140
Notes Class VI Serie II	2017	Badlar + 425 b.p.	110
<b>Tarjetas Cuyanas</b>			
Notes Class XII Series II	2015	Badlar + 420 b.p.	172
Notes Class XIII Series I	2015	Badlar + 400 b.p.	174
Notes Class XIV Series I	2015	Badlar + 300 b.p.	54
Notes Class XIV Series I	2016	Badlar + 415 b.p.	144
Notes Class XV	2015	Badlar + 240 b.p.	133
Notes Class XVI	2016	Badlar + 340 b.p.	117
Notes Class XVII	2015	Badlar + 315 b.p.	156
Notes Class XVIII	2016	Badlar + 400 b.p.	114
<b>Tarjeta Naranja</b>			
Notes Class XXII Series II	2015	Badlar + 375 b.p.	115
Notes Class XXIII Series II	2015	Badlar + 450 b.p.	152
Notes Class XXIV Series I	2015	Badlar + 400 b.p.	170
Notes Class XXIV Series II	2017	Badlar + 500 b.p.	33
Notes Class XXV Series I	2015	Badlar + 289 b.p.	80
Notes Class XXV Series II	2016	Badlar + 415 b.p.	164
Notes Class XXVI Series I	2015	Badlar + 260 b.p.	138
Notes Class XXVI Series II	2016	Badlar + 399 b.p.	160
Notes Class XXVII Series I	2015	Badlar + 272 b.p.	164
Notes Class XXVII Series II	2016	Badlar + 395 b.p.	150
<b>CFA</b>			
Notes Class X Series II	2015	Badlar + 425 b.p.	124
Notes Class XI Series I	2015	Badlar + 297 b.p.	50
Notes Class XI Series II	2015	Badlar + 430 b.p.	147
Notes Class XII Series I	2015	Badlar + 247 b.p.	50
Notes Class XII Series II	2016	Badlar + 400 b.p.	199
Notes Class XIII Series I	2015	27.50%	128
Notes Class XIII Series II	2016	Badlar + 440 b.p.	75
<b>Total</b>			<b>3,593</b>

(1) Only principal

The increase in our debt securities outstanding as of December 31, 2014 as compared to December 31, 2013 was mainly a result of: i) the issuance by Tarjeta Naranja of senior notes in an aggregate principal amount of Ps.1,059



million. ii) the issuance by Tarjeta Cuyanas of senior notes in an aggregate principal amount of Ps.442 million and iii) the issuance by CFA of senior notes in an aggregate principal amount of Ps.506 million and iv) the issuance by Grupo Financiero Galicia of senior notes in an aggregate principal amount of Ps.430 million.

The increase in our debt securities outstanding as of December 31, 2013 as compared to December 31, 2012 was mainly a result of: i) the issuance by Tarjeta Naranja of senior notes in an aggregate principal amount of Ps.748 million; ii) the issuance by Tarjetas Cuyanas of senior notes in an aggregate principal amount of Ps.442 million; iii) the issuance by CFA of senior notes in an aggregate principal amount of Ps.507 million and iv) the issuance by Grupo Financiero Galicia of senior notes in an aggregate principal amount of Ps.216 million.

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For more information see -Contractual Obligations below.

The category other obligations includes Ps.10,893 million of debt with merchants in connection with credit-card transactions of Banco Galicia and the Regional Credit Card Companies, Ps.3,381 million in miscellaneous liabilities, Ps.1,585 million in connection with collections on account of third parties and Ps.366 million related to allowances for other contingencies.

**Ratings**

The following are our ratings as of the date of this annual report:

	Standard & Poor's	Fitch Argentina	Evaludora Latinoamericana	Moody's
<b>LOCAL RATINGS</b>				
<b>Grupo Financiero Galicia S.A.</b>				
Rating of Shares	1			
Short-/Medium Term Debt <sup>(1)</sup>			AA-	
<b>Banco de Galicia y Buenos Aires S.A.</b>				
Counterparty Rating	raB+			
Long-Term Debt <sup>(2) (3)</sup>	raB+		AA-	Baa1.ar
Subordinated Debt <sup>(2) (4)</sup>	raB-		A+	Ba2.ar
Deposits (Long Term / Short Term)	raB+ / raB			
Deposits (Local Currency / Foreign Currency)				Baa1.ar / Ba2.ar
Trustee				TQ1(-).ar
<b>Tarjeta Naranja S.A.</b>				
Medium-/Long-Term Debt <sup>(2) (5)</sup>		AA-(arg)		
Short-Term Debt <sup>(2) (6)</sup>		A1(arg)		
<b>Tarjetas Cuyanas S.A.</b>				
Long-Term Debt <sup>(2) (7)</sup>		AA-(arg)		
Short-Term Debt <sup>(2) (8)</sup>		A1(arg)		
<b>CFA S.A.</b>				
Long-Term Debt <sup>(9)</sup>		AA-(arg)		
Short-Term Debt <sup>(10)</sup>		A1+(arg)		
Deposits (Local Currency / Foreign Currency)				Baa2.ar / Ba2.ar
<b>INTERNATIONAL RATINGS</b>				
<b>Banco de Galicia y Buenos Aires S.A.</b>				
Long-Term Debt <sup>(2) (3)</sup>	CCC-			Caa1
<b>Tarjeta Naranja S.A.</b>				
Medium-/Long-Term Debt <sup>(2) (11)</sup>		B-		

- (1) *Class V Series I and II and Class VI Series I and II notes.*
- (2) *See -Contractual Obligations .*
- (3) *Class I notes due in 2018.*
- (4) *Subordinated notes due in 2019.*
- (5) *Class XIII, Class XXII Series II, Class XXIII Series II, Class XXIV Series I and II, Class XXV Series II, Class XXVI Series II and Class XXVII Series II notes.*
- (6) *Class XXV Series I, Class XXVI Series I and Class XXVII Series I notes.*
- (7) *Class XII Series II, Class XIII Series I, Class XIV Series II, Class XVI and Class XVIII notes.*
- (8) *Class XIV Series I, Class XV and Class XVII notes.*
- (9) *Class X Series II, Class XI Series II, Class XII Series II and Class XIII Series II notes.*
- (10) *Class XI Series I, Class XII Series I and Class XIII Series I notes.*
- (11) *Class XIII notes.*

***Debt Programs***

On March 9, 2009, Grupo Financiero Galicia's shareholders, during an ordinary shareholders' meeting, and the Board of Directors created a global short-, medium- and long-term notes program, for a maximum outstanding amount of US\$60 million. This program was authorized by the CNV pursuant to Resolution No.16,113 of April 29, 2009.

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In August 2012, during an extraordinary shareholders meeting, it was decided to ratify the decision made at the ordinary and extraordinary shareholders meeting held in April 2010 with regard to the approval of the US\$40 million increase in the amount of Grupo Financiero Galicia's global notes program. Therefore, once approved by the CNV, the amount was for up to US\$100 million or its equivalent in other currencies. On May 8, 2014, the CNV, pursuant to Resolution No. 17,343, granted an extension of the debt program for another five year period.

On June 8, 2010 Grupo Financiero Galicia issued two series of bonds in the aggregate principal amount of US\$45 million, with the following characteristics: (i) US\$18.1 million of 8% Class II, Series II notes, due in 2012, issued at a price of 101.8/100, with a yield of 7% and (ii) US\$26.9 million of 9% Class II, Series III notes due in 2013, issued at a price of 101.3/100, with a yield of 8.5%. Interest was payable semi-annually.

During May 2012, Grupo Financiero Galicia cancelled, upon maturity, all of the outstanding Class II, Series II notes.

On August 28, 2012, Grupo Financiero Galicia issued Class III notes, for a face value amount of Ps.78.1 million, with a variable interest rate equal to the benchmark rate (Badlar) plus 3.59% due on February 28, 2014. The aggregate principal amount of such notes will be repaid upon maturity.

On May 8, 2013 Grupo Financiero Galicia issued its Class IV notes in the aggregate principal amount of Ps.220.0 million due in 18 months with a variable rate equal to the benchmark rate (Badlar) plus 3.49%.

During May 2013, Grupo Financiero Galicia cancelled, upon maturity, all of the outstanding Class II, Series III notes.

On January 30, 2014, Grupo Financiero Galicia issued its Class V notes, in two series, in an aggregate principal amount of Ps.180.0 million with the following terms and conditions: (i) Ps.101.8 million of Series I notes, with a variable interest rate equal to the benchmark rate (Badlar) plus 4.25%, with an 18 month maturity and (ii) Ps.78.2 million of Series II notes, with a variable interest rate equal to the benchmark rate (Badlar) plus 5.25%, with a 36 month maturity. Both series pay interest on a quarterly basis. In addition, certain of the Class V notes were subscribed for with Class III notes for a face value of Ps.20,622,455.

During February 2014, Grupo Financiero Galicia cancelled, upon maturity, all of the outstanding Class III notes.

On October 2014, Grupo Financiero Galicia issued its Class VI notes, in two series, in an aggregate principal amount of Ps.250.0 million with the following terms and conditions: (i) Ps.140.2 million of Series I notes, with a variable interest rate equal to the benchmark rate (Badlar) plus 3.25%, with an 18 month maturity and (ii) Ps.109.8 million of Series II notes, with a variable interest rate equal to the benchmark rate (Badlar) plus 4.25%, with a 36 month maturity. Both series pay interest on a quarterly basis. In addition, certain of the Class VI notes were subscribed with Class IV notes for a face value of Ps.30,997,382.

During November 10, 2014 Grupo Financiero Galicia cancelled, upon maturity, all the outstanding Class IV notes.

Banco Galicia has a program outstanding for the issuance and re-issuance of non-convertible notes, subordinated or non-subordinated, adjustable or non-adjustable, secured or unsecured, with a term from 30 days to up to the current permitted maximum (30 years), for a maximum outstanding face value during the period of such program of up to US\$342.5 million. This program was approved by the CNV on November 4, 2005 and the extension of the program was approved by the CNV pursuant to Resolution No. 16,454, dated November 11, 2010. The term of the program is for five years commencing on the date of approval of the extension by the CNV. On May 4, 2011 Banco Galicia issued 8.75% Class I notes due 2018 in the aggregate principal amount of US\$300.0 million under this program. These notes are subject to a number of significant covenants, which are subject to important qualifications and

exceptions, that, among other things, restrict the ability of (i) Banco Galicia and certain of its subsidiaries to directly or indirectly, create, incur, assume or suffer to exist liens upon its present or future assets to secure any indebtedness and (ii) Banco Galicia to merge, consolidate or amalgamate with or into, or convey or transfer or lease all or substantially all of its properties and assets, whether in one transaction or a series of related transactions.

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Tarjeta Naranja has a program outstanding for the issuance and re-issuance of non-convertible notes, subordinated or non-subordinated, adjustable or non-adjustable, secured or unsecured, with a term from 30 days to up to the current permitted maximum (30 years), for a maximum outstanding face value during the period of such program of up to US\$650.0 million. The program was approved by the CNV on May 23, 2012. As of December 31, 2014, debt for a principal amount outstanding of US\$357.6 million (or Ps.3,058.5 million) had been issued under the program. Tarjeta Naranja's program contains certain restrictions on liens, subject to the provisions established in the applicable pricing supplement with respect to each class and/or series of notes, so long as any note issued under such program remains outstanding. Certain notes issued under Tarjeta Naranja's program are subject to covenants that limit the ability of Tarjeta Naranja and certain of its subsidiaries, subject to important qualifications and exceptions, to pay dividends on its capital stock or redeem, repurchase or retire its capital stock or subordinated indebtedness, make certain restricted payments, and consolidate, merge or transfer assets, among others.

Tarjetas Cuyanas has a program outstanding with the same characteristics, for a maximum outstanding face value during the period of such program of up to US\$120.0 million. The CNV approved the program on May 18, 2010 and approved the increase of its maximum outstanding face value to up to US\$250.0 million on May 7, 2013. As of December 31, 2014, debt for a principal amount outstanding of US\$128.3 million (or Ps.1,097.3 million) had been issued under this program.

CFA has a program outstanding for the issuance of ordinary short, medium or long term, secured or unsecured, subordinated or non-subordinated notes, for a maximum outstanding face value during the period of such program of up to Ps.200.0 million. The CNV approved this program on August 3, 2006, and approved an increase of its maximum outstanding face value to up to Ps.500.0 million on March 19, 2008.

On January 27, 2011 the CNV approved an extension of the program and the increase of its maximum outstanding face value to up to US\$250.0 million. During 2014, CFA issued debt in the aggregate principal of Ps.200.0, on April 16, 2014, Ps.250.0 on September 24, 2014 and Ps.206.3 million on December 9, 2014. As of December 31, 2014, debt for a principal amount outstanding of Ps.798.2 million had been issued under CFA's debt program.

**Contractual Obligations**

The table below identifies the principal amounts of our main on balance-sheet contractual obligations, their currency of denomination, remaining maturity and interest rate and the breakdown of payments due, as of December 31, 2014.

	Annual						
	Maturity	Interest Rate	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
<b>Grupo Financiero Galicia</b>							
<b>Bonds</b>							
Notes Class V Series I (Pesos)	2015	Badlar + 425 bp	102	102			
Notes Class V Series II (Pesos)	2017	Badlar + 525 bp	78		78		
Notes Class VI Series I (Pesos)	2016	Badlar + 325 bp	140		140		
Notes Class VI Series II (Pesos)	2017	Badlar + 425 bp	110		110		

<b>Banco Galicia</b>						
<b>Deposits</b>						
Time Deposits (Pesos/US\$)	Various	Various	31,551	31,543	7	1
<b>Bonds</b>						
2019 Notes (US\$) <sup>(1) (2)</sup>	2019	16.00%	1,913			1,913
9% Notes Due 2003 (US\$) <sup>(3)</sup>	2003	9.00%	7	7		
Fixed Rate Due 2018 (US\$) <sup>(4)</sup>	2018	8.75%	2,555			2,555
<b>Loans</b>						
Floating Rate Loans Due 2019 (US\$) <sup>(1) (5)</sup>	2019	Libor + 578 b.p.	14			14
FMO Financial Loans (US\$)	Various	Libor + 550 b.p.	78	34	44	
PROPARCO Financial Loans (US\$)	Various	Libor + 400 b.p.	62	18	35	9
IFC Financial Loans (US\$)	Various	Various	57	57		
Other Financial Loans (US\$) <sup>(6)</sup>	Various	Various	189	189		
IDB Financial Loans (Pesos)	Various	Various	338	325	12	1
Fontar Financial Loans (Pesos)	Various	Various	10	5	5	
BICE Financial Loans (Pesos)	Various	Various	33	15	14	4
BICE Financial Loans (US\$)	Various	Various	27	16	10	1
Short-term Intrebank Loans (Pesos)	2015	Various	3	3		
<b>Tarjetas Regionales</b>						
Financial Loans with Local Banks (Pesos)	Various	Various	746	744	2	
Notes (Pesos/US\$)	Various	Various	4,105	2,079	2,026	
<b>CFA</b>						
Local Financing (Pesos)	Various	Various	274	274		
Notes (Pesos)	Various	Various	773	698	75	
<b>Total</b>			<b>43,165</b>	<b>36,109</b>	<b>2,558</b>	<b>4,498</b>

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*Principal and interest. Includes the CER adjustment, where applicable.*

- (1) *Issued in 2004 as part of the restructuring of the foreign debt of Banco Galicia's Head Office and its Cayman Branch.*
- (2) *Subordinated Notes Due 2019: Interest paid in cash: 6% per annum from January 1, 2004 until (but not including) January 1, 2014, payable semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004. Unless the notes are previously redeemed, the annual interest rate will increase to 11% per annum from that date until (but not including) January 1, 2019. Interest paid in additional subordinated notes due 2019: 5% per annum from January 1, 2004, to be paid on January 1, 2014 and January 1, 2019. Principal amortizes in full on January 1, 2019, unless the notes are previously redeemed at par plus accrued but unpaid interest, in whole or in part, at Banco Galicia's option, at any time, in accordance with the terms of the agreements governing such notes.*
- (3) *The balance represents debt not tendered by its holders to the exchange offered by Banco Galicia to restructure its foreign debt, which was completed in May 2004.*
- (4) *Interest payable in cash semiannually, fixed rate of 8.75%. Principal in full on May 4, 2018.*
- (5) *Interest payable in cash: Libor+78 b.p., per annum from January 1, 2004, until (but not including) January 1, 2014, payable semiannually, on January 1 and July 1 of each year, beginning on July 1, 2004. Unless the loans are previously redeemed, the annual interest rate will increase to Libor+578 b.p. per annum from that date until (but not including) January 1, 2019. Also pays interest in additional subordinated loans, due 2019: 5% per annum from January 1, 2004, to be paid on January 1, 2014 and January 1, 2019. Principal amortizes in full on January 1, 2019 unless the loans are previously redeemed at part plus accrued interest and additional amounts, if any, in whole or in part at Banco Galicia's option, in accordance with the terms of the agreements governing such loans.*
- (6) *Borrowings to finance international trade operations to Bank customers.*

**Off- Balance Sheet Contractual Obligations***Operating Leases*

As of December 31, 2014, we also had off-balance sheet contractual obligations arising from the leasing of certain properties used as a part of our distribution network. The estimated future lease payments in connection with these properties are as follows:

	<i>(In millions of Pesos)</i>
2015	212
2016	251
2017	261
2018	268
2019	286
2020	298
2021	311
<b>Total</b>	<b>1,887</b>

*Other*



As a shareholder of Aguas Cordobesas S.A., Banco Galicia is a guarantor with respect to compliance with certain obligations arising from the concession contract signed by Aguas Cordobesas S.A. In addition, Banco Galicia and the other shareholders committed, in certain circumstances, to provide financial support to the company if it was unable to fulfill the commitments it had undertaken with various international financial institutions.

Banco Galicia, as a shareholder and proportionally to its 10.833% interest, is jointly responsible, to the Province of Córdoba, for contractual obligations under the concession contract for its entire term. Should any of the other shareholders fail to comply with the commitments arising from their joint responsibility, the province may force Banco Galicia to assume the unfulfilled commitment, but only in proportion and to the extent of the interest held by Banco Galicia. See Note 2 to our consolidated financial statements.

**Table of Contents****Off-Balance Sheet Arrangements**

Our off-balance sheet risk mainly arises from Banco Galicia's activities.

In the normal course of its business, Banco Galicia is a party to financial instruments with off-balance sheet risk which are entered into in order to meet the financing needs of its customers. These instruments expose us to credit risk in addition to the amounts recognized on our consolidated balance sheets. These financial instruments include commitments to extend credit, standby letters of credit, guarantees granted and acceptances.

***Commitments to Extend Credit, Stand-By Letters of Credit and Guarantees Granted***

Commitments to extend credit are agreements to lend to a customer at a future date, subject to meeting certain contractual terms. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent actual future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

We use the same credit policies in making commitments, conditional obligations and guarantees as we do for granting loans. In the opinion of management, our outstanding commitments and guarantees do not represent unusual credit risk.

Standby letters of credit and guarantees granted are conditional commitments issued by Banco Galicia to guarantee the performance of a customer to a third party. Guarantees granted are surety guarantees in connection with transactions between two parties. Acceptances are conditional commitments for foreign trade transactions.

Our exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, guarantees granted and acceptances is represented by the contractual notional amount of those investments.

Our credit exposure related to these items as of December 31, 2014, is summarized below:

	<b>December 31, 2014</b>
	<i>(in millions of Pesos)</i>
Commitments to Extend Credit	5,966
Standby Letters of Credit	634
Guarantees Granted	467
Acceptances	105

In addition to the above commitments, as of December 31, 2014, purchase limits available for credit-card holders amounted to Ps.102,141 million.

As of December 31, 2014, main fees related to the above-mentioned commitments were Ps.18 million corresponding to standby letters of credit, Ps.15 million from guarantees provided and Ps.5 million from commitments to extend credit.

The credit risk involved in issuing letters of credit and granting guarantees is essentially the same as that involved in extending loan facilities to customers. In order to grant guarantees to our customers, we may require counter

guarantees. As of December 31, 2014, these counter guarantees, classified by type, were as follows:

	<b>December 31, 2014</b> <i>(in millions of Pesos)</i>
Preferred Counter Guarantees	42
Other Counter Guarantees	127

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

**Table of Contents****Other**

We account for checks drawn on us and other financial institutions, as well as other items in the process of collection, such as notes, bills and miscellaneous items, in memorandum accounts until the related item clears or is accepted. In management's opinion, the risk of loss on these clearing transactions is not significant. The amounts of clearing items in process as of December 31, 2014, were as follows:

	<b>December 31, 2014</b> <i>(in millions of Pesos)</i>
Checks Drawn on Banco Galicia	1,740
Checks Drawn on Other Banks	1,615
Bills and Other Items for Collection	9,711

With respect to fiduciary risk, we act as trustee of trust agreements to guarantee obligations arising from various contracts between the parties. As of December 31, 2014, the trust funds amounted to Ps.6,365 million.

In addition, we hold securities in custody, which as of December 31, 2014 amounted to Ps.38,365 million.

For more detailed information about off-balance sheet financial instruments, see Note 25 to our audited consolidated financial statements.

**Critical Accounting Policies**

We believe that the following are our critical accounting policies under Argentine Banking GAAP, as they are important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

**Allowance for Loan Losses**

Our allowance for loan losses including the allowance for loan losses of Banco Galicia and CFA is maintained in accordance with Argentine Central Bank rules. Under such rules, a minimum allowance for loan losses is calculated primarily based upon the classification of Banco Galicia's commercial loan borrowers and upon delinquency aging (or the number of days the loan is past due) for individual loan borrowers of both Banco Galicia and CFA and for Banco Galicia's commercial loans of less than Ps.250 million. Although we are required to follow the methodology and guidelines for determining the minimum loan loss allowance as set forth by the Argentine Central Bank, we are allowed to establish additional allowances for loan losses. The determination of the allowance for loan losses requires a significant degree of judgment. The credit cards companies follow the IFRS guidelines to record the allowances for loan losses, which include the minimum requirements of Argentine Central Bank rules.

For commercial loans, we are required to classify all of our commercial loan borrowers. In order to perform the classification, we must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower's payment history and ability to service the debt, the capability of the borrower's internal information and control systems and the risk in the sector in which the borrower operates. We apply the minimum loss percentages required by the Argentine Central Bank to our commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantee in respect of the loan. In addition, based on the overall risk of the portfolio, we consider whether or not additional loan loss reserves in excess of the minimum required are warranted.

For our consumer loan portfolio, including the loan portfolios of Banco Galicia, the Regional Credit Card Companies and CFA, we classify loans based upon delinquency aging, consistent with the requirements of the Argentine Central Bank. Minimum loss percentages required by the Argentine Central Bank are also applied to the totals in each loan classification

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***Other Receivables Resulting from Financial Brokerage and Miscellaneous Receivables***

We carry other receivables resulting from financial brokerage and miscellaneous receivables net of allowances for uncollectible amounts. Our judgment regarding the ultimate collectibility is performed on an account-by-account basis and considers our assessment of the borrower's ability to pay based on factors such as the borrower's financial condition, past payment history, guarantees and past-due status.

***Goodwill***

Goodwill is carried at cost less accumulated amortization. The carrying amount of goodwill is analyzed for impairment based on estimates of future undiscounted cash flows generated by the business acquired. The estimate of future cash flows requires complex management judgment.

Pursuant to the Argentine Central Bank regulations, the negative goodwill has to be charged to Income with regard to the causes that have originated it, not to exceed a 60-month straight-line method amortization.

**U.S. GAAP - Critical Accounting Policies**

Additional information in connection with critical accounting policies for U.S. GAAP purposes is described as follows.

***Allowance for Loan Losses***

Under U.S. GAAP, Banco Galicia considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans are assessed based on the present value of estimated future cash flows discounted at the current effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when discounted future cash flows or collateral fair value is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for individual loans, based on regular reviews of individual loans, recent loss experience, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing the potential collectability and affecting the quality of the loan portfolio.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, we perform an analysis of historical losses from our consumer and performing commercial loan portfolios in order to estimate losses for U.S. GAAP purposes resulting from loan losses that had been incurred in such loan portfolios at the balance sheet date but which had not been individually identified. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses.

We estimate that, on average, it takes a period of up to one year between the trigger of an impairment event and identification of a loan as being a probable loss for consumer and performing commercial loans.

Many factors can affect Banco Galicia's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

A ten percent decrease in the expected cash flows of significant impaired loans individually analyzed, could result in an additional impairment of approximately Ps.4 million.

A ten percent increase in the historical loss ratios for loans collectively analyzed could result in an additional impairment of approximately Ps.256 million.

These sensitivity analyses do not represent management's expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and represent management's expectations about the credit risk inherent in its loan portfolio.

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Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses.

### ***Fair Value Estimates***

A portion of our assets is carried at fair value, including trading and available-for-sale securities, retained interests in assets transferred to financial trusts, futures and forwards transactions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10, among other things, requires Grupo Financiero Galicia to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In addition, ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, Grupo Financiero Galicia has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

### ***Fair Value Hierarchy***

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Inputs include the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in non-active markets;



- (c) Pricing models whose inputs are observable for substantially the full term of the asset or liability;  
and
- (d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

*Determination of Fair Value*

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments

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may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, Banco Galicia's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Grupo Financiero Galicia believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

### ***Impairment of Assets Other Than Loans***

Certain assets, such as goodwill and equity investments are subject to an impairment review. Asset impairment charges require considerable judgment and are recorded when market value declines below the carrying value, for declines other-than-temporary, or where the cost of the asset is deemed to not be recoverable.

Goodwill impairment exists when the fair value of the reporting unit to which the goodwill is allocated is not enough to cover the book value of its assets and liabilities and the goodwill. The fair value of the reporting units is estimated using discounted cash flow techniques. The sustained value of the majority of the goodwill is supported ultimately by revenue from our banking and credit-card businesses. A decline in earnings as a result of a lack of growth, or our inability to deliver cost-effective services over sustained periods, could lead to a perceived impairment of goodwill, which would be evaluated and, if necessary, recorded as a write-down in our consolidated income statement. On an annual basis, or as circumstances dictate, management reviews goodwill and evaluates events or other developments that may indicate impairment in the carrying amount. The evaluation methodology for potential impairment is inherently complex and involves significant management judgment in the use of estimates and assumptions. These estimates involve many assumptions, including the expected results of the reporting unit, an assumed discount rate and an assumed growth rate for the reporting unit.

As of December 31, 2014 and 2013, no impairment was recorded.

The fair value of equity investments is determined using discounted cash flow techniques. This technique involves complex management judgment in terms of estimating the future cash flows of the companies and in defining the applicable interest rate to discount those cash flows.

### ***Deferred Tax Asset Valuation Allowance***

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards. Recognition of those deferred tax assets is subject to management's judgment based on available evidence that realization is more likely than not and they are reduced, if necessary, by a valuation reserve. Management's judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain. This judgment involves estimating future taxable income and the timing at which the temporary differences between book and taxable income will be reversed. Underlying estimates and assumptions can change over time, influencing our overall tax positions, as a result of unanticipated events or circumstances.

According to taxable income projections, Grupo Financiero Galicia believes that is more likely than not that it will recover the temporary differences and the presumed minimum income tax. Therefore, no valuation allowance was provided against presumed minimum income tax and temporary differences.

*Securizations*

Under U.S. GAAP, prior to January 1, 2010, Grupo Financiero Galicia adopted SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, as amended by SFAS 156, both of them codified under the topic ASC No. 860 Transfers and Servicing (ASC No. 860). ASC No. 860 required an entity to recognize the financial and servicing assets it controls and the liabilities it had incurred and to derecognize financial assets when control has been surrendered.

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Effective January 1, 2010, Grupo Financiero Galicia implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for the transfers of financial assets and the consolidation of VIEs.

The new guidance eliminates the concept of QSPEs that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, Grupo Financiero Galicia must evaluate all existing securitization trusts that qualify as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. An entity is considered a VIE if it possesses one of the following characteristics:

Insufficient equity investment at risk

Equity lacks decision-making rights

Equity with non-substantive voting rights

Lacking the obligation to absorb an entity's expected losses

Lacking the right to receive an entity's expected residual returns

Under the new guidance, the primary beneficiary is the part that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether Grupo Financiero Galicia has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, Grupo Financiero Galicia considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities.

Under ASC 810-10-65, Banco Galicia should measure the components of the newly consolidated financial trusts at their carrying amounts as of the adoption date. Grupo Financiero Galicia must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in Grupo Financiero Galicia's financial statements as of January 1, 2010, as if ASU 2009-17 had been effective as of the date of Grupo Financiero Galicia's initial involvement with the financial trusts. Any difference between the net amount added (assets less liabilities of each financial trusts where Grupo Financiero Galicia is primary beneficiary) from Grupo Financiero Galicia's balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings.

Based on the mentioned evaluation as of December 31, 2014 and 2013 Grupo Financiero Galicia consolidated the financial trust Galtrust I in which Grupo Financiero Galicia had a controlling financial interest and for which it is the primary beneficiary.

***Exchange of Assets***

In accordance with U.S. GAAP, specifically ASC 310-20, satisfaction of one monetary asset by the receipt of another monetary asset for the creditor is generally based on the market value of the asset received in satisfaction of the debt (an extinguishment). In this particular case, the securities being received are substantially different in structure and in interest rates than the debt securities swapped. Therefore, such amounts should initially be recognized at their fair value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.

Banco Galicia exchanged Argentine government bonds denominated in Pesos at 2% due 2014 (Boden 2014 Bonds) with a face value of Ps.683.6 million (recorded in Banco Galicia's shareholders' equity in February 2009 within the scope of an exchange transaction of National Secured Loans at market price) for Bonar 2015 Bonds with a face value of Ps.912.7 million.

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Under U.S. GAAP, the Bonar 2015 Bonds were considered as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

### ***Other-than-temporary impairment***

Under U.S. GAAP Bonar 2015 Bonds, Galtrust I and the investment in Almafuerde Special Fund, were classified as available-for-sale securities, and therefore, carried at fair value with changes in the fair value reflected in other comprehensive income for the years ended December 31, 2014 and 2013.

Recognition and Presentation of Other-Than-Temporary Impairments ASC 320 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Impairment is now considered to be other than temporary if an entity:

1. intends to sell the security;
2. is more likely than not to be required to sell the security before recovering its cost; or
3. does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss.

This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and it is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
2. all other changes in fair value.

Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income. This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

As of December 31, 2014 and 2013 the fair value of Bonar 2015 Bonds and Galtrust I exceeded their amortized cost. Therefore for U.S. GAAP purposes we concluded that there was no recognition of impairment.

As of December 31, 2013, the amortized cost of the Almafuerde Special Fund is greater than its fair value. Grupo Financiero Galicia evaluated if there was a decline in the value of the security other than a temporary decline as defined by ASC 320-10. As a result of such analysis, Grupo Financiero Galicia determined that the unrealized losses are temporary in nature based on its ability and intent to hold the investment until maturity. The amortization of principal and interest of the Almafuerde Special Fund's underlying assets was completed in January 2014 for an amount of Ps.177.5 million, thus the Almafuerde Special Fund has been fully settled.

## **Principal Trends**

### ***Related to Argentina***

The economic and financial environment in Argentina for fiscal year 2015 is expected to be highly influenced by electoral changes in the fourth quarter of 2015. Expectations regarding the outcome of such electoral changes are

expected to play a key role in determining economic policy during 2015. In addition, the current scarcity of foreign currency in Argentina is expected to continue which will likely continue to impact prices on the foreign exchange market as well as economic activity (and its relation to overall employment in Argentina). Positive expectations regarding the outcome of the political elections at the end of 2015 may also open the international capital markets for Argentine issuers. The international financial environment may cause a devaluation of regional currencies and exchange rates, which would likely also cause volatility in Argentina as well.

Although export prices would be, on average, below what was noted in 2014, crop production expectations are optimistic, even exceeding last year's production. On the other hand, the modest growth outlook for the Brazilian economy (Brazil is Argentina's main business partner) may have a negative impact on exports and the overall level of economic activity of exports and the domestic industry (particularly the automotive industry).

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In respect of the risks at the domestic level, what stands out is the difficulty to maintain positive growth rates within an environment with restrictions on foreign currency and the negative effects that foreign exchange dynamics could have on economic expectations, particularly in the months preceding presidential elections.

### ***Related to the Financial System***

In 2015 we believe that the financial system would continue increasing intermediation with the private sector, but with nominal growth rates for loans and deposits that are similar to those in 2014, although more moderate than in previous years.

In terms of financial strength, net results will help to maintain minimum capital levels according to the Basel Committee regulations. The Argentine Central Bank's new articles of incorporation grant an increased power to the monetary authority with respect to whom credit is granted, which could have a negative impact on the financial margin. Commissions, which generate income from services and are significant within operating income, will continue to be subject to the approval by the Argentine Central Bank, both with regard to their type and price. At the same time, and aimed at improving operating efficiency, financial institutions are expected to continue working on the control of administrative expenses.

Portfolio quality indicators could marginally suffer some deterioration in 2015, even though coverage of the non-accrual loan portfolio are expected to be kept within prudent levels.

To conclude, we believe that the Argentine financial system, has excellent fundamental indicators, is expected to have positive financial results in 2015, even though the macroeconomic environment in the short- and mid-term will be a key factor for its future evolution.

### ***Related to Us***

It is expected that the level of activity of all the subsidiaries of Grupo Financiero Galicia will be consistent with the expectations in this economic context. Given that Banco Galicia is the most significant asset of Grupo Financiero Galicia, we refer to the trends related to Banco Galicia.

In 2015, Banco Galicia will continue its strategy of offering products and services to satisfy the needs of each segment of clients, working to increase its volume of financial intermediation activities with the private sector and to improve its recurring operating results, controlling administrative expenses in an effort to improve operational efficiency and maintaining an adequate diversification and risk coverage.

As a result of the economic conditions in Argentina, some deterioration in the quality of the loan portfolio could be expected, although it is likely that its impact on the income statement will be limited, and that the Bank will preserve an adequate coverage of the non-accruing portfolio with provisions.

The analysis of these trends should be read in conjunction with the discussion in Item 3. Key Information Risk Factors, and with consideration that the Argentine economy has been historically volatile, which has negatively affected the volume and growth of the financial system.

## **Item 5.B. Liquidity and Capital Resources**

### **Liquidity - Holding Company on an Individual Basis**



We generate our net earnings/losses from our operating subsidiaries, specifically Banco Galicia, our main operating subsidiary. Banco Galicia's dividend-paying ability has been affected since late 2001 by the effects of the 2001-2002 liquidity crisis and its impact on its income-generation capacity. In addition, there were other restrictions on Banco Galicia's ability to pay dividends resulting from applicable Argentine Central Bank rules and the loan agreements entered into by Banco Galicia as part of its foreign debt restructuring. See Item 8. Financial Information-Dividend Policy and Dividends.

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Although, from 2002 to 2010 we did not receive any dividends from Banco Galicia, which is the primary source of funds available to us. On April 27, 2011, during Banco Galicia's shareholders' meeting, a distribution of cash dividends for a total amount of Ps.100 million was approved. Since that date, Banco Galicia's ability to pay dividends was affected due to regulations issued by the Argentine Central Bank.

The extent to which a banking subsidiary may extend credit or otherwise provide funds to a holding company is limited by Argentine Central Bank rules. For a description of these rules, see Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits.

During fiscal year 2012, Grupo Financiero Galicia's subsidiaries approved a cash dividend distribution of Ps.61 million. Grupo Financiero Galicia received Ps.41 million of such amount during 2012. During fiscal year 2013, Grupo Financiero Galicia received dividends in an amount equal to Ps.101 million, including the remaining amount of Ps.20 million corresponding to fiscal year 2012 dividends. Similarly, during fiscal year 2014, Grupo Financiero Galicia received from its subsidiaries dividends for Ps.128 million and in February 2015, Grupo Financiero Galicia received dividends for Ps.48 million.

According to Grupo Financiero Galicia's policy for the distribution of dividends and due to the fact that most of the profits for fiscal years 2012, 2013 and 2014 corresponded to income by holdings and just a fraction corresponded to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations Law, and taking as well into consideration Grupo Financiero Galicia's financial condition for the fiscal year ended December 31, 2012, the shareholders' meeting held on April 15, 2013 approved the distribution of cash dividends for Ps.24 million for the fiscal year ended December 31, 2012 which represents 1.9% with regard to 1,241,407,017 class A and B ordinary shares with a face value of Ps.1 each.

For fiscal year 2013, the Board of Directors proposed to the shareholders' meeting held on April 29, 2014 to distribute cash dividends in an amount of Ps.39 million, which represents a dividend of 2.97% with respect to 1,300,264,597 class A and B ordinary shares of Grupo Financiero Galicia with a face value of Ps.1 each. Similarly, for fiscal year 2014, the Board of Directors proposed to the shareholders' meeting held on April 29, 2015 to distribute cash dividends in an amount of Ps.100 million, which represents a dividend of 7.69% with respect to 1,300,264,597 class A and B ordinary shares of Grupo Financiero Galicia with a face value of Ps.1 each.

Pursuant to the section incorporated by Act No. 25,585 after Section 25 of Act No. 23,966, Grupo Financiero Galicia will receive the reimbursement of tax withholdings related to the taxes paid on behalf of the shareholders subject to the tax on personal assets as of December 31, 2014. Likewise, pursuant to Section 4 of Act No. 26.893, Grupo Financiero Galicia will withhold 10% for income tax from those shareholders subject to such tax.

As of December 31, 2014, Grupo Financiero Galicia, on an individual basis, had cash and due from banks in an amount of Ps.0.6 million and short-term investments made up of special checking account deposits in an amount of Ps.10 million.

As of December 31, 2013, Grupo Financiero Galicia, on an individual basis, had cash and due from banks in an amount of Ps.0.3 million and short-term investments made up of special checking account deposits in an amount of Ps.10 million.

As of December 31, 2012, Grupo Financiero Galicia, on an individual basis, had cash and due from banks in an amount of Ps.0.4 million and short-term investments in an amount of Ps.12 million. Grupo Financiero Galicia's short-term investments were made up of: (i) special checking account deposits of Ps.0.8 million, (ii) investments in mutual funds of Ps.3.7 million, (iii) public and private bonds for Ps.3.6 million, (iv) Grupo Financiero Galicia's stake

in GV Mandataria (liquidated) for Ps.0.02 million and (v) Grupo Financiero Galicia's stake in Galval for Ps.3.9 million.

For a description of the notes issued by Grupo Financiero Galicia, see -Item 5.A. Operating Results - Debt Programs .

Each of our subsidiaries is responsible for their own liquidity management. For a discussion of Banco Galicia's liquidity management, see -Banco Galicia's Liquidity Management-Banco Galicia (Unconsolidated) Liquidity Management .

**Table of Contents****Consolidated Cash Flows**

Our consolidated statements of cash flows were prepared using the measurement methods and the presentation requirements prescribed by the Argentine Central Bank. See our consolidated cash flow statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, included in this annual report.

As of December 31, 2014, on a consolidated basis, we had Ps.23,054 million in available cash (defined as total cash and cash equivalents), representing a Ps.7,230 million increase from the Ps.15,824 million as of December 31, 2013. As of December 31, 2013, on a consolidated basis, we had Ps.15,824 million in available cash (defined as total cash and cash equivalents), representing a Ps.4,500 million increase from the Ps.11,324 million of available cash (and cash equivalents) at the end of the prior fiscal year

Effective May 14, 2007, and in accordance with the provisions of Argentine Central Bank's Communication A 4667, cash equivalents are comprised of the following: Argentine Central Bank debt instruments (Nobac and Lebac) having a remaining maturity that does not exceed 90 days, securities in connection with reverse repurchase agreement transactions with the Argentine Central Bank, short term call loans to corporations, local interbank loans and overnight placements in correspondent banks abroad. Cash equivalents also comprise, in the case of the Regional Credit Card Companies, time deposit certificates and mutual fund shares.

The table below summarizes the information from our consolidated statements of cash flows for the three fiscal years ended December 31, 2014, 2013 and 2012 which is also discussed in more detail below.

	<b>2014</b>	<b>December 31, 2013</b>	<b>2012</b>
	<i>(in millions of Pesos)</i>		
<b>Funds (1) at the Beginning of the Fiscal Year</b>	<b>Ps.15,824</b>	<b>Ps.11,324</b>	<b>Ps.10,244</b>
<b>Funds Provided (Used) by Operating Activities</b>	<b>7,496</b>	<b>3,486</b>	<b>1,676</b>
- Net (Increase)/Decrease in Government and Private Securities	(1,097)	(61)	1,220
- Net (Increase)/Decrease in Loans	2,698	(1,883)	(4,484)
- Net Increase/(Decrease) in Deposits	5,679	6,798	7,182
- Other	216	(1,368)	(2,241)
<b>Funds Provided (Used) by Investing Activities</b>	<b>(495)</b>	<b>(437)</b>	<b>(309)</b>
- Payments for bank premises, equipment and miscellaneous assets, net	(493)	(400)	(291)
- Payments for equity investments	(2)	(37)	(18)
- Other			
<b>Funds Provided (Used) by Financing Activities</b>	<b>(1,285)</b>	<b>422</b>	<b>(673)</b>
- Net Increase/(Decrease) in notes	(633)	56	(15)
	(236)	152	(889)

- Net Increase/(Decrease) in banks and international entities			
- Net Increase/(Decrease) in loans from local financial institutions	(368)	247	261
- Other	(48)	(33)	(30)
<b>-Effect of Exchange Rate on Cash and Cash Equivalents</b>	<b>1,514</b>	<b>1,029</b>	<b>387</b>
<b>Funds at the End of the Fiscal Year</b>	<b>Ps.23,054</b>	<b>Ps.15,824</b>	<b>Ps.11,324</b>

*(1) Cash and cash equivalents*

Under Argentine Banking GAAP, our operating activities include the operating results, the origination of loans and other credits to the private sector, as well as raising customer deposits and entering into sales of government securities under repurchase agreement transactions. Our financing activities include issuing bonds in the local and foreign capital markets and borrowing from foreign and local banks and international credit agencies. Our investing activities primarily consist of the acquisition of equity investments and purchasing of bank premises and equipment.

Management believes that cash flows from operations and available cash and cash equivalent balances, will be sufficient to fund our financial commitments and capital expenditures for fiscal year 2015.

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**Table of Contents*****Cash Flows from Operating Activities***

In fiscal year 2014, net cash provided by operating activities amounted to Ps.7,496 million, mainly due to: (i) a Ps.5,679 million increase in deposits, corresponding to an increase of Ps.8,606 million in demand deposits and a Ps.2,927 million decrease in time deposits and (ii) a decrease of Ps.2,698 million in transactions related to loans, due to amortizations and payments of interests which were higher than the new transactions. Transactions related to personal loans, advances, promissory notes and international trade financing experienced positive cash flows, an effect that was offset by negative cash flows generated on credit cards transactions. Likewise, Ps.216 million due to the increase of net other assets and liabilities were provided by operating activities. In addition, net cash was used by operating activities as follows: Ps.1,097 million attributable to the increase in the portfolio of government and private securities, mainly Lebac and trading portfolio, partially offset by the sale of Bonar 2015 bonds, among others.

In fiscal year 2013, net cash provided by operating activities amounted to Ps.3,486 million, due to a Ps.6,798 million increase in deposits, corresponding to an increase of Ps.4,799 million in demand deposits and of Ps.1,999 million in time deposits, that was partially offset by the increase of Ps.1,883 million in loans mainly attributable to our private-sector loan portfolio origination. In addition, net cash was used by operating activities as follows: (i) Ps.61 million increase in government and private securities, (ii) Ps.591 million of organization and development expenses, and (iii) Ps.777 million due to the increase of net other assets and liabilities.

In fiscal year 2012, net cash provided by operating activities amounted to Ps.1,676 million, due to a Ps.7,182 million increase in deposits, corresponding to an increase of Ps.4,072 million in demand deposits and of Ps.3,110 million in time deposits, that was partially offset by the increase of Ps.4,484 million in loans mainly attributable to our private-sector loan portfolio origination. In addition, net cash was used by operating activities as follows: (i) Ps.1,220 million decrease in government and private securities comprised of the proceeds of Ps.1,779 million from the sale of Argentine Central Bank debt instruments (Nobac and Lebac) and other securities and offset by an increase of Ps.559 million in net repurchase agreement transactions, (ii) Ps.562 million of organization and development expenses, and (iii) Ps.1,679 million due to the increase of net other assets and liabilities.

***Cash Flows from Investing Activities***

In fiscal year 2014, net cash used by investing activities amounted to Ps.495 million mainly attributable to the acquisition of bank premises and equipment for Ps.284 million and miscellaneous assets for Ps.209 million.

In fiscal year 2013, net cash used by investing activities amounted to Ps.437 million mainly attributable to the acquisition of bank premises and equipment for Ps.258 million and miscellaneous assets for Ps.142 million. In addition, net cash was used by other fluctuations for Ps.37 million corresponding to other investing assets.

In fiscal year 2012, net cash used by investing activities amounted to Ps.309 million mainly attributable to the acquisition of bank premises and equipment of Ps.242 million and miscellaneous assets of Ps.49 million. In addition, net cash was used by other fluctuations of Ps.18 million corresponding to other investing assets.

***Cash Flows from Financing Activities***

In fiscal year 2014, financing activities used cash in the amount of Ps.1,285 million due to: (i) Ps.633 million as a consequence of the payment or cancellation of principal and interests on notes for approximately Ps.3,804 million, offset by the issuances of notes for approximately Ps.3,181 million during the same period, (ii) Ps.236 million as a consequence of the decrease in foreign credit facilities, partially offset by loans granted mainly by the BID equal to Ps.318 million, (iii) payments in loans from local financial institutions for Ps.368 and (iv) a net decrease in others

fluctuations of Ps.48 million corresponding to other financing activities, mainly related to the payment of dividends .

In fiscal year 2013, financing activities provided cash in the amount of Ps.422 million due to the issuance of notes and long term foreign credit facilities in the amount of Ps.1,889 million and the increase in short-term borrowings of Ps.247 million. These amounts were offset by: (i) payments of long-term debt for Ps.1,648 million and (ii) a net decrease in others fluctuations of Ps.33 million corresponding to other financing activities.

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In fiscal year 2012, financing activities used cash in the amount of Ps.673 million due to the issuance of notes and long term foreign credit facilities in the amount of Ps.1,146 million and the increase in short-term borrowings of Ps.260 million. These amounts were offset by: (i) payments of long-term debt for Ps.2,050 million and (ii) a net decrease in others fluctuations of Ps.31 million corresponding to other financing activities.

For a description of the types of financial interests we use and the maturity profile of our debt, currency and interest rate structure, see Item 5. Operating and Financial Review and Prospects -Item 5.A. Operating Results .

**Banco Galicia s Liquidity Management***Banco Galicia Consolidated Liquidity Gaps*

Liquidity risk is the risk that liquid assets are not available for Banco Galicia to meet financial commitments at contractual maturity, take advantage of potential investment opportunities and meet demand for credit. To monitor and control liquidity risk, Banco Galicia monitors and systematically calculates the gaps between financial assets and liabilities maturing within set time intervals based on contractual remaining maturity, on a consolidated basis with the Regional Credit Card Companies and CFA. All the deposits in checking accounts and other demand deposits and deposits in savings accounts are included in the first time interval. These figures are used to simulate different liquidity crisis scenarios based on assumptions stemming from historical experience.

As of December 31, 2014, the consolidated gaps between maturities of Banco Galicia s financial assets and liabilities based on contractual remaining maturity were as follows

	Less than one Year	As of December 31, 2014 <sup>(1)</sup>				Total
		1	5 Years	5	10 Years	
<i>(in millions of Pesos, except ratios)</i>						
<b>Assets</b>						
Cash and Due from Banks	4,699					<b>4,699</b>
Argentine Central Bank Escrow Accounts	13,537					<b>13,537</b>
Overnight Placements	261					<b>261</b>
Loans Public Sector	150					<b>150</b>
Loans Private Sector	57,142	8,678	137	7		<b>65,964</b>
Government Securities	9,584	131				<b>9,715</b>
Notes and Corporate Securities	364	434	4			<b>802</b>
Financial Trusts	2,366	572	16			<b>2,954</b>
Other Financing	86					<b>86</b>
Receivables from Financial Leases	164	224	103	16		<b>507</b>
Other	34					<b>34</b>
<b>Total Assets</b>	<b>88,387</b>	<b>10,039</b>	<b>260</b>	<b>23</b>		<b>98,709</b>
<b>Liabilities</b>						
Savings Accounts	16,744					<b>16,744</b>
Demand Deposits	16,389					<b>16,389</b>



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Time Deposits	31,012	8			<b>31,020</b>
Notes	2,595	6,785			<b>9,380</b>
International Banks and Credit Agencies	617	191			<b>808</b>
Domestic Banks	1,065	49			<b>1,114</b>
Other Liabilities <sup>(1)</sup>	14,623				<b>14,623</b>
<b>Total Liabilities</b>	<b>83,045</b>	<b>7,033</b>			<b>90,078</b>
Asset / Liability Gap	5,342	3,006	260	23	<b>8,631</b>
Cumulative Gap	5,342	8,348	8,608	8,631	<b>8,631</b>
Ratio of Cumulative Gap to Cumulative Liabilities	6.4%	9.3%	9.6%	9.6%	
Ratio of Cumulative Gap to Total Liabilities	5.9%	9.3%	9.6%	9.6%	

*Principal plus CER adjustment. Does not include interest.*

(1) *Includes, mainly, debt with retailers due to credit card operations, liabilities in connection with repurchase transactions, debt with domestic credit agencies and collections for third parties. The Less than One Year bucket also includes Ps.7 million corresponding to Banco Galicia's foreign debt not tendered by its holders in the exchange offered to restructure such foreign debt, which was completed in May 2004.*

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The table above is prepared taking into account contractual maturity. Therefore, all financial assets and liabilities with no maturity date are included in the Less than One Year category.

Banco Galicia must comply with a maximum limit set by its board of directors for liquidity mismatches. This limit has been established at -25% (minus 25%) for the ratio of cumulative gap to total liabilities within the first year. As shown in the table above, Banco Galicia complies with the established policy, since such gap was 5.9% as of December 31, 2014.

*Banco Galicia (Unconsolidated) Liquidity Management*

The following is a discussion of Banco Galicia's liquidity management, excluding the consolidated companies.

Banco Galicia's policy is to maintain a level of liquid assets that allows it to meet financial commitments at contractual maturity, take advantage of potential investment opportunities, and meet customer's credit demand. To set the appropriate level, forecasts are made based on historical experience and on an analysis of possible scenarios. This enables management to project funding needs and alternative funding sources, as well as excess liquidity and placement strategies for such funds. As of December 31, 2014, Banco Galicia's unconsolidated liquidity structure was as follows:

	<b>As of December 31, 2014</b>	
	<i>(in millions of Pesos)</i>	
Legal Requirement	Ps.	11,465
Management Liquidity		12,563
<b>Total Liquidity <sup>(1)</sup></b>	<b>Ps.</b>	<b>24,028</b>

*(1) Excludes cash and due from banks of consolidated companies.*

The legal liquidity requirements in the table above correspond to the Minimum Cash Requirements for Peso- and Dollar-denominated liabilities determined by Argentine Central Bank regulations. For more information on the Argentine Central Bank regulations regarding reserve requirements for liquidity purposes, see Item 4. Information on the Company-Argentine Banking Regulation-Legal Reserve Requirements for Liquidity Purposes .

The assets included in this calculation are the balances of Peso- and Dollar-denominated deposit accounts at the Argentine Central Bank and escrow accounts held at the Argentine Central Bank in favor of clearing houses.

Management liquidity consists of the following items: (i) 100% of the balance of overnight placements in banks abroad, (ii) 90% of the Lebac balance, (iii) 90% of the market value of available government securities, due to the potential liquidity that might be obtained through sales or repurchase transactions, (iv) net short-term interbank loans (call loans), and (vi) 100% of the balance at the Argentine Central Bank, including escrow accounts in favor of clearing houses, in excess of the amounts necessary to cover the Minimum Cash Requirements

**Table of Contents****Capital**

Our capital management policy is designed to ensure prudent levels of capital. The following table analyzes our capital resources as of the dates indicated.

		<b>As of December 31,</b>		
		<b>2014</b>	<b>2013</b>	<b>2012</b>
		<i>(in millions of Pesos, except ratios, multiples and percentages)</i>		
Shareholders	Equity	Ps. 10,246	Ps. 6,947	Ps. 4,870
Shareholders	Equity as a Percentage of Total Assets	9.55%	8.35%	7.67%
	Total Liabilities as a Multiple of Total Shareholders Equity	9.47x	10.97x	12.03x
Tangible Shareholders	Equity <sup>(1)</sup> as a Percentage of Total Assets	7.87%	6.63%	5.96%

(1) Tangible shareholders equity represents shareholders equity minus intangible assets.

For information on our capital adequacy and that of our operating subsidiaries, see Item 4. Information on the Company-Selected Statistical Information-Regulatory Capital .

**Capital Expenditures**

In the course of our business, our capital expenditures are mainly related to fixed assets, construction and organizational and IT system development. In general terms, our capital expenditures are not significant when compared to our total assets.

For a more detailed description of our capital expenditures in 2014 and our capital commitments for 2015, see Item 4. Information on the Company-Capital Investments and Divestitures . For a description of financing of our capital expenditures, see -Consolidated Cash Flows .

**Item 5.E. Off-Balance Sheet Arrangements**

See Item 5.A. Operating Results-Off-Balance Sheet Arrangements and Operating Results-Off-Balance Sheet Contractual Obligations.

**Item 5.F. Contractual Obligations**

See Item 5.A. Operating Results-Contractual Obligations.

**Item 6. Directors, Senior Management and Employees**  
**Our Board of Directors**

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Our ordinary shareholders meeting took place on April 29, 2015. The following table sets out the members of our Board of Directors as of that date (all of whom reside in Buenos Aires, Argentina), the positions they hold within Grupo Financiero Galicia, their dates of birth, their principal occupations and the dates of their appointment and on which their current terms will expire. Terms expire when the annual shareholders meeting takes place.

Name	Position	Date of Birth	Principal	Member	Current
			Occupation	Since	Term Ends
Eduardo J. Escasany	Chairman	June 30, 1950	Businessman	April 2005	December 2015
Pablo Gutierrez	Vice chairman	December 9, 1959	Banker	April 2003	December 2015
Abel Ayerza	Director	May 27, 1939	Businessman	September 1999	December 2017
Federico Braun	Director	February 4, 1950	Businessman	September 1999	December 2016
Antonio R. Garcés	Director	May 30, 1942	Businessman	April 2012	December 2017
Enrique Martin	Director	October 19, 1945	Businessman	April 2006	December 2017
Luis O. Oddone	Director	May 11, 1938	Businessman	April 2005	December 2015
Silvestre Vila Moret	Director	April 26, 1971	Businessman	June 2002	December 2016
Juan Miguel Cuattromo	Director	January 13, 1983	Economist	April 2013	December 2015
María Ofelia Hordeñana de Escasany	Alternate Director	December 30, 1920	Businesswoman	April 2000	December 2016
Sergio Grinenco	Alternate Director	May 26, 1948	Banker	April 2003	December 2017
Alejandro Rojas Lagarde	Alternate Director	July 17, 1937	Lawyer	April 2000	December 2017
Augusto Rodolfo Zapiola Macnab	Alternate Director	June 27, 1947	Economist	April 2015	December 2017

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The following is a summary of the biographies of the members of our Board of Directors:

*Eduardo J. Escasany:* Mr. Escasany obtained a degree in economics at the Universidad Católica Argentina. He was associated with Banco Galicia from 1973 to 2002. He was appointed to Banco Galicia's board of directors in 1975. In 1979, he was elected as the vice chairman and from 1989 to March 21, 2002 he was the chairman of Banco Galicia's board of directors and its chief executive officer. He was elected as the vice chairman of the Argentine Bankers Association from 1989 to 1993 and the chairman of such association from 1993 to 2002. He was chairman of the Board of Directors from April 2002 to June 2002. In April 2005, he was re-elected as member of the Board of Directors and appointed as chairman in 2010. He is also a lifetime trustee and vice chairman of the Fundación Banco de Galicia y Buenos Aires. He is the chairman of Helena Emprendimientos Inmobiliarios S.A. and regular director in Sociedad Argentina de Energía S.A. and at RMPE Asociados S.A. and an alternate director in RPE Distribución S.A. Mr. Escasany is Mrs. María Ofelia Hordeñana de Escasany's son and Mr. Silvestre Vila Moret's uncle.

*Pablo Gutierrez:* Mr. Gutierrez obtained a degree in business administration at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1985, where he served in different positions. In April 2005, he was appointed to the board of directors of Banco Galicia. Mr. Gutierrez is chairman of Tarjetas Regionales, vice president of Sudamericana Holding and Tarjetas del Mar S.A., regular director of CFA, Tarjetas Cuyanas S.A., Tarjeta Naranja S.A. and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. He was an alternate director of Grupo Financiero Galicia from April 2003 to April 2010 when he was appointed as vice chairman. In April 2012, he was appointed as the vice chairman of Banco Galicia. Mr. Gutierrez is Mr. Abel Ayerza's nephew.

*Abel Ayerza:* Mr. Ayerza obtained a degree in business administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1966 to 2002. Mr. Ayerza is also the chairman of Aygalpla S.A., a lifetime trustee and second vice chairman of the Fundación Banco de Galicia y Buenos Aires and the managing partner of Cribelco S.R.L., Crisabe S.R.L. and Huinca Cereales S.R.L. He has been a member of the Board of Directors since September, 1999. Mr. Ayerza is the uncle of Mr. Pablo Gutierrez.

*Federico Braun:* Mr. Braun obtained a degree in industrial engineering at the Universidad de Buenos Aires. He was associated with Banco Galicia from 1984 to 2002. Mr. Braun is also the chairman of Patagonia Logística S.A., Campos de la Patagonia S.A., Estancia Anita S.A., Club de Polo Los Pingüinos S.A. and S.A. Importadora y Exportadora de la Patagonia; the vice chairman of Club de Campo Los Pingüinos S.A., Pampa Natural S.A. and Asociación de Supermercados Unidos. He is regular director of Inmobiliaria y Financiera La Josefina S.A. and an alternate director of Martseb S.A. He is a member of Asociación Empresaria Argentina and a lifetime trustee of the Fundación Banco de Galicia y Buenos Aires. He has been a member of the Board of Directors since September, 1999.

*Antonio Roberto Garcés:* Mr. Garcés obtained a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1959 and with Grupo Financiero Galicia since 2002. In April 1985, he was appointed as an alternate director of Banco Galicia. Subsequently, he was appointed as the vice chairman of Banco Galicia in September 2001, the chairman of the board of directors of Banco Galicia from March 2002 until August 2002, and then the vice chairman from August 2002 until April 2003, when he was elected as the chairman of Banco Galicia's board of directors until 2011. From 2003 to 2010 he was the chairman of Grupo Financiero Galicia. In April 2012, Mr. Garcés was appointed as a regular director of Grupo Financiero Galicia.

*C. Enrique Martin:* Mr. Martin obtained a degree in law at the Universidad de Buenos Aires. He was a professor at the Universidad de Buenos Aires for more than 20 years and has a post-graduate certificate in international economics from the University of London. He was associated with Banco Galicia from 1977 until 2002 and was responsible for the International Banking Relations Department. Mr. Martin is a senior Advisor to ZEIG S.A. He is also a director of the Argentine-Chilean Chamber of Commerce and an advisor to the Canadian-Argentine Chamber of Commerce. He

has been a member of the Board of Directors since April 2006, and in 2012 was appointed as an alternate director of Banco Galicia.

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*Luis Oddone:* Mr. Oddone obtained a degree in national public accounting at the Universidad de Buenos Aires. He was appointed as Grupo Financiero Galicia's syndic from 1999 until April 2005. He has been a member of the Board of Directors since April 2005.

*Silvestre Vila Moret:* Mr. Vila Moret obtained a degree in banking administration at the Universidad Católica Argentina. He was associated with Banco Galicia from 1997 until May 2002. Mr. Vila Moret is also vice chairman of El Benteveo S.A. and Santa Ofelia S.A. He has been a member of the Board of Directors since June 2002. Mr. Vila Moret is the grandson of Mrs. María Ofelia Hordeñana de Escasany and nephew of Mr. Eduardo J. Escasany.

*Juan Miguel Cuattromo:* Mr. Cuattromo obtained a degree and a Master's degree in economics at the Universidad de Buenos Aires. He also obtained postgraduate degrees from the Institute for Capacity Development (a special agency of the IMF) and from the Escola de Administração Fazendária. Mr. Cuattromo was a professor at the Universidad de Buenos Aires teaching subjects such as macroeconomics, international economy and banks and credits. He has published a wide variety of paper works and won the first prize at the 5th Edition of the Annual Prize on Economics Research organized by the Argentine Central Bank. Mr. Cuattromo also worked as a consultant at the World Bank and as a special guest of the Economic and Finance Centre for Argentinean Development. Since 2005 he has served within different agencies of the Ministry of Economy, and in 2012 he was appointed director of the Foreign Analysis Agency where he still serves.

*María Ofelia Hordeñana de Escasany:* Mrs. Hordeñana de Escasany has held several positions in different subsidiaries of Banco Galicia. She is currently the chairman of the Fundación Banco de Galicia y Buenos Aires. She has been an alternate director of Grupo Financiero Galicia since April 2000. Mrs. Hordeñana de Escasany is the mother of Mr. Eduardo J. Escasany and the grandmother of Mr. Silvestre Vila Moret.

*Sergio Grinenco:* Mr. Grinenco obtained a degree in economics at the Universidad Católica Argentina and a master's degree in business administration from Babson College in Wellesley, Massachusetts. He has been associated with Banco Galicia since 1977. He was elected as an alternate director of Banco Galicia in September 2001 and as the vice chairman in April 2003, a position he held until 2011. He is an alternate director of Grupo Galicia since April 2003. Mr. Grinenco is also the chairman of CFA, vice chairman of the Asociación de Bancos Argentina, a regular director of Tarjetas Regionales and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires. In 2012, he was appointed as the chairman of Banco Galicia.

*Alejandro María Rojas Lagarde:* Mr. Rojas obtained a degree in law at the Universidad de Buenos Aires. He has held a variety of positions at Banco Galicia since 1963. From 1965 to January 2000, he was responsible for the general counsel office of Banco Galicia. He has been an alternate director on the Board of Directors since 2000. He is also a manager of Rojas Lagarde S.R.L., alternate director of Santiago Salud S.A. and lifetime trustee of the Fundación Banco de Galicia y Buenos Aires.

*Augusto Rodolfo Zapiola Macnab:* Mr. Zapiola Macnab obtained a degree in economics from the Pontificia Universidad Católica Argentina. He has been associated with Banco Galicia from June 1978 until September 2002. In April 2013, he was elected as an alternate director of Banco Galicia. In April 2015, he was elected as an alternate director on the Board of Directors of Grupo Galicia.

Our Board of Directors may consist of between three and nine permanent members. Currently our Board of Directors has nine members. In addition, the number of alternate directors-individuals who act in the temporary or permanent absence of a director-has been set at four. The directors and alternate directors are elected by the shareholders at our annual general shareholders' meeting. Directors and alternate directors are elected for a maximum term of three years.

Messrs. Sergio Grinenco and Pablo Gutiérrez are also directors of Banco Galicia and Mr. Augusto Rodolfo Zapiola Macnab is also alternate director of Banco Galicia. In addition, some members of our Board of Directors may serve on the board of directors of any subsidiary.



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Five of our directors and one of our alternate directors are members of the families that are the controlling shareholders of Grupo Financiero Galicia.

**Our Audit Committee**

Grupo Financiero Galicia complies with the provisions set forth by the Capital Markets Law and the regulations set forth by the CNV, which require that companies which make a public offering of shares should form an Audit Committee, and develop a charter with regulations for its operation.

Accordingly, the Board of Directors established an Audit Committee with three members. Currently, Messrs. Luis O. Oddone, Antonio R. Garcés and C. Enrique Martin are the members of the Audit Committee. Our Audit Committee is comprised of two independent directors under the CNV and Nasdaq requirements. All three members of the Audit Committee are financially literate and have extensive managerial experience. Mr. Oddone is the financial expert serving on our Audit Committee.

According to the CNV rules, the Audit Committee is primarily responsible for (i) issuing a report on the Board of Directors proposals for the appointment of the independent auditors and the compensation for the Directors, (ii) issuing a report detailing the activities performed according to the CNV requirements, (iii) issuing the Audit Committee's annual plan and implementing the plan each fiscal year, (iv) evaluating the external auditors independence, work plans and performance, (v) evaluating the plans and performance of the internal auditors, (vi) supervising the reliability of our internal control systems, including the accounting system, and of external reporting of financial or other information, (vii) following-up on the use of information policies on risk management at Grupo Financiero Galicia's main subsidiaries, (viii) evaluating the reliability of the financial information to be filed with the CNV and the SEC, (ix) verifying compliance with the applicable conduct rules, and (x) issuing a report on related party transactions and disclosing any transaction where a conflict of interest exists with corporate governance bodies and controlling shareholders. The Audit Committee has access to all information and documentation that it requires and is broadly empowered to fulfill its duties. During 2014, the Audit Committee held eleven meetings.

**Our Supervisory Committee**

Our bylaws provide for a Supervisory Committee consisting of three members who are referred to as syndics ( syndics ) and three alternate members who are referred to as alternate syndics ( alternate syndics ). In accordance with the Corporations Law and our bylaws, the syndics and alternate syndics are responsible for ensuring that all of our actions are in accordance with applicable Argentine law. Syndics and alternate syndics are elected by the shareholders at the annual general shareholders meeting. Syndics and alternate syndics do not have management functions. Syndics are responsible for, among other things, preparing a report to shareholders analyzing our financial statements for each year and recommending to the shareholders whether to approve such financial statements. Alternate syndics act in the temporary or permanent absence of a syndic. Currently, there are three syndics and three alternate syndics. Syndics and alternate syndics are elected for a one-year term.

The following table shows the members of our Supervisory Committee. Each of our syndics was appointed at the ordinary shareholders meeting held on April 29, 2015. Terms expire when the annual shareholders meeting takes place or as set forth below.

Name	Position	Principal	Current
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		<b>Occupation</b>	<b>Term Ends</b>
Norberto Corizzo	Syndic	Accountant	December 2015
Luis A. Díaz	Syndic	Accountant	December 2015
Enrique M. Garda Olaciregui	Syndic	Lawyer	December 2015
Miguel Armando	Alternate Syndic	Lawyer	December 2015
Fernando Noetinger	Alternate Syndic	Lawyer	December 2015
Horacio Tedín	Alternate Syndic	Lawyer	December 2015

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The following is a summary of the biographies of the members of our Supervisory Committee:

*Norberto Corizzo:* Mr. Corizzo obtained a degree in national public accounting at the Universidad de Buenos Aires. He has developed taxes activities in companies such as López González Raimondi y Asoc., Noel y Cía and Price Waterhouse. He has been syndic at Grupo Financiero Galicia since April 2003. He has been associated with Banco Galicia since 1977. Mr. Corizzo is also a syndic of Banco Galicia, EBA Holding, Tarjetas Regionales, Cobranzas Regionales S.A., Tarjeta Naranja, Tarjetas Cuyanas, Tarjetas del Mar and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

*Luis Díaz:* Mr. Díaz obtained a degree in national public accounting at the Universidad de Buenos Aires. He has provided services to Banco Galicia since 1965, and was elected as a syndic of Banco Galicia and Grupo Financiero Galicia at the shareholders meetings held on April 28, 2009. Additionally, he is a syndic of Tarjetas del Mar, CFA, Galicia Valores, Galicia Warrants, CFA and of other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

*Enrique M. Garda Olaciregui:* Mr. Garda Olaciregui obtained a degree in law at the Universidad del Salvador. He has a master in Finances at Universidad del CEMA and a degree in Corporate Law at Universidad Austral. He has been associated with Banco Galicia since 1970. He served as legal advisor to Banco Galicia between September 2001 and April 2003. He has provided services as a Secretary Director between April 2003 and April 2010, when he was designated as regular syndic of Banco Galicia. Additionally, he is a regular syndic at Tarjetas Regionales, CFA, Galicia Seguros, Galicia Valores, Galicia Warrants, Sudamericana and other subsidiaries of Banco Galicia and Grupo Financiero Galicia.

*Miguel Armando:* Mr. Armando obtained a degree in law at the Universidad de Buenos Aires. He was first elected as an alternate syndic of Banco Galicia in 1986. He is vice chairman of Arnoar S.A. and member of the board of directors of Santiago de Compostela Promotora de Seguros S.A. Mr. Armando is also a syndic of EBA Holding S.A. and an alternate syndic of Banco Galicia, Galicia Valores, Tarjetas Regionales, Tarjeta Naranja, Tarjetas Cuyanas and Tarjetas del Mar, among others.

*Fernando Noetinger:* Mr. Noetinger obtained a degree in law at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1987. Mr. Noetinger is also chairman of Arnoar S.A., and an alternate syndic of EBA Holding S.A., Electrigal S.A., Tarjetas del Mar, Tarjetas Regionales, Galicia Warrants, Galicia Valores, Banco Galicia, Galicia Retiro Compañía de Seguros S.A., Galicia Seguros, Sudamericana Holding and Net Investment, among others.

*Horacio Tedín:* Mr. Tedín obtained a degree in law at the Universidad de Buenos Aires. In 1981 he founded his own law firm, which has actively worked for Banco Galicia and other big corporate clients. Mr. Tedín has been an alternate syndic of Grupo Financiero Galicia since 2006. He is also a syndic of Teruel Mandataria S.A. and Electrigal S.A. and an alternate syndic of EBA Holding S.A., CFA, among others.

## **Compensation of Our Directors**

Compensation for the members of the Board of Directors is considered by the shareholders at the shareholders meeting once the fiscal year has ended. Directors are paid an annual fee based on the functions they carry out and they may receive partial advance payments during the year. We do not pay fees to the members of our Board of Directors who are also members of the board of directors of Banco Galicia. At the ordinary shareholders meeting held on April 29, 2015 the compensation for the Board of Directors was set at Ps.1,036,000 for the fiscal year ending on December 31, 2014. For a description of the amounts to be paid to the board of directors of Banco Galicia, see -Compensation of Banco Galicia's Directors and Officers below.

We do not maintain a stock-option, profit-sharing or pension plan for the benefit of our directors. In connection with Banco Galicia's foreign debt restructuring, we agreed to limit the amounts paid per fiscal year to the members of our Board of Directors and agreed not to make any payments to our management in excess of market compensation.

We do not have a policy establishing any termination benefits for our directors.

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### **Management of Grupo Financiero Galicia**

Our organizational structure consists of a chief executive officer ( CEO ) who reports to the Board of Directors, and the Chief Financial Officer who reports to the CEO and is in charge of the Financial, Investor Relations and Accounting Division.

The CEO s main function consists in implementing the policies defined by the Board of Directors, as well as suggesting to the Board of Directors the application of plans, budgets and company organization. He is also in charge of supervising the Financial, Investor Relations and Accounting Division, assessing the attainment of goals and the performance of Grupo Financiero Galicia. The position also takes part in the board of directors of some subsidiaries.

Our CEO is Mr. Pedro Alberto Richards, who was born on November 14, 1952 and obtained a degree in economics from the Universidad Católica Argentina. He holds a Master of Science in Management from the Sloan School of Management at the Massachusetts Institute of Technology. He was director of the National Development Bank (BANADE). He has been associated with Banco Galicia since 1990. He was member of the board of directors of Galicia Capital Markets S.A. between 1992 and 1994 and vice chairman of Net Investment between September 2001 and May 2007. Since August 2000, he served as Grupo Financiero Galicia s managing director and from 2010 as our CEO. Mr. Richards is also chairman of Galicia Warrants and Net Investment, and director of Sudamericana, CFA and Galicia Administradora de Fondos S.A. Mr. Richards was alternate director of Grupo Financiero Galicia from April 2003 until April 2005, when he was appointed as director, position he occupied until April 14, 2010.

Our CFO is Mr. José Luis Gentile, who was born on March 15, 1956 and obtained a degree in national public accounting at the Universidad de Buenos Aires. Mr. Gentile was chairman of GV Mandataria (liquidated), is vice chairman of Marín S.A. and Net Investment, director of Electrigral S.A., Galicia Retiro, Galicia Seguros and Galicia Broker and alternate director of Distrocuyo S.A., Galicia Warrants and Sudamericana.

The Financial & Accounting Division is mainly responsible for the assessment of investment alternatives, thus suggesting whether to invest or withdraw Grupo Financiero Galicia s positions in different companies or businesses. It also plans and coordinates Grupo Financiero Galicia s administrative services and financial resources in order to guarantee its proper management. This division also aims at meeting requirements set by several controlling authorities, complying with information and internal control needs and budgeting purposes. Furthermore, it includes the investor relations function, aimed at planning, preparing, coordinating, controlling and providing financial information to the stock exchanges where Grupo Financiero Galicia s shares are listed, regulatory bodies and both domestic and international investors and analysts. It assesses the materials published by analysts, carrying out a follow-up of their opinions, as well as those of shareholders and investors in general.

Our compensation policy, which is essentially the same as the policy followed by the companies that we control, consists of arranging salary levels in order of importance based on a system that describes and assesses job positions based on objective factors (the Hay System). The purpose of such system is to pay compensation that is similar to the compensation that is paid for a similar position in the domestic market. Managers who are our employees or our controlled companies employees receive a fixed salary and may receive a bonus based on individual performance. This policy for compensation includes the possibility of having access to retirement insurance. We do not maintain stock-option, profit-sharing or pension plans or any other retirement plans for the benefit of our managers.

We have established a Disclosure Committee in response to the U.S. Sarbanes-Oxley Act of 2002. The main responsibility of this committee is to review and approve controls over the public disclosure of financial and related information, and other procedures necessary to enable our chief financial officer and chief executive officer to provide their certifications of our annual report that is filed with the SEC. The members are Messrs. Pedro A. Richards, José

Luis Gentile, Adrián Enrique Pedemonte and Ms. Mariana Saavedra. In addition, at least one of the members of this committee attends all the meetings of our principal subsidiaries' disclosure committees.

**Board of Directors of Banco Galicia**

At the ordinary shareholders' meeting held on April 29, 2015, the size of Banco Galicia's board of directors was set at seven members and four alternate directors. The following table sets out the members of Banco Galicia's

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board of directors as of April 29, 2015, all of whom are residents of Buenos Aires, Argentina, the position currently held by each of them, their dates of birth, their principal occupations, the dates of their appointment and the year in which their current terms will expire. The business address of the members of the Banco Galicia's board of directors is Tte. General J. D. Perón 407, (C1038AAI) Buenos Aires, Argentina.

<b>Name</b>	<b>Position</b>	<b>Date of Birth</b>	<b>Principal Occupation</b>	<b>Member Since</b>	<b>Current Term Ends</b>
Sergio Grinenco	Chairman of the Board	May 26, 1948	Banker	April 2012	December 2017
Pablo Gutierrez	Vice chairman	December 9, 1959	Banker	April 2012	December 2017
Guillermo J. Pando	Secretary Director	October 23, 1948	Banker	April 2003	December 2017
Luis M. Ribaya	Director	July 17, 1952	Banker	September 2001	December 2016
Raúl H. Seoane	Director	July 18, 1953	Banker	April 2012	December 2016
Pablo M. Garat <sup>(1)</sup>	Director	January 12, 1953	Lawyer	April 2004	December 2015
Ignacio A. González <sup>(1)</sup>	Director	April 23, 1944	Accountant	April 2010	December 2015
Enrique García Pinto <sup>(2)</sup>	Alternate Director	August 10, 1948		April 2009	December 2017
Cirilo E. Martin	Alternate Director	October 19, 1945	Lawyer	April 2012	December 2017
Augusto R. Zapiola Macnab	Alternate Director	June 27, 1947	Economist	April 2013	December 2015
Oscar J. Falleroni	Alternate Director	June 19, 1949	Accountant	April 2013	December 2015

(1) In accordance with the rules of the CNV, and pursuant to the classifications adopted by the CNV, Messrs. Garat and González are independent and were reelected at the ordinary shareholders' meeting held on April 15, 2013. Messrs. Garat and González are also independent directors in accordance with the Nasdaq rules.

(2) In accordance with the rules of the CNV, and pursuant to the classifications adopted by the CNV, Mr. García Pinto is an independent alternate director. He would replace the independent directors in case of vacancy. He is also an independent director in accordance with the Nasdaq rules.

The following are the biographies of the members of the board of directors of Banco Galicia:

*Sergio Grinenco:* See -Our Board of Directors .

*Pablo Gutierrez:* See -Our Board of Directors .

*Guillermo Juan Pando:* Mr. Pando has been associated with Banco Galicia since 1969. He was first elected as an alternate director of Banco Galicia from September 2001 until June 2002, and in April 2003 he was elected as a director. He is also the chairman of Santiago Salud S.A., vice chairman of Distrocuyo S.A. and Electrigal S.A., an alternate director of CFA, Tarjetas Regionales and Tarjeta Naranja and an alternate trustee of Fundación Banco de Galicia y Buenos Aires.

*Luis María Ribaya:* Mr. Ribaya obtained a degree in law from the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1971. He was elected as a director of Banco Galicia in September 2001, as an alternate director in June 2002 and again as a director in April 2003. Mr. Ribaya is also the chairman of Argencontrol S.A. and MAE and an alternate trustee of Fundación Banco de Galicia y Buenos Aires.

*Raúl Héctor Seoane:* Mr. Seoane obtained a degree in economics from the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1988. Mr. Seoane was first elected as an alternate director of Banco Galicia from

2005 until December 2011, and in April 2012 was elected as a director. He is also an alternate director of CFA and Tarjetas Regionales and an alternate trustee of Fundación Banco de Galicia y Buenos Aires.

*Pablo María Garat:* Mr. Garat obtained a degree in law at the Universidad de Buenos Aires. He has been associated with Banco Galicia as an independent director since April 2004. Mr. Garat has been an official representative of the Province of Tierra del Fuego and an advisor to the Argentine Senate, and he currently develops its professional independent activity at his own law firm and is a professor at the University of Constitutional Law and Constitutional Tributary Law.

*Ignacio Abel González:* Mr. González obtained a degree in national public accounting at the Universidad de Buenos Aires and a master in Auditing at Drew University, New Jersey. Previously, he served as a Member of the International Committee of Finance & Value Sharing, PricewaterhouseCoopers. He was appointed as director of Banco Galicia at the shareholders meeting held on April 14, 2010. He is also syndic of Sociedad Anónima La



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Nación, La Nación Nuevos Medios, Publirevistas S.A., Pampa Natural S.A., Sociedad Anónima Importadora y Exportadora de la Patagonia, Banelsip S.A. and Banelco S.A. and the founder and president of P.O.D.E.R (Polo de Desarrollo Educativo Renovador).

*Enrique García Pinto:* Mr. García Pinto has been associated with Banco Galicia since 1970. Previous to such time he served at Nobleza Piccardo SAYCYF and Saturno Agropecuaria SCA. Mr. García Pinto was appointed as an alternate director of Banco Galicia at the shareholders meeting held on April 28, 2009. He is also vice chairman of Teruel Mandataria S.A. and director of Distrocuyo S.A.

*Cirilo Enrique Martin:* See -Our Board of Directors .

*Augusto Rodolfo Zapiola Macnab:* See -Our Board of Directors .

*Oscar José Falleroni:* Mr. Falleroni was born on June 19, 1949. He obtained a degree in national public accounting at the Universidad de Buenos Aires. He was first elected as an alternate syndic on April 2012, and in April 2013 was elected as an alternate director.

## **Functions of the Board of Directors of Banco Galicia**

Banco Galicia's board of directors may consist of three to nine permanent members. In addition, there can be one or more alternate directors who can act during the temporary or permanent absence of a director. As of the date of this annual report, five directors and three alternate directors were engaged on a full time basis in the day-to-day operations of Banco Galicia. Messrs. García Pinto, Garat and González are not employees of Banco Galicia.

Banco Galicia's board of directors meets formally twice each week and informally on a daily basis, is in charge of Banco Galicia's general management and makes all the necessary decisions. Members of Banco Galicia's board of directors serve on the following committees:

*Financial Committee:* This committee is composed of two directors, the CEO of Banco Galicia, the managers of the Risk Management and Financial Divisions, the managers of the Capital Markets and Financial Transactions Departments, the CEO and Financial manager of Tarjetas Regionales and the Financial manager of CFA. This committee may also call officers and managers from Banco Galicia, Tarjetas Regionales and CFA, whenever it may deem such action necessary. The committee is in charge of analyzing the financial evolution and funding needs of retail credit companies. It is also responsible of analyzing the portfolio and liquidity evolution, in addition to evaluate funding alternatives. This committee meets at least once every two months. Its resolutions are summarized in writing.

*Risk Management Committee:* This committee is composed of five directors, the CEO, the managers of the Planning and the Risk Management Divisions and the Internal Audit Department manager. This committee is in charge of approving risk management strategies, policies, processes and procedures and the contingency plans thereof. It is also responsible for setting specific limits for the exposure to each risk and approving, when applicable, temporary excesses over such limits as well as being informed of each risk position and compliance with policies. This committee meets at least once every two months. Its resolutions are summarized in writing.

*Credit Committee:* This committee is composed of seven directors, the CEO and the managers of the Credit and Risk Management Divisions. The managers of the Wholesale Banking, Retail Banking and Financial Divisions must attend the meetings if the bank account pending approval by this committee corresponds to any of the above-mentioned divisions. This committee meets at least once every week. It is in charge of granting loans for amounts higher than Ps.90 million and all loans to financial institutions (local or international) and related parties. Approved operations are

recorded in signed and dated documents.

*Information Technology Committee:* This committee is composed of three directors, the CEO, the Comprehensive Corporate Services Division manager and the IT Department manager. This committee is in charge of supervising and approving the development plans of new systems and their budgets, as well as controlling these systems' budget control. It is also responsible for approving the general design of the systems' structure, the main processes thereof and the systems implemented, as well as monitoring the quality of Banco Galicia's systems. This committee meets at least once every three months. It can hold extraordinary meetings when issues exist which require urgent attention. The IT Department manager usually calls for the meeting and requests the documents to be considered. However, any member of the Committee can do so. Its resolutions are summarized in writing.

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*Audit Committee:* In accordance with the requirements set forth by the Argentine Central Bank regulations, Banco Galicia has an Audit Committee composed of two directors and the Internal Audit Department manager. In addition, in its capacity as a publicly listed company (in Argentina), Banco Galicia must comply with the transparency regime for public companies set forth by the Capital Markets Law and by the rules established by the CNV (N.T. 2013) and supplementary regulations. In compliance with the CNV regulations, the Audit Committee is made up of three directors, two of which are independent directors.

*Committee for the Control and Prevention of Money Laundering and Funding of Terrorist Activities:* This committee is responsible for planning, coordinating and enforcing compliance with the policies for the prevention and control of money laundering and funding of terrorist activities established and approved by Banco Galicia's board of directors, based on regulations in force. It is composed of two directors, the CEO, the person in charge of the Anti-Money Laundering Unit (UAL), the managers of the following divisions: Financial, Wholesale and Retail Banking and Comprehensive Corporate Services, as well as the Risk Management Division manager and the Internal Audit Department manager. The syndics can be invited to attend any meeting called by this committee. The Anti-Money Laundering Unit reports directly to Banco Galicia's board of directors. In addition, in compliance with the regulations set forth by the Argentine Central Bank, Director Mr. Guillermo Juan Pando, was appointed Banco Galicia's officer responsible for the control and prevention of money laundering and funding of terrorist activities. Likewise, the Financial Division manager is the officer in charge of financial intermediation transactions.

This committee is scheduled to meet at least once every two months and its resolutions must be registered in a minutes book bearing folios and seals.

*Disclosure Committee:* This Committee was created to comply with the provisions of the U.S. Sarbanes-Oxley Act. It is composed of five directors (two of them are independent directors), the CEO, the manager in charge of the Planning Division, the Internal Audit Department manager, and the managers of the Accounting Department, the Assets and Liabilities Management Department, the Investor Relations Department and the Legal Advisory Services Department and Risk Management. The syndics can be invited to attend any meeting called by this committee. A member of this committee that was created for the same purpose by Grupo Financiero Galicia also attends the meetings held by this committee. Likewise, this committee may call officers from Banco Galicia's different divisions whenever it may deem necessary. This committee will meet every three months or as long as there exist issues that require to be considered. Its resolutions are summarized in writing.

*Human Resources Committee:* This committee is in charge of the appointment and assignment, transfer, rotation, development, headcount and compensation of the personnel included in salary levels 9 and above. It is composed of two directors, the CEO and the Organizational Development and Human Resources Division manager. It is also in charge of the evaluation and approval of policies that Banco Galicia's board of directors adopts regarding staffs incentives. This committee meets every six months or whenever there are issues that require consideration. Its resolutions are summarized in writing.

*Asset and Liabilities Committee (ALCO):* This committee is in charge of analyzing the evolution of Banco Galicia's business from a financial point of view, in regard to fund raising and different assets placement. It is also in charge of the follow-up and control of liquidity, interest rate and currency mismatches. This committee is in charge of analyzing and making recommendations to the business divisions in connection with the management of interest rate, currency and maturity mismatches, with the goal of maximizing financial and foreign-exchange results within acceptable parameters of risk and capital use. This Committee is also responsible for suggesting changes to these parameters, if necessary, to Banco Galicia's board of directors. Five directors, the CEO, the Retail Banking Division manager, the Wholesale Banking Division manager, the Financial Division manager, the Risk Management Division manager and the Planning Division manager are members of this committee. This committee meets at least once a month. Its

resolutions are summarized in writing and signed by two of its members.

*Planning and Management Control Committee:* This committee is composed of five directors, the CEO, the Risk Management Division manager, the Planning Division manager and the Internal Audit Department manager. The syndics can be invited to attend any meeting called by this committee. This committee is in charge of the analysis, definition and follow-up of the consolidated balance sheet and income statement. Its also in charge of

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the approval, with the participation of the Human Resources Manager, of the compliance indexes that will be used in the staff evaluation process and in the budget for annual incentives. This committee meets at least once every month. Quarterly budgetary follow-up by division must be made in meetings, in which three directors, the CEO, the Planning Division manager and those managers who are called upon may attend. Its resolutions are summarized in writing and signed by two of the above-mentioned officers.

*Segments and Business Management Committee:* This committee is composed of three directors, the CEO, the division managers, the department managers and those officers whose participation is deemed necessary and those whose presence is specifically requested. It is in charge of the analysis, definition and follow-up of businesses and segments. This committee meets at least once every three months. Its resolutions are summarized in writing and signed by two of the above-mentioned officers.

*Crisis Committee:* This committee is composed of five directors, the CEO and those other officers whose participation is deemed to be necessary and those who are invited to attend. This committee is in charge of the assessment of any liquidity crisis and the implementation of actions designed to resolve the same. Its resolutions are summarized in writing and are signed by any two of the previously described members.

Periodically, the board of directors of Banco Galicia is informed of the actions taken by the committees, which are recorded in minutes.

**Banco Galicia's Executive Officers**

On August 31, 2009, Mr. Daniel A. Llambías, an accountant, was appointed CEO of Banco Galicia, by decision of its board of directors. The CEO is in charge of implementing the strategic goals established by the board of directors of Banco Galicia. Likewise, he coordinates the managers of Banco Galicia's divisions, while reporting to Banco Galicia's board of directors.

*Daniel Antonio Llambías:* Mr. Llambías was born on February 8, 1947. He obtained a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1964. He was elected as an alternate director of Banco Galicia in September 1997 and as a director in September 2001 until August 2009, when he was appointed CEO. Mr. Llambías is also the chairman of Tarjetas del Mar and Sudamericana Holding, the second vice chairman of Visa Argentina S.A., a director of Tarjeta Naranja, Tarjetas Regionales, Tarjetas Cuyanas and IDEA (*Instituto para el Desarrollo Empresarial de la Argentina*), as well as a member of the supervisory committee of Automóvil Club Argentino, and an alternate trustee of the Fundación Banco de Galicia y Buenos Aires.

The following divisions and department managers report to Banco Galicia's CEO:

<b>Division</b>	<b>Manager</b>
Retail Banking	Fabián Enrique Kon
Wholesale Banking	Juan Sarquís
Financial	Pablo María León
Risk Management	Juan Carlos L. Afflitto
Credit	Marcelo Poncini
Comprehensive Corporate Services	Gastón Bourdieu
	Rafael Pablo Bergés

Organizational Development and Human  
Resources  
Planning

Bruno Folino

The table above shows the positions as of the date of this annual report, as some of the managers changed their positions in March 2014, due to a rotation of internal functions.

Retail Banking Division: This division is responsible for designing, planning and implementing the vision, strategies, policies and goals for the Retail Banking Division's businesses and for each customer segment and distribution channel. It is also in charge of the definition and control of this division's business goals. The following departments report to this division: Private Banking, Retail Banking Segments, Products and Publicity, Branches and the Operating Supervision of Branches and Planning.

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**Wholesale Banking Division:** This division is responsible for designing, planning and implementing the vision, strategies, policies and goals for the Wholesale Banking Division's businesses and for each customer segment (corporate, small and medium-sized companies, agriculture and livestock companies and public-sector companies) and products. It is also in charge of the definition and control of this division's business goals. The following departments report to this division: Agriculture and Livestock Sector, Corporate, small and medium-sized companies, Public Sector, Wholesale Products and Marketing, Capital Markets and Investment Banking, Agribusiness Segments and Wholesale Business Analysis and Planning.

**Financial Division:** This division is responsible for planning and managing the correct use of financial resources and providing the appropriate funding for Banco Galicia's businesses, establishing and applying Banco Galicia's deposit-raising and funding policies within the parameters established by Banco Galicia's risk policies. It also manages short-term resources and Banco Galicia's investment portfolio, ensuring the correct execution of transactions. The following departments report to this division: Assets and Liabilities Management, Financial Operations, Banking Relations and Information Support and Management.

**Risk Management Division:** This division is responsible for monitoring and actively managing the various risks faced by Banco Galicia (credit, financial and operational) and its subsidiaries. These responsibilities include making sure the board of directors is aware of the risks it is exposed to, designing and proposing policies and procedures for its control and administration of the process that will be used to evaluate the relation between available resources and needed resources all in order to maintain an acceptable risk profile. The following departments report to this division: Credit Risk and Insurance, Financial Risk, Operational Risk, Information and Risk Analysis and Development and Management of Models.

**Credit Division:** This division is responsible for developing and proposing the strategies for credit and credit-granting policies, as well as managing and monitoring credit origination processes, follow-up and control thereof, and the recovery of past-due loans. This aims at ensuring the quality of the loan portfolio, cost and time efficiency, and recovery optimization, thus minimizing loan losses and optimizing efficiency in processes and business credit granting. The following departments report to this division: Credit Analysis, Corporate Credit, Consumer Credit, Customer Credit Recovery, Portfolio Recovery, Information and Management of the Credit Division.

**Comprehensive Corporate Services Division:** This division is responsible for designing, planning and implementing the strategies and policies for the IT, Organization, Operations, Purchase of Goods and Services and Infrastructure divisions, and the maintenance thereof. It is as well in charge of Banco Galicia's physical and information safety, with the purpose of ensuring and maintaining the logistic support for its operations and activities. The following departments report to this division: Operations, IT, Organization, Engineering and Maintenance, Security, Management Control and Information Security.

**Organizational Development and Human Resources Division:** This division is in charge of designing, planning and implementing human resources strategies and policies, as well as defining and controlling management goals of Banco Galicia's human resources with the purpose of ensuring homogeneous practices, availability of qualified and motivated personnel and a proper work environment. The following departments report to this division: Human Resources, Consultants, Internal Communications and Change Management, Management Development, Compensation, Quality Assurance and Corporate Social Responsibility.

**Planning:** This division is responsible for planning and controlling budget, accounting and tax activities. The following departments report to this division: Accounting, Tax Advisory, Planning and Management Control, Efficiency Control, Research and Consolidation and Analysis.

The following departments report to the CEO:

<b>Department</b>	<b>Manager</b>
Legal Advisory Services Department	María Elena Casasnovas
Institutional Affairs Department	Pablo Eduardo Firvida

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**Legal Advisory Services Department:** This department is responsible for providing advisory services and determining the steps to be taken for Banco Galicia’s business conduction under the regulations in force, with the purpose of ensuring the legitimacy thereof and avoiding loss of rights, indemnifications and/or penalties.

**Institutional Affairs Department:** This department is responsible for managing and controlling press and institutional image promotion activities, providing advice to the different areas. The department is also in charge of investor relations.

The following departments report to the board of directors of Banco Galicia:

<b>Department</b>	<b>Manager</b>
Internal Audit	Omar Severini
Anti-money Laundering Unit	Claudia Estecho

**Internal Audit Department:** This department is responsible for assessing and monitoring the effectiveness of internal control systems with the purpose of ensuring compliance with applicable laws and regulations.

**Anti-money Laundering Unit:** This unit is responsible for monitoring and controlling the fulfillment of policies established by Banco Galicia’s board of directors and for monitoring and detecting unusual possible operations to assure compliance with the Control and Prevention of Money Laundering regulations.

**Compliance Division:** This division is responsible for monitoring compliance with applicable regulations and internal policies and coordinating tasks in order to avoid sanctions and to avoid suffering financial or reputation losses.

The following are the biographies of Banco Galicia’s senior executive officers mentioned above and not provided in the sections -Board of Directors of Banco Galicia or -Our Board of Directors above.

*Fabián Enrique Kon:* Mr. Kon was born on September 25, 1958. He obtained a degree in national public accounting at the Universidad de Buenos Aires. He worked at Pistrelli, Diaz y Asociados, Accenture, Exolgan Container Terminal and Tradecom, in managerial positions. From 2006 to February 2014, he was Galicia Seguros’ CEO and in March 2014, he was appointed Banco Galicia’s retail banking manager. Mr. Kon is also an alternate director of Net Investment and Tarjetas del Mar S.A.

*Juan H. Sarquís:* Mr. Sarquís was born on June 23, 1957. He obtained a degree in economics at the Pontificia Universidad Católica Argentina. He has been associated with Banco Galicia since 1982. Mr. Sarquis is the vice chairman of Galicia Warrants, a director of Sudamericana Holding and Galicia Cayman S.A., an alternate director of Tarjetas Regionales, and Tarjetas Cuyanas.

*Pablo M. Leon:* Mr. Leon was born on August 31, 1964. He obtained a degree in finance at the Universidad de Palermo and two PDF (Programs for Executive Development) at IAE (Instituto Argentino de Empresas) and IMD, Lausanne, Switzerland. He has been associated with Banco Galicia since 1987. He is also the chairman of Galicia Valores and director of Argenclear S.A.

*Juan Carlos L. Afflitto:* Mr. L. Afflitto was born on September 15, 1958. He received a degree in national public accounting at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1986. Prior to such time, he worked at Morgan, Benedit y Asociados, where he acted as an advisor and accountant. He was a professor at the Universidad Católica Argentina until 1990.

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*Marcelo Poncini:* Mr. Poncini was born on November 11, 1961. He obtained a degree in business administration at the Universidad de Morón. He has been associated with Banco Galicia since 1987.

*Gastón Bourdieu:* Mr. Bourdieu was born on August 31, 1956. He obtained a degree in agricultural administration at UADE University. He has been associated with Banco Galicia since 1981 as a member of the young professional program in the Credit Division. He is a director of Galicia Warrants, an alternate director of Tarjetas Regionales, director of Maradona S.A. and Sullair Argentina S.A.

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*Rafael Pablo Bergés:* Mr. Bergés was born on September 10, 1963. He obtained de degree in industrial engineering. He has been associated with Banco Galicia since August 2010. Prior to such time, he worked at Techint and at a several multinational companies in managerial positions. From 1998 to 2009 he was vice president in the Human Resources Division of Grupo Telefónica.

*Bruno Folino:* Mr. Folino was born on February 23, 1966. He has an accounting degree from the Universidad de Buenos Aires. He completed a post-graduate degree in Tax & Legal at the Universidad Austral and Master in Science of Management Sloan at GSB Stanford University. He started his career in Price Waterhouse & Co at the Auditing Department, and later, at the Tax & Legal department. He has been associated with Banco Galicia since 1997 as Tax Manager and Planning Manager. In 2012 he was appointed Planning Manager and was appointed Director of Tarjetas Regionales at the meeting held on April 9, 2015.

*María Elena Casanovas:* Mrs. Casanovas was born on May 10, 1951. She obtained a degree in law at the Pontificia Universidad Católica Argentina. She has been associated with Banco Galicia since 1972.

*Pablo Eduardo Firvida:* Mr. Firvida was born on March 17, 1967. He obtained a degree in industrial engineering at the Universidad de Buenos Aires. He has been associated with Banco Galicia since 1996.

*Omar Severini:* Mr. Severini was born on July 30, 1958. He obtained a degree in national public accounting from the Universidad de Belgrano. He has been associated with Banco Galicia since 1978.

*Claudia Raquel Estecho:* Mrs. Estecho was born on September 24, 1957. She obtained a degree in public accounting at the Universidad de Buenos Aires. She has been associated with Banco Galicia since 1976.

**Banco Galicia s Supervisory Committee**

Banco Galicia s bylaws provide for a Supervisory Committee consisting of three syndics and three alternate syndics. Pursuant to Argentine law and to the provisions of Banco Galicia s bylaws, Banco Galicia s syndics and alternate syndics are responsible of ensuring that all of Banco Galicia s actions are in accordance with applicable Argentine law. Syndics and alternate syndics do not participate in business management and cannot have managerial functions of any type. Syndics are responsible for, among other things, the preparation of a report to the shareholders analyzing Banco Galicia s financial statements for each year and the recommendation to the shareholders as to whether to approve such financial statements. Syndics and alternate syndics are elected at the ordinary shareholders meeting for a one-year term and they can be re-elected. Alternate syndics act in the temporary or permanent absence of a syndic.

The table below shows the composition of Banco Galicia s Supervisory Committee as they were re-elected by the annual shareholders meeting held on April 29, 2015.

Name	Year of Appointment	Position	Principal Occupation	Current Term Ends
Enrique M. Garda Olaciregui	2015	Syndic	Lawyer	December 31, 2015
Norberto D. Corizzo	2015	Syndic	Accountant	December 31, 2015
Luis A. Díaz	2015	Syndic	Accountant	December 31, 2015
Fernando Noetinger	2015	Alternate Syndic	Lawyer	December 31, 2015
Miguel N. Armando	2015	Alternate Syndic	Lawyer	December 31, 2015
Horacio Tedín	2015	Alternate Syndic	Lawyer	December 31, 2015

For the biographies of Messrs. Enrique M. Garda Olaciregui, Norberto D. Corizzo, Luis A. Díaz, Fernando Noetinger and Miguel N. Armando and Horacio Tedín, see -Our Supervisory Committee .

**Compensation of Banco Galicia s Directors and Officers**

Banco Galicia s board of directors establishes the policy for compensation of Banco Galicia s personnel. Banco Galicia s managers receive a fixed compensation and they may receive a variable compensation, based on their performance. Five directors and an alternate director are employees of Banco Galicia and, therefore, receive a fixed compensation and may also receive a variable compensation based on their performance, provided that these

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additional payments do not exceed the standard levels of similar entities in the Argentine financial market, a provision that is applicable to managers as well. The compensation regime includes the possibility of acquiring a retirement insurance policy. Banco Galicia does not maintain stock-option plans or pension plans or any other retirement plans for the benefit of its directors and managers. Banco Galicia does not have a policy establishing any termination benefits for its directors.

For fiscal year 2014, Banco Galicia's ordinary shareholders' meeting held on April 29, 2015, approved compensation for the independent directors in the total amount of Ps.1.5 million.

Annually, provisions are established to cover the variable compensation of Banco Galicia's board of directors and employees for the fiscal year. During the first quarter of each year, Banco Galicia's board of directors analyzes the possibility of paying employees a variable compensation for the previous fiscal year ended based on the compensation for similar jobs in the labor market in recognition of the performance and professional development of the respective beneficiaries during the fiscal year.

**Employees**

The following table shows the composition of our staff:

	As of December 31,		
	2014	2013	2012
<b>Grupo Financiero Galicia S.A.</b>	<b>6</b>	<b>12</b>	<b>13</b>
<b>Banco de Galicia y Buenos Aires S.A.</b>	<b>5,374</b>	<b>5,487</b>	<b>5,734</b>
Branches	2,514	2,781	2,782
Head Office	2,860	2,706	2,952
<b>Galicia Uruguay</b>	<b>2</b>	<b>2</b>	<b>5</b>
<b>Regional Credit Card Companies</b>	<b>5,232</b>	<b>5,669</b>	<b>6,098</b>
<b>CFA<sup>(*)</sup></b>	<b>1,112</b>	<b>1,170</b>	<b>1,233</b>
<b>Sudamericana Consolidated</b>	<b>242</b>	<b>224</b>	<b>193</b>
<b>Other Subsidiaries</b>	<b>44</b>	<b>39</b>	<b>40</b>
<b>Total</b>	<b>12,012</b>	<b>12,603</b>	<b>13,316</b>

*(\*) Includes Cobranzas y Servicios S.A.*

Within the current legal framework, membership in an employee union is voluntary and there is only one union of bank employees with national representation. As of December 31, 2014, approximately 28% of Banco Galicia's employees were affiliated with the national bank employee union. As of December 31, 2014, approximately 95.8% of the Regional Credit Card Companies' work force was party to the merchant union's Collective Bargaining Agreement No. 130/75 applicable to trade employees, 4.5% of which were members of a labor union and 0.03% of which were labor union representatives. As of December 31, 2014, approximately 8.8% of CFA's employees were affiliated to the merchant union. Usually during the first four months of the year, the bank employee union and the national commerce employee union renegotiate their respective collective labor agreements in order to establish new minimum wages. As a result of such negotiations, salary increases are granted. Banco Galicia has not experienced a strike by its employees since 1973 and the Regional Credit Card Companies and CFA have never experienced any strike event. We believe that our relationship with our employees has developed within normal and satisfactory parameters.

We have a human resources policy that aims at providing our employees possibilities for growth and personal and socio-economic achievement. We will continue our current policy of monitoring both wage levels and labor conditions in the financial industry in order to be competitive. Our employees receive fixed compensation and may receive variable compensation according to their level of achievement. We do not maintain any profit-sharing programs for our employees.

The Fundación Banco de Galicia y Buenos Aires (the Fundación ) is an Argentine non-profit organization that provides various services to Banco Galicia employees. The various activities of the Fundación include, among others, purchasing school materials for the children of Banco Galicia s employees and making donations to hospitals and other charitable causes, including cultural events. The Fundación is managed by a Council, certain members and alternate members of which are members of our Board of Directors and supervisory committee. Members and alternate members of the Council do not receive remuneration for their services as trustees.

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Pursuant to Nasdaq Marketplace Rule 5615(a) (3), a foreign private issuer may follow home country corporate governance practices in lieu of the requirements of the Rule 5600 Series, provided that the foreign private issuer complies with certain sections of the Rule 5000 Series, discloses each requirement that it does not follow and describes the home relevant country practice followed in lieu of such requirement. The requirements of the Rule 5000 Series and the Argentine corporate governance practice that we follow in lieu thereof are described below:

- (i) Rule 5250 (d) - Distribution of Annual and Interim Reports. In lieu of the requirements of Rule 5250 (d), we follow Argentine law, which requires that companies make public a Spanish language annual report, including annual audited consolidated financial statements, by filing such annual report with the CNV and the BASE, within 70 calendar days of the end of the company's fiscal year. Interim reports must be filed with the CNV and the BASE within 42 calendar days of the end of each fiscal quarter. The BASE publishes the annual reports and interim reports in the BASE bulletin and makes the bulletin available for inspection at its offices. In addition, our shareholders can receive copies of our annual reports and any interim reports upon such shareholders' request. English language translations of our annual reports and interim reports are furnished to the SEC. We also post the English language translation of our annual reports and quarterly press releases on our website. Furthermore, under the terms of the Second Amended and Restated Deposit Agreement, dated as of June 22, 2000, among us, The Bank of New York, as depositary, and owners of ADSs issued thereunder, we are required to furnish The Bank of New York with, among other things, English language translations of our annual reports and each of our quarterly press releases. Annual reports and quarterly press releases are available for inspection by ADRs holders at the offices of The Bank of New York located at, 101 Barclay Street, New York, New York. Finally, Argentine law requires that 20 calendar days before the date of a shareholders' meeting, the board of directors must provide to the shareholders, at the company's executive office or through electronic means, all information relevant to the shareholders' meeting, including copies of any documents to be considered by the shareholders (which includes the annual report), as well as proposals of the company's board of directors.
- (ii) Rule 5605 (b) (1) Majority of Independent Directors. In lieu of the requirements of Rule 5605 (b) (1), we follow Argentine law, which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina such as us must have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the CNV. In addition, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).
- (iii) Rule 5605 (b) (2) Executive Sessions of Independent Directors. In lieu of the requirements of Rule 5605 (b) (2), we follow Argentine law which does not require independent directors to hold regularly scheduled meetings at which only such independent directors are present (*i.e.*, executive sessions). Our Board of Directors as a whole is responsible for monitoring our affairs. In addition, under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers of the company. Also, it is mandatory for public companies to form a supervisory committee (composed of *syndics*), which is responsible for monitoring the legality of the company's actions under Argentine law and the conformity thereof with its bylaws.

- (iv) Rule 5605 (d) Compensation of Officers. In lieu of the requirements of Rule 5605 (d), we follow Argentine law, which does not require companies to form a compensation committee comprised solely of independent directors. It also is not required in Argentine law that the compensation of the chief executive officer and all other executive officers be determined by either a majority of the independent directors or a compensation committee comprised solely of independent directors. Under Argentine law, the board of directors is the corporate body responsible for determining the compensation of the chief executive officer and all other executive officers, so long as they are not directors. In addition, under



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Argentine law, the audit committee shall give its opinion about the reasonableness of management's proposals on fees and option plans for directors or managers of the company. Finally, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).

- (v) Rule 5605 (e) (1) Nomination of Directors. In lieu of the requirements of Rule 5605 (e) (1), we follow Argentine law which requires that directors be nominated directly by the shareholders at the shareholders meeting and that they be selected and recommended by the shareholders themselves. Under Argentine law, it is the responsibility of the ordinary shareholders meeting to appoint and remove directors and to set their compensation. In addition, because we are a controlled company as defined in Rule 5615 (c) (1), we are relying on the exemption provided thereby for purposes of complying with Rule 5615 (c) (2).
- (vi) Rule 5605 (c) (1) Audit Committee Charter. In lieu of the requirements of Rule 5605 (c) (1), we follow Argentine law, which requires that audit committees have a charter but does not require that companies certify as to the adoption of the charter nor does it require an annual review and assessment thereof. Argentine law instead requires that companies prepare a proposed plan or course of action with respect to those matters, which are the responsibility of the company's audit committee. Such plan or course of action could, at the discretion of our audit committee, include a review and assessment of the audit committee charter.
- (vii) Rule 5605 (c) (2) Audit Committee Composition. Argentine law does not require, and it is equally not customary business practice in Argentina, that companies have an audit committee comprised solely of independent directors. Argentine law instead requires that companies establish an audit committee with at least three members comprised of a majority of independent directors as defined by Argentine law. Nonetheless, although not required by Argentine law, until April 19, 2012, we had an Audit Committee entirely comprised of three independent directors, pursuant to the definition of independence in Rule 10 A-3 (b) (1), one of which the Board of Directors determined to be a financial expert. Currently, our Audit Committee is comprised of three Directors; two of which meet such independent requirements. In addition, we have a supervisory committee ( *comisión fiscalizadora* ) composed of three syndics, which are in charge of monitoring the legality, under Argentine law, of the actions of our Board of Directors and the conformity of such actions with our bylaws.
- (viii) Rule 5620 (c) Quorum. In lieu of the requirements of Rule 5620 (c), we follow Argentine law and our bylaws, which distinguish between ordinary meetings and extraordinary meetings and require, in connection with ordinary meetings, that a quorum consist of a majority of stock entitled to vote. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, constitute a quorum and resolutions may be adopted by an absolute majority of the votes present. Argentine law and our bylaws require, in connection with extraordinary meetings, that a quorum consist of 60% of the stock entitled to vote. However, if such quorum is not present at the first meeting, our bylaws provide that a second meeting may be called which may be held with the number of shareholders present. In both ordinary and extraordinary meetings, decisions are adopted by an absolute majority of votes present at the meeting, except for certain fundamental matters (such as mergers and spin-offs (when we are not the surviving entity and the surviving entity is not listed on any stock exchange), anticipated liquidation, a change in our domicile to outside of Argentina, total or partial recapitalization of our statutory capital

following a loss, any transformation in our corporate legal form or a substantial change in our corporate purpose) which require an approval by vote of the majority of all the stock entitled to vote (all stock being entitled to only one vote).

- (ix) Rule 5620 (b) Solicitation of Proxies. In lieu of the requirements of Rule 5620 (b), we follow Argentine law which requires that notices of shareholders meetings be published, for five consecutive days, in the Official Gazette and in a widely circulated newspaper in Argentina no earlier than 45 calendar days prior to the meeting and at least 20 calendar days prior to such meeting. In order to attend a meeting and be listed on the meeting registry, shareholders are required to submit evidence of their book-entry share account held at Caja de Valores S.A. ( Caja de Valores ) up to three business days prior to the scheduled meeting date. If entitled to attend the meeting, a shareholder may be represented by proxy (properly executed and delivered with a certified signature) granted to any other person, with the exception of a

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director, syndic, member of the surveillance committee ( *consejo de vigilancia* ), manager or employee of the issuer, which are prohibited by Argentine law from acting as proxies. In addition, our ADRs holders receive, prior to the shareholders meeting, a notice listing the matters on the agenda, a copy of the annual report and a voting card.

- (x) Rule 5630 (a) Conflicts of Interest. In lieu of the requirements of Rule 5630 (a), we follow Argentine law which requires that related party transactions be approved by the audit committee when the transaction exceeds one percent (1%) of the corporation's net worth, measured pursuant to the last audited balance sheet, so long as the relevant transaction exceeds the equivalent of three hundred thousand Argentine Pesos (Ps.300,000). Directors can contract with the corporation only on terms consistent with prevailing market terms. If the contract is not in accordance with prevailing market terms, such transaction must be pre-approved by the board of directors (excluding the interested director). In addition, under Argentine law, a shareholder is required to abstain from voting on a business transaction in which its interests may be in conflict with the interests of the company. In the event such shareholder votes on such business transaction and such business transaction would not have been approved without such shareholders' vote, such shareholder may be liable to the company for damages and the resolution may be declared void.

Other than as noted above, we are in full compliance with all other applicable Nasdaq corporate governance standards.

**Share Ownership**

For information on the share ownership of our directors and executive officers as of December 31, 2014, see Item 7. Major Shareholders and Related Party Transactions-Major Shareholders .

**Item 7. Major Shareholders and Related Party Transactions****Major Shareholders**

As of March 31, 2015, our capital structure was made up of class A shares, each of which is entitled to five votes and class B shares, each of which is entitled to one vote. As of March 31, 2015, we had 1,300,264,597 shares outstanding composed of 281,221,650 class A shares and 1,019,042,947 class B shares.

Our controlling shareholders are members of the Escasany, Ayerza and Braun families and the Fundación. As of March 31, 2015, the controlling shareholders owned 100% of our class A shares through EBA Holding (representing 21.6% of our total outstanding shares) and 11.6% of our class B shares (or 9.1% of our total outstanding shares), therefore directly and indirectly owning 30.7% of our shares and 62.9% of total votes.

Based on information that is available to us, the table below sets forth, as of March 31, 2015, the number of our class A and class B shares held by holders of more than 5% of each class of shares, the percentage of each class of shares held by such holder, and the percentage of votes that each class of shares represent as a percentage of our total possible votes.

**Class A Shares**

Name	Class A Shares	% of Class A Shares	% of Total Votes
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EBA Holding S.A.	281,221,650 class A shares	100	58.0
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Class B Shares

Name	Class B Shares	% of Class B Shares	% of Total Votes
The Bank of New York Mellon <sup>(1)</sup>	416,741,475 class B shares	40.9	17.2
ANSES	264,221,559 class B shares	25.9	10.9
EBA Holding Shareholders <sup>(2)</sup>	118,234,308 class B shares	11.6	4.9

(1) Pursuant to the requirements of Argentine law, all class B shares represented by ADSs are owned of record by The Bank of New York, as Depositary. The address for the Bank of New York is 101 Barclay Street, New York 10286, and the country of organization is the United States.

(2) No member holds more than 2.0% of the capital stock. Such holding includes 30,056,360 shares in the form of ADSs

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Based on information that is available to us, the table below sets forth, as of March 31, 2015, the shareholders that either directly or indirectly have more than 5% of our votes or shares.

Name	Shares	% of Shares	% of Total Votes
The Bank of New York Mellon	416,741,475 class B shares	32.1	17.2
EBA Holding S.A	281,221,650 class A shares	21.6	58.0
ANSES	264,221,559 class B shares	20.3	10.9
EBA Holding Shareholders	118,234,308 class B shares	9.1	4.9

Members of the three controlling families have owned the majority of the issued share capital of Banco Galicia since 1959. Members of the Escasany family have been on the board of directors of Banco Galicia since 1923. The Ayerza and Braun families have been represented on Banco Galicia's board of directors since 1943 and 1947, respectively. Currently, there is one member of these families on Banco Galicia's board of directors and five members of these families on our Board of Directors. In addition, there is one alternate director on our Board of Directors that is member of the controlling families.

On September 13, 1999, the controlling shareholders of Banco Galicia formed EBA Holding S.A., an Argentine corporation, which is 100% owned by our controlling shareholders. EBA Holding holds 100% of our class A shares.

Currently, EBA Holding only has class A shares outstanding. EBA Holding's bylaws provide for certain restrictions on the sale or transfer of its class A shares. While the class A shares of EBA Holding may be transferred to any other class A shareholder of EBA Holding, any transfer of such class A shares to third parties would automatically result in the conversion of the sold shares into class B shares of EBA Holding having one vote per share. In addition, EBA Holding's bylaws contain rights of first refusal, buy-sell provisions and tag-along rights.

As of December 31, 2014, we had 68 identified United States record shareholders (not considering The Bank of New York), of which 15 held our class B shares and 53 held our ADSs. Such United States holders, in the aggregate, held approximately 139 million of our class B shares, representing approximately 11% of our total outstanding capital stock as of such date.

**Related Party Transactions**

Grupo Financiero Galicia and its non-banking subsidiaries are not a party to any transactions with, and have not made any loans to any (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by Grupo Financiero Galicia or its non-banking subsidiaries, (ii) associates (i.e. an unconsolidated enterprise in which Grupo Financiero Galicia or its non-banking subsidiaries has a significant influence or which has significant influence over Grupo Financiero Galicia or its non-banking subsidiaries), (iii) individuals owning, directly or indirectly, an interest in the voting power of Grupo Financiero Galicia or its non-banking subsidiaries that gives them significant influence over Grupo Financiero Galicia or its non-banking subsidiaries, as applicable, and close members of any such individual's family (i.e. those family members that may be expected to influence, or be influenced by, that person in their dealings with Grupo Financiero Galicia or its non-banking subsidiaries, as applicable), (iv) key management personnel (i.e. persons that have authority and responsibility for planning, directing and controlling the activities of Grupo Financiero Galicia or its non-banking subsidiaries, including directors and senior management of companies and close members of such individual's family) or (v) enterprises in which a substantial interest is owned, directly or indirectly, by any person described in (iii) or (iv) over which such a person is able to exercise significant influence nor are there any proposed transactions with such persons. For purposes of this paragraph, this includes enterprises owned

by directors or major shareholders of Grupo Financiero Galicia or its non-banking subsidiaries that have a member of key management in common with Grupo Financiero

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Galicia or its non-banking subsidiaries, as applicable. In addition, significant influence means the power to participate in the financial and operating policy decisions of the enterprise but means less than control. Shareholders beneficially owning a 10% interest in the voting power of Grupo Financiero Galicia or its non-banking subsidiaries are presumed to have a significant influence on Grupo Financiero Galicia or its non-banking subsidiaries, as applicable.

Some of our directors and the directors of Banco Galicia have been involved in certain credit transactions with Banco Galicia as permitted by Argentine law. The Corporations Law and the Argentine Central Bank's regulations allow directors of a limited liability company to enter into a transaction with such company if such transaction follows prevailing market conditions. Additionally, a bank's total financial exposure to related individuals or legal entities is subject to the regulations of the Argentine Central Bank. Such regulations set limits on the amount of financial exposure that can be extended by a bank to affiliates based on, among other things, a percentage of a bank's RPC. See Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

Banco Galicia is required by the Argentine Central Bank to present to its board of directors, on a monthly basis, the outstanding amounts of financial assistance granted to directors, controlling shareholders, officers and other related entities, which are transcribed in the minute books of the board of directors of Banco Galicia. The Argentine Central Bank establishes that the financial assistance to directors, controlling shareholders, officers and other related entities must be granted on an equal basis with respect to rates, tenor and guarantees as loans granted to the general public.

In this section total financial exposure comprises equity interests and financial assistance (all credit related items such as loans, holdings of corporate debt securities without quotation, guarantees granted and unused balances of loans granted, among others), as this term is defined in Item 4. Information on the Company-Argentine Banking Regulation-Lending Limits .

Related parties refers mainly to our directors and the directors of Banco Galicia, our senior officers and senior officers of Banco Galicia, our syndics and Banco Galicia's syndics, our controlling shareholders as well as all individuals who are related to them by a family relationship and any entities directly or indirectly affiliated with any of these parties, not required to be consolidated.

The following table presents the aggregate amounts of total financial exposure of Banco Galicia to related parties, the number of recipients, the average amounts and the single largest exposures as of the end of the three fiscal years ended December 31, 2014 and as of February 28, 2015, the last date for which information is available.

	<b>February 28, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<i>In millions of Pesos, except as noted</i>			
Aggregate Total Financial Exposure	Ps. 427	Ps. 394	Ps. 314	Ps. 222
Number of Recipient Related Parties	363	359	320	232
Individuals	303	300	262	175
Companies	60	59	58	57
Average Total Financial Exposure	Ps. 1	Ps. 1	Ps. 1	Ps. 1
Single Largest Exposure	Ps. 94	Ps. 50	Ps. 58	Ps. 33

The financial assistance granted to our directors, officers and related parties by Banco Galicia was granted in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other non-related parties, and did not involve more than the normal risk of collectability or present other unfavorable features.

Banco Galicia and Grupo Financiero Galicia have executed a trademark license agreement under which Banco Galicia has authorized Grupo Financiero Galicia to use the word "Galicia" in our corporate name and has authorized our direct or indirect subsidiaries, other than those of Banco Galicia, to use in their corporate names Banco Galicia's registered trademarks, including the word "Galicia", in marketing their products and services. The trademark license agreement has a 10-year term until July 1, 2010, at which point it becomes automatically renewable every two years. This agreement provides for the payment of an annual royalty, which in 2014 amounted to Ps.0.5 million.



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Following the 100% acquisition of the shares of Banco Galicia, in June 2014, the Board of Directors of Grupo Financiero Galicia accepted an offer made by Banco Galicia to renew the trademark license agreement gratuitously and for an indefinite period of time.

In June 2011, Banco Galicia entered into an agreement with Galicia Seguros, a company indirectly controlled by Grupo Financiero Galicia, pursuant to which the Bank can offer insurance products on behalf of Galicia Seguros. In addition, they entered into an agreement for a one-year period by which Galicia Seguros insures the Bank for the balances of certain loans in the case of death of its clients. On July 30, 2014, Banco Galicia renewed both agreements with Galicia Seguros, for an additional year, with automatic deferral. Such agreements were considered to be related party transactions pursuant to Section 72 of the Capital Markets Law.

On February 29, 2012, Tarjetas Regionales granted Grupo Financiero Galicia a credit line for US\$3 million with a term of 120 days, of which US\$2 million has been used. The related interest amounts were repaid at the initial maturity, but the principal amount was extended for a new period of 180 days with a 10% fixed nominal annual interest rate. Such principal amount, together with the corresponding interest, was repaid in October 2012 (US\$1 million), December 2012 (US\$0.5 million) and January 2013 (US\$0.6 million).

In May 2012, Sudamericana extended Grupo Financiero Galicia a secured loan for US\$4 million for a 180-day term, with a fixed nominal annual interest rate of 9.5%. Such loan and its accrued interest were repaid in full in October 2012. Similarly, in November 2012, Sudamericana extended an additional loan to Grupo Financiero Galicia for US\$1 million, with a term of 35 days and a fixed nominal annual interest rate of 7.5%. Such loan and the corresponding accrued interest were repaid in full in December 2012.

During March and April 2012, Grupo Financiero Galicia carried out foreign exchange forward transactions with Banco Galicia in an aggregate amount of US\$14 million, these matured on March 27, 2013.

In fiscal year 2012, Grupo Financiero Galicia subscribed short-term checking account overdrafts with Banco Galicia for a maximum amount of up to Ps.24 million at market rates, which were paid in full in August 2012.

The board of directors of Banco Galicia, during its meeting held on February 6, 2013, decided to grant a checking account overdraft in favor of Grupo Financiero Galicia for up to Ps.150 million with a maturity date of June 30, 2013. On March 20, 2013 such checking account overdraft was increased to Ps.184 million with a maturity date of one year.

Similarly, the board of directors of Banco Galicia, during its meeting held on March 17, 2014, granted a checking account overdraft in favor of Grupo Financiero Galicia for up to Ps.125 million with a maturity date of June 30, 2015.

Furthermore, the board of directors of Banco Galicia, during its meeting held on March 11, 2015, decided to grant a checking account overdraft in favor of Grupo Financiero Galicia for up to Ps.230 million with a maturity date of June 30, 2016

Each of the foreign exchange transactions of Grupo Financiero Galicia, were carried out through Banco Galicia under market conditions.

## **Item 8. Financial Information**

We have elected to provide the financial information set forth in Item 18 of this annual report.



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**Legal Proceedings**

We are a party to the following legal proceedings:

***Banco Galicia***

In response to certain pending legal proceedings, Banco Galicia has made allowances to cover (i) various types of claims filed by customers against it (e.g., claims for thefts from safe deposit boxes, collections of checks that had been fraudulently altered, discrepancies related to deposit and payment services rendered to Banco Galicia's customers, etc.) and (ii) estimated amounts payable under labor-related lawsuits filed against Banco Galicia by former employees.

As of the date of this annual report, provincial tax collection authorities, as well as tax collection authorities from the Autonomous City of Buenos Aires, are in the process (in different degrees of completion) of conducting audits and assessments mainly regarding the Compensatory Bond granted by the National Government to compensate financial institutions for the losses generated by the asymmetric pesification of loans and deposits.

Regarding the assessment of tax collection authorities from the Autonomous City of Buenos Aires, within the framework of the legal actions brought by Banco Galicia with the purpose of challenging the assessment of the tax collection authorities, a preliminary injunction was granted by the Argentine Federal Court of Appeals in Administrative Matters for the amount corresponding to the Compensatory Bond, which was ratified by the Supreme Court of Justice. Therefore, the Court ordered the AGIP (Governmental Public Revenue Authority) to refrain from starting tax enforcement proceedings or otherwise requesting precautionary measures for such purpose until a final judgment is issued. The proceedings are currently pending a decision by the Argentine Federal Court of Appeals in Administrative Matters with regard to the appeal filed by Banco de Galicia against the decision issued on the core issue by the Court of First Instance in November 2013. In any case, it is worth noting the decision issued by the federal prosecutor of the Court of Appeals was favorable to Banco de Galicia.

With regard to the Autonomous City of Buenos Aires' claims on account of other items, Banco Galicia adhered to the System for the Settlement of Tax Liabilities in Arrears (Law No. 3,461 and the related regulations), which contemplated the total relief of interest and fines. The Bank's adherence to such system was communicated within the framework of the respective cases before the corresponding judicial authorities. In connection with the assessments made by tax collection authorities from the Province of Buenos Aires, under the framework of some of the processes under discussion at the Provincial Tax Court, at this stage of proceedings the decision issued was: (i) unfavorable to Banco Galicia's request regarding the items not related to the Compensatory Bond, and (ii) favorable with regard to the non-taxability thereof. Therefore, Banco Galicia adhered to the System for the Regularization of Tax Debts (Regulatory Decision No. 12 and related decisions), which contemplated discounts on the amounts not related to the Compensatory Bond. The Bank's adherence to such system was communicated within the framework of the respective cases before the corresponding judicial authorities. In turn, the authorities from the Province of Buenos Aires objected to the judgment rendered by the Provincial Tax Court with regard to the Compensatory Bond, and requested the Court of Appeals in Administrative Matters of La Plata to set such decision aside. Banco Galicia entered an appearance and filed a motion for lack of jurisdiction, since it believes only the Argentine Supreme Court of Justice has jurisdiction to issue a decision on such matter. On April 15, 2014, the aforementioned court sustained the motion for lack of jurisdiction and ordered the proceedings to be filed. The authorities from the Province of Buenos Aires filed an appeal before the Supreme Court of Justice of the Province of Buenos Aires, which has not issued a decision to date.

Furthermore, regarding the claims made by the different jurisdictions, Banco Galicia has been expressing its disagreement regarding these adjustments at the corresponding administrative and/or legal proceedings.

These proceedings and their possible effects are constantly being monitored by the Bank's management. Even though Banco Galicia considers it has complied with its tax liabilities in full pursuant to current regulations, provisions deemed adequate for each proceeding have been established.

Consumer Protection Associations, on behalf of consumers, have filed claims against Banco Galicia in connection with the collection of certain financial charges.

The Bank does not believe that the resolution of these controversies will have a significant impact on its financial condition.

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### ***Regional Credit Card Companies***

As of the date of this annual report, the AFIP, Provincial Revenue Boards and Municipalities are in the process of conducting audits and assessments, in different degrees of completion, at the companies controlled by Tarjetas Regionales S.A. Said agencies have served notices and made claims regarding taxes applicable to Tarjetas Regionales S.A.'s subsidiaries. Therefore, the companies are taking the corresponding administrative and legal steps in order to solve such issues. The original amount claimed for taxes totaled Ps.18 million approximately.

Based on the opinions of their tax advisors, the companies believe that the abovementioned claims are both legally and technically groundless and that taxes related to the claims have been correctly calculated in accordance with tax regulations in force and existing case law.

Tarjeta Naranja reached an agreement with the Consumer and User Protection Association of Argentina (*Asociación de Defensa de los Consumidores y Usuarios de la Argentina*- ADECUA ) on certain aspects related to amounts collected on account of life insurance on debt balances. This agreement was judicially approved. The court that hears the case later decided that the company should make additional reimbursements with regard to the aforementioned items. Tarjeta Naranja filed an appeal against this decision before the Court of Appeals, since the company considered it had carried out all the transactions in due time and manner.

In May 2014, Tarjeta Naranja was notified of the judgment that orders it to reimburse part of what has already been collected on account of life insurance on debt balances. In turn, ADECUA filed an extraordinary appeal before the Argentine Court of Appeals.

In November 2014, ADECUA abandoned the proceedings; thus the decision issued by the Court of Appeals was final. Therefore, Tarjeta Naranja complied with what was ordered by the judge and later confirmed by the Court of Appeals, crediting the corresponding amounts to customers' accounts and transferring the amounts to be reimbursed to former customers to Banco de la Nación Argentina. In December 2014, Tarjeta Naranja evidenced compliance with the decision in the proceedings. The Court received the documents and is giving notice of compliance with the judgment to the Prosecutor's Office and ADECUA.

At the date of these annual report, and having the corresponding payments been made, the provision of Ps.20 million duly set up by Tarjeta Naranja has been applied.

Regarding certain provisions settled by Communication A 5689 of the Argentine Central Bank, see Note 12 to our financial statements included in this annual report.

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

The AFIP conducted audits on fiscal years 1998 and 1999, not accepting certain uncollectible loans to be recorded as uncollectible receivables deductible from income tax and minimum presumed income tax. The original amount claimed for taxes by the tax collection authorities totaled approximately Ps.2 million.

In July 2013, the Federal Tax Court notified the judgment sustaining the appeal filed by the company. Tax collection authorities later filed an appeal against the aforementioned judgment, which was answered by the company in December 2013. In May 2014, the Argentine Federal Court of Appeals in Administrative Matters rejected the appeal filed by the AFIP, thus confirming the judgment issued by the Federal Tax Court, which was favorable to Compañía Financiera Argentina S.A. In June 2014, the AFIP filed an appeal before the Argentine Supreme Court of Justice.

Based on the information available at the date of this annual report, CFA believes that the decision to be issued by the Argentine Supreme Court of Justice will not differ from the judgments issued by the other courts that heard the case.

Notwithstanding the foregoing, CFA has established the provisions deemed adequate for the proceeding.

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**Table of Contents****Dividend Policy and Dividends****Dividend Policy**

Grupo Financiero Galicia's policy for the distribution of dividends envisages, among other factors, the obligatory nature of establishing a legal reserve, the company's financial condition and its indebtedness, the business requirements of affiliated companies and, mainly, that the profits recorded in the financial statements are, to a great extent, income from holdings and not realized and liquid profits, a requirement of Section 68 of the Corporations Law so that it is possible to distribute them as dividends. The proposal to distribute dividends arising from such analysis has to be approved at the shareholders' meeting that discusses the Financial Statements corresponding to each fiscal year.

We may only declare and pay dividends out of our retained earnings representing the profit realized on our operations and investments. The Corporations Law and our bylaws state that no profits may be distributed until prior losses are covered. Dividends paid on our class A shares and class B shares will equal one another on a per share basis. As required by the Corporations Law, 5% of our net income is allocated to a legal reserve until the reserve equals 20% of our outstanding capital. Dividends may not be paid if the legal reserve has been impaired until it is fully restored. The legal reserve is not available for distribution to shareholders.

Our ability to pay dividends to our shareholders principally depends on (i) our net income, (ii) availability of cash and (iii) applicable legal requirements.

Holders of our ADSs will be entitled to receive any dividends payable in respect of our underlying class B shares. We will pay cash dividends to the ADSs depository in Pesos, although we reserve the right to pay cash dividends in any other currency, including Dollars. The ADSs deposit agreement provides that the depository will convert cash dividends received by the ADSs depository in Pesos to Dollars and, after deduction or upon payment of fees and expenses of the ADSs depository and deduction of other amounts permitted to be deducted from such cash payments in accordance with the ADSs deposit agreement (such as for unpaid taxes by the ADSs holders in connection with personal asset taxes or otherwise), will make payment to holders of our ADSs in Dollars.

**Dividends***Grupo Financiero Galicia*

As a holding company, our principal source of cash from which to pay dividends on our shares is dividends or other intercompany transfers from our subsidiaries, primarily Banco Galicia. Due to the dividend restrictions contained in Banco Galicia's loan agreements in connection with Banco Galicia's foreign debt restructuring and in Argentine Central Bank regulations, our ability to distribute cash dividends to our shareholders has been materially and adversely affected since late 2001 until 2010, when Banco Galicia obtained the authorization to distribute its profits.

During the shareholders' meeting held on April 27, 2011, our shareholders approved the payment of dividends in cash corresponding to fiscal year 2010, in the amount of Ps.25 million. After the end of fiscal year 2011, the Argentine Central Bank modified its regulations governing the minimum capital requirements and dividend distribution and, consequently, Banco Galicia has not paid dividends to date. However, Grupo Financiero Galicia paid a cash dividend corresponding to fiscal year 2012 in the amount of Ps.24 million, equivalent to Ps.0.0196 per share and, for fiscal year 2013, Ps.39 million, equivalent to Ps.0.0297 per share, subject to the deduction, when applicable, of the personal assets tax and the 10% withhold for income tax.

Due to the fact that most of the profits for fiscal year 2014 correspond to income by holdings and just a fraction corresponds to the realized and liquid profits meeting the requirements to be distributed as per Section 68 of the Corporations Law, and taking as well into consideration Grupo Financiero Galicia's financial condition, during the shareholders meeting held on April 29, 2015 a payment of dividends in cash was approved in an amount of Ps.100 million, which represents 7.6907% with regard to 1,300,264,597 class A and B ordinary shares with a face value of Ps.1 each.



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Pursuant to the section incorporated by Act No. 25,585 after Section 25 of Act No. 23,966, Grupo Financiero Galicia will receive the reimbursement of withholding taxes related to taxes paid on behalf of the shareholders subject to tax on personal assets as of December 31, 2014. Additionally, pursuant to Section 4 of Act No. 26,893, the Company will withhold 10% for income tax from those shareholders subject to such tax.

### *Banco Galicia*

At the close of the fiscal year ended December 31, 2014, Banco Galicia's capital, non-capitalized contributions, profit reserves, adjustments to shareholders' equity and retained earnings (not including the fiscal year's net income) totaled Ps.6,741 million.

Banco Galicia's net income for fiscal year 2014 amounted to Ps.3,158 million. Taking into consideration the Argentine Central Bank rules regarding the distribution of profits, as explained above, Banco Galicia's board of directors proposed at the shareholders' meeting held on April 29, 2015, and such shareholders approved, the allocation of Ps.632 million to legal reserve and Ps.2,527 million to discretionary reserve for the future distribution of profits.

### *Regional Credit Card Companies*

During the ordinary and extraordinary shareholders' meeting held on April 11, 2014, the shareholders decided to pay a cash dividend corresponding to fiscal year 2013 in the amount of Ps.130 million.

### *Sudamericana Holding*

On August 25, 2014, Sudamericana held an extraordinary shareholders' meeting, at which shareholders approved the payment of cash dividends in the amount of Ps.135.0 million.

## **Significant Changes**

### *Grupo Financiero Galicia*

On February 23, 2015, Grupo Financiero Galicia received dividends for Ps.48 million from Galicia Administradora de Fondos, a subsidiary that was acquired during fiscal year 2014.

### *Tarjetas Regionales*

On January 22, 2015, Tarjeta Naranja, a subsidiary of Tarjetas Regionales, issued its Class XXVIII notes in two series, for an aggregate principal amount of Ps.316 million with the following terms and conditions: (i) Ps.187 million of Series I notes, due in October 2015, with a fixed interest rate of 27.5% payable quarterly and with principal that amortizes in full on the maturity date, and (ii) Ps.129 million of Series II notes, due in October 2017, with a variable interest rate equal to Badlar plus 4.5% payable quarterly and with principal that amortizes in quarterly installments in July and October 2016 and in January 2017.

On January 28, 2015 Tarjeta Naranja cancelled the first principal installment of its Class XIII notes for US\$67 million together with accrued interest.

During January 2015, the board of directors of Tarjetas Cuyanas, a subsidiary of Tarjetas Regionales, approved the issuance of its Class XIX notes to be issued in two series: i) Series I notes for a nominal amount of Ps.80 million, principal amortizes in full 270 days after the issuance date, fixed interest rate, payable quarterly, and ii) Series II notes

for a nominal amount of Ps.80 million, principal amortizes in full 24 months after the issuance date, variable interest rate Badlar plus margin, payable quarterly.

**Table of Contents****Item 9. The Offer and Listing  
Shares and ADSs**

Our class B shares are listed on the BASE and the Córdoba Stock Exchange under the symbol GGAL. Our ADSs, each representing ten class B shares, are listed on the Nasdaq Capital Market, under the symbol GGAL. Our ADSs have been listed on Nasdaq Capital Market since August 2002. Previously, our ADSs had been listed on the Nasdaq National Market since July 24, 2000.

The following tables present, for the periods indicated, the high and low closing prices and the average trading volume of our class B shares on the BASE as reported by the BASE and the high and low closing prices and the average trading volume of our ADSs on the Nasdaq as reported by the Nasdaq Capital Market. There has been low trading volume of our class B shares on the Córdoba Stock Exchange. The following prices have not been adjusted for any stock dividends and/or stock splits.

**Grupo Financiero Galicia - Class B Shares - Buenos Aires Stock Exchange (in Pesos)**

	High	Low	Average Daily Volume (in thousands of Class B shares)
<b>Calendar Year</b>			
<b>2010</b>	6.69	1.84	2,341
<b>2011</b>	6.69	2.75	8,549
<b>2012</b>	4.51	2.72	2,153
<b>2013</b>	10.95	3.86	1,646
<b>2014</b>	21.40	8.30	1,229
<b>Two Most Recent Fiscal Years</b>			
<b>2013</b>			
First Quarter	5.07	4.09	1,415
Second Quarter	5.48	3.86	1,322
Third Quarter	8.86	4.00	2,024
Fourth Quarter	10.95	8.17	1,786
<b>2014</b>			
First Quarter	12.35	8.30	1,098
Second Quarter	16.35	12.07	1,414
Third Quarter	21.30	13.75	1,401
Fourth Quarter	21.40	14.90	985
<b>2015</b>			
First Quarter	31.40	17.60	904
<b>Most Recent Six Months</b>			
November 2014	20.50	18.10	612
December 2014	19.60	15.65	998
January 2015	21.15	17.60	576
February 2015	25.90	19.80	1,149
March 2015	31.40	24.50	1,028
April 2015 (through April 27, 2015)	28.85	25.75	809



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As of April 27, 2015, the closing price of our class B shares was Ps.26.95.

**Grupo Financiero Galicia ADSs - Nasdaq Capital Market (in US\$)**

	High	Low	Average Daily Volume (in thousands of ADRs)
<b>Calendar Year</b>			
<b>2010</b>	16.77	4.72	447
<b>2011</b>	16.52	5.76	327
<b>2012</b>	8.15	4.21	217
<b>2013</b>	13.05	4.96	304
<b>2014</b>	18.50	7.30	553
<b>Two Most Recent Fiscal Years</b>			
<b>2013</b>			
First Quarter	7.21	5.11	120
Second Quarter	5.96	4.98	71
Third Quarter	9.93	4.96	389
Fourth Quarter	13.05	8.86	624
<b>2014</b>			
First Quarter	12.65	7.30	417
Second Quarter	15.33	12.00	632
Third Quarter	18.50	12.18	734
Fourth Quarter	16.66	10.33	424
<b>2015</b>			
First Quarter	26.13	14.99	501
<b>Most Recent Six Months</b>			
November 2014	16.49	14.27	342
December 2014	16.66	13.81	361
January 2015	17.19	14.99	330
February 2015	22.36	16.34	460
March 2015	26.13	20.59	692
April 2015 (through April 27, 2015)	24.10	21.44	405

As of April 27, 2015, the closing price of our ADSs was US\$22.76.

Banco Galicia requested to delist its shares from the Argentine exchange, which quotation was suspended on April 30, 2014. On August 21, 2014, the CNV approved the delisting of Banco Galicia's shares. Since Banco Galicia's class B shares will not be traded in an organized market, they lack of liquidity.

The following table present for the periods indicated the high and low closing prices and the average trading volume of Banco Galicia's class B shares on the BASE as reported by the BASE. The last day Banco Galicia's class B shares recorded transactions was on April 29, 2014, with a closing price of Ps.23.

**Banco Galicia Class B Shares - Buenos Aires Stock Exchange (in Pesos)**

	<b>High</b>	<b>Low</b>	<b>Average Daily Trading Volume (in thousand Class B shares)</b>
<b>Calendar Year</b>			
<b>2010</b>	11.91	3.12	3.51
<b>2011</b>	14.40	6.00	1.56
<b>2012</b>	9.62	6.00	3.07
<b>2013</b>	23.00	6.70	5.34
<b>2014</b>	N/A	N/A	N/A
<b>Two Most Recent Fiscal Years</b>			
<b>2013</b>			
First Quarter	9.20	8.30	2.35
Second Quarter	9.25	7.02	0.82
Third Quarter	16.00	6.70	2.48
Fourth Quarter	23.00	13.15	15.75
<b>2014</b>			
First Quarter	22.70	18.35	0.89
Second Quarter	N/A	N/A	N/A
Third Quarter	N/A	N/A	N/A
Fourth Quarter	N/A	N/A	N/A
<b>2015</b>			
First Quarter	N/A	N/A	N/A
<b>Most Recent Six Months</b>			
November 2014	N/A	N/A	N/A
December 2014	N/A	N/A	N/A
January 2015	N/A	N/A	N/A
February 2015	N/A	N/A	N/A
March 2015	N/A	N/A	N/A
April 2015	N/A	N/A	N/A

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**Table of Contents****Argentine Securities Market**

The principal and oldest exchange for the Argentine securities market is the BASE. The BASE started operating in 1854 and handles approximately 95% of all equity trading in Argentina. Securities listed on the BASE include corporate equity and debt securities and government securities. Debt securities listed on the BASE may also be listed on the MAE. The MERVAL, which is affiliated with the BASE, was founded in 1929 and is the largest stock market in Argentina. The MERVAL is a corporation whose 131 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the BASE. Although there are 183 MERVAL shares outstanding, some banks and brokers own more than one share and currently there are 131 members. We are a member of the MERVAL through Galicia Valores, who owns three shares.

Trading on the BASE is conducted mostly through *the Sistema Integrado de Negociación Asistida por Computación* (Integrated Computer Assisted Trading System, SINAC ) although there are still some transactions carried out by continuous open outcry, the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business day of the year. SINAC is a computer trading system that permits trading in debt and equity securities and is accessed by brokers directly from workstations located at their offices. As a result of an agreement between the MERVAL and the MAE, equity securities are traded exclusively on the BASE and corporate and government debt securities are traded on the MAE and the BASE. Currently, all transactions relating to listed corporate and government debt securities can be effected on SINAC. In addition, a substantial over-the-counter market exists for private trading in listed debt securities and, prior to the agreement described above, equity securities. Such trades are reported on the MAE.

Although companies may list all of their capital stock on the BASE, in most cases the controlling shareholders retain the majority of a company's capital stock. This results in only a relatively small percentage of most companies' stock being available for active trading by the public on the BASE. Even though individuals have historically constituted the largest group of investors in Argentina's equity markets, in recent years, banks and insurance companies have shown an interest in these markets. Argentine mutual funds, by contrast, continue to have very low participation in the market. Although 101 companies had equity securities listed on the BASE as of December 31, 2014, the 10 most-traded companies on the exchange accounted for approximately 85% of total trading value during 2014. Our shares were the third most-traded shares on the BASE in 2014, with a 12% share of trading volume.

The Córdoba Stock Exchange is another important stock market in Argentina. Securities listed on the Córdoba Stock Exchange include both corporate equity and debt securities and government securities. Through an agreement with the BASE, all the securities listed on the BASE are authorized to be listed and subsequently traded on the Córdoba Stock Exchange. Thus, many transactions that originate on the Córdoba Stock Exchange relate to companies listed on the BASE and such trades are subsequently settled in Buenos Aires.

**Market Regulations**

The CNV oversees the Argentine securities markets and is responsible for authorizing public offerings of securities and supervising brokers, public companies and mutual funds. Argentine pension funds and insurance companies are regulated by separate Argentine government agencies, while financial institutions are regulated mainly by the Argentine Central Bank. The Argentine securities markets are regulated by the CNV, which was created by Law No. 17,811, as amended.

In compliance with the provisions of Law No. 20,643 and the Decrees No. 659/74 and No. 2,220/80, most debt and equity securities traded on the exchanges and the MAE must, unless otherwise instructed by the shareholders, be deposited by the shareholders in Caja de Valores, which is a corporation owned by the BASE, the





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MERVAL and certain provincial exchanges. Caja de Valores is the central securities depository of Argentina, which provides depository facilities for securities and acts as a transfer and paying agent in connection therewith. It also handles settlement of securities transactions carried out on the BASE and operates the computerized exchange information system.

The level of regulation of the market for Argentine securities and investors' activities is relatively low as compared to the United States and certain other countries, and enforcement of existing regulatory provisions has been limited. In addition, there may be less publicly available information about Argentine companies than is regularly published by or about companies in these countries. However, the CNV has taken steps to strengthen disclosure and regulatory standards for the Argentine securities market, including the issuance of regulations prohibiting insider trading and requiring insiders to report on their ownership of securities, with associated penalties for non-compliance.

In order to improve Argentine securities market regulation, Decree No. 677/01 or Decree for Transparency in the Public Offering, was promulgated and took effect on June 1, 2001. This decree has come to be regarded as the financial consumer's bill of rights. Its objective is to provide transparency and protection to participants in the capital markets. The decree applies to individuals and entities that participate in the public offering of securities and to stock exchanges as well. Among its key provisions, the decree broadens the definition of security; governs the treatment of negotiable securities; obligates publicly listed companies to form audit committees composed of three or more members of the board of the directors, the majority of whom must be independent under CNV regulations; authorizes market-stabilization transactions under certain circumstances; governs insider trading, market manipulation and securities fraud; and regulates going-private transactions and acquisitions of voting shares, including controlling stakes in public companies.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the CNV regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the CNV may be listed on the corresponding stock exchange. This approval does not imply any kind of certification of assurance related to the merits of the quality of the securities, or the solvency of the issuer. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the CNV and the corresponding stock exchange.

Securities can be freely traded on the Argentine markets but certain restrictions exist regarding access by residents and non-residents to the local foreign exchange market and to transfers of foreign exchange abroad. See Item 4.

Information on the Company-Government Regulation-Foreign Exchange Market .

On October 2007, the CNV passed Resolution No. 516/07 providing for the voluntary adoption of a corporate governance code. The CNV recommends adoption of such code by public companies but requires that their policy with respect to each topic described in the code be disclosed in detail in the annual report. This resolution was effective for fiscal years beginning on January 1, 2008 and after and, therefore, public companies, including us, have to report on their degree of fulfillment of each topic of such code.

In December 2012, the Argentine Congress passed the Capital Markets Law, which became effective on January 2013, replacing Law No.17,811 and Decree No. 677/01, with the aim of regulating the capital market under 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.

**Item 10. Additional Information**

**Description of Our Bylaws**

*General*

Set forth below is a brief description of certain provisions of our bylaws and Argentine law and regulations with regard to our capital stock. Your rights as a holder of our capital stock are subject to Argentine corporate law,

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which may differ from the corporate laws of other jurisdictions. This description is not purported to be complete and is qualified in its entirety by reference to our bylaws, Argentine law and the rules of the BASE, the Córdoba Stock Exchange as well as the CNV. A copy of our bylaws has been filed with and can be examined at the CNV in Buenos Aires and the SEC in Washington, D.C.

We were incorporated on September 14, 1999, as a stock corporation under the laws of Argentina and registered on September 30, 1999, with the IGJ, under corporate registration number 14,519 of Book 7, Volume of Stock Corporations. Our domicile is in Buenos Aires, Argentina. Under our bylaws, our duration is until June 30, 2100 and we are exclusively a financial and investment company (as stated in Chapter 2. Purpose. Article 3. of our bylaws). This duration may be extended by resolution taken at an extraordinary shareholders meeting.

Our bylaws do not contain any provision governing the ownership threshold above which shareholder ownership must be disclosed.

***Outstanding Capital Stock***

Our total subscribed and paid-in share capital as of December 31, 2014, amounted to Ps.1,300,264,947, composed of class A shares and class B shares, each with a par value of Ps.1. The following table presents the number of our shares outstanding as of December 31, 2014, and the voting interest that the shares represent.

Shares	As of December 31, 2014		
	Number of Shares	% of Capital Stock	% of Voting Rights
Class A Shares	281,221,650	21.63	57.98
Class B Shares	1,019,042,947	78.37	42.02
<b>Total</b>	<b>1,300,264,597</b>	<b>100.00</b>	<b>100.00</b>

***Registration and Transfer***

The class B shares are book-entry common shares held through Caja de Valores. Caja de Valores maintains a stock registry for us and only those persons listed in such registry will be recognized as our shareholders. Caja de Valores periodically delivers to us a list of the shareholders as at a certain date.

The class B shares are transferable on the books of Caja de Valores. Caja de Valores records all transfers in our registry. Within 10 days of any such transfer, Caja de Valores is required to confirm the registration of transfer with the transferor.

***Voting Rights***

At shareholders meetings, each class A share is entitled to five votes and each class B share is entitled to one vote. However, class A shares are entitled to only one vote in certain matters, such as:

a merger or spin-off in which we are not the surviving corporation, unless the acquirer's shares are authorized to be publicly offered or listed on any stock exchange;

a transformation in our legal corporate form;

a fundamental change in our corporate purpose;

a change of our domicile to outside Argentina;

a voluntary termination of our public offering or listing authorization;

our continuation following a delisting or a mandatory cancellation of our public offering or listing authorization;

a total or partial recapitalization of our statutory capital following a loss; or

the appointment of syndics.

All distinctions between our class A shares and our class B shares will be eliminated upon the occurrence of any of the following change of control events:

EBA Holding sells 100% of its class A shares;

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EBA Holding sells a portion of our class A shares to a third person who, when aggregating all our class A shares with our class B shares owned by such person, if any, obtains 50% plus one vote of our total votes; or

the current shareholders of EBA Holding sell shares of EBA Holding that will allow the buyer to exercise more than 50% of the voting power of EBA Holding at any general shareholders meeting of EBA Holding shareholders, except for transfers to other current shareholders of EBA Holding or to their heirs or their legal successors or to entities owned by any of them.

### ***Limited Liability of Shareholders***

Shareholders are not liable for our obligations. Shareholders liability is limited to the payment of the shares for which they subscribe. However, shareholders who have a conflict of interest with us and do not abstain from voting may be held liable for damages to us. Also, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or our bylaws may be held liable for damages to us or to third parties, including other shareholders, resulting from such resolutions.

### ***Directors***

Our bylaws provide that the board of directors shall be composed by at least three and at most nine members, as decided at a general ordinary shareholders meeting. To be appointed to our Board of Directors, such person must have been presented as a candidate by shareholders who represent at least 10% of our voting rights, at least three business days before the date the general ordinary shareholders meeting is to be held. Our bylaws do not state an age limit over which the directors cannot serve on our board.

At each annual shareholders meeting, the term of one third of the members of our Board of Directors (no fewer than three directors) expires and their successors are elected to serve for a term of three years. The shareholders meeting shall have the power to fix a shorter period (one or two years) for the terms of office of one, several or all the directors. This system of electing directors is intended to help maintain the continuity of the board. Alternate directors replace directors until the following general ordinary shareholders meeting is held. Directors may also be replaced by alternate directors if a director will be absent from a board meeting. The board of directors is required to meet at least once every month and anytime any one of the directors or syndics so requests.

Our bylaws state that the board of directors may decide to appoint an executive committee and/or a delegate director.

Our bylaws do not provide for any arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to in this annual report was selected as a director or member of senior management.

Additionally, pursuant to our bylaws, any borrowing powers on behalf of the Company are granted to our Board of Directors. Our Board of Directors has the power to delegate these borrowing powers to our directors through a power of attorney and currently certain of our directors have powers of attorney to negotiate the terms of and borrow money on behalf of the Company. Furthermore, as stated by our bylaws, the chairman of our Board of Directors is also the legal representative of the Company. Although our bylaws do not expressly address a director's power to vote on proposals, arrangements or contracts in which the director has a material interest, pursuant to customary Argentine business practice and certain tenants of Argentine corporate law, our directors do not vote on proposals, arrangements or contracts in which the director has a material interest.

### ***Appointment of Directors and Syndics by Cumulative Voting***

The Corporations Law provides for the use of cumulative voting to enable minority shareholders to appoint members of the board of directors and syndics. Upon the completion of certain requirements, shareholders are entitled to appoint up to one third of the vacancies to be filled on the board of directors by cumulative voting. Each shareholder voting cumulatively has the number of votes resulting from multiplying the number of votes to which such shareholder would normally be entitled by the number of vacancies to be filled. Such shareholder may apportion his votes or cast all such votes for one or a number of candidates not exceeding one third of the vacancies to be filled.

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### ***Compensation of Directors***

The Corporations Law and the CNV establish rules regarding the compensation of directors. The maximum amount of aggregate compensation that the members of the board of directors may receive, including salaries and other compensation for the performance of permanent technical and administrative services, may not exceed 25.0% of profits of each fiscal year. This maximum amount shall be limited to 5.0% when no dividends are distributed to the shareholders and shall be increased proportionately to the dividend distribution until the 25.0% limit is reached when all profits are distributed.

The Corporations Law provides that aggregate director compensation may exceed the maximum percentage of computable profit in any one year when the company's profits are non-existent or too small as to allow payment of a reasonable compensation to board members which have been engaged in technical or administrative services to the company, provided that such proposal is described in the notice of the agenda for the ordinary shareholders' meeting and is approved by a majority of shareholders present at such shareholders' meeting.

In addition to the above, our bylaws establish that best practices and national and international market standards regarding directors with similar duties and responsibilities shall be considered when determining the compensation of board members.

### ***Syndics***

Our bylaws, in accordance with Argentine law, provide for the maintenance of a supervisory committee whose members are three permanent syndics and three alternate syndics. Syndics are elected for a one-year term and may be re-elected. Alternate syndics replace permanent syndics in case of absence. For the appointment of syndics, each of our class A shares and class B shares has only one vote. Fees for syndics are established by the shareholders at the annual ordinary shareholders' meeting. Their function is to oversee the management of the company, to control the legality of the actions of the board of directors, to attend all board of directors' meetings, to attend all shareholders' meetings, to prepare reports for the shareholders on the financial statements with their opinion, and to provide information regarding the company to shareholders that represent at least 2% of the capital stock. Syndics' liabilities are joint and several and unlimited for the non-fulfillment of their duties. They are also jointly and severally liable, together with the members of the board of directors, if the proper fulfillment of their duties as syndics would have avoided the damage or the losses caused by the members of the board of directors.

### ***Shareholders' Meetings***

Shareholders' meetings may be ordinary meetings or extraordinary meetings. An annual ordinary shareholders' meeting is required to be held in each fiscal year to consider the matters outlined in Article 234 of the Corporations Law, including, among others:

approval of the financial statements and general performance of the management for the preceding fiscal year;

appointment and remuneration of directors and members of the supervisory committee;

allocation of profits; and

any other matter the board of directors decides to submit to the shareholders' meeting concerning the company's business administration. Matters which may be discussed at these or other ordinary meetings include resolutions regarding the responsibility of directors and members of the supervisory committee, as well as capital increases and the issuance of notes.

Extraordinary shareholders' meetings may be called at any time to discuss matters beyond the competence of the ordinary meeting, including but not limited to amendments to the bylaws, matters related to the liquidation of a company, limitation of the shareholders' preemptive rights to subscribe new shares, issuance of bonds and debentures, transformation of the corporate form, a merger into another company and spin-offs, early winding-up, change of the company's domicile to outside Argentina, total or partial repayment of capital for losses, and a substantial change in the corporate purpose set forth in the bylaws.



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Shareholders' meetings may be convened by the board of directors or by the syndics. A shareholder or group of shareholders holding at least 5.0% in the aggregate of our capital stock may request the board of directors or the syndics to convene a general shareholders' meeting to discuss the matters indicated by the shareholder.

Once a meeting has been convened with an agenda, the agenda limits the matters to be decided upon at such meeting and no other matters may be decided upon.

Additionally, our bylaws provide that any shareholder holding at least 5% in aggregate of our capital stock may present, in writing, to the Board of Directors, before February 28 of each year, proposals of items to be included in the agenda at the annual general ordinary shareholders' meeting. The Board of Directors is not obligated to include such items in the agenda.

Class B shares represented by ADSs will be voted or caused to be voted by the Depositary in accordance with instructions of the holders of such ADSs. In the event instructions are not received from the holder, the Depositary shall give a discretionary proxy for the shares represented by such ADSs to a person designated by us.

Notice of each shareholders' meeting must be published in the Official Gazette, and in a widely circulated newspaper in the country's territory, at least twenty days prior to the meeting but not more than forty-five days prior to the date on which the meeting is to be held. The board of directors will determine the appropriate publication of notices outside Argentina in accordance with the requirements of the jurisdictions and exchanges on which our shares are traded. In order to attend a meeting and to be listed on the meeting registry, shareholders must submit evidence of their book-entry share account held at Caja de Valores at least three business days prior to the scheduled meeting date without counting the meeting day.

The quorum for ordinary meetings consists of a majority of stock entitled to vote, and resolutions may be adopted by the affirmative vote of 50% plus one vote (an absolute majority) of the votes present whether in person or participating via electronic means of communication. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, shall constitute a quorum. Resolutions are to be adopted by an absolute majority of the votes present. The second meeting may be convened to be held one hour later on the same day as the first meeting had been called for, provided that it is an ordinary shareholders' meeting, or within thirty days of the date for which the first ordinary meeting was called.

The quorum for extraordinary shareholders' meetings consists of 60% of stock entitled to vote, and resolutions may be adopted by an absolute majority of the votes present. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, shall constitute a quorum. Resolutions are to be adopted by an absolute majority of the votes present. The second meeting has to be convened to be held within thirty days of the date for which the first extraordinary meeting was called, and the notice must be published for three days, at least eight days before the date of the second meeting. Some special matters require a favorable vote of the majority of all the stock holding voting rights, the class A shares being granted the right to only one vote each. The special matters are described in *-Voting Rights* above.

## ***Dividends***

Dividends may be lawfully paid and declared only out of our retained earnings representing the profit realized and liquid on our operations and investments reflected in our annual financial statements, as approved at our annual general shareholders' meeting. No profits may be distributed until prior losses are covered. Dividends paid on our class A shares and class B shares will equal one another on a per-share basis.

As required by the Corporations Law, 5% of our net income is allocated to a legal reserve until the reserve equals 20% of our outstanding capital. Dividends may not be paid if the legal reserve has been impaired. The legal reserve is not available for distribution to shareholders.

Our Board of Directors submits our financial statements for the previous fiscal year, together with reports prepared by our supervisory committee, to our shareholders for approval at the general ordinary shareholders meeting. The shareholders, upon approving the financial statements, determine the allocation of our net income.

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Our Board of Directors is allowed by law and by our bylaws to decide to pay anticipated dividends on the basis of a balance sheet especially prepared for purposes of paying such dividends.

Under CNV regulations and our bylaws, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving the dividend. Payment of dividends in shares requires authorization from the CNV, the BASE and the Córdoba Stock Exchange, whose authorizations must be requested within 10 business days after the shareholders' meeting approving the dividend. We must make a distribution of the shares available to shareholders not later than three months after receiving authorization to do so from the CNV.

Shareholders may no longer claim the payment of dividends from us after three years have elapsed from the date on which the relevant dividends were made available to such shareholders.

## ***Capital Increases and Reductions***

We may increase our capital upon resolution of the general ordinary shareholders' meeting. All capital increases must be reported to the CNV, published in the Official Gazette and registered with the Public Registry of Commerce. Capital reductions may be voluntary or mandatory. A voluntary reduction of capital must be approved by an extraordinary shareholders' meeting after the corresponding authorization by the BASE, the Córdoba Stock Exchange and the CNV and may take place only after notice of such reduction has been published and creditors have been given an opportunity to obtain payment or guarantees for their claims or attachment. A reduction of capital is mandatory when losses have exceeded reserves and more than 50% of the share capital of the company.

## ***Preemptive Rights***

Under Argentine law, it is mandatory that a shareholder of ordinary shares of any given class have preemptive rights, proportional to the number of shares he or she owns, to subscribe for shares of capital stock of the same class or of any other class if the new subscription offer does not include all classes of shares. Shareholders may only decide to suspend or limit preemptive rights by supermajority at an extraordinary shareholders' meeting and only in exceptional cases. Shareholders may waive their preemptive rights only on a case-by-case basis.

In the event of an increase in our capital, holders of class A shares and class B shares have a preemptive right to subscribe for any issue of class B shares in an amount sufficient to maintain the proportion of capital then held by them. Holders of class A shares are entitled to subscribe for class B shares because no further class A shares carrying five votes each are allowed to be issued in the future. Under Argentine law, companies are prohibited from issuing stock with multiple voting rights after they have been authorized to make a public offering of securities.

Preemptive rights are exercisable following the last publication of the notification to shareholders of the opportunity to exercise preemptive rights in the Official Gazette and an Argentine newspaper of wide circulation for a period of 30 days, provided that such period may be reduced to no less than 10 days if so approved by an extraordinary shareholders' meeting.

Shareholders who have exercised their preemptive rights and indicated their intention to exercise additional preemptive rights are entitled to additional preemptive rights (accretion rights), on a pro rata basis, with respect to any unsubscribed shares, in accordance with the terms of the Corporations Law. Class B shares not subscribed for by shareholders through the exercise of their preemptive or accretion rights may be offered to third parties.

Holders of ADSs may be restricted in their ability to exercise preemptive rights if a registration statement relating to such rights has not been filed or is not effective or if an exemption from registration is not available.

*Appraisal Rights*

Whenever our shareholders approve:

a merger or spin-off in which we are not the surviving corporation, unless the acquirer's shares are authorized to be publicly offered or listed on any stock exchange,

a transformation in our legal corporate form,

a fundamental change in our corporate purpose,

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a change of our domicile to outside Argentina,

a voluntary termination of our public offering or listing authorization,

our continuation following a delisting or a mandatory cancellation of our public offering or listing authorization, or

a total or partial recapitalization of our statutory capital following a loss, any shareholder that voted against such action or did not attend the relevant meeting may exercise its right to have its shares canceled in exchange for the book value of its shares, determined on the basis of our latest balance sheet prepared in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the periods set forth below.

There is, however, doubt as to whether holders of ADSs, will be able to exercise appraisal rights with respect to class B shares represented by ADSs.

Appraisal rights must be exercised within five days following the adjournment of the meeting at which the resolution was adopted, in the event that the dissenting shareholder voted against such resolutions, or within 15 days following such adjournment if the dissenting shareholder did not attend such meeting and can prove that he was a shareholder on the date of such meeting. In the case of a merger or spin-off involving an entity authorized to make a public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of such transaction are listed on any stock exchange. Appraisal rights are extinguished if the resolution giving rise to such rights is overturned at another shareholders' meeting held within 75 days of the meeting at which the resolution was adopted.

Payment of the appraisal rights must be made within one year from the date of the shareholders' meeting at which the resolution was adopted, except if the resolution was to delist our capital stock, in which case the payment period is reduced to 60 days from the date of the related resolution.

### ***Preferred Stock***

According to the Corporations Law and our bylaws, an ordinary shareholders' meeting may approve the issuance of preferred stock. Such preferred stock may have a fixed dividend, cumulative or not cumulative, with or without additional participation in our profits, as decided by shareholders at a shareholders' meeting when determining the conditions of the issuance. They may also have other preferences, such as a preference in the event of our liquidation.

The holders of preferred stock shall not be entitled to voting rights. Notwithstanding the foregoing, in the event that no dividends are paid to such holders for their preferred stock, and for as long as such dividends are not paid, the holders of preferred stock shall be entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as the transformation of the corporate form, a merger into another company and spin-offs (when we are not the surviving entity and the surviving entity is not listed on any stock exchange), early winding-up, a change of our domicile to outside Argentina, total or partial repayment of capital for losses and a substantial change in the corporate purpose set forth in our bylaws or in the event our preferred stock is traded on stock exchanges and such trading is suspended or terminated.

### ***Conflicts of Interest***

As a protection to minority shareholders, under the Corporations Law, a shareholder is required to abstain from voting on any resolution in which its direct or indirect interests conflict with that of or are different than ours. In the event such shareholder votes on such resolution, and such resolution would not have been approved without such shareholders' vote, the resolution may be declared void by a court and such shareholder may be liable for damages to the company as well as to any third party, including other shareholders.

***Redemption or Repurchase***

According to the Capital Markets Law, a stock corporation may acquire the shares issued by it, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and those set forth by the CNV. The above-mentioned conditions are: (a) the shares to be acquired shall be fully paid up;

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(b) there shall be a resolution signed by the board of directors to such effect; (c) the acquisition shall be made out of net profits or free or voluntary reserves; and (d) the total amount of shares acquired by the company, including previously acquired shares, shall not exceed 10% of the capital stock or such lower percentage determined by the CNV. The shares acquired by the company in excess of such limit shall be disposed of within the term of 90 days after the date of the acquisition originating such excess.

The shares acquired by the company shall be disposed of by the company within the maximum term of three years counted as from the date of acquisition thereof. Upon disposing of the shares, the company shall make a preemptive offer thereof. Such an offer will not be obligatory if the shares are used in connection with a compensation plan or program for the company's employees or if the shares are distributed among all shareholders pro rata their shareholdings. If shareholders do not exercise, in whole or in part, their preemptive rights, the sale shall be made at a stock exchange.

## ***Liquidation***

Upon our liquidation, one or more liquidators may be appointed to wind up our affairs. If no such appointment is made, our Board of Directors will act as liquidator. All outstanding common shares will be entitled to participate equally in any distribution upon liquidation. In the event of liquidation, in Argentina as well as in any other country, our assets shall first be applied to satisfy our debts and liabilities.

## ***Other Provisions***

Our bylaws are governed by Argentine law and the ownership of any kind of our shares represents acceptance of our bylaws and submission to the exclusive jurisdiction of the ordinary commercial courts of Buenos Aires for any claim or dispute related to us, our shareholders, directors and members of the supervisory committee.

## **Exchange Controls**

For a description of the exchange controls that would affect us or the holders of our securities, see Item 4. Information on the Company-Government Regulation-Foreign Exchange Market .

## **Taxation**

The following is a summary of the principal Argentine and U.S. Federal tax consequences arising from the acquisition, ownership and disposition of our class B shares and ADSs. The summary is based upon Argentine and U.S. Federal tax laws, as well as the regulations in effect as of the date of this annual report. Further, such summary is subject to any subsequent changes in such laws and regulations that may come into effect after such date. Any change could apply retroactively and could affect the continued validity of this summary. The summary which follows does not constitute legal advice or a legal opinion with respect to the transactions that the holders of our class B shares or ADSs may enter into, but rather is only a brief description of certain (and not all) aspects of the Argentine and U.S. Federal taxation system related to the acquisition, ownership and disposition of our class B shares and ADSs. In addition, although the following summary is believed to be a reasonable interpretation of the current taxation rules and regulations, we cannot assure you that the applicable authorities or tribunals will agree with all of, or any of, the tax consequences outlined below. Currently, there is no tax treaty between the United States and Argentina.

## ***Argentine Taxes***

Law No. 26,893, enacted on September 12, 2013 and published in the Official Gazette on September 23, 2013, introduced several changes to Income Tax Law No. 20,628, including the derogation of Section 78 of Decree No. 2,284/1991, which provides that foreign holders with no permanent establishment in Argentina are exempt from paying income tax on the capital gains arising from the sale or other disposition of shares or ADSs.

Law No. 26,893 has been regulated by Decree No 2334/2013 which provides that changes introduced by Law No.26,893 are effective from the date of publication of such law in the Official Gazette and are applicable to taxable events consummated from such date onwards.



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### *Taxation of Dividends*

Until Law No. 26,893 became effective, dividend payments on ADSs or ordinary shares, whether in cash, property, or stock, were not subject to Argentine withholding tax or other taxes.

As from the effectiveness of Law No. 26,893, dividends (other than stock dividends) are subject to tax at a rate of 10%.

Dividends received by Argentine entities (generally entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) are not subject to the 10% tax.

### *Equalization Tax*

There is a specific rule under which a 35% tax ( equalization tax ) will be imposed on certain dividends approved by the registrant s shareholders. The equalization tax will be applied only to the extent that distributions of dividends exceed the taxable income of the company increased by non-taxable dividends received by the distributing company in prior years and reduced by Argentine income tax paid by the distributing company.

The equalization tax will be imposed as a withholding tax on the shareholder receiving the dividend. Dividends distributions made in kind (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends are not subject to Argentine taxation.

### *Taxation of Capital Gains (CGT)*

In accordance with Law No. 26,893 capital gains derived by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or class B shares are subject to the following regulations:

Beginning on September 23, 2013, the transfer of ADSs or class B shares may trigger capital gain taxation. In such a case, the buyer would be responsible for withholding the corresponding tax (i.e. no liability should exist for the seller) although no withholding mechanism is currently available.

Notwithstanding the above, based on certain tax precedents, there may be support to argue that gains obtained by a non-resident from the disposal of ADSs or class B shares should be regarded as foreign source income and, therefore, not subject to Argentine CGT. As this is a controversial issue, further analysis is required.

Capital gains obtained by non resident individuals or foreign entities from the sale, exchange or other disposition of such securities are currently subject to tax in Argentina at an effective 13.5% rate (15% tax rate applied to a gross presumed margin of 90% of the gross income) on gross proceeds arising from the sale transaction or, alternatively, to a 15% statutory rate on the actual capital gain (with proper evidence of cost incurred).

In the case of Argentine individuals, gains derived from the transfer of ADSs or class B shares, after offsetting certain general deductions, would be subject to an income tax at a 15% rate, assuming transactions are not performed under an authorized Argentine stocks exchange market. In this sense, it must be said that there is also a controversial issue related with such tax treatment. Further analysis is recommendable in this regard.

Finally, net capital gains from the sale, exchange or other dispositions of ADSs or class B shares, obtained by Argentine corporations or similar entities will be subject to income tax at a 35% rate, like any other current gain.

*Transfer Taxes*

No Argentine transfer taxes are applicable on the sale or transfer of ADSs or class B shares.

*Tax on Minimum Notional Income*

The tax reform in force since 1999 reinstated a tax on assets on Argentine companies. This tax is similar to the asset tax that was previously in effect in Argentina from 1990 to 1995. It applies at a general rate of 1% on a broadly defined asset base encompassing most of the taxpayer's gross assets at the end of any fiscal year ending after December 31, 1998.

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Specifically, the Law establishes that banks, other financial institutions and insurance companies will consider a taxable base equal to 20% of the value of taxable assets.

A company's asset tax liability for a tax year will be reduced by its income tax payments, and asset tax payments for a tax year can be carried forward to be applied against the company's income tax liability in any of the following ten tax years.

### *Personal Assets Tax*

Individuals domiciled and undivided estates located in Argentina or abroad will be subject to an annual tax in respect of assets located in Argentina and abroad. The tax rate is from 0.5% to 1.25%, depending on the total amount of assets. Individuals domiciled abroad will pay the tax only in respect of the assets they hold in Argentina. In the case of individuals domiciled abroad, the tax will be paid by the individuals or entities domiciled in Argentina which, as of December 31 of each year, hold the joint ownership, possession, use, enjoyment, deposit, safekeeping, custody, administration or tenure of the assets located in Argentina subject to the tax belonging to the individuals domiciled abroad. When the direct ownership of notes, government securities and certain other investments, except shares issued by companies ruled by the Corporations Law, corresponds to companies domiciled abroad in countries that do not enforce registration systems for private securities (with the exception of insurance companies, open-end investment funds, pension funds or banks and financial entities with head offices in countries that have adopted the international banking supervision standards laid down by the Basel Committee on Banking Supervision) or that pursuant to their bylaws, charter, documents or the applicable regulatory framework, have as their principal activity investing outside of the jurisdiction of their organization or domicile, or are generally restricted from doing business in their country of incorporation, it will be assumed, without any proof to the contrary being admitted, that those assets belong ultimately to individuals and therefore the system for paying the tax for such individuals domiciled abroad is applicable to them.

There is an exception pursuant to a tax reform that was published in the Official Gazette as Law No. 25,585, which went into effect on December 31, 2002. This tax reform introduced a mechanism to collect the personal assets tax on shares issued by companies ruled by the Corporations Law, which ownership belongs to individuals domiciled in Argentina or abroad and companies or entities domiciled abroad. In the case of companies or entities domiciled abroad, it will be assumed, without any proof to the contrary being admitted, that those shares belong ultimately to individuals domiciled abroad.

The tax will be assessed and paid by those companies ruled by the Corporations Law at the rate of 0.5% on the value of the shares or equity interest. The valuation of the shares, whether listed or not, must be made according to their proportional equity value. These companies may eventually seek reimbursement from the direct owner of their shares in respect of any amounts paid to the Argentine tax authorities as personal assets tax. Grupo Financiero Galicia has sought reimbursement for the amount paid corresponding to December 31, 2002. The board of directors submitted the decision on how to proceed with respect to fiscal year 2003 to the annual shareholders' meeting held on April 22, 2004. At that meeting, our shareholders voted to suspend all claims on our shareholders for amounts unpaid for fiscal year 2002 and to have us absorb the amounts due for fiscal year 2003 onward when not withheld from dividends.

### *Other Taxes*

There are no Argentine federal inheritance, succession or gift taxes applicable to the ownership, transfer or disposition of ADSs or class B shares. There are no Argentine stamps, issue, registration or similar taxes or duties payable by holders of ADSs or class B shares.

### *Deposit and Withdrawal of Class B Shares in Exchange for ADSs*

No Argentine tax is imposed on the deposit or withdrawal of class B shares in exchange for ADSs.

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**Table of Contents*****United States Taxes***

The following is a summary of the principal Argentine and U.S. Federal tax consequences arising from the acquisition, ownership and disposition of our class B shares and ADSs. The summary is based upon Argentine and U.S. Federal tax laws, as well as the regulations in effect as of the date of this annual report. Further, such summary is subject to any subsequent changes in such laws and regulations that may come into effect after such date. Any change could apply retroactively and could affect the continued validity of this summary. The summary which follows does not constitute legal advice or a legal opinion with respect to the transactions that the holders of our class B shares or ADSs may enter into, but rather is only a brief description of certain (and not all) aspects of the Argentine and U.S. federal tax rules related to the acquisition, ownership and disposition of our class B shares and ADSs. In addition, although the following summary is believed to be a reasonable interpretation of the current taxation rules and regulations, we cannot assure you that the applicable authorities or tribunals will agree with all of, or any of, the tax consequences outlined below. Currently, there is no tax treaty between the United States and Argentina.

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of class B shares and ADSs, as their terms are set forth in the documents or the forms thereof, relating to such securities as in existence on the date hereof, but it does not purport to address all the tax considerations that may be relevant to a decision to purchase, own or dispose of class B shares or ADSs. This summary assumes that the class B shares or ADSs will be held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code), and does not address tax consequences to all categories of investors, some of which (such as dealers or traders in securities or currencies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt entities, banks, insurance companies, persons that received class B shares or ADSs as compensation for the performance of services, persons owning (or deemed to own for U.S. federal income tax purposes) at least 10% or more (by voting power or value) of our shares, investors whose functional currency is not the Dollar and persons that hold the class B shares or ADSs as part of a position in a straddle or as part of a hedging or conversion transaction for U.S. federal income tax purposes) may be subject to special tax rules. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of class B shares or ADSs.

This summary (i) is based on the Code, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof; and (ii) is based in part on representations of the Depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. All the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this summary, a U.S. Holder is a beneficial owner of class B shares or ADSs that, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a United States person for U.S. Federal income tax purposes or if (a) a United States court can exercise primary supervision over its administration and (b) one or more United States persons have the authority to control all the substantial decisions of such trust. A Non-U.S. Holder is a beneficial owner of class B shares or ADSs that is neither a U.S. Holder nor a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds class B shares or ADSs, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

**Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of class B shares or ADSs.**

*Ownership of ADSs in General*

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the owners of the class B shares represented by such ADSs. For purposes of the discussion below, we assume that intermediaries in the chain of ownership between the holder of an ADS and Grupo Financiero Galicia are acting consistently with the claiming of U.S. foreign tax credits by U.S. Holders.

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**Table of Contents***Taxation of Distributions*

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, for U.S. federal income tax purposes, the gross amount of distributions by Grupo Financiero Galicia of cash or property (other than certain distributions, if any, of class B shares or ADSs distributed pro rata to all shareholders of Grupo Financiero Galicia, including holders of ADSs) made with respect to the class B shares or ADSs before reduction for any Argentine taxes withheld therefrom, will constitute dividends to the extent that such distributions are paid out of Grupo Financiero Galicia's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, and will be included in the gross income of a U.S. Holder as dividend income. Subject to the discussion below under *Passive Foreign Investment Company Considerations*, non-corporate U.S. Holders generally will be taxed on such distributions on ADSs (or class B shares that are readily tradable on an established securities market in the United States at the time of such distribution) at the lower rates applicable to long-term capital gains (i.e., gains from the sale of capital assets held for more than one year). Non-corporate U.S. Holders that (i) do not meet a minimum holding period requirement with respect to such ADSs (or class B shares), (ii) elect to treat the dividend income as investment income pursuant to Section 163(d)(4)(B) of the Code or (iii) receive dividends with respect to which they are obligated to make related payments for positions in substantially similar or related property will not be eligible for the reduced rates of taxation. In addition, such dividends will not be eligible for the dividends received deduction generally allowed to corporations under the Code.

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, if distributions with respect to the class B shares or ADSs exceed Grupo Financiero Galicia's current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, the excess would be treated first as a tax-free return of capital to the extent of such U.S. Holder's adjusted tax basis in the class B shares or ADSs. Any amount in excess of such adjusted basis would be treated as capital gain from the sale or exchange of such class B shares or ADSs. Grupo Financiero Galicia does not maintain calculations of its earnings and profits under U.S. federal income tax principles.

Dividends paid in Pesos will be included in the gross income of a U.S. Holder in an amount equal to the Dollar value of the Pesos on the date of receipt, which, in the case of ADSs, is the date they are received by the depository. The amount of any distribution of property other than cash will be the fair value of such property on the date of distribution. Any gains or losses resulting from the conversion of Pesos between the time of the receipt of dividends paid in Pesos and the time the Pesos are converted into Dollars will be treated as ordinary income or loss, as the case may be, of a U.S. Holder. Dividends received by a U.S. Holder with respect to the class B shares or ADSs will be treated as foreign source income, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, Argentine tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific categories of income. For this purpose, dividend income with respect to class B shares or ADSs should generally constitute passive category income, or in the case of certain U.S. Holders, general category income. The rules governing the foreign tax credit are complex. Prospective holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Subject to the discussion below under *Backup Withholding and Information Reporting*, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received on class B shares or ADSs, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

*Taxation of Capital Gains*

Subject to the discussion below under **Passive Foreign Investment Company Considerations**, U.S. Holders will recognize capital gain or loss for U.S. federal income tax purposes upon a sale or exchange of such class B shares or ADSs in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the class B shares or ADSs and the amount realized on their disposition. In the case of a non-corporate U.S. Holder, the



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maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate for ordinary income (other than certain dividends) if the U.S. Holder's holding period in the class B shares or ADSs exceeds one year at the time of the sale or exchange. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as United States source income or loss for U.S. foreign tax credit purposes. Certain limitations apply to the deductibility of capital losses for U.S. federal income tax purposes.

A U.S. Holder's initial tax basis in the class B shares or ADSs is the Dollar value of the Pesos denominated purchase price determined on the date of purchase. If the class B shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the Dollar value of the cost of such class B shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

With respect to the sale or exchange of class B shares or ADSs, the amount realized generally will be the Dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the class B shares or ADSs are treated as traded on an established securities market, a cash basis taxpayer (or, if it elects, an accrual basis taxpayer) will determine the Dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under Backup Withholding and Information Reporting, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of class B shares or ADSs unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met.

*Passive Foreign Investment Company Considerations*

A Non-United States corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce passive income or is held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions, other than certain income derived in the active conduct of a banking business.

The application of the PFIC rules is unclear both generally and specifically with respect to banks. The United States Internal Revenue Service (IRS) has issued a notice and certain proposed Treasury Regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the Active Bank Exception). However, the IRS notice and proposed Treasury Regulations are inconsistent in certain respects. Since final Treasury Regulations have not been issued, there can be no assurance that Grupo Financiero Galicia or its subsidiaries will satisfy the Active Bank Exception for any given taxable year.

Based on certain estimates of its gross income and gross assets, which estimates are inherently imprecise, the nature of its business and relying on the Active Bank Exception, Grupo Financiero Galicia believes that it should not be classified as a PFIC for the taxable year ended December 31, 2014. Grupo Financiero Galicia's status in future years will depend on its assets and activities in those years. Grupo Financiero Galicia has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that Grupo Financiero Galicia will not be considered a PFIC for any taxable year. If Grupo Financiero Galicia were a

PFIC, a U.S. Holder of class B shares or ADSs generally would be subject to an imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of certain dividends at the lower rates applicable to long-term capital gains, as discussed above under Taxation of Distributions ) with respect to any gain from the sale or exchange of, and certain distributions with respect to, the class B shares or ADSs.

If Grupo Financiero Galicia were a PFIC, a U.S. Holder of class B shares or ADSs could make a variety of elections that may alleviate certain of the adverse tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the class B shares or ADSs. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if Grupo Financiero Galicia were treated as a PFIC.

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### *Backup Withholding and Information Reporting*

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain holders of stock.

Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, class B shares or ADSs made within the United States, or by a U.S. payor or U.S. middleman, to a holder of class B shares or ADSs (other than an exempt recipient, such as a payee that is not a United States person and that provides an appropriate certification).

A payor will be required to withhold backup withholding tax from any payments of dividends on, or proceeds from the sale or redemption of, class B shares or ADSs within the United States, or by a U.S. payor or U.S. middleman, to a holder (other than an exempt recipient, such as a payee that is not a United States person and that provides an appropriate certification) if such Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 28%.

In addition, certain U.S. Holders who are individuals are required to report information relating to an interest in class B shares, subject to certain exceptions (including an exception for class B shares held in accounts maintained by certain financial institutions). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of such information reporting requirements with respect to their ownership and disposition of class B shares.

### *FATCA*

Beginning on January 1, 2017 (or, if later, the date on which final regulations are published defining the term "foreign passthru payment"), Grupo Financiero Galicia may be required, pursuant to Sections 1471 through 1474 of the Code, and the Treasury Regulations promulgated thereunder (often referred to as the "Foreign Account Tax Compliance Act" or "FATCA") to withhold U.S. tax at a 30% rate on all or a portion of any distribution on class B shares or ADSs which is treated as a "foreign passthru payment."

Assuming that distributions from Grupo Financiero Galicia constitute "foreign passthru payments" and that Grupo Financiero Galicia enters into an agreement with the IRS to report the information required by FATCA or, if Argentina has entered in an intergovernmental agreement with the United States ("IGA") complies with such IGA, then an investor considered to have a "U.S. account" maintained by Grupo Financiero Galicia may be required to provide the information described below or be subject to U.S. withholding tax on any distribution on class B shares or ADSs that is treated as a "foreign passthru payment." Investors in class B shares or ADSs that are financial institutions, or financial institutions that receive payments on behalf of other persons, and that have not entered into an agreement with the IRS (or otherwise established an exemption from FATCA, including pursuant to an applicable IGA) would also be subject to this U.S. withholding tax.

Generally, under FATCA, a U.S. account is a financial account maintained by a foreign financial institution that is held by one or more specified U.S. persons or U.S.-owned foreign entities. An equity instrument in a financial institution that is regularly traded on an established securities market is not a financial account. Further, a "financial account" does not include an equity instrument in a financial institution, such as Grupo Financiero Galicia, that is not engaged (or holding itself out as engaged) primarily in certain investment activities, unless the value of the equity instrument is determined, directly or indirectly, primarily by reference to assets giving rise to withholdable payments and certain other requirements are met.

Each holder of class B shares or ADSs that is considered to have a financial account maintained by Grupo Financiero Galicia may be required to provide satisfactory documentation (i) that neither it nor its beneficial owners are U.S. persons, or (ii) if the holder or its beneficial owners are U.S. persons, information including the name, address and U.S. taxpayer identification number of each such U.S. person. Each holder of class B shares or ADSs that fails to provide the requested information generally will be subject to a U.S. withholding tax on any payments made to that holder. A holder that fails to provide the necessary information due to a non-U.S. law prohibiting the provision of this information may be required to execute a valid waiver of the non-U.S. law (and then provide the relevant information to Grupo Financiero Galicia) or dispose of its class B shares or ADSs within a reasonable time period.

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FATCA is particularly complex and its application to Grupo Financiero Galicia is uncertain at this time. Each holder of class B shares or ADSs should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder under its particular circumstances.

*Medicare Tax on Investment Income*

Certain U.S. Holders that are individuals, estates or trusts are required to pay a 3.8% tax on the lesser of (i) the U.S. Holder's net investment income for the taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold. Net investment income includes, among other things, dividends and capital gains from the sale or other disposition of class B shares or ADSs.

**THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF CLASS B SHARES OR ADSs. PROSPECTIVE HOLDERS SHOULD CONSULT AN INDEPENDENT TAX ADVISOR CONCERNING THE TAX CONSEQUENCES IN THEIR PARTICULAR CIRCUMSTANCES.**

**Material Contracts**

*Bonds*

In connection with Banco Galicia's issuance on May 4, 2011 of its Class I notes due 2018 in the aggregate principal amount of US\$300 million, within its global short-term, medium-term and/or long-term note program, for an outstanding face value at any time of up to US\$343 million, or the equivalent amount in other currencies, Banco Galicia entered into an indenture with The Bank of New York Mellon, acting as trustee, pursuant to which such notes were issued. This indenture includes a number of significant covenants, which are subject to important qualifications and exceptions, that, among other things, restrict the ability of (i) Banco Galicia and certain of its subsidiaries to directly or indirectly, create, incur, assume or suffer to exist liens upon its present or future assets to secure any indebtedness and (ii) Banco Galicia to merge, consolidate or amalgamate with or into, or convey or transfer or lease all or substantially all of its properties and assets, whether in one transaction or a series of related transactions.

Regarding Tarjeta Naranja, on January 28, 2011 the company issued its Class XIII notes due 2017 in the aggregate principal amount of US\$200 million. During fiscal year 2012, the company issued its Class XVII, Class XVIII and Class XIX notes, for Ps.200 million, Ps.149 million and Ps.165 million, respectively. In fiscal year 2013 Tarjeta Naranja issued an aggregate principal amount of Ps.789 million (Ps.244 million Class XX, Ps.202 million Class XXI, Ps.156 million Class XXII, and Ps.187 million Class XXIII).

In fiscal year 2012 Tarjetas Cuyanas issued its Class VII, Class VIII and Class IX notes in the amount of Ps.150 million, Ps.150 million and Ps.136 million, respectively. During 2013, Tarjetas Cuyanas issued an aggregate principal amount of Ps.429 million (Ps.153 million Class X, Ps.101 million Class XI, Ps.175 million Class XII).

In connection with CFA's issuances, in 2012 the company issued its Class VI and Class VII notes for a principal amount of Ps.153 million and Ps.162 million, respectively. During 2013 CFA issued an aggregate amount of Ps.550 million (Ps.200 million Class VIII, Ps.200 million Class IX, Ps.150 million Class X).

On August 28, 2012, Grupo Financiero Galicia issued its Class III notes for Ps.78 million, due 2014. On May 8, 2013 Grupo Financiero Galicia issued its Class IV notes in an aggregate principal amount of Ps.220 million.

According to the price supplement of the above mentioned notes, the companies agreed to certain commitments with the holders which include, among others, the inability to merge except in certain circumstances, restrictions on incurring or guaranteeing certain indebtedness and restrictions on asset dispositions.

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For a description of the notes issued during fiscal year 2014, see Note 14 to our financial statements.

### *Loans*

In November 2007, the IFC granted Banco Galicia a US\$50 million loan utilized, with a tenor of up to 8 years, for the financing of investment projects of small and medium-sized companies mainly active in the agribusiness sector and export oriented. As of December 31, 2014, the principal amount of this facility amounted to US\$7 million.

In December 2010, the FMO granted Banco Galicia a US\$20 million loan with a 6 year term. The purpose of these facilities is to fund long-term loans to small and medium-sized companies. In December 2011, Proparco granted Banco Galicia a US\$20 million loan with a 6 year term for the financing of investment projects of export oriented small and medium-sized companies mainly active in the agribusiness sector. As of December 31, 2014, the principal amount of those facilities amounted to US\$9 million, and US\$7 million, respectively.

### **Documents on Display**

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this annual report and its exhibits, may be inspected and printed or copied for a fee at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These materials are also available on the SEC's website at <http://www.sec.gov>. Material submitted by us can also be inspected at the offices of the National Association of Securities Dealers, Inc. at 1735 K Street, N.W., Washington, D.C. 20006-1506.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

### **General**

Market risks faced by us are the risks arising from the fluctuations in interest rates and in foreign exchange rates. Our market risk arises mainly from the operations of Banco Galicia in its capacity as a financial intermediary. Our subsidiaries and other entities in which we have a minority equity interest are also subject to market risk. However, the amount of these risks is not significant and they are not discussed below. Policies regarding these risks are applied at the level of our operating subsidiaries.

In compliance with the Argentine Central Bank's regulations, based on the best practices and international standards, Banco Galicia has a Risk Management Division responsible for identifying, monitoring and actively and integrally managing the different risks Banco Galicia and its subsidiaries are exposed to (credit, financial and operational risks). The aim of the Division is to guarantee Banco Galicia's board of directors that it is fully aware of the risks Banco Galicia is exposed to. It also creates and proposes the policies and procedures necessary to mitigate and control such risks. The Risk Management Committee, made-up of four members of the board of directors of Banco Galicia, the CEO and the managers of the Risk Management Division, the Planning Division and Internal Audit, is the highest corporate body to which Banco Galicia's board of directors delegates integral risk management and the executive responsibility to define and enforce risk management policies, procedures and controls. This Committee is also responsible for setting specific limits for the exposure to each risk and approving, when applicable, temporary excesses over such limits as well as being informed of each risk position and compliance with policies.

See Item 6. Directors, Senior Management and Employees-Functions of the Board of Directors of Banco Galicia . Liquidity management is discussed in Item 5.B. Liquidity and Capital Resources . Credit risk management is discussed in Item 4. Information on the Company-Selected Statistical Information-Credit Review Process and other sections under Item 4. Information on the Company-Selected Statistical Information describing Banco Galicia s loan portfolio and loan loss experience.



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The following sections contain information on Banco Galicia's sensitivity to interest-rate risk and exchange-rate risk that constitute forward-looking statements that involve risks and uncertainties. Actual results could differ from those projected in the forward-looking statements.

**Interest Rate Risk**

A distinctive and natural characteristic of financial brokerage is the existence of interest-earning assets and interest-bearing liabilities with different maturities (or different rate repricing periods) and interest rates that can be fixed or variable. This situation leads to a gap or mismatch that arises from the balance sheet and measures the imbalance between fixed- and variable-rate assets and liabilities, and results in the so-called interest-rate risk or else balance sheet structural risk. A commercial bank can face the interest rate risk on both sides of its balance sheet with regard to the income generated by assets (loans and securities) and the expenses related to the interest-bearing liabilities (deposits and others sources of funds).

The policy currently in force defines this gap as the risk that the financial margin and the economic value of equity may vary as a consequence of fluctuations in market interest rates. The magnitude of such variation is associated with the sensitivity to interest rates of the structure of Banco Galicia's assets and liabilities.

Aimed at managing and limiting the sensitivity of Banco Galicia's economic value and results with respect to variations in the interest rate inherent to the structure of certain assets and liabilities, the following caps have been determined:

Limit on the net financial income for the first year.

Limit on the net present value of assets and liabilities.

***Limit on the Net Financial Income for the First Year***

The effect of interest rate fluctuations on the net financial income for the first year is calculated using the methodology known as scenario simulation. On a monthly basis, net financial income for the first year is simulated in a base scenario and in a +100 b.p. scenario. In order to prepare each scenario, different criteria are assumed regarding the sensitivity to interest rates of assets and liabilities, depending on the historical performance observed of the different balance sheet items. Net financial income for the first year in the +100 b.p. scenario is compared to the net financial income for the first year in the base scenario. The resulting difference is related to the annualized accounting net financial income for the last calendar trailing quarter available, for Banco Galicia on a consolidated basis, before quotation differences and CER adjustment.

The limit on a potential loss in the +100 b.p. scenario with respect to the base scenario was established at 20% of the net financial income for the first year, as defined in the paragraph above. At the end of fiscal year 2014, the negative difference between the net financial income for the first year corresponding to the +100 b.p. scenario and that corresponding to the base scenario accounted for 0.1% of the net financial income for the first year.

The tables below show as of December 31, 2014 and December 31, 2013, in absolute and percentage terms, the change in Banco Galicia's net financial income ( NFI ) of the first year, as compared to the NFI of the base scenario corresponding to various interest-rate scenarios in which interest rates change 50, 100, 150 and 200 b.p. from those in the base scenario. Banco Galicia's net portfolio is broken down into trading and non-trading. The trading net portfolio

represents primarily securities issued by the Argentine Central Bank (Lebac and Nobac).

<b>Net Portfolio</b>	<b>Net Financial Income <sup>(1)</sup></b>			
	<b>As of December 31, 2014</b>		<b>As of December 31, 2013</b>	
<i>(In millions of Pesos, except percentages)</i>	<b>Variation</b>	<b>% Change in the NFI</b>	<b>Variation</b>	<b>% Change in the NFI</b>
<b>Change in Interest Rates in b.p.</b>				
200	15	0.14%	(64)	-0.86%
150	11	0.11%	(48)	-0.64%
100	7	0.07%	(32)	-0.43%
50	3	0.03%	(16)	-0.21%
<b>Static</b>				
(50)	9	0.09%	34	0.46%
(100)	19	0.18%	68	0.91%
(150)	28	0.27%	102	1.37%
(200)	38	0.36%	136	1.82%

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<b>Net Trading Portfolio</b>	<b>Net Financial Income <sup>(1)</sup></b>			
	<b>As of December 31,</b>		<b>As of December 31, 2013</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<i>(In millions of Pesos, except percentages)</i>				
<b>Change in Interest Rates in b.p.</b>	<b>Variation</b>	<b>% Change in the NFI</b>	<b>Variation</b>	<b>% Change in the NFI</b>
200	170	1.63%	51	0.68%
150	128	1.23%	38	0.51%
100	85	0.82%	25	0.33%
50	43	0.41%	13	0.17%
Static				
(50)	(43)	-0.41%	(13)	-0.17%
(100)	(85)	-0.82%	(25)	-0.33%
(150)	(128)	-1.23%	(38)	-0.51%
(200)	(170)	-1.63%	(51)	-0.68%

<b>Net Non Trading Portfolio</b>	<b>Net Financial Income <sup>(1)</sup></b>			
	<b>As of December 31,</b>		<b>As of December 31, 2013</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<i>(In millions of Pesos, except percentages)</i>				
<b>Change in Interest Rates in b.p.</b>	<b>Variation</b>	<b>% Change in the NFI</b>	<b>Variation</b>	<b>% Change in the NFI</b>
200	(155)	-1.49%	(115)	-1.54%
150	(117)	-1.12%	(86)	-1.15%
100	(78)	-0.75%	(57)	-0.76%
50	(40)	-0.38%	(29)	-0.39%
Static				
(50)	52	0.50%	47	0.63%
(100)	104	1.00%	93	1.25%
(150)	156	1.50%	140	1.88%
(200)	208	2.00%	187	2.51%

(1) Net interest of the first year.

**Limit on the Net Present Value of Assets and Liabilities**

The net present value of assets and liabilities is also calculated on a monthly basis and taking into account the assets and liabilities of Banco Galicia's consolidated balance sheet. The net present value of the consolidated assets and liabilities, as mentioned, is calculated for a base scenario in which the listed securities portfolio is discounted using interest rates obtained according to yield curves determined based on the market yields of different reference bonds denominated in Pesos, in Dollars and adjusted by the CER. Yield curves for unlisted assets and liabilities are also created using market interest rates. The net present value of assets and liabilities is also obtained for a second scenario where portfolios are discounted at the rates of the aforementioned yield curves plus 100 b.p. It is worth mentioning that, in order to prepare the second scenario, it is assumed that an increase in domestic interest rates is not transferred to the yield curves of the portfolios in Dollars, and that, in the case of portfolios adjusted by CER, such rates are considered as fixed rates. By comparing the values obtained for each scenario, the difference between the present values of shareholders' equity in each scenario can be drawn.

The limit on a potential loss in the present value of shareholders' equity resulting from a 100 b.p. increase in interest rates regarding the base scenario was established at 3% of the RPC. As of the fiscal year-end, a 100 b.p. increase in interest rates (as mentioned in the paragraph above) resulted in a reduction in the present value of Banco Galicia's

shareholders' equity in comparison to the value calculated for the base scenario, equivalent to -0.7% (minus 0.7%) of the RPC.

The analysis made was based on deterministic methods, which take in consideration only the aforementioned scenario. With the purposes of covering a larger number of scenarios, and therefore, a greater variation range of the pertinent variables, a Balance Sheet Structural Risk Manager is used, which, with stochastic simulations, allows coverage of a wider range of scenarios and generate results for a large variety of analyses.

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One of the main applications of the manager is the estimation of the economic capital consumption of the balance sheet structural risk. The manager will estimate the VaR (Value at Risk) inherent to Banco Galicia's assets and liabilities, based on the generation of a considerable number of simulations of interest rates' movements. Likewise, the EaR (Earnings at Risk) will be estimated taking into consideration different interest rates evolution paths and their impact on the net financial income. Both results, VaR and EaR are associated with specific levels of likelihood of occurrence or degree of confidence.

During fiscal year 2014, economic capital continued being estimated systematically within a comprehensive risk management framework in regards to Banco Galicia.

The tables below show as of December 31, 2014 and December 31, 2013, in absolute and percentage terms, the change in Banco Galicia's RPC versus the RPC of the base scenario, corresponding to various interest-rate scenarios in which interest rates change 50, 100, 150 and 200 b.p. from those in the base scenario. Banco Galicia's net portfolio is broken down into trading and non-trading. The trading net portfolio represents primarily securities issued by the Argentine Central Bank (Lebac and Nobac).

<b>Net Portfolio</b>	<b>Net Fair Value</b>				
	<i>(In millions of Pesos, except percentages)</i>	<b>As of December 31,</b>		<b>As of December 31, 2013</b>	
		<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Change in Interest Rates in b.p.</b>	<b>Variation</b>	<b>% Change in the RPC</b>	<b>Variation</b>	<b>% Change in the RPC</b>	
200	(137)	-1.34%	(197)	-2.64%	
150	(102)	-1.00%	(148)	-1.98%	
100	(68)	-0.66%	(99)	-1.33%	
50	(34)	-0.33%	(50)	-0.67%	
<b>Static</b>					
(50)	39	0.38%	56	0.75%	
(100)	79	0.77%	113	1.52%	
(150)	118	1.15%	169	2.27%	
(200)	157	1.53%	226	3.03%	

<b>Net Trading Portfolio</b>	<b>Net Fair Value</b>				
	<i>(In millions of Pesos, except percentages)</i>	<b>As of December 31,</b>		<b>As of December 31, 2013</b>	
		<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Change in Interest Rates in b.p.</b>	<b>Variation</b>	<b>% Change in the RPC</b>	<b>Variation</b>	<b>% Change in the RPC</b>	
200	(86)	-0.84%	(10)	-0.13%	
150	(65)	-0.63%	(7)	-0.09%	
100	(43)	-0.42%	(5)	-0.07%	
50	(22)	-0.21%	(2)	-0.03%	
<b>Static</b>					
(50)	22	0.21%	2	0.03%	
(100)	43	0.42%	5	0.07%	
(150)	65	0.63%	7	0.09%	
(200)	86	0.84%	10	0.13%	

**Net Non Trading Portfolio****Net Fair Value**

<i>(In millions of Pesos, except percentages)</i>	<b>As of December 31,</b>		<b>As of December 31, 2013</b>	
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Change in Interest Rates in b.p.</b>	<b>Variation</b>	<b>% Change in the RPC</b>	<b>Variation</b>	<b>% Change in the RPC</b>
200	(51)	-0.50%	(187)	-2.51%
150	(37)	-0.36%	(141)	-1.89%
100	(25)	-0.24%	(94)	-1.26%
50	(12)	-0.12%	(48)	-0.64%
<b>Static</b>				
(50)	17	0.17%	54	0.72%
(100)	36	0.35%	108	1.45%
(150)	53	0.52%	162	2.17%
(200)	71	0.69%	216	2.90%

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**Table of Contents****Foreign Exchange Rate Risk**

Exchange-rate sensitivity is the relationship between the fluctuations of exchange rates and Banco Galicia's net financial income resulting from the revaluation of Banco Galicia's assets and liabilities denominated in foreign currency. The impact of variations in the exchange rate on Banco Galicia's net financial income depends on whether Banco Galicia has a net asset foreign currency position (the amount by which foreign currency denominated assets exceed foreign currency denominated liabilities) or a net liability foreign currency position (the amount by which foreign currency denominated liabilities exceed foreign currency denominated assets). In the first case an increase/decrease in the exchange rate results in a gain/loss, respectively. In the second case, an increase/decrease results in a loss/gain, respectively. Banco Galicia has established limits for its consolidated foreign currency mismatches for the asset and liability positions of 30% and -10% (minus 10%) of Banco Galicia's RPC, respectively. At the end of the fiscal year, Banco Galicia's net asset position in foreign currency represented 15%.

As of December 31, 2014, Banco Galicia had a net asset foreign currency position of Ps.1,519 million (equal to US\$178 million) after adjusting its on-balance sheet net liability position of Ps.488 million (US\$57 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.2,007 million (US\$235 million), recorded off-balance sheet.

As of December 31, 2013, Banco Galicia had a net asset foreign currency position of Ps.5,853 million (equal to US\$898 million) after adjusting its on-balance sheet net liability position of Ps.902 million (US\$138 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.6,755 million (US\$1036 million), recorded off-balance sheet.

As of December 31, 2012, Banco Galicia had a net asset foreign currency position of Ps.807 million equivalent to US\$164 million, after adjusting its on-balance sheet net liability position of Ps.1,094 million (US\$223 million) by net forward purchases of foreign currency without delivery of the underlying asset, for Ps.1,910 million (US\$387 million), recorded off-balance sheet.

The tables below show the effects of changes in the exchange rate of the Peso vis-à-vis the Dollar on the value of Banco Galicia's foreign currency net asset position as of December 31, 2014, 2013 and 2012. As of these dates, the breakdown of Banco Galicia's foreign currency net asset position into trading and non-trading is not presented, as Banco Galicia's foreign currency trading portfolio was not material.

Percentage Change in the Value of the Peso Relative to the Dollar <sup>(1)</sup>	Value of Foreign Currency Net Position as of December 31, 2014		
	Absolute Amount (In millions of Pesos, except percentages)	Absolute Change	% Change
40%	2,127	608	40
30%	1,975	456	30
20%	1,823	304	20
10%	1,671	152	10
Static	1,519 <sup>(2)</sup>		
(10)%	1,367	(152)	(10)
(20)%	1,215	(304)	(20)
(30)%	1,063	(456)	(30)

(40)%	911	(608)	(40)
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- (1) *Devaluation / (Revaluation).*
- (2) *Adjusted to reflect forward purchases and sales of foreign currency without delivery of the underlying asset, registered in memorandum accounts.*



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Percentage Change in the Value of the Peso Relative to the Dollar <sup>(1)</sup>	Value of Foreign Currency Net Position as of December 31, 2013		
	Amount	Absolute Variation	% Change
	<i>(In millions of Pesos, except percentages)</i>		
40%	8,194	2,341	40
30%	7,609	1,756	30
20%	7,024	1,171	20
10%	6,438	585	10
Static	5,853 <sup>(2)</sup>		
(10)%	5,268	(585)	(10)
(20)%	4,682	(1,171)	(20)
(30)%	4,097	(1,756)	(30)
(40)%	3,512	(2,341)	(40)

(1) Devaluation / (Revaluation).

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

Percentage Change in the Value of the Peso Relative to the Dollar <sup>(1)</sup>	Value of Foreign Currency Net Position as of December 31, 2012		
	Amount	Absolute Variation	% Change
	<i>(In millions of Pesos, except percentages)</i>		
40%	1,130	323	40
30%	1,049	242	30
20%	968	161	20
10%	888	81	10
Static	807 <sup>(2)</sup>		
(10)%	726	(81)	(10)
(20)%	646	(161)	(20)
(30)%	565	(242)	(30)
(40)%	484	(323)	(40)

(1) Devaluation / (Revaluation).

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

**Currency Mismatches**

Financial brokerage naturally involves the raising of funds and the subsequent use thereof. Both funding (deposits and other alternative sources of financing) and the use of the funds in loans and/or investments can be carried out in assets and liabilities denominated in different currencies. This possible currency mismatch between liabilities and the use thereof on assets generates a source of risk that arises from the variations in the different foreign currency exchange rates. This risk is inherent to the structure of assets and liabilities per currency.

Currency risk is defined as the risk of incurring in equity losses as a consequence of variations in the foreign currency exchange rates in which assets and liabilities (both on and off the Balance Sheet) are denominated.

For purposes of the management and mitigation of the currency risk, two other currencies have been defined apart from the Argentine Peso: Assets and liabilities adjusted by CER and foreign currency.

The policy framework currently in force establishes limits in terms of maximum net asset positions (assets denominated in a currency which are higher than the liabilities denominated in such currency) and net liability positions (assets denominated in a currency which are lower than the liabilities denominated in such currency) for mismatches in Pesos adjusted by CER and in foreign currency, as a proportion of Banco Galicia's RPC, on a consolidated basis.

Banco Galicia manages mismatches not only regarding assets and liabilities, but also covering mismatches through the foreign currency futures market. Transactions in foreign currency futures (Dollar futures) are carried out through the MAE, ROFEX and with customers. These transactions are subject to limits that take into consideration particular characteristics of each trading environment. A global exposure limit was set for these futures contracts, equivalent to 100% of Banco Galicia's RPC on a consolidated basis.

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The table below shows the composition of Banco Galicia's shareholders' equity by currency and type of principal adjustment, that is Banco Galicia's assets and liabilities denominated in foreign currency, in Pesos and adjustable by the CER, as of December 31, 2014.

	<b>As of December 31, 2014</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Gap</b>
	<i>(In millions of Pesos)</i>		
<b>Financial Assets and Liabilities</b>	<b>99,846</b>	<b>91,811</b>	<b>8,035</b>
Pesos - Adjusted by CER	801	11	790
Pesos - Unadjusted	86,233	78,500	7,733
Foreign Currency <sup>(1)</sup>	12,812	13,500	(488)
<b>Other Assets and Liabilities</b>	<b>6,116</b>	<b>4,251</b>	<b>1,865</b>
<b>Total Gap</b>	<b>105,962</b>	<b>96,062</b>	<b>9,900</b>
<b>Adjusted for Forward Transactions Recorded in Memo Accounts</b>			
<b>Financial Assets and Liabilities</b>	<b>99,846</b>	<b>91,811</b>	<b>8,035</b>
Pesos - Adjusted by the CER	801	11	790
Pesos - Unadjusted, Including Shareholders' Equity <sup>(2)</sup>	78,013	72,287	5,726
Foreign Currency <sup>(1) (2)</sup>	21,032	19,513	1,519
<b>Other Assets and Liabilities</b>	<b>6,116</b>	<b>4,251</b>	<b>1,865</b>
<b>Total Adjusted Gap</b>	<b>105,962</b>	<b>96,062</b>	<b>9,900</b>

(1) In Pesos, at an exchange rate of Ps.8.5520 per US\$1.

(2) Adjusted for forward sales and purchases of foreign exchange, without delivery of underlying assets and recorded in Memorandum Accounts.

As of December 31, 2014, considering the adjustments from forward transactions recorded under memorandum accounts, Banco Galicia had net asset positions in Foreign Currency, and in Pesos Adjusted and Non-adjusted by CER.

The paragraphs below describe the composition of the different currency mismatches as of December 31, 2014.

***Peso-denominated Assets and Liabilities Adjusted by CER***

At fiscal year-end, the Bank had a net asset position of Ps.790 million, mainly made up of Ps.788 million corresponding to the participation certificate in Galtrust I Financial Trust.

The limit established for the CER-adjusted mismatch is at 100% and at -25% (minus 25%) of the Bank's RPC for the net asset position and the net liability position, respectively. At fiscal year-end, the asset position in Pesos adjusted by CER accounted for 7.6% of the Bank's RPC.

***Assets and Liabilities Denominated in Foreign Currency***

The Bank's assets denominated in foreign currency were mainly comprised of the following: (i) loans to the non-financial private sector and residents abroad for Ps.2,800 million (principal and interest, net of allowances), (ii) cash and balances held at the Argentine Central Bank and correspondent banks for Ps.8,004 million and (iii) 1,184 million corresponding to holdings of government bonds

The Bank's liabilities denominated in foreign currency consisted mainly of: (i) deposits for Ps.4,825 million (principal, interest and exchange-rate differences); (ii) Ps.6,452 million of subordinated and unsubordinated notes issued by Banco Galicia and the Regional Credit Card Companies; (iii) debt with international banks and credit agencies for Ps.504 million and (iv) Ps.1,017 million in connection with collections for third parties.

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A net asset position of Ps.488 million stems from the consolidated balance sheet. Furthermore, forward transactions in foreign currency without delivery of the underlying asset for a notional value of Ps.2,007 million were recorded in memorandum accounts. Therefore, as of that date, the Bank's net position in foreign currency adjusted to reflect these transactions was an asset position of Ps.1,519 million, equivalent to US\$178 million.

Banco Galicia has set limits as regards foreign-currency mismatches at 30% and -10% (minus 10%) of the Bank's RPC for its net asset position and its short position, respectively. At the end of the fiscal year, Banco Galicia's net asset position in foreign currency represented 14.6% of its RPC.

***Non-Adjusted Peso-Denominated Assets and Liabilities***

The Bank's non-adjusted Peso-denominated assets were mainly comprised of the following: (i) loans to the non-financial private sector for Ps.63,602 million (principal plus interest, net of allowances); (ii) Ps.7,096 million corresponding to the holdings of securities issued by the Argentine Central Bank; (iii) cash and balances held at the Argentine Central Bank and correspondent banks for Ps.10,232 million (including the balance of escrow accounts); (iv) Ps.1,020 million corresponding to debt securities and participation certificates in various financial trusts and (v) Ps.1,452 million corresponding to holdings of Bonar 2016, Bonar 2017 and Bonar 2019 Bonds.

Banco Galicia's non-adjusted Peso-denominated liabilities were mainly comprised of the following: (i) deposits for Ps.59,870 million (principal plus interest); (ii) liabilities with stores in connection with Banco Galicia's credit card activities and the Regional Credit Card Companies for Ps.10,893 million; (iii) Ps.1,086 million in liabilities with local financial institutions (almost all corresponding to the Regional Credit Card Companies) and (iv) Ps.3,304 million corresponding to notes issued by the Regional Credit Card Companies and CFA.

The net asset position in non-adjusted Peso-denominated assets and liabilities was of Ps.5,726 million at fiscal year-end.

***Other Assets and Liabilities***

In the category *Other Assets and Liabilities*, the assets were mainly comprised of the following: (i) premises and equipment, miscellaneous and intangible assets for Ps.3,696 million, and (ii) miscellaneous receivables for Ps.1,364 million.

Liabilities mainly included Ps.3,085 million recorded under *Miscellaneous Liabilities*, and allowances for other contingencies for Ps.352 million.

**Market Risk**

The exposure to portfolios of listed financial instruments, whose value varies according to the movement in their market prices, is subject to a specific policy framework that regulates the risk of incurring a loss as a consequence of the variation of the market price of financial assets whose value is subject to negotiation.

Brokerage transactions and/or investments in government securities, currencies, notes, derivative products and debt instruments issued by the Argentine Central Bank are governed by the policy that limits the maximum tolerable losses in a given fiscal year.

In order to measure and monitor this source of risk, the model known as VaR is used, among others. This model determines intra-daily, for Banco Galicia individually, the possible loss that could be generated by the positions in

securities, derivative instruments and currencies under certain parameters.

The parameters taken into consideration are as follows:

- (i) A 95% - 99% degree of accuracy.
  
- (ii) VaR estimates are made for holding periods of one day and  $n$  days, where  $n$  is defined as the number of days necessary to settle the position in each security.

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- (iii) In the case of new issuances, the available trading days are taken into consideration; if there are not enough trading days or if there are no quotations, the volatility of bonds from domestic issuers with similar risk and characteristics is used.

Likewise, the measurement method known as Dollar Value of One Basis Point ( DVO1 ) is also applied to measure and monitor the trading of debt instruments issued by the Argentine Central Bank and by the Argentine provinces, and the brokerage of notes.

Banco Galicia s policy requires that the Risk Management and Treasury Divisions agree on the parameters under which the models work and establishes the maximum losses authorized for securities, foreign-currency, Argentine Central Bank s debt instruments and derivative products in a fiscal year. Maximum losses were established in:

Currency	Ps.35 million.
Fixed-income instruments	Ps.148 million.
Interest rate derivatives	Ps.10 million.

The policy also comprises the development of periodic stress tests, aimed at evaluating high risk positions and its results under adverse market conditions. Contingency plans were also designed, which include recommended actions to take under a critical scenario, such as recessionary economic conditions.

**Cross-border Risk**

Cross-border risk represents the risk of incurring equity losses as a consequence of the impairment or failure to collect exposures (loans, positions in securities, equity investments, and liquidity) abroad. It includes risks generated by entering into transactions with public or private counterparties domiciled outside of Argentina.

In order to regulate risk exposures in international jurisdictions, limits were established taking into consideration the jurisdiction s credit rating, the type of transaction and a maximum exposure acceptable for each counterpart.

The Bank defined its policy by setting maximum exposure limits measured as a percentage of its RPC and taking into account if the counterparty is considered investment grade:

<b>Risk</b>	<b>Required Credit Rating</b>	<b>Investment Grade</b>	<b>Not Investment Grade</b>
- Jurisdictional Risk	- International Rating Agency	- No limit	- Maximum limit: 5%
- Counterparty Risk	- International Banking Relations - Credit Division	- Maximum limit: 15%  - The limit is distributed between financial and foreign trade transactions, thus absorbing local counterparty margin	- Maximum limit: 1%  - Only foreign trade transactions

**Overseas Foreign Currency Transfer Risk**

With a view towards mitigating the risk resulting from a potential change in domestic laws that may affect overseas foreign currency transfers, in order to meet incurred liabilities, a policy was devised to set a limit for liabilities transferred abroad, as a proportion to total consolidated liabilities. Such ratio was fixed at 15%.

As of the fiscal year ended December 31, 2014, this exposure was 7.7%.

**Risk Exposures in the Non-financial Public Sector**

Risk exposures in the Non-financial Public Sector in federal, provincial and municipal jurisdictions are regulated by a management policy set in the fourth quarter of the 2012 fiscal year.



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The policy sets limits on risk exposures, establishing a possible loss (as a percentage of the Bank's RPC) associated with a given position, considering in its application the debt instruments issued by the different jurisdictions and other possible vehicles of financing to the Non-financial Public Sector. The policy is also supplemented by a limit that establishes that the total position in the Non-financial Public Sector should not exceed a given percentage of the Bank's RPC.

The limits are as follows:

The possible loss cannot exceed 4% of the Bank's RPC.

The total position cannot exceed 70% of the Bank's RPC.

## **Operational Risk**

Banco Galicia adopts the definition of operational risk determined by the Argentine Central Bank and the best international practices. Operational risk is defined as the risk of losses due to the lack of conformity or due to failure of internal processes, the acts of people or systems, or otherwise because of external events. This definition includes legal risk, but does not include strategic and reputational risks.

Banco Galicia defined the framework for the operational risk management, which comprises the financial institution's policies, practices, procedures and structures for its proper management.

The Risk Management Division, independent from the business or support units involved, includes a specific unit that is responsible for the management of such risks. The duties of this unit are, among others, to develop and monitor the operational risk management model, inherent in the Bank's products, activities, processes, systems and technology, aligned with the regulations and best practices in force, organize the main necessary processes, provide advice, training and support to divisions, ensure that the Bank's contingency, recovery and activity continuity plans are developed according to the size and complexity of its operations, as well as the respective tests thereon.

The operational risk management is understood as the identification, assessment, monitoring, control and mitigation of this risk. It is an ongoing process carried out throughout the Bank, which fosters a risk management culture at all organization levels through an effective policy and a program led by senior management.

### *Identification*

The starting point of the operational risk management is the identification of risks and their association with the controls established to mitigate them, considering internal and external factors that may affect the process development. The results of this exercise are entered into a log of risks, which acts as a central repository of the nature and status of each risk and controls thereof.

### *Assessment*

Once risks have been identified, the size in terms of impact, frequency and likelihood is determined.

### *Monitoring*

The monitoring process allows for the detection and correction of deficiencies in the operational risk management policies, processes and procedures or update thereof.

*Risk Control and Mitigation*

The control process ensures compliance with internal policies and analyzes risks and responses to avoid, accept, mitigate or share them, by aligning them with the risk tolerance defined.

The control process also provides for several tools to manage the operational risk.

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### *Self-Risk Assessment*

The self-risk assessment is a process to identify and assess existing risks, considering the controls established to manage and mitigate them. The self-assessment is a critical component of the operational risk management framework since the vulnerability of operations and activities at risk can be verified based on this process. Even though an assessment can be quantitative as well qualitative, risk analysts are encouraged to use the quantitative method.

### *Operational Risk Map*

The operational risk map allows viewing all the risks assessed within a matrix of colors that, at first sight, points out those risks in a classification of high, very high, medium, low and very low, for their later analysis and for the preparation of reports or action plans.

### *Risk Indicators*

The Bank defined risk indicators to measure operational risk management. The aim of these indicators is to detect gaps early by means of the definition of risk appetite thresholds.

### *Collection of Risk Events*

The Risk Events Base is one of the tools used to systematically identify and record important information related to the risk events detected. The Bank promotes the identification and recording of risk events, thus encouraging in the organization the culture of reporting every loss events related to an operational risk.

The Bank has defined training strategies, together with the Organizational Development and Human Resources Division, for the purpose of training and making all its employees aware of the importance of the operational risk and its proper management. For training programs, the Argentine Central Bank regulations and the definitions included in the Operational Risk Policy are taken into account.

The Bank has also defined policies to mitigate risks derived from service outsourcing and a code of conduct governing the relationship with suppliers.

The Bank also ensures that its operational risks are appropriately assessed before launching or introducing new products, activities, processes or systems.

## **Item 12. Description of Securities Other Than Equity Securities**

### **Item 12.D. American Depositary Shares** **Fees and Charges Applicable to ADS Holders**

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants

acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

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**Persons depositing or withdrawing shares must pay**

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes.

Any charges incurred by the depositary or its agents for servicing the deposited securities

**Fees and Direct and Indirect Payments Made by the Depositary to Us**

***Past Fees and Payments***

Grupo Financiero Galicia received a payment of US\$289,174 for fiscal year 2014, US\$257,884 for 2013 and US\$234,007 for 2012 in relation to continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls), accounting fees and legal fees.

***Future Fees and Payments***

The Bank of New York Mellon, as depositary, has agreed to reimburse the Company for expenses they incur that are related to establishment and maintenance expenses of the ADSs program. The depositary has agreed to reimburse the Company for its continuing annual stock exchange listing fees and certain accounting and legal fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consists of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse the Company annually for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the depositary will reimburse the Company, but the amount of reimbursement available to the Company is not tied to the amount of fees the depositary collects from investors.

**For:**

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS registered holders

Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to Dollars

As necessary

As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

We expect to receive a similar reimbursement from the depositary for expenses for the fiscal year ending December 31, 2015, to the one we received for the fiscal year ended December 31, 2014.

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable.

**Item 15. Controls and Procedures**

(a) Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as amended). We performed an evaluation of the effectiveness of our disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file with or submit to the SEC under the Exchange Act, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. Our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to provide reasonable assurance of their reliability. Notwithstanding the effectiveness of our disclosure controls and procedures, these disclosure controls and procedures cannot provide absolute assurance of achieving their objectives because of their inherent limitations. Disclosure controls and procedures are processes that involve human diligence and compliance and are subject to error in judgment. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by our disclosure controls and procedures.

(b) Management's Annual Report on Internal Control over Financial Reporting.

1) Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us and our consolidated subsidiaries. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with applicable generally accepted accounting principles. Internal controls and procedures are processes that involve human diligence and compliance and are subject to error in judgment. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

2) Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework 1992.

3) Based on our assessment, we and our management have concluded that our internal control over financial reporting was effective as of December 31, 2014.

4) Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2014, as stated in their report to our consolidated financial statements.



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(c) See Item 18. Financial Statements-Report of the Independent Registered Public Accounting Firm for our registered public accounting firm's attestation report on the effectiveness of our internal control over financial reporting.

(d) Changes in Internal Control over Financial Reporting During the Year Ended December 31, 2014.

During the period covered by this report, there have not been any changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16.A. Audit Committee Financial Expert**

Mr. Luis O. Oddone is our Audit Committee financial expert and he is independent as that term is defined under Nasdaq National Market listing requirements.

**Item 16.B. Code of Ethics**

We have adopted a code of ethics (for Grupo Financiero Galicia and its main subsidiaries) in accordance with the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. We did not modify our code of ethics during the fiscal year ended December 31, 2014. In addition, we did not grant any waivers to our code of ethics during the fiscal year ended December 31, 2014. In June 2009, we adopted a Code of Good Practice in Corporate Governance in accordance with Argentine legal requirements that received minor modifications in 2011 and 2012. On May 23, 2012 the CNV issued Rule No. 606 (modifying Rule No. 516) which established new standards for the filing of the Code of Good Practices in Corporate Governance. Our code of ethics and our code of corporate governance good practices are attached hereto as Exhibits 11.1 and 11.2.

**Item 16.C. Principal Accountants Fees and Services**

The following table sets forth the total amount billed to us by our independent registered public accounting firm, Price Waterhouse & Co. S.R.L., during the fiscal years ended December 31, 2014 and 2013.

	<b>2014</b>	<b>2013</b>
	<i>(In thousands of Pesos)</i>	
Audit Fees	23,108	15,378
Audit Related Fees	463	1,874
Tax Fees	1,555	1,439
All Other Fees	3,356	2,212
<b>Total</b>	<b>28,482</b>	<b>20,903</b>

***Audit Fees***

Audit fees are mainly the fees billed in relation with professional services for auditing our consolidated financial statements under local and U.S. GAAP requirements for the fiscal years ended December 31, 2014 and December 31,

2013.

***Audit-Related Fees***

Audit-related fees are fees billed for professional services related to attestation, review and verification services with respect to our financial information and the provision of services in connection with special reports in 2014 and 2013.

***Tax Fees***

Tax fees are fees billed with respect to tax compliance and advisory services related to tax liabilities.

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***All Other Fees***

All other fees include fees paid for professional services other than the services reported above under audit fees , audit related fees and tax fees in each of the fiscal periods above.

***Audit Committee Pre-approval***

Our audit committee is required to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm. Since 2004, our Audit Committee has reviewed and approved audit and non-audit services fees proposed by our independent auditors.

**Item 16.D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 16.H. Mine Safety Disclosure**

Not applicable.

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**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

Report of the Independent Registered Public Accounting Firm as of and for the fiscal years ended December 31, 2014, 2013 and 2012.

Consolidated Balance Sheets as of December 31, 2014 and 2013.

Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012.

Notes to the Consolidated Financial Statements.

You can find our audited consolidated financial statements on pages F-1 to F-106 of this annual report.

**Item 19. Exhibits**

<b>Exhibit</b>	<b>Description</b>
1.1	Unofficial English language translation of the Bylaws ( <i>estatutos sociales</i> ).****
2.1	Form of Deposit Agreement between The Bank of New York and the registrant, including the form of American Depositary Receipt.*
2.2	Indenture, dated as of May 18, 2004, among Banco Galicia, The Bank of New York and Banco Rio de la Plata S.A.**
2.3	Indenture, dated as of June 4, 2009, among Grupo Financiero Galicia, The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York (Luxembourg) S.A.*****
2.4	Indenture, dated as of June 8, 2010, among Grupo Financiero Galicia, The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****
2.5	Indenture, dated as of May 4, 2011, among Banco de Galicia y Buenos Aires S.A., The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****
2.6	Indenture, dated as of January 28, 2011, among Tarjeta Naranja S.A., The Bank of New York Mellon, Banco de Valores S.A. and The Bank of New York Mellon (Luxembourg) S.A.*****

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- 4.1 English translation of form of Financial Trust Contract, dated April 16, 2002, among Banco Galicia, Banco Provincia de Buenos Aires and BAPRO Mandatos y Negocios S.A.\*\*\*
- 4.2 Form of Restructured Loan Facility (as evidenced by the Note Purchase Agreement, dated as of April 27, 2004, among Banco de Galicia y Buenos Aires S.A., Barclays Bank PLC, the holders party thereto and Deutsche Bank Trust Company Americas).\*\*

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- 4.3 Form of First Amendment and Waiver to Restructured Loan Facility (as evidenced by the First Amendment and Waiver to the Note Purchase Agreement, dated as of December 20, 2004, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).\*\*\*\*
- 4.4 Form of Second Amendment to Restructured Loan Facility (as evidenced by the Second Amendment to the Note Purchase Agreement, dated as of August 25, 2006, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).\*\*\*\*\*
- 4.5 Form of Third Amendment to Restructured Loan Facility (as evidenced by the Third Amendment to the Note Purchase Agreement, dated as of December 28, 2007, among Banco de Galicia y Buenos Aires S.A., the holders party thereto and Deutsche Bank Trust Company Americas).\*\*\*\*\*
- 4.6 Loan Agreement, dated as of July 24, 2007, between Grupo Financiero Galicia S.A. and Merrill Lynch International.\*\*\*\*\*
- 4.7 Stock Purchase Agreement, dated as of June 1, 2009, among American International Group Inc., AIG Consumer Finance Group, Inc. and Banco de Galicia y Buenos Aires S.A., and the other parties signatory thereto.\*\*\*\*\*
- 4.8 Loan Agreement, dated as of September 8, 2010, between Banco de Galicia y Buenos Aires S.A. and International Finance Corporation.\*\*\*\*\*
- 4.9 Loan Agreement, dated as of December 17, 2010, between Banco de Galicia y Buenos Aires S.A. and Netherlands Financierings-Moatschappy Voor Ont Wikkkelingslanden N.V.\*\*\*\*\*
- 4.10 Loan Agreement, dated as of February 15, 2011, between Banco de Galicia y Buenos Aires S.A. and Inter-American Development Bank.\*\*\*\*\*
- 8.1 For a list of our subsidiaries as of the end of the fiscal year covered by this annual report, please see Item 4. Information on the Company-Organizational Structure .
- 11.1 Code of Ethics.\*\*\*\*\*
- 11.2 Code of Corporate Governance Good Practices.\*\*\*\*\*
- 12.1 Certification of the principal executive officer required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of the principal financial officer required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of the principal executive officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of the principal financial officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  
- \* Incorporated by reference from our Registration Statement on Form F-4 (333-11960).
- \*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2003.
- \*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2002.
- \*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2004.

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- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2006.
- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2007.
- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2008.
- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2009.
- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2010.
- \*\*\*\*\* Incorporated by reference from our Annual Report on Form 20-F for the year ended December 31, 2012.

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**SIGNATURE**

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf. GRUPO FINANCIERO GALICIA S.A.

By: /s/ Pedro Alberto Richards  
Name: Pedro Alberto Richards  
Title: Chief Executive Officer

By: /s/ José Luis Gentile  
Name: José Luis Gentile  
Title: Chief Financial Officer

Date: April 30, 2015



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**GRUPO FINANCIERO GALICIA S.A. AND SUBSIDIARIES**

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**Report of the Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Grupo Financiero Galicia S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Grupo Financiero Galicia S.A. and its subsidiaries (the Company) at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting rules prescribed by the Banco Central de la República Argentina (the BCRA). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the Management's Annual Report on Internal Control Over Financial Reporting appearing on Item 15.

Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Accounting rules prescribed by the BCRA vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 36 to the consolidated financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

By /s/ SANTIAGO JOSÉ MIGNONE  
(Partner)  
Santiago José Mignone

Buenos Aires, Argentina  
April 30, 2015.

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets****As of December 31, 2014 and 2013**

(Expressed in thousands of Argentine pesos)

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>A. Cash and due from banks</b>		
Cash	4,369,380	2,930,380
Financial institutions and correspondents	12,589,825	9,629,965
Argentine Central Bank	12,466,435	9,473,778
Other local financial institutions	36,820	36,014
Foreign financial institutions	86,570	120,173
	Ps. 16,959,205	Ps. 12,560,345
<b>B. Government and private securities</b>		
Holdings Recorded at Fair Value	2,446,230	742,873
Holdings Recorded at their Acquisition Cost plus the I.R.R.	316,773	1,137,013
Securities issued by the Argentine Central Bank	7,246,751	2,077,018
Investments in listed private securities	396	30,425
	Ps. 10,010,150	Ps. 3,987,329
<b>C. Loans</b>		
To the non-financial public sector	15,556	12,570
To the financial sector	192,545	632,838
Interbank loans (call money loans granted)	182	135,000
Other loans to domestic financial institutions	150,058	462,927
Accrued interest, adjustments and exchange rate differences receivable	42,305	34,911
To the non-financial private sector and residents abroad	69,015,019	56,748,165
Advances	3,986,633	3,323,226
Promissory notes	16,303,892	13,322,514
Mortgage loans	1,661,062	1,803,375
Pledge loans	499,971	480,707
Personal loans	6,995,637	8,050,655
Credit card loans	37,348,043	27,388,708
Other	1,598,476	1,825,190
Accrued interest, adjustments and quotation differences receivable	970,185	826,668
Documented interest	(348,222)	(270,564)
Unallocated collections	(658)	(2,314)
Allowances	(2,614,919)	(2,128,647)
	Ps. 66,608,201	Ps. 55,264,926

D. Other receivables resulting from financial brokerage

Argentine Central Bank	1,377,804	1,048,268
Amounts receivable for spot and forward sales to be settled.	135,408	199,623
Securities receivable under spot and forward purchases to be settled	250,822	248,613
Negotiable obligations without quotation	930,240	1,091,061
Balances from forward transactions without delivery of principal	117,016	15,068
Other	4,172,412	3,172,943
Allowances	(186,089)	(79,433)

Ps. 6,797,613 Ps. 5,696,143

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets - Continued****As of December 31, 2014 and 2013**

(Expressed in thousands of Argentine pesos)

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS (Continued)</b>		
E. Credits for leases		
Credits for leases	1,039,579	1,121,026
Interest and adjustments	21,443	23,024
Allowances	(13,059)	(15,983)
	Ps. 1,047,963	Ps. 1,128,067
F. Equity investments		
In financial institutions	4,240	3,231
Other	49,488	108,817
Allowances	(1,933)	(22,095)
	Ps. 51,795	Ps. 89,953
G. Miscellaneous receivables		
Receivables for assets sold	8,864	9,811
Tax on minimum presumed income    Tax credit	10,844	16,899
Other	1,859,237	1,262,530
Other accrued interest and adjustments receivable	22,411	11,416
Allowances	(140,840)	(138,987)
	Ps. 1,760,516	Ps. 1,161,669
H. Bank premises and equipment	Ps. 1,553,718	Ps. 1,394,243
I. Miscellaneous assets	Ps. 404,312	Ps. 233,479
J. Intangible assets		
Goodwill	24,990	13,249
Organization and development expenses	1,775,632	1,420,981
	Ps. 1,800,622	Ps. 1,434,230
K. Unallocated items	13,564	4,022
L. Other Assets	306,819	201,417
<b>Total Assets</b>	Ps. 107,314,478	Ps. 83,155,823

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Balance Sheets - Continued****As of December 31, 2014 and 2013**

(Expressed in thousands of Argentine pesos)

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>M. Deposits</b>		
Non-financial public sector	Ps. 1,674,488	Ps. 1,706,215
Financial sector	34,612	22,101
Non-financial private sector and residents abroad	62,956,937	49,667,007
Current accounts	15,281,662	11,990,174
Saving accounts	16,897,334	11,801,077
Time deposits	29,509,765	24,875,124
Investment accounts	250,951	68,767
Other	469,506	505,869
Accrued interest and quotation differences payable	547,719	425,996
	Ps. 64,666,037	Ps. 51,395,323
<b>N. Other liabilities resulting from financial brokerage</b>		
Argentine Central Bank	7,478	6,028
Other	7,478	6,028
Bank and international entities	717,287	679,760
Unsubordinated negotiable obligations	7,869,526	5,787,631
Amounts payable for spot and forward purchases to be settled	250,636	247,366
Securities to be delivered under spot and forward sales to be settled	136,945	201,123
Loans from domestic financial institutions	1,100,311	1,442,501
Interbank loans (call money loans received)	3,000	105,500
Other loans from domestic financial institutions	1,080,386	1,321,031
Accrued interest payable	16,925	15,970
Balances from forward transactions without delivery of underlying		
asset to be settled	118,218	66,908
Amounts payable to merchants	10,893,132	8,019,174
Other	4,053,408	2,706,332
Accrued interest and quotation differences payable	254,428	176,518
	Ps. 25,401,369	Ps. 19,333,341
<b>O. Miscellaneous liabilities</b>		
Directors and Syndics fees	28,098	23,165
Other	3,352,566	2,452,617



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	Ps. 3,380,664	Ps. 2,475,782
P. Provisions	365,783	442,872
Q. Subordinated negotiable obligations	2,065,815	1,656,297
R. Unallocated items	39,924	15,532
S. Other Liabilities	367,436	287,488
T. Non-controlling interests	781,026	601,959
Total Liabilities	Ps. 97,068,054	Ps. 76,208,594
SHAREHOLDERS EQUITY	10,246,424	6,947,229
Total Liabilities and Shareholders Equity	Ps. 107,314,478	Ps. 83,155,823

*The accompanying Notes are an integral part of these consolidated financial statements*

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Income****For the fiscal years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>A. Financial income</b>			
Interest on cash and due from banks	Ps. 4	Ps. 17	Ps. 70
Interest on loans granted to the financial sector	163,678	102,486	59,264
Interest on overdrafts	1,570,043	911,887	698,656
Interest on promissory notes	3,758,362	2,499,879	1,393,332
Interest on mortgage loans	321,139	208,576	125,618
Interest on pledge loans	83,590	59,972	35,716
Interest on credit card loans	6,567,266	4,308,803	2,932,812
Interest on financial leases	217,218	185,680	128,915
Interest on other loans	3,449,740	3,100,396	2,543,641
Interest on other receivables resulting from financial brokerage	170,870	86,323	45,417
Net income from government and corporate securities	2,448,362	939,082	961,720
Income from secured loans Decree No. 1387/01	3,780	2,492	3,963
Net income from options			1,500
Consumer price index adjustment (CER)	1,400	904	872
Exchange rate differences on foreign currency	12,651		
Other	1,091,993	669,164	197,542
	Ps. 19,860,096	Ps. 13,075,661	Ps. 9,129,038
<b>B. Financial expenses</b>			
Interest on saving account deposits	2,028	4,927	4,811
Interest on time deposits	6,493,769	3,746,347	2,185,392
Interest on interbank loans received (call money loans)	20,504	15,788	9,560
Interest on financing from the financial sector	128,025	93,471	53,974
Interest on other liabilities resulting from financial brokerage	1,516,997	945,626	607,528
Interest on subordinated obligations	310,056	156,150	122,821
Other interest	81,186	28,335	54,586
Net expenses for options		2,487	
Consumer price index adjustment	377	125	65
Contributions made to Deposit Insurance Fund	151,450	75,235	57,316
Exchange rate differences on foreign currency		152,581	189,222
Other	1,616,286	948,983	655,385
	Ps. 10,320,678	Ps. 6,170,055	Ps. 3,940,660
Gross brokerage margin	9,539,418	6,905,606	5,188,378
<b>C. Loan loss provisions</b>	2,411,250	1,776,255	1,347,302

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D. Income from services			
In relation to lending transactions	1,674,174	1,535,585	1,180,982
In relation to borrowing transactions	1,249,613	899,379	761,703
Other commissions	238,183	183,894	108,934
Other	5,143,662	3,615,658	2,602,289
	Ps. 8,305,632	Ps. 6,234,516	Ps. 4,653,908
E. Expenses for services			
Commissions	1,231,912	927,242	636,418
Other	1,375,372	1,067,883	817,480
	Ps. 2,607,284	Ps. 1,995,125	Ps. 1,453,898

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Income - Continued****For the fiscal years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

	<b>2014</b>	<b>December 31, 2013</b>	<b>2012</b>
<b>F. Administrative expenses</b>			
Personnel expenses	5,199,661	4,289,804	3,331,457
Directors and syndics fees	85,201	63,923	49,930
Other fees	236,527	211,711	124,409
Advertising and publicity	413,927	382,949	359,251
Taxes	850,772	607,943	435,716
Depreciation of bank premises and equipment	172,582	152,856	117,246
Amortization of organization expenses	332,197	247,255	198,747
Other operating expenses	1,143,316	904,103	714,182
Other	787,173	567,750	442,696
	Ps. 9,221,356	Ps. 7,428,294	Ps. 5,773,634
Net Income from financial brokerage	Ps. 3,605,160	Ps. 1,940,448	Ps. 1,267,452
<b>G. Income from Insurance activities</b>	Ps. 1,238,029	Ps. 904,895	Ps. 651,871
<b>H. Non-controlling interests result</b>	Ps. (229,910)	Ps. (208,651)	Ps. (186,403)
<b>I. Miscellaneous income</b>			
Net Income from equity investments	213,380	123,710	117,420
Default interests	306,723	210,150	146,703
Loans recovered and allowances reversed	297,327	260,390	255,154
Other	278,020	151,943	119,671
Consumer price index adjustment (CER)			102
	Ps. 1,095,450	Ps. 746,193	Ps. 639,050
<b>J. Miscellaneous losses</b>			
Default interests and charges in favor of the Argentine Central Bank	64	687	222
Loan loss provisions for miscellaneous receivables and other provisions	209,958	212,171	166,991
Amortization of differences arising from court resolutions	4,803	8,791	16,452
Depreciation and losses from miscellaneous assets	987	880	1,085
Amortization of goodwill	7,767	1,993	1,940
Other	155,087	102,666	59,735
Consumer price index adjustment	1	49	52

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	Ps. 378,667	Ps. 327,237	Ps. 246,477
Net Income before tax	5,330,062	3,055,648	2,125,493
K. Income tax	Ps. 1,992,272	Ps. 1,231,995	Ps. 789,278
Net Income for the fiscal year	Ps. 3,337,790	Ps. 1,823,653	Ps. 1,336,215

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Cash Flows****For the fiscal years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

	<b>2014</b>	<b>December 31, 2013</b>	<b>2012</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year	15,823,881	11,323,978	10,244,173
Cash and cash equivalents at the end of the year	23,054,015	15,823,881	11,323,978
<b>Net increase in cash and cash equivalents</b>	<b>Ps. 7,230,134</b>	<b>Ps. 4,499,903</b>	<b>Ps. 1,079,805</b>
<b>Causes of changes in cash and cash equivalents</b>			
<b>Cash Flow from operating activities</b>			
Net (payments) / collections related to:			
Government and Private Securities	(1,097,152)	(60,870)	1,219,664
Loans			
To the financial sector	425,142	(78,908)	(13,260)
To the non-financial public sector	85	(102)	940
To the non-financial private sector and foreign residents	2,273,221	(1,803,510)	(4,471,840)
Other receivables resulting from financial brokerage	742,311	(64,803)	(274,119)
Receivables from Financial Leases	298,654	(95,385)	(129,326)
Deposits			
To the financial sector	12,511	(13,697)	6,131
To the non-financial public sector	(31,727)	454,681	(552,282)
To the non-financial private sector and foreign residents	5,698,207	6,356,650	7,727,631
Other liabilities from financial brokerage			
Financing from the financial sector			
Interbank Loans (call money loans received)	(123,004)	7,712	57,440
Others (except for liabilities included in Financing Activities)			
Collections related to income from services	10,184,091	7,644,716	5,638,872
Payments related to expenses for services	(2,291,464)	(1,777,454)	(1,311,746)
Administrative expenses paid	(9,515,786)	(7,592,083)	(5,860,888)
Payment of organization and development expenses	(685,644)	(591,133)	(562,231)
Collection for penalty interests, net	306,723	209,463	146,481
Differences arising from court resolutions paid	(4,803)	(8,791)	(16,452)
Collection of dividends from other companies	76,347	39,058	34,687
Other Collections related to miscellaneous profits and losses	125,447	161,487	123,339
Net (payments) / collections for other operating activities			

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Other receivables and miscellaneous liabilities	(1,468,794)	(1,132,957)	(491,151)
Other operating activities, net	(332,264)	(55,392)	(228,098)
Payment of income tax / minimum presumed income tax	(1,110,114)	(516,229)	(493,150)
<b>Net cash provided by operating activities</b>	<b>Ps. 7,495,965</b>	<b>Ps. 3,485,941</b>	<b>Ps. 1,675,711</b>
<b>Cash Flow from investing activities</b>			
Payments for bank premises and equipment, net	(284,117)	(258,161)	(241,678)
Payments for miscellaneous assets, net	(209,024)	(141,892)	(49,129)
Payments for equity investments	(49,376)	(38,775)	(18,192)
Other collections for investment activities	47,578	1,553	
<b>Net cash used in investing activities</b>	<b>Ps. (494,939)</b>	<b>Ps. (437,275)</b>	<b>Ps. (308,999)</b>

*The accompanying Notes are an integral part of these consolidated financial statements*

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**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Consolidated Statements of Cash Flows - Continued****For the fiscal years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

	2014	December 31, 2013	2012
<b>Cash Flow from financing activities</b>			
Net collections / (payments) related to:			
Unsubordinated negotiable obligations	(282,489)	138,081	51,388
Argentine Central Bank			
Others	1,450	2,391	587
Banks and international entities	(235,854)	152,053	(888,556)
Subordinated negotiable obligations	(351,010)	(82,499)	(66,410)
Loans from local financial institutions	(367,714)	246,710	260,634
Distribution of dividends	(49,520)	(34,850)	(33,922)
Other Collections from financing activities			2,886
<b>Cash Flow (used in) / provided by financing activities</b>	Ps. <b>(1,285,137)</b>	Ps. <b>421,886</b>	Ps. <b>(673,393)</b>
Effect of exchange rate changes on cash and cash equivalents	1,514,245	1,029,351	386,486
<b>Net increase in cash and cash equivalents</b>	Ps. <b>7,230,134</b>	Ps. <b>4,499,903</b>	Ps. <b>1,079,805</b>

*The accompanying Notes are an integral part of these consolidated financial statements*



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**Grupo Financiero Galicia S.A. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders Equity**  
**For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

	<b>Capital Stock</b>	<b>Paid in Capital</b>	<b>Inflation adjustments to Capital Stock and Paid in Capital</b>	<b>Profit reserves Legal</b>	<b>Other</b>	<b>Accumulated Retained earnings</b>	<b>Total Shareholders Equity</b>
<b>Balance at December 31, 2011</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 77,907	Ps. 846,621	Ps. 1,106,943	Ps. 3,551,615
Distribution of retained earnings by the shareholders meeting on April 19, 2012							
Legal Reserve				55,347		(55,347)	
Discretionary Reserve					1,033,844	(1,033,844)	
Cash Dividends						(17,752)	(17,752)
Net Income for the year						1,336,215	1,336,215
<b>Balance at December 31, 2012</b>	Ps. 1,241,407	Ps. 606	Ps. 278,131	Ps. 133,254	Ps. 1,880,465	Ps. 1,336,215	Ps. 4,870,078
Distribution of retained earnings by the shareholders meeting on April 15, 2013							
Legal Reserve				66,811		(66,811)	
Discretionary Reserve					1,245,054	(1,245,054)	

Cash Dividends						(24,350)	(24,350)
Increase due to Merger by the shareholders meeting on November 21, 2013	58,858	218,990					277,848
Net Income for the year						1,823,653	1,823,653

**Balance at December 31, 2013**

	Ps. 1,300,265	Ps. 219,596	Ps. 278,131	Ps. 200,065	Ps. 3,125,519	Ps. 1,823,653	Ps. 6,947,229
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Distribution of retained earnings by the shareholders meeting on April 29, 2014							
Legal Reserve				91,183		(91,183)	
Discretionary Reserve					1,693,875	(1,693,875)	
Cash Dividends						(38,595)	(38,595)
Net Income for the year						3,337,790	3,337,790

**Balance at December 31, 2014**

	Ps. 1,300,265	Ps. 219,596	Ps. 278,131	Ps. 291,248	4,819,394	Ps. 3,337,790	Ps. 10,246,424
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*The accompanying Notes are an integral part of these consolidated financial statements*

**Table of Contents****Grupo Financiero Galicia S.A. and Subsidiaries****Notes to the Consolidated Financial Statements****For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

**1. Description of Business.**

Grupo Financiero Galicia S.A. ( Grupo Galicia , the Company or the Group ) is a financial services holding company organized under the laws of Argentina that conducts its business through its subsidiaries, providing general banking services, proprietary brand credit card services, personal loans, insurance and other services.

The detail of subsidiaries of the Company and respective ownership interest are as follows:

Name	December 31,	
	2014	2013
Net Investment S.A.	100.00%	99.95%
Galicia Warrants S.A.	100.00%	99.95%
Sudamericana Holding S.A.	100.00%	99.95%
Compañía Financiera Argentina S.A.	100.00%	99.63%
Banco de Galicia y Buenos Aires S.A. (1)	100.00%	99.62%
Banco Galicia Uruguay S.A. ( in Liquidation )	100.00%	99.62%
Galicia Administradora de Fondos S.A.Sociedad Gerente de Fondos Comunes de Inversión	100.00%	99.62%
Tarjetas Regionales S.A.	77.00%	76.71%
Tarjetas del Mar S.A. (2)	61.16%	99.56%
Cobranzas y Servicios S.A.	100.00%	99.47%
Procesadora Regional S.A.	78.15%	77.85%
Galicia Valores S.A.	100.00%	99.63%
Tarjeta Naranja S.A.	77.00%	76.71%
Tarjetas Cuyanas S.A.	77.00%	76.71%
Cobranzas Regionales S.A.	77.00%	76.71%
Galicia (Cayman) Ltd. (3)		99.62%

- (1) On February 25, 2014, the Company's Board of Directors resolved to issue an offer to acquire all remaining shares of Banco de Galicia y Buenos Aires S.A. ( Banco Galicia ) owned by third parties. Such offer was approved by *Comisión Nacional de Valores* (the C.N.V. ) on April 24, 2014. In compliance with regulations in place, the Company made all the required communications and on August 4, 2014 the offer was executed by public deed resulting in the acquisition of all remaining shares.
- (2) During May 2014 Tarjetas del Mar S.A.'s Shareholders Meeting approved a capital increase of Ps. 31,919, which was fully subscribed by Sociedad Anónima Importadora y Exportadora de la Patagonia. As a result, the Group's interest in Tarjetas del Mar decreased to 61.16%.
- (3)

During 2014 Galicia Cayman Ltd. transferred its domicile to Argentina and since October 1, 2014 was merged into Banco Galicia.

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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

**2. Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Group in the preparation of the consolidated financial statements.

**2.1 Basis of Presentation**

The accounting policies and financial statements presentation conform to the rules of the Argentine Central Bank which prescribes the generally accepted accounting principles for all banks in Argentina (the Argentine Banking GAAP ). This differs in certain significant respects from generally accepted accounting principles in Argentina applicable to enterprises in general ( Argentine GAAP ) (see Note 33) and from generally accepted accounting principles in the United States of America ( U.S. GAAP ) (see Note 36).

Certain required disclosures have not been presented herein since they are not material to the accompanying financial statements. In addition, certain presentations and disclosures have been included in the accompanying financial statements to comply with the United States Securities and Exchange Commission's regulations for foreign private issuers.

Certain reclassifications of prior year's information have been made to conform to current year presentation. Such reclassifications do not have a significant impact on the Group's financial statements.

**2.2 Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of Grupo Financiero Galicia and its subsidiaries over which the Company has effective control. Investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.

**2.3 Presentation of Financial Statements in Constant Argentine Pesos.**

Argentine GAAP in force in the Autonomous City of Buenos Aires provide for that financial statements shall be stated in constant currency, pursuant to the provisions of Technical Pronouncements Nos. 6 and 17 of the Argentine Federation of Professional Councils in Economic Sciences ( F.A.C.P.C.E. ), as amended by Technical Pronouncement No. 39, approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires on April 16, 2014, as well as interpretation No. 8 of the F.A.C.P.C.E. These GAAP provide for that the adjustment for inflation shall be applied upon an inflationary context, which is present when, among other considerations, there exists an accumulated rate of inflation reaching or exceeding 100% during three years, taking into consideration, for such

purpose, the domestic wholesale price index published by the Argentine Institute of Statistics and Census. Financial statements reflect the effects of the changes in the purchasing power of the currency up to February 28, 2003, the adjustment for inflation having been discontinued from such date, pursuant to the provisions of Argentine GAAP in force in the Autonomous City of Buenos Aires and the requirements of Decree No. 664/03 of the National Executive Branch, Section 268 of General Resolution No. 7/2005 of the Corporation Control Authority, Communiqué A 3921 of the Argentine Central Bank and General Resolution No. 441/03 of the C.N.V. Resolution M.D. No. 41/03 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires established the discontinuation of the recognition of the changes in the purchasing power of the currency, effective October 1, 2003.

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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

Even though the variation of the index determined by the Argentine GAAP does not determine the application of the adjustment for inflation, pursuant to the aforementioned, when reading and analyzing these financial statements one should take into consideration the existence of successive fluctuations in significant economic variables, which took place during the past fiscal years.

**2.4 Foreign Currency Assets and Liabilities.**

Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounting records of the Company in Argentine Pesos at the exchange rate prevailing at the time of the transaction.

Monetary assets and liabilities in foreign currencies at year-end are then translated into Argentine Pesos at closing exchange rates.

Assets and liabilities and income and expenses in foreign currencies generate transaction gains and losses, which are recorded within Exchange rate differences on foreign currency in the consolidated statements of income.

As of December 31, 2014 and 2013 the Argentine Peso / US Dollar exchange rate was 8.5520 and 6.5180, respectively.

**2.5 Government and Private Securities.**

Government securities mainly represent obligations of the Argentine government. Corporate securities included in this caption consist of listed corporate equity securities, mutual funds and listed debt securities.

Realized and unrealized gains and losses on sales and interest income on government and corporate securities are included as Net Income from government and corporate securities in the accompanying consolidated statement of income.

**Government Securities**

As of December 31, 2014 and 2013 the Bank records its holdings according to the following:

*Holdings Recorded at Fair Value*

These holdings include trading securities that were valued according to volatilities or present value data issued by the Argentine Central Bank.

These securities are recorded at fair value, with unrealized gains and losses reported in earnings.

The same criterion was applied to holdings of such securities used in loans, as guarantee, transactions to be settled and repo transactions, when appropriate.

*Holdings Recorded at their Acquisition Cost plus the Interest Rate of Return (I.R.R.)*

In this caption, the Group records the Argentine Saving Bond for Economic Development (BAADE) and other holdings of government securities in pesos and foreign currency.

As of the end of the previous fiscal year, the Group also recorded under this caption Peso-denominated Bonds issued by the Argentine Nation at Badlar rate due 2015 (Bonar 2015), subscribed through exchange.



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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

These holdings have been valued at their acquisition cost increased on an exponential basis according to their I.R.R. The monthly accrual is charged to income or an asset offset account, depending on the securities involved.

The same criterion was applied to the securities used in loans, as guarantee, transactions to be settled and repo transactions, when appropriate.

*Securities Issued by the Argentine Central Bank*

a) At Fair Value:

These have been valued according to volatilities or present value data issued by the Argentine Central Bank. The same criterion was applied to holdings of such securities used in loans, as guarantee, transactions to be settled and repo transactions, when appropriate.

b) At the Acquisition Cost plus the I.R.R.:

These holdings have been valued at their acquisition cost increased on an exponential basis according to their I.R.R. The same criterion was applied to holdings of such securities used in loans, as guarantee, transactions to be settled and repo transactions, when appropriate.

*Investments in listed private securities*

These securities are recorded at fair value, and any difference between their book value and fair value is recognized as a gain or loss in the income statement.

**2.6 Financial Trust Debt Securities and Participation Certificates.**

Debt securities that are incorporated at par have been valued at their technical value. The remaining holdings in debt securities are recorded at cost plus the interest rate of return. Participation certificates in financial trusts are accounted for under the equity method.

**2.7 Interest Income (Expense) Recognition.**

For loans and deposits, interest is recognized on a compounded basis, which provides for an increasing effective rate over the life of the loan or deposit.

The Bank suspends the accrual of interest when the related loan is past due and the collection of interest and principal is in doubt. The suspension of interest corresponds to the loans classified as with problems and medium risk or below,

under the Argentine Central Bank's classification rules. Accrued interest remains on the Bank's books and is considered to be part of the loan balance when determining the allowance for loan losses. Regarding impaired loans, interest is recognized on a cash basis after reducing the balance of accrued interest, if applicable.

Reference Stabilization Index ( CER ) is accrued in all lending and borrowing transactions originally carried out in foreign currency prior to the pesification process.

## **2.8 Allowances for Loan Losses.**

These have been established based upon the estimated default risk of Grupo Financiero Galicia's credit assistance granted through its subsidiaries, which results from an evaluation of debtors' compliance with their payment obligations, their economic and financial condition, and the guarantees securing their related transactions, in line with the Argentine Central Bank regulations. Specific attention is given to loans with evidence that may negatively affect the Group's ability to recover the loan and accrued interest.

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**Grupo Financiero Galicia S.A. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2014, 2013 and 2012**

(Expressed in thousands of Argentine pesos)

**2.9 Provisions for Contingencies.**

The Group has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. The Group accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Group's estimates of the outcomes of these matters and the Group's lawyers' experience in responding, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect on the Group's future results of income and financial condition or liquidity.

**2.10 Equity Investments.**

Equity Investments include investments in companies where a non-controlling interest is held.

Under Argentine Banking GAAP, the equity method is used to account for investments where a significant influence in the corporate decision making process exists. Significant influence is considered to be present if one of the following applies:

Ownership of a portion of a related company's capital granting the voting power necessary to influence the approval of such company's financial statements and profits distribution.

Representation on the related company's board of directors or corporate governance body.

Participation in the definition of the related company's policies.

Existence of significant transactions between the company holding the interest and the related company (for example, when the former is the latter's only supplier or by far its most important client).

Interchange of senior officers among companies.

Technical dependence of one of the companies on the other.

Investments in which the Company does not have significant influence have been accounted for at the lower of cost or equity method.

### **2.11 Bank Premises and Equipment, Credits for leases and Miscellaneous Assets.**

Bank premises and equipment and miscellaneous assets are valued at cost adjusted for inflation (as described in Note 2.3), less accumulated depreciation.

Construction in progress is carried at cost.

Financial leases that mainly transfer risks and benefits inherent to the leased property are registered at the beginning of the lease either by the cash value of the leased property or the present value of cash flows established in the financial lease, whichever is the lowest.

Accumulated depreciation is computed under the straight-line method at rates over the estimated useful lives of the assets, which generally are estimated to be 50 years for properties, 10 years for furniture and fittings, and 5 years for others. Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

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The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective fixed assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

**2.12 Intangible Assets.**

Intangible assets are valued at cost adjusted for inflation (as described in Note 2.3) less accumulated amortization. Intangible assets are amortized on a straight-line basis over 120 months for goodwill and over 60 months for organization and development costs. Under Argentine Banking GAAP, goodwill is no longer recognized as an asset when it is estimated that amounts of future income will not be sufficient to absorb the amortization of goodwill or when there are other reasons to presume that the amount of an investment made, will not be recovered in full.

Effective March 2003, the Argentine Central Bank established that the difference resulting from compliance with court decisions made in lawsuits filed challenging the current regulations applicable to deposits with the financial system, within the framework of the provisions of Law No. 25,561, Decree No. 214/02 and supplementary regulations, must also be recorded under this caption. Such difference must be amortized in a maximum of 60 equal monthly and consecutive installments as of April 2003.

As of December 31, 2014 and 2013, the difference resulting from compliance with court decisions has been fully amortized; thus total accumulated amortization amounts to Ps. 896,617 and Ps. 891,814, respectively.

The Bank carried out the abovementioned amortization for the purposes of complying with the provisions set forth by the Argentine Central Bank only. However, the Bank has repeatedly reserved its right to make claims in view of the negative effect caused on its financial condition by the reimbursement of deposits originally in U.S. dollars pursuant to court orders, which exceeded the amount established in the aforementioned regulation. On November 30, 2003, the Bank formally requested the National Executive Branch, with a copy to the Ministry of Economy ( MECON ) and to the Argentine Central Bank, the payment of due compensation for the losses incurred that were generated by the asymmetric pesification and especially for the negative effect on its financial condition caused by court resolutions.

In June 2014, through Resolution No. 365, the Ministry of Economy and Public Finance rejected the administrative claim filed by Banco Galicia, being the Bank entitled to bring legal actions. Before the expiration of the term to bring legal actions, on December 4, 2014, Banco Galicia's Board of Directors decided not to continue with such claim.

**2.13 Shareholders' Equity.**

Shareholders' Equity accounts have been adjusted for inflation following the procedure described in Note 2.3, except for the Capital Stock and Paid-in Capital accounts, which have been stated at their original values. The adjustment of

these accounts was allocated to the Inflation adjustments to capital stock and paid-in capital account.

**2.14 Minimum Presumed Income Tax and Income Tax.**

Effective 1998, a Minimum Presumed Income Tax ( MPIT ) was established as a complementary component of income tax obligations. MPIT is a minimum taxation, which assesses at the tax rate of 1% of computable assets at fiscal year-end, according to Law No. 25063. Ultimately, the tax obligation will be the

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higher of MPIT or income tax. For financial entities, the taxable basis is 20% of their computable assets. If in a fiscal year, the MPIT obligation exceeds the income tax liability, the surplus will be available as a credit against future income tax to be generated in any of the next ten fiscal years. The recognition of this right and its realization stem from the ability to generate future taxable income sufficient to offsetting purposes.

The Bank has recognized the MPIT amount paid in the year and the accumulated amount paid in prior years as an asset for future tax deductions.

Based on the provisions set forth by the Argentine Central Bank, the Group recorded an asset related to the MPIT amounting to Ps.10,844 and Ps. 16,899 as of December 31, 2014 and 2013, respectively.

Argentine Central Bank regulations do not require the recognition of deferred tax assets and liabilities and therefore income taxes for Banco Galicia are recognized on the basis of amounts due in accordance with Argentine tax regulations. However, Grupo Galicia and Grupo Galicia's non-bank subsidiaries apply the deferred income tax method. As a result, Grupo Galicia and its non-bank subsidiaries had recognized a deferred tax asset as of December 31, 2014 and 2013.

**2.15 Liabilities - Banco Galicia's customers fidelity program *Quiero* (I want).**

The Bank records the points assigned to the Bank's customers through the *Quiero* (I want) Program using a mathematical model that takes into account certain assumptions of exchange percentages, the cost for the exchanged points based on the combination of available products and the preferences of the Bank's customers, as well as the expiration term of the customers' non-exchanged points.

As of December 31, 2014 and 2013, the Bank recorded liabilities for Ps. 202,465 and Ps. 129,535, respectively from its customers' non-exchanged points under the caption Miscellaneous Liabilities.

**2.16 Statements of Cash Flows.**

The consolidated statement of cash flows was prepared following the regulations prescribed by the Argentine Central Bank. Cash and cash equivalents include cash and due from banks and highly liquid investments with an original maturity of three months or less.

**2.17 Use of Estimates.**

The preparation of financial statements in conformity with Argentine Banking GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the

reporting periods. Future results could differ from those estimates and evaluations made at the date of preparation of these consolidated financial statements.

**3. Minimum cash requirements and Restricted Assets.**

3.1 Pursuant to Argentine Central Bank regulations, Banco Galicia must maintain a monthly average liquidity level. Computable assets for complying with the minimum cash requirement are cash and the checking accounts opened at the Argentine Central Bank.

Banco Galicia has met the minimum cash requirement established by the Argentine Cental Bank.



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The minimum cash requirement at the end of each fiscal year was as follows (as measured in average daily balances):

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Peso balances	Ps. 7,102,933	Ps. 5,342,092
Foreign currency balances	2,608,994	2,006,598

3.2 Certain of the Group's other assets are pledged or restricted from use under various agreements. The following assets were restricted at each balance sheet date:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Funds and securities pledged under various arrangements	Ps. 2,189,708	Ps. 1,537,320
Shares on equity investments (*)	5,250	5,250
Deposits in the Argentine Central Bank, restricted under Argentine Central Bank regulations	2,681	2,768
Loans granted as collateral	618,767	521,454
<b>Total</b>	<b>Ps. 2,813,624</b>	<b>Ps. 2,066,792</b>

(\*) Shares over which transferability is subject to prior approval of the National or Provincial authorities, as applicable, under the terms of certain concession contracts signed.

The Bank, as a shareholder of Aguas Cordobesas S. A. and proportionally to its 10.833% ownership, is jointly responsible for the contractual obligations arising from the concession contract during the entire term thereof. Should any of the other shareholders fail to comply with the commitments arising from their joint responsibility, the Bank may be forced to assume the unfulfilled commitment by the grantor, but only in the proportion and to the extent of the interest held by the Bank.

**4. Interest-Bearing Deposits with Other Banks.**

As of December 31, 2014 and 2013, the overnight foreign bank interest-bearing deposits included under the caption Loans - Other amounted to Ps. 261,118 and Ps. 586,123, respectively.

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**5. Government and Private Securities.**

Government and corporate securities consist of the following at the respective balance sheet dates:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Government Securities</b>		
Holdings Recorded at Fair Value		
- Government Bonds	2,446,230	742,873
Total Holdings Recorded at Fair Value	Ps. 2,446,230	Ps. 742,873
Holdings Recorded at their Acquisition Cost plus the I.R.R.		
- Government Bonds	316,773	1,137,013
Total Holdings Recorded at their Acquisition Cost plus the I.R.R.	Ps. 316,773	Ps. 1,137,013
Securities Issued by the Argentine Central Bank		
- Argentine Central Bank Bills at Fair Value	3,581,267	948,838
- Argentine Central Bank Bills for Repo Transactions	16,768	
- Argentine Central Bank Bills at Acquisition Cost plus the I.R.R.	3,648,716	1,110,230
- Argentine Central Bank Notes at Fair Value		17,950
Total Securities Issued by the Argentine Central Bank	7,246,751	2,077,018
Total Government Securities	Ps. 10,009,754	Ps. 3,956,904
Investments in listed Private Securities		
- Negotiable Obligations (Listed)		30,425
- Shares	396	
Total Private Securities	396	30,425
Total Government and Private Securities	Ps. 10,010,150	Ps. 3,987,329

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As of December 31, 2013, there were not Securities issued by Argentine Central Bank sold under repurchase agreements.

As of December 31, 2014, Securities issued by Argentine Central Bank sold under repurchase agreements amounted to Ps. 756 were recorded under the caption Other Receivables resulting from financial brokerage .

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**6. Loans.**

The lending activities of the Bank consist of the following:

Loans to the non-financial public sector: loans to the federal and provincial governments of Argentina.

Loans to the financial sector: loans to local banks and financial entities.

Loans to the non-financial private sector and residents abroad: include the following types of lending:  
*Advances* short-term obligations drawn on by customers through overdrafts.

*Promissory Notes* endorsed promissory notes, discounted and purchased bills and factored loans.

*Mortgage loans* loans to purchase or improve real estate and collateralized by such real estate or commercial loans secured by real estate.

*Pledge loans* loans where collateral is pledged as an integral part of the loan document.

*Credit card loans* loans to credit card holders.

*Personal loans* loans to individuals.

*Others* includes mainly short-term placements in foreign banks.

Pursuant to Argentine Central Bank regulations, financial entities must disclose the breakdown of their loan portfolio to: the non-financial public sector, the financial sector and the non-financial private sector and residents abroad. In addition, financial entities must disclose the type of collateral established on the applicable loans to the non-financial private sector and the pledges granted on loans (preferred guarantees relative to a registered senior pledge).

As of December 31, 2014 and 2013, the classification of the Group's loan portfolio was as follows:

**December 31,**

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	<b>2014</b>	<b>2013</b>
Non-financial public sector	Ps. 15,556	Ps. 12,570
Financial sector (Argentine)	192,545	632,838
Non-financial private sector and residents abroad	69,015,019	56,748,165
- With preferred guarantees	2,694,778	2,433,356
- With other guarantees	9,462,570	8,257,006
- Unsecured	56,857,671	46,057,803
<b>Subtotal</b>	<b>69,223,120</b>	<b>57,393,573</b>
Allowance for loan losses (See Note 7)	(2,614,919)	(2,128,647)
<b>Total</b>	<b>Ps. 66,608,201</b>	<b>Ps. 55,264,926</b>

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The Bank also records its loan portfolio by industry segment. The following industry segments comprised the most significant loan concentrations as of December 31, 2014 and 2013, respectively:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Consumer	57.4%	55.3%
Manufacturing	13.4%	13.4%
Primary Products	13.9%	13.3%
Services	5.0%	5.9%
Wholesale Trade	5.4%	5.4%
Retail Trade	3.2%	4.0%
Construction	1.0%	1.2%
Financial Sector	0.7%	1.5%

**7. Allowance for Loan Losses.**

The activity in the allowance for loan losses for the fiscal years ended December 31, 2014, 2013 and 2012, was as follows:

	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Balance at beginning of year	Ps. 2,128,647	Ps. 1,731,954	Ps. 1,283,953
Provision charged to income	2,339,264	1,700,450	1,294,686
Allowances reversed	(1,000)		(11,540)
Foreign exchange effect and other adjustments	(11,901)		13
Loans charged off	(1,840,091)	(1,303,757)	(835,158)
Balance at end of year	Ps. 2,614,919	Ps. 2,128,647	Ps. 1,731,954

Certain uncollectible loans, principally small loans, are charged directly to income and are not reflected in the activity in the allowance for loan losses. The Loan loss provision in the accompanying statements of income includes:

	<b>2014</b>	<b>December 31, 2013</b>	<b>2012</b>
Provisions charged to income	Ps. 2,339,264	Ps. 1,700,450	Ps. 1,294,686
Direct charge-offs	47,314	58,020	38,421
Other receivable losses	20,891	14,187	8,320
Financial leases	3,781	3,598	5,875
	Ps. 2,411,250	Ps. 1,776,255	Ps. 1,347,302

The Bank has entered into certain renegotiations with customers. The Bank 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 amounted to Ps. 87,529, Ps. 96,479 and Ps. 36,769 as of December 31, 2014, 2013 and 2012, respectively.



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**8. Other Receivables Resulting from Financial Brokerage.**

The composition of other receivables from financial brokerage, by type of guarantee, is as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Preferred guarantees, including deposits with the Argentine Central Bank	Ps. 1,477,260	Ps. 1,068,796
Other guarantees	1,446	941
Unsecured	5,504,996	4,705,839
Less: Allowance for doubtful accounts	(186,089)	(79,433)
	<b>Ps. 6,797,613</b>	<b>Ps. 5,696,143</b>

The breakdown of the caption other included in the balance sheet was as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Mutual funds	Ps. 1,363,824	Ps. 413,839
Galtrust I	788,163	743,442
Other participation certificates and debt securities in financial trusts	1,101,434	1,054,145
Accrued commissions	77,415	44,654
Other financings	99,174	90,789
Others	742,402	826,074
	<b>Ps. 4,172,412</b>	<b>Ps. 3,172,943</b>

**9. Equity Investments.**

Equity investments in other companies consisted of the following as of the respective balance sheet dates:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>In Financial Institutions, complementary and authorized activities</b>		
Banelco S.A	Ps.	Ps. 12,264
Visa Argentina S.A	7,836	7,836
Mercado de Valores de Buenos Aires S.A.	8,140	8,143
Tarjeta Naranja Perú S.A		21,483
Banco Latinoamericano de Exportaciones S.A	4,240	3,231
Others	829	826
<b>Total equity investments in Financial Institutions, complementary and authorized activities</b>	<b>Ps. 21,045</b>	<b>Ps. 53,783</b>
<b>In Non-financial Institutions</b>		
Electrigral S.A	Ps. 5,455	Ps. 5,455
A.E.C. S.A		26,703
Aguas Cordobesas S.A	8,911	8,911

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	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Distrocuyo S.A.	3,955	3,955
Nova Re Compañía Argentina de Reaseguros S.A.	12,979	11,705
Other	1,383	1,536
<b>Total equity investments in non-financial institutions</b>	Ps. 32,683	Ps. 58,265
<b>Allowances</b>	Ps. (1,933)	Ps. (22,095)
<b>Total Equity investments</b>	Ps. 51,795	Ps. 89,953

**10. Miscellaneous receivables - Others.**

As of December 31, 2014 and December 31, 2013, the breakdown of Miscellaneous Receivables - Others was as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Sundry Debtors	Ps. 462,365	Ps. 335,377
Deposits as Collateral	734,689	431,279
Tax Advances	473,222	351,032
Payments in Advance	155,224	112,791
Others	33,737	32,051
	Ps. 1,859,237	Ps. 1,262,530

**11. Bank Premises and Equipment, Intangible Assets and Miscellaneous Assets.**

The major categories of Grupo Financiero Galicia's premises and equipment and accumulated depreciation, as of December 31, 2014 and 2013, were as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>

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Land and buildings	Ps. 1,455,854	Ps. 1,294,893
Furniture and fittings	391,075	349,108
Machinery and equipment	861,103	754,549
Vehicles	17,761	16,350
Others	8,469	1,805
Accumulated depreciation	(1,180,544)	(1,022,462)
	Ps. 1,553,718	Ps. 1,394,243

Depreciation expense recorded for the fiscal years ended December 31, 2014, 2013 and 2012, was Ps.172,582, Ps. 152,856 and Ps. 117,246, respectively.

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The major categories of intangible assets as of December 31, 2014 and 2013 were as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Goodwill, net of accumulated amortization of Ps. 24,475 and Ps. 16,708, respectively	Ps. 24,990	Ps. 13,249
Organization and development expenses, net of accumulated amortization of Ps. 1,839,448 and Ps. 1,553,938, respectively, which include Ps. 896,617 and Ps. 891,814, respectively, of accumulated amortization corresponding to legal actions related to the payment of deposits.	1,775,632	1,420,981
	<b>Ps. 1,800,622</b>	<b>Ps. 1,434,230</b>

Total amortization expenses for the fiscal years ended December 31, 2014, 2013 and 2012, was Ps. 344,767, Ps. 258,039 and Ps. 217,139, respectively.

Organization and development expenses included software and the related implementation services purchased from third parties, with a net book value of Ps. 1,494,000 and Ps. 1,150,120 at December 31, 2014 and 2013, respectively.

The table below shows the components of goodwill by type of activity for the periods presented:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Banking	24,990	13,249
	Ps. 24,990	Ps. 13,249

Miscellaneous assets consisted of the following as of December 31, 2014 and 2013:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>

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Construction in progress	Ps. 202,405	Ps. 65,669
Deposits on fixed asset purchases	37,440	32,294
Stationery and supplies	49,487	32,879
Real estate held for sale	3,224	2,033
Assets under leasing agreements	1,097	18,605
Land and Building	98,759	72,834
Others	11,900	9,165
	Ps. 404,312	Ps. 233,479

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**12. Allowances and Provisions.**

Allowances on assets excluding loans and reserves for contingencies were as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Allowances against asset accounts:		
Other receivables resulting from financial brokerage, for collection risk (a)	186,089	79,433
Credits for leases (a)	13,059	15,983
Equity investments in other companies (b)	1,933	22,095
Miscellaneous receivables, for collection risk (a)	140,840	138,987
Reserves for contingencies:		
For severance payments (c)	11,041	4,269
Litigations (d)	140,013	108,866
Other contingencies (e)	131,167	148,357
Sundry liabilities arising from credit card activities (f)	26,611	29,269
Other commitments (g)	2,635	2
Differences arising from court deposits dollarization (h)	4,754	3,424
Negative Goodwill (i)	49,562	148,685
Total reserves for contingencies	Ps. 365,783	Ps. 442,872

(a) Based upon an assessment of debtors' performance, the economic and financial situation and the guarantees collateralizing their respective transactions.

(b) Includes the estimated losses due to the excess of the cost plus dividend method over the equity method in non-majority owned equity investments.

(c) Estimated amounts payable under labor lawsuits filed against the Bank by former employees.

(d) Litigation arising from different types of claims from customers (e.g., claims for thefts from safe deposit boxes, the cashing of checks that have been fraudulently altered, discrepancies in deposits and payments services that the

Bank renders, etc).

Consumer Protection Associations, on behalf of consumers, have filed claims against the Bank with regard to the collection of some financial charges. The Bank considers the resolution of these controversies will not have a significant impact on its financial condition.

(e) As of December 31, 2014 and 2013, provincial tax collection authorities, as well as tax collection authorities from the Autonomous City of Buenos Aires ( Buenos Aires ), are in the process (in different degrees of completion) of conducting audits and assessments mainly regarding the Compensatory Bond issued by the National Government to compensate financial institutions for the losses generated by the asymmetric pesification of loans and deposits.

The Argentine Federal Court of Appeals in Administrative Matters granted Banco Galicia a preliminary injunction in an amount equal to the Compensatory Bond 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 in Administrative Matters, and the Court of Appeals therefore ordered the tax authority to refrain from starting tax enforcement proceedings or otherwise requesting precautionary



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measures for such purpose. Currently, a related appeal filed by the Bank against a decision issued in November 2013 by the Court of First Instance is pending before the Federal Administrative Court of Appeals in Administrative Matters.

As for other claims by the tax authorities of Buenos Aires, Banco Galicia joined the Regularization Regime for Tax Obligations in Default (Law No. 3,461 and regulations), which allowed for a total payment of interest and the cancellation of penalties with respect to tax assessments, Banco Galicia's accession to such regime was notified to the appropriated judicial authorities under the respected dockets.

With respect to judicial proceedings before the Tax Court of the Province of Buenos Aires related to tax assessments by authorities of the Province of Buenos Aires, such court has resolved: (i) negatively with respect to claims of the Bank not related to the Compensatory Bond; and (ii) positively in respect of the non-taxability of the Compensatory Bond. The Bank also joined the Tax Debt Regularization Regime (Normative Resolution No. 12 and related regulations) providing for discounts on amounts not related to the Compensatory Bond. Banco Galicia's accession to such regime was notified to the appropriate judicial authorities under the respective dockets. Meanwhile, the Province of Buenos Aires rejected the judgment issued by the Tax Court of the Province of Buenos Aires related to the Compensatory Bond and requested the Administrative Court of Appeals in Administrative Matters of La Plata to rescind that decision. The Bank filed an answer opposing the lack of jurisdiction exception filed by the Province of Buenos Aires on the grounds that only the Supreme Court of Justice has jurisdiction to resolve the issue. On April 15, 2014, the aforementioned Court sustained the motion for lack of jurisdiction and ordered the proceedings to be filed. The authorities from the Province of Buenos Aires filed an appeal before the Supreme Court of Justice of the Province of Buenos Aires, which has not issued a decision to date.

With respect to other claims in various jurisdictions, the Bank has expressed its disagreement to certain tax adjustments, before the administrative and/or judicial corresponding instances. These proceedings and their potential consequences are permanently monitored by the Bank's management and although the final outcome is still uncertain, the Bank considers it has complied with its tax obligations under existing regulations.

As regards Compañía Financiera Argentina S.A., the Argentine Revenue Service (AFIP) conducted audits on fiscal years 1998 and 1999, not accepting certain uncollectible loans to be recorded as uncollectible receivables deductible from income tax and minimum presumed income tax. The original amount claimed for taxes by the tax collection authorities totals Ps. 2,094.

In July 2013, the Federal Tax Court notified the judgment sustaining the appeal filed by the company. Tax collection authorities later filed an appeal against the aforementioned judgment, which was answered by the company in December 2013. In May 2014, the Argentine Federal Court of Appeals in Administrative Matters rejected the appeal filed by the AFIP, thus confirming the judgment issued by the Federal Tax Court, which was favorable to Compañía Financiera Argentina S.A. In June 2014, the AFIP filed an appeal before the Argentine Supreme Court of Justice.

Provisions have been recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

(f) Reserves for a guarantee of credit-card receivables and for the estimated liability for the insurance of the payment of credit-card balances in the event of the death of the credit-card holders.

At the date of these consolidated financial statements, the AFIP, Provincial Revenue Boards and Municipalities are in the process of conducting audits and assessments, in different degrees of completion, at the companies controlled by Tarjetas Regionales S.A. Said agencies have served notices and made claims

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regarding taxes applicable to Tarjetas Regionales S.A.'s subsidiaries. Therefore, the companies are taking the corresponding administrative and legal steps in order to solve such issues. The original amount claimed for taxes totals Ps. 17,602 approximately.

Based on the opinions of their tax advisors, the companies believe that the abovementioned claims are both legally and technically groundless and that taxes related to the claims have been correctly calculated in accordance with tax regulations in force and existing case law.

Tarjeta Naranja S.A. reached an agreement with the Consumer and User Protection Association of Argentina (ADECUA) on certain aspects related to amounts collected on account of life insurance on debt balances. This agreement was judicially approved. The court that hears the case later decided that Tarjeta Naranja S.A. should make additional reimbursements with regard to the aforementioned items. Tarjeta Naranja S.A. filed an appeal against this decision before the Court of Appeals, since the company considered it had carried out all the transactions in due time and manner. In May 2014, Tarjeta Naranja S.A. was notified of the judgment that orders it to reimburse part of what has already been collected on account of life insurance on debt balances. In turn, ADECUA filed an extraordinary appeal before the Argentine Court of Appeals.

In November 2014, ADECUA abandoned the proceedings; thus the decision issued by the Court of Appeals was final. Therefore, Tarjeta Naranja S.A. complied with what was ordered by the judge and later confirmed by the Court of Appeals, crediting the corresponding amounts in customers' accounts and transferring the amounts to be reimbursed to former customers to Banco de la Nación Argentina. In December 2014, Tarjeta Naranja S.A. evidenced compliance with the decision in the proceedings. The Court received the documents and is giving notice of compliance with the judgment to the Prosecutor's Office and ADECUA.

At the date of these consolidated financial statements, and having the corresponding payments been made, the provision of Ps. 20,479 duly set up by Tarjeta Naranja S.A. has been used.

(g) Represents contingent commitments in connection with customers classified in categories other than the normal categories under Argentine Banking GAAP.

(h) Represents the difference between the amounts of deposits subject to pesification at Ps. 1.40 and such amounts at the exchange rate as of December 31, 2014.

(i) In accordance with Argentine Central Bank regulations, as a result of the difference between the cost of acquisition and the value of assets and liabilities acquired as of June 30, 2010, consistently valued with those of the Group, a negative goodwill of Ps. 500,608 was recorded for Compañía Financiera Argentina S.A. and Ps. 16,764 for Cobranzas y Servicios S.A., which were recorded under the caption Liabilities - Provisions.

The allocation to income of the negative goodwill is carried out on a straight-line basis over 60 months, taking into account Argentine Central Bank regulations on the subject. Therefore, the negative goodwill recorded for Compañía Financiera Argentina S.A. and Cobranzas y Servicios S.A. was Ps. 49,562 and Ps. 148,685 as of December 31, 2014 and 2013, respectively, net of amortizations.

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**Penalties Imposed on Banco Galicia and Summary Proceedings commenced by the Argentine Central Bank.**

Penalties Imposed on Banco Galicia existing as of December 31, 2014:  
Argentine Central Bank's Financial Summary Proceedings No. 1308. Decision No. 721/2013. Penalty notification date: October 28, 2013. Reason for the imposition of the penalty: Alleged non-compliance with the regulations on prevention of money laundering, due to lack of files and of customers' awareness. Penalty amount and responsible individuals penalized (penalties): Banco Galicia Ps. 230; Daniel A. Llambías Ps. 220; Luis M. Ribaya Ps. 172; Antonio R. Garcés Ps. 169; Enrique M. Garda Olaciregui Ps. 126; Eduardo A. Fanciulli Ps. 126; Sergio Grinenco Ps. 120; Guillermo J. Pando Ps. 120; and Pablo Garat Ps. 70. Status of the proceedings: The individuals on whom penalties were imposed filed an administrative appeal against the aforementioned penalties, which is pending at the Division V of the Argentine Federal Court of Appeals in Administrative Matters. Accounting treatment: Fines were paid in full and charged to income for the corresponding fiscal year.

Argentine Central Bank's Financial Summary Proceedings No. 1223 and 1226 (accumulated). Decision No. 762/2013. Penalty notification date: November 15, 2013. Reason for the imposition of the penalty: Alleged non-compliance with Communiqué A 3426 and Communiqué A 3381 of the Argentine Central Bank, and alleged non-compliance with restrictions related to assistance to related customers. Penalty amount and responsible individuals penalized (penalties): Banco Galicia Ps. 400; José H. Petrocelli Ps. 328; Luis M. Ribaya Ps. 328; Eduardo J. Zimermann Ps. 324; Antonio R. Garcés Ps. 400; Eduardo H. Arrobas Ps. 400; Daniel A. Llambías Ps. 400; Eduardo J. Escasany Ps. 260; Federico Braun Ps. 260; and Abel Ayerza Ps. 258. In the case of Messrs. Juan M. Etchegoyhen, Federico M. Caparrós Bosch, Jorge Grouman, Norberto R. Armando (deceased), Daniel Morgan (deceased), Luis O. Oddone, Ricardo A. Bertoglio (deceased), Norberto D. Corizzo and Adolfo H. Melian, warning penalty. Status of the proceedings: The individuals on whom penalties were imposed filed an administrative appeal against the aforementioned penalties, which is pending at the Division V of the Argentine Federal Court of Appeals in Administrative Matters. Accounting treatment: Fines were paid in full and charged to income for the corresponding fiscal year.

U.I.F.'s Summary Proceedings No. 68/09. Decision No. 36/2010 U.I.F. Penalty notification date: February 25, 2010. Reason for the imposition of the penalty: Alleged omission to report suspicious activities, in possible infringement of Act No. 25246. Penalty amount and responsible individuals penalized (penalties): Banco Galicia Ps. 2,241; Eduardo A. Fanciulli Ps. 812; Enrique M. Garda Olaciregui Ps. 1,429. Status of the proceedings: The individuals on whom penalties were imposed filed a direct appeal against the aforementioned penalties, which is pending at the Division I of the Argentine Federal Court of Appeals in Administrative Matters. Accounting treatment: As of December 31, 2014, a provision for Ps. 3,464 has been set up. Pursuant to the provisions of Communiqué A 5689 of the Argentine Central Bank dated January 8, 2015, such provision shall be raised to Ps. 4,483.

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U.I.F. s Summary Proceedings No. 213/12. Decision No. 174/2014. Penalty notification date: May 6, 2014. Reason for the imposition of the penalty: Alleged omission to report suspicious activities, in possible infringement of Section 24 of Act No. 25246. Penalty amount and responsible individuals penalized (penalties): Banco Galicia Ps. 324; Enrique M. Garda Olaciregui, Pablo M. Garat, Sergio Grinenco, Pablo Gutierrez, Guillermo J. Pando, Luis M. Ribaya y Antonio R. Garcés Ps. 324, jointly. Status of the proceedings: The individuals on whom penalties were imposed filed a direct appeal against the aforementioned penalties, which is pending at the Division III of the Argentine Federal Court of Appeals in Administrative Matters. Accounting treatment: As of December 31, 2014, a provision for Ps. 257 has been set up. Pursuant to the provisions of Comunicado A 5689 of the Argentine Central Bank dated January 8, 2015, such provision shall be raised to Ps. 648.

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Summary Proceedings Commenced by the Argentine Central Bank (with no Penalties) Pending as of December 31, 2014:

Summary Proceedings No. 5497, notified on October 8, 2013. Charges filed: Alleged infringement of Communiqué A 5264 of the Argentine Central Bank (verification of requirements) in foreign exchange transactions under code 963 (family assistance). Individuals subject to summary proceedings: María José Baldatti and Pablo D. Contreras.

Summary Proceedings No. 5520, notified on October 10, 2013. Charges filed: Alleged infringement of Communiqué A 3471 and Communiqué C 35372 of the Argentine Central Bank with regard to the crediting, in favor of residents in Argentina, of different amounts from payments from abroad without registering foreign exchange transactions with regard to such residents. Individuals subject to summary proceedings: Banco Galicia, Héctor D. Alessandro and Mónica B. Patricelli.

After the close of fiscal year 2014, on January 26, 2015, Banco Galicia was notified of the commencement of Summary Proceedings No. 6075. Charges filed: Alleged infringement of Communiqué A 4940, A 4662 and C 51232 of the Argentine Central Bank upon carrying out eight foreign exchange transactions. Individuals subject to summary proceedings: Banco Galicia, Alejandro Antonelli, Sergio Lenzuen, Daniel B. Toloza, Ignacio J. Castro, José A. Petracca, Juan C. Litardo, Laura C. Cifala, Marcela R. Skrebutenas, María J. Baldatti, María V. Lema, Marina A. de Sierra, Matías L. Alvarez, Matías N. Abate, María B. Troitiño, Natalia Bortoli, Alejandro Schlimovich Ricciardi and Sandra P. Jaleh Camin.

The provisioning criterion required by Communiqué A 5689 differs from that of the Argentine GAAP in force in the Autonomous City of Buenos Aires. Banco Galicia reserves the right to dispute the legitimacy of such Communiqué and file a claim for any damages its application could cause the Bank.

Compañía Financiera Argentina S.A. has not been imposed any penalties that should be informed under the terms of Argentine Central Bank's Communiqué A 5689, and to date has no summary proceedings brought against it by the Argentine Central Bank.

**13. Other Liabilities Resulting from Financial Brokerage- Banks and International Entities, and Loans from Domestic Financial Institutions.**

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

December 31,	
2014	2013

<b>Description</b>		
<b>Banks and International Entities</b>		
Contractual long-term Liabilities		
Floating Rate Bank Loans 2019	13,563	16,230
Internacional Finance Corporation. (I.F.C.)	57,087	139,059
Other lines from foreign banks	140,129	146,395
<b>Total long-term liabilities</b>	<b>Ps. 210,779</b>	<b>Ps. 301,684</b>
Contractual short-term liabilities:		
Other lines from foreign banks	506,508	378,076
<b>Total short-term liabilities</b>	<b>Ps. 506,508</b>	<b>Ps. 378,076</b>
<b>Total Banks and International Entities</b>	<b>Ps. 717,287</b>	<b>Ps. 679,760</b>
<b>Loans from Domestic Financial Institutions</b>		
Contractual long-term liabilities:		
BICE (Banco de Inversión y Comercio Exterior)	60,796	78,011
Other lines from domestic banks	375,536	834,993
<b>Total long-term liabilities</b>	<b>Ps. 436,332</b>	<b>Ps. 913,004</b>
Contractual short-term liabilities:		
Other lines from credit from domestic banks	663,979	529,497
<b>Total short-term liabilities</b>	<b>Ps. 663,979</b>	<b>Ps. 529,497</b>
<b>Total Domestic Financial Institutions</b>	<b>Ps. 1,100,311</b>	<b>Ps. 1,442,501</b>
<b>TOTAL</b>	<b>Ps. 1,817,598</b>	<b>Ps. 2,122,261</b>



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Accrued interest on the above liabilities in the amount of Ps. 13,924 and Ps. 8,624 as of December 31, 2014 and 2013, respectively, are included in **Others** under the caption **Other Liabilities Resulting from Financial Brokerage** in the accompanying balance sheet.

As of December 31, 2014, maturities of the above long-term liabilities for each of the following five fiscal years and thereafter were as follows:

<b>Contractual long-term Liabilities</b>	
2015	Ps. 514,894
2016	68,771
2017	36,170
2018	12,188
2019	14,871
Thereafter	217
	Ps. 647,111

**14. Other Liabilities Resulting from Financial Brokerage - Negotiable Obligations.**

The amounts outstanding and the terms corresponding to outstanding negotiable obligations at the dates indicated were as follows, considering their original contractual terms:

	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Negotiable Obligations (1)</b>					
Long-term liabilities:					
9 % Notes Due 2003 (Semi-annual interest, principal payable at maturity)	US\$	2003	9.00%	6,696	5,475
Banco Galicia- Due 2018 (Semi-annual interest, principal payable at maturity)	US\$	2018	8.75%	2,555,412	1,946,472
	US\$	2019	16.00%	2,065,815	1,656,297

Banco Galicia- Subordinated Due 2019  
(Semi-annual interest, principal payable at  
maturity)

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	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Tarjetas Cuyanas S.A. Clase XIII serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 400 b.p.	173,537	
Tarjetas Cuyanas S.A. Clase XIV serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 300 b.p.	54,273	
Tarjetas Cuyanas S.A. Clase XIV serie II (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 415 b.p.	143,809	
Tarjetas Cuyanas S.A. Clase XV (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 240 b.p.	133,470	
Tarjetas Cuyanas S.A. Clase XVI (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 340 b.p.	116,584	
Tarjetas Cuyanas S.A. Clase XVII (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 315 b.p.	155,925	
Tarjetas Cuyanas S.A. Clase XVIII (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 400 b.p.	113,891	
Tarjetas Cuyanas S.A. Class VIII Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 375 b.p.		98,314
Tarjetas Cuyanas S.A. Class IX Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 450 b.p.		102,861
Tarjetas Cuyanas S.A. Class X Serie II (Interest quarterly, principal payable at maturity)	Ps.	2014	Badlar + 419 b.p.		152,813
Tarjetas Cuyanas S.A. Class XI Serie II (Interest quarterly, principal payable at maturity)	Ps.	2014	Badlar + 489 b.p.		100,953
Tarjetas Cuyanas S.A. Class XII Serie II (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 420 b.p.	172,020	174,822

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	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>2013</b>
Tarjetas Naranja S.A. Clase XXVI Serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 260 b.p.	138,101	
Tarjetas Naranja S.A. Clase XXVI Serie II (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 399 b.p.	160,378	
Tarjetas Naranja S.A. Clase XXV Serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 289 b.p.	80,029	
Tarjetas Naranja S.A. Clase XXV Serie II (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 415 b.p.	164,162	
Tarjetas Naranja S.A. Clase XXIV Serie II (Interest quarterly, principal payable at maturity)	Ps.	2017	Badlar + 500 b.p.	33,278	
Tarjetas Naranja S.A. Clase XXVII Serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 272 b.p.	163,908	
Tarjetas Naranja S.A. Clase XXVII Serie II (Interest quarterly, principal payable at maturity)	Ps.	2016	Badlar + 395 b.p.	149,614	
Tarjetas Naranja S.A. Clase XXIV Serie I (Interest quarterly, principal payable at maturity)	Ps.	2015	Badlar + 400 b.p.	170,371	
CFA Clase XI serie II (Quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 440 b.p.	147,594	
CFA Clase XII serie II (Quarterly interest, principal payable at maturity)	Ps.	2016	Badlar + 400 b.p.	198,962	
CFA Clase XIII serie II (Quarterly interest, principal payable in 3 quarterly quotas)	Ps.	2016	Badlar + 440 b.p.	74,925	

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	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Grupo Financiero Galicia Class V Serie I (Quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 425 b.p.	101,800	
Grupo Financiero Galicia Class V Serie II (Quarterly interest, principal payable at maturity)	Ps.	2017	Badlar + 525 b.p.	78,200	
Grupo Financiero Galicia Class VI Serie I (Quarterly interest, principal payable at maturity)	Ps.	2016	Badlar + 325 b.p.	139,688	
Grupo Financiero Galicia Class VI Serie II (Quarterly interest, principal payable at maturity)	Ps.	2017	Badlar + 425 b.p.	109,845	
Tarjetas Naranja S.A. Class XVIII Serie II (Interest fixed, quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 400 b.p.		102,782
Tarjetas Naranja S.A. Class XIII (Interest fixed semi-annual interest, principal payable in 3 annual quotas )	US\$	2017	9.00%	1,714,813	1,297,091
Tarjetas Naranja S.A. Class XXII Serie II (Interest fixed, quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 375 b.p.	114,510	113,447
Tarjetas Naranja S.A. Class XXIII Serie II (Interest fixed, quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 450 b.p.	152,272	150,605
Tarjetas Naranja S.A. Class XX Serie II (Interest fixed, quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 425 b.p.		209,644
Tarjetas Naranja S.A. Class XXI Serie II (Interest fixed, quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 439 b.p.		197,080
Tarjetas Naranja S.A. Class XIX Serie II (Interest fixed, quarterly interest principal payable at maturity)	Ps.	2014	Badlar+419 b.p.		113,142

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	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
CFA Class VI Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 230 b.p.		23,927
CFA Class VII Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 375 b.p.		111,138
CFA Class VIII Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 440 b.p.		157,292
CFA Class IX Serie II (Quarterly interest, principal payable at maturity)	Ps.	2014	Badlar + 293 b.p.		154,501
CFA Class X Serie II (Quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 425 b.p.	123,824	123,601
Grupo Financiero Galicia Class III (Semi-annual interest, principal payable at maturity)	Ps.	2014	Badlar + 359 b.p.		75,038
Grupo Financiero Galicia Class IV (Semi-annual interest, principal payable at maturity)	Ps.	2014	Badlar + 349 b.p.		216,005
<b>TOTAL</b>			<b>Ps.</b>	<b>9,707,706</b>	<b>7,283,300</b>

	<b>Currency</b>	<b>Maturity</b>	<b>Annual Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Short-term liabilities:</b>					
Tarjetas Cuyanas S.A. Class XI Serie I (Quarterly interest, principal payable at maturity)	Ps.	2014	20.50%		13,109
Tarjeta Naranja Class XXIII Serie I (Quarterly interest, principal payable at maturity)	Ps.	2014	25.00%		34,680
Tarjeta Naranja Class XXII Serie I (Quarterly interest, principal payable at maturity)	Ps.	2014	21.00%		41,925

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	Currency	Maturity	Annual Interest Rate	December 31, 2014	December 31, 2013
CFA Clase XI serie I (Quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 297 b.p.	49,742	
CFA Clase XII serie I (Quarterly interest, principal payable at maturity)	Ps.	2015	Badlar + 247 b.p.	49,741	
CFA Clase XIII serie I (Quarterly interest, principal payable at maturity)	Ps.	2015	2,75%	128,152	
CFA Class IX Serie I (Quarterly interest, principal payable at maturity)	Ps.	2014	18.89%		44,855
CFA Class X Serie I (Quarterly interest, principal payable at maturity)	Ps.	2014	23.50%		26,059
<b>TOTAL</b>		Ps.		227,635	160,628
<b>Total Negotiable Obligations</b>		Ps.		<b>9,935,341</b>	<b>7,443,928</b>

(1) Only principal, except for Subordinated Obligations which include accrued interest for Ps. 153,023 and 86,347, as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, interest and principal on all of the above debt securities denominated in U.S. dollars were payable in U.S. dollars.

Accrued interest on the above liabilities for Ps. 240,370 and Ps. 167,715 as of December 31, 2014 and 2013, respectively, was included in Other under the caption Other Liabilities Resulting from Financial Brokerage in the accompanying balance sheet.

Long-term negotiable obligations as of December 31, 2014 mature as follows:

	Maturity Long Term
Past Due (*)	6,696
2015	2,651,263
2016	1,633,718
2017	794,802
2018	2,555,412

2019	2,065,815
Thereafter	9,707,706

(\*) Corresponds to past due debt not yet restructured.



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**15. Balances in Foreign Currency.**

The balances of assets and liabilities denominated in foreign currencies (principally in U.S. dollars) were as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Cash and due from banks	Ps. 8,006,938	Ps. 5,108,580
Government and private securities	1,253,341	1,022,866
Loans	2,799,713	2,912,322
Other receivables resulting from financial brokerage	878,860	633,389
Credits for leases	23,835	27,536
Equity investments in other companies	4,390	24,839
Miscellaneous receivables	25,094	28,848
Unallocated items	87	15
Other assets	7,090	3,770
<b>Total</b>	<b>Ps. 12,999,348</b>	<b>Ps. 9,762,165</b>
<b>Liabilities:</b>		
Deposits	Ps. 4,822,285	Ps. 3,677,341
Other liabilities resulting from financial brokerage	6,290,038	5,095,556
Miscellaneous liabilities	21,637	13,876
Subordinated Negotiable Obligations	2,065,815	1,656,297
Provisions	4,464	2,992
Unallocated items	95	17
Other Liabilities	7,248	5,816
<b>Total</b>	<b>Ps. 13,211,582</b>	<b>Ps. 10,451,895</b>

The Group covers its foreign currency mismatch through foreign currency futures transactions. These transactions are carried out through auto-regulated markets (MAE / ROFEX) and with customers.

**16. Transactions with Related Parties.**

The Group has granted loans to certain related parties including related officers, equity-method investees and consolidated companies. Total loans outstanding as of December 31, 2014 and 2013, amounted to Ps. 394,381 and Ps. 315,160, respectively, and the change from December 31, 2013 to December 31, 2014, reflects payments amounting to Ps. 36,051 and advances of Ps. 113,357. Furthermore, there were foreign exchange differences of Ps. 1,915 on the above-mentioned portfolio between those dates.

Such loans were made in the ordinary course of business at normal credit terms, including interest rates and collateral requirements, and, in management's opinion, such loans represent normal credit risk.

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**17. Detail of Statement of Income Accounts.**

	2014	December 31, 2013	2012
<b>Financial Income</b>			
<b>Interest on other receivables resulting from financial brokerage:</b>			
Interest on purchased certificates of deposits	67,847	56,434	31,537
Advance payment leasing	49,002	17,699	7,006
Other	54,021	12,190	6,874
	Ps. 170,870	Ps. 86,323	Ps. 45,417
<b>Other:</b>			
Premiums on forward purchases of Government securities under repos	34,815	8,504	74,965
Interest on pre-export and export financing	84,561	77,546	96,554
Result from other credits by financial brokerage	139,317		
Net position of forward transactions in pesos	830,222	578,158	26,023
Other	3,078	4,956	
	Ps. 1,091,993	Ps. 669,164	Ps. 197,542
<b>Financial Expenses</b>			
<b>Interest on other liabilities resulting from financial brokerage:</b>			
Interest on negotiable obligations	1,174,736	713,392	424,067
Interest on other liabilities resulting from financial brokerage from other banks and international entities	342,261	232,234	183,461
	Ps. 1,516,997	Ps. 945,626	Ps. 607,528
<b>Other interest:</b>			
Interest for other deposits	77,048	23,026	47,780
Other	4,138	5,309	6,806

	Ps. 81,186	Ps. 28,335	Ps. 54,586
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**Other:**

Premiums on repo transactions	24,173	13,711	34,592
Contributions and taxes on financial income	1,328,762	933,473	572,598
Net position of forward transactions in pesos	263,014		
Other	337	1,799	48,195

	Ps. 1,616,286	Ps. 948,983	Ps. 655,385
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**Income from services****Other:**

Commissions on credit cards	3,685,519	2,611,441	1,892,698
Safety rental	167,125	124,030	98,720
Insurance premiums	292,676	287,171	163,702
Other	998,342	593,006	447,169

	Ps. 5,143,662	Ps. 3,615,658	Ps. 2,602,289
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	2014	December 31, 2013	2012
<b>Expenses for services</b>			
<b>Other:</b>			
Gross revenue taxes	606,436	421,807	258,251
Linked with credit cards	325,568	340,477	393,236
Other	443,368	305,599	165,993
	Ps. 1,375,372	Ps. 1,067,883	Ps. 817,480
<b>Administrative expenses</b>			
<b>Other operating expenses:</b>			
Rentals	293,180	223,152	163,587
Electricity and communications	248,968	217,006	191,664
Maintenance and repair expenses	204,569	163,015	127,795
Security Services	292,606	217,836	165,512
Other operating expenses	103,993	83,094	65,624
	Ps. 1,143,316	Ps. 904,103	Ps. 714,182
<b>Miscellaneous income</b>			
<b>Other:</b>			
Income from Sale of Bank Premises and Equipment	3,325	769	835
Income from Transactions with Miscellaneous Assets	4,911	2,686	4,447
Leases	2,356	2,071	1,977
Adjustments and Interest on miscellaneous receivables	152,913	61,177	54,129
Others	114,515	85,240	58,283
	Ps. 278,020	Ps. 151,943	Ps. 119,671
<b>Miscellaneous losses</b>			
<b>Other:</b>			
Adjustment to Interest on Miscellaneous Liabilities	781	902	679
Donations	23,410	17,847	14,829
Turnover Tax	17,435	10,399	5,884
Claims	37,617	28,252	8,189

Others	75,844	45,266	30,154
	Ps. 155,087	Ps. 102,666	Ps. 59,735

**18. Income Taxes.**

Income tax for the fiscal years ended December 31, 2014, 2013 and 2012, amounted to Ps. 1,992,272, Ps. 1,231,995 and Ps. 789,278, respectively. The statutory income tax rate for all the fiscal years presented was 35%.

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As of December 31, 2014 and 2013, the consolidated Group's MPIT available to credit against future income tax amounts to Ps. 10,844 and Ps. 16,899, respectively, and is recognized as Miscellaneous Receivables in the consolidated balance sheet. Such MPIT expires over the following ten years, as follows:

<b>Prescription date</b>	<b>Book Value</b>
2014	5,848
2015	10
2016	95
2017	267
2018	355
2019	576
2020	681
2021	397
2022	964
2023	1,651
	<b>Ps. 10,844</b>

**19. Shareholders Equity and Restrictions Imposed on the Distribution of Dividends.**

The distribution of retained earnings in the form of dividends is governed by the Corporations Law and C.N.V. regulations. These rules obligate Grupo Galicia to transfer 5% of its net income to a legal reserve until the reserve reaches an amount equal to 20% of the company's capital stock.

In the case of Banco Galicia, Argentine Central Bank rules require 20% of the profits shown in the income statement plus (less) prior year adjustments to be allocated to a legal reserve.

This proportion applies regardless of the ratio of the legal reserve to the capital stock. Should the legal reserve be used to absorb losses, dividends shall be distributed only if the value of the legal reserve exceeds 20% of the capital stock plus the capital adjustment.

The Argentine Central Bank sets rules for the conditions under which financial institutions can make the distribution of profits. According to the new scheme, profits can be distributed as long as results of operations are positive after deducting not only the Reserves, that may be legally and statutory required, but also the following items from Unappropriated Retained Earnings: the difference between the book value and the market value of public sector assets and/or debt instruments issued by the Argentine Central Bank not valued at market price, the amounts capitalized for

lawsuits related to deposits and any unrecorded adjustments required by the external auditors or the Argentine Central Bank.

Moreover, in order that a financial institution be able to distribute profits, said institution must comply with the capital adequacy rule, i.e. with the calculation of minimum capital requirements and the regulatory capital. For these purposes, this shall be done by deducting from its assets and Unappropriated Retained Earnings all the items mentioned in the paragraph above.

Moreover, in such calculation, a financial institution shall not be able to compute the temporary reductions that affect minimum capital requirements, computable regulatory capital or its capital adequacy.

Through Board of Directors Resolution No. 4, the Argentine Central Bank decided that the Bank be considered, for all purposes, a Domestic Systemically Important Bank (D-SIB). Consequently, for the calculation of the distribution of profits, an additional capital requirement equivalent to 1% of the risk-weighted assets shall be complied with as from December 2014.

In addition to the above-mentioned, the Argentine Central Bank requires that computable capital in excess over the minimum capital requirements, be equal to 75%. Distribution of profits shall require the prior authorization of the Argentine Central Bank's Superintendence of Financial and Foreign Exchange Institutions, whose intervention shall have the purpose of verifying the aforementioned requirements have been fulfilled.



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Tarjeta Naranja S.A.'s Ordinary and Extraordinary Shareholders Meeting held on March 16, 2006 decided to set the maximum limit for the distribution of dividends at 25% of the realized and liquid profits of each fiscal year. This restriction shall remain in force as long as the company's shareholders' equity is below Ps. 300,000.

Tarjeta Naranja S.A. has agreed, pursuant to the terms and conditions of the Class XIII Negotiable Obligations not to distribute dividends that may exceed 50% of the company's net income. This restriction also applies in the case there is any excess on certain indebtedness ratios.

**20. Minimum Capital.**

Grupo Financiero Galicia is not subject to the minimum capital requirements established by the Argentine Central Bank.

In addition, Grupo Financiero Galicia meets the minimum capital requirements established by the Corporations Law, which amount to Ps. 100.

Pursuant to Argentine Central Bank regulations, Banco Galicia is required to maintain a minimum capital, which is calculated by weighting the risks related to assets and to the balances of bank premises and equipment and miscellaneous and intangible assets.

As called for by Argentine Central Bank regulations, as of December 31, 2014 and 2013, the minimum capital requirements were as follows:

	<b>Minimum Capital</b>	<b>Computable Capital</b>	<b>Computable Capital as a % of Minimum Capital</b>
December 31, 2014	Ps. 7,077,104	Ps. 10,132,927	143.18
December 31, 2013	Ps. 5,690,525	Ps. 7,512,978	132.03

**21. Earnings per Share.**

The Company is required to present earnings per share information for all periods presented. Basic earnings per share (basic EPS) are computed by dividing the net income for the year by the weighted-average number of common shares outstanding during the year (1,300,265, 1,261,080 and 1,241,407 for the fiscal years ended December 31, 2014, 2013 and 2012, respectively).

Basic EPS for the fiscal years ended December 31, 2014, 2013 and 2012, were 2.567, 1.446 and 1.076, respectively.

There are no dilutive financial instruments outstanding for any of the fiscal years presented.

**22. Contribution to the Deposit Insurance System.**

Law No. 24,485 and Decree No. 540/95 established the creation of the Deposit Insurance System to cover the risk attached to bank deposits, in addition to the system of privileges and safeguards envisaged in the Financial Institutions Law.

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The National Executive Branch through Decree No. 1127/98 dated September 24, 1998 established the maximum amount for this insurance system to demand deposits and time deposits denominated either in Pesos and/or in foreign currency. Such amount has been established at Ps. 120 until October 2014, increasing to Ps. 350 as from November 1, 2014.

This system does not cover deposits made by other financial institutions (including time deposit certificates acquired through a secondary transaction), deposits made by parties related to Banco Galicia, either directly or indirectly, deposits of securities, acceptances or guarantees and those deposits set up after July 1, 1995, at an interest rate exceeding the one established regularly by the Argentine Central Bank based on a daily survey conducted by it. Also excluded are those deposits whose ownership has been acquired through endorsement and those placements made as a result of incentives other than the interest rate. This system has been implemented through the creation of the Deposit Insurance Fund ( FGD ), which is managed by a company called Seguros de Depósitos S.A. (SEDESA). The shareholders of SEDESA are the Argentine Central Bank and the financial institutions, in the proportion determined for each one by the Argentine Central Bank based on the contributions made to the fund.

The Argentine Central Bank set the monthly contributions financial institutions shall make to the Deposit Insurance Fund at 0.015% until October 2014, increasing to 0.06% per month as from November 2014. The aforementioned contribution shall be made with regard to the monthly average deposits.

As of December 31, 2014, 2013 and 2012, the standard contribution to the Deposits Insurance System amounted to Ps. 151,450, Ps. 75,235 and Ps. 57,316, respectively, recorded in the Consolidated Statements of Income in Financial Expenses under the caption Contributions made to Deposit Insurance Fund .

**23. Balance Sheet and Statement of Income.**

The presentation of financial statements according to the Argentine Central Bank rules differs significantly from the format required by the Securities and Exchange Commission under Rules 210.9 to 210.9-07 of Regulation S-X (Article 9).

The following balance sheet presents Grupo Financiero Galicia s balance sheet as of December 31, 2014 and 2013, as if they had followed Article 9 balance sheet disclosure requirements using Argentine Banking GAAP.

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Cash and due from banks	Ps. 16,963,289	Ps. 12,573,869

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Interest-bearing deposits in other banks	261,118	586,123
Federal funds sold and securities purchased under resale agreements or similar agreements	16,989	135,000
Trading account assets	10,533,715	3,329,314
Investment securities	4,298,869	4,820,844
Loans	68,100,871	55,820,207
Allowances for loan losses	(2,620,917)	(2,128,647)
Miscellaneous receivables	1,446,578	1,010,203
Bank Premises and Equipment	1,553,718	1,394,243
Intangible Assets	1,800,622	1,434,230
Other assets	5,024,270	4,261,421
<b>Total assets</b>	<b>Ps. 107,379,122</b>	<b>Ps. 83,236,807</b>
<b>Liabilities and Shareholders Equity:</b>		
Deposits	Ps. 64,100,625	Ps. 50,955,764
Short-term borrowing	1,398,122	1,068,201
Other liabilities	977,476	742,923
Amounts payable for spot and forward purchases to be settled	250,636	247,366
Other liabilities resulting from financial brokerage	15,523,549	11,256,723
Long-term debt	10,354,817	8,497,988
Miscellaneous Liabilities	3,380,664	2,475,782
Contingent liabilities	365,783	442,872
<b>Total Liabilities</b>	<b>96,351,672</b>	<b>75,687,619</b>
Common Stock	1,300,265	1,300,265
Other stockholders equity	8,946,159	5,646,964
Non-controlling Interest	781,026	601,959
<b>Total Equity</b>	<b>11,027,450</b>	<b>7,549,188</b>
<b>Total Liabilities and Equity</b>	<b>Ps. 107,379,122</b>	<b>Ps. 83,236,807</b>

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The statement of income presented below discloses the categories required by Article 9 using Argentine Banking GAAP:

	<b>2014</b>	<b>December 31, 2013</b>	<b>2012</b>
<b>Interest income:</b>			
Interest and fees on loans	Ps. 16,545,320	Ps. 11,715,828	Ps. 8,189,439
Interest and dividends on investment securities:			
Non taxable interest income	58,310	120,743	264,436
Interest on interest bearing deposits with other banks	4	17	70
Interest on other receivables from financial brokerage	380,815	241,363	239,633
Trading account interest, net	2,079,848	605,088	579,764
<b>Total interest income</b>	<b>Ps. 19,064,297</b>	<b>Ps. 12,683,039</b>	<b>Ps. 9,273,342</b>
<b>Interest expense</b>			
Interest on deposits	6,609,494	3,787,044	2,246,915
Interest on securities sold under agreements to repurchase	24,173	13,711	34,592
Interest on short-term liabilities from financial intermediation	64,908	63,493	55,427
Interest on long-term liabilities from financial intermediation	1,911,782	1,147,495	733,126
<b>Total interest expense</b>	<b>8,610,327</b>	<b>5,011,743</b>	<b>3,070,060</b>
<b>Net interest income</b>	<b>10,453,970</b>	<b>7,671,296</b>	<b>6,203,282</b>
<b>Provision for loan losses, net of reversals</b>	<b>2,182,197</b>	<b>1,531,409</b>	<b>1,115,940</b>
<b>Net interest income after provision for loan losses</b>	<b>Ps. 8,271,773</b>	<b>Ps. 6,139,887</b>	<b>Ps. 5,087,342</b>

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	2014	December 31, 2013	2012
<b>Non-interest income:</b>			
Service charges on deposit accounts	Ps. 1,340,684	Ps. 868,733	Ps. 646,962
Credit-card service charges and fees	3,260,308	2,468,989	1,793,157
Other commissions	3,552,606	2,717,643	2,083,574
Income from equity in other companies	213,380	123,710	117,420
Premiums and commissions on insurance business	1,238,029	904,895	651,871
Other	1,370,711	799,806	35,493
<b>Total non-interest income</b>	<b>Ps. 10,975,718</b>	<b>Ps. 7,883,776</b>	<b>Ps. 5,328,477</b>
<b>Non-interest expense:</b>			
Commissions	2,000,848	1,573,318	1,195,647
Salaries and social security charges	4,549,187	3,681,167	2,784,715
Fees and external administrative services	1,069,935	925,975	678,425
Depreciation of bank premises and equipment	172,582	152,856	117,246
Personnel services	150,353	127,706	158,130
Rentals	293,180	223,152	163,587
Electricity and communications	248,967	217,006	191,664
Advertising and publicity	413,927	382,949	359,251
Taxes	2,954,855	2,048,857	1,329,765
Amortization of organization and development expenses	332,197	247,255	198,747
Maintenance and repair expenses	204,569	163,015	127,795
Amortization of Amparo claims	4,803	8,791	16,452
Other Provisions and reserves	209,958	212,171	166,991
Other	1,082,157	795,146	615,508
<b>Total non-interest expense</b>	<b>Ps. 13,687,519</b>	<b>Ps. 10,759,364</b>	<b>Ps. 8,103,923</b>
<b>Income before tax expense</b>	<b>5,559,972</b>	<b>3,264,299</b>	<b>2,311,896</b>
<b>Income tax expense</b>	<b>1,992,272</b>	<b>1,231,995</b>	<b>789,278</b>
<b>Net Income</b>	<b>Ps. 3,567,700</b>	<b>Ps. 2,032,304</b>	<b>Ps. 1,522,618</b>
Less: Net income attributable to non-controlling interest	229,910	208,651	186,403

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Net Income attributable to Controlling interest	Ps. 3,337,790	Ps. 1,823,653	Ps. 1,336,215
Basic EPS	2.567	1.446	1.076
Diluted EPS	2.567	1.446	1.076

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The carrying value and market value of each classification of Investment securities in the Article 9 balance sheet were as follows:

	December 31, 2014			December 31, 2013		
	Carrying value	Unrealized Gains	Losses Market value	Carrying value	Unrealized Gains	Losses Market value
<b>Securities issued by the National Government</b>						
Bonar 2015 Bonds				392,033	199,984	396,474
Galtrust I	788,163	563,244	806,333	743,442	513,325	743,442
<b>Other Debt Securities and Participation Certificates</b>						