

GRUPO FINANCIERO GALICIA SA

Form 20-F

April 30, 2014

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 30, 2014

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, 2013

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 456

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 456, 2° 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	960,185,367
Class B Ordinary Shares, Ps.1.00 par value pending registration (*)	58,857,580

(*) Subscribed, paid-in and pending registration before the Argentine Superintendency of Companies or *Inspección General de Justicia* (IGJ)

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

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

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

Indicate by check mark whether the registrant 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 As issued ☐ Other ☒

by the International Accounting Standards Board ☐

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

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

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PRESENTATION OF FINANCIAL INFORMATION

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., our largest subsidiary, its wholly-owned subsidiaries Banco Galicia Uruguay S.A. (in liquidation) (Galicia Uruguay) and Galicia Cayman Limited (Galicia Cayman), and other subsidiaries and affiliated companies required to be consolidated under Argentine Banking GAAP (collectively Banco Galicia or the Bank except where otherwise noted);

Tarjetas Regionales S.A. (Tarjetas Regionales) and its operating subsidiaries;

Compañía Financiera Argentina S.A. (Compañía Financiera Argentina or CFA);

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

Galicia Warrants S.A. (Galicia Warrants);

Net Investment S.A. (Net Investment); 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 35 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, 2013 and total shareholders' equity as of December 31, 2013 and 2012, 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.6.5180, Ps.4.9173 and Ps.4.3032 per US\$1.00 as of December 31, 2013, December 31, 2012 and December 31, 2011, 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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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 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 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, 2013 and December 31, 2012 and for the fiscal years ended December 31, 2013 and 2012 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2011, December 31, 2010 and December 31, 2009 and for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009 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.

		Fiscal Year Ended December 31,				
	2013	2013	2012	2011	2010	2009
	(in millions of Dollars, except as noted) ⁽¹⁾					
	Unaudited	(in millions of Pesos, except as noted) ⁽¹⁾				
Consolidated Income Statement in Accordance with Argentine Banking GAAP						
Financial Income	2,006.1	13,075.7	9,129.0	6,017.7	3,614.9	3,005.6
Financial Expenses	946.6	6,170.0	3,940.6	2,274.2	1,412.7	1,460.5
Net Financial Income ⁽²⁾	1,059.5	6,905.7	5,188.4	3,743.5	2,202.2	1,545.1

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Provision for Losses on Loans and Other Receivables	272.5	1,776.3	1,347.3	843.4	551.5	639.5
Income before Taxes	468.8	3,055.7	2,125.5	1,860.8	667.1	385.3
Income Tax	189.0	1,232.0	(789.3)	(753.9)	(258.2)	(156.0)
Net Income / (Loss)	657.8	1,823.7	1,336.2	1,106.9	408.9	229.3
Basic Earnings / (Loss) per Share (in Pesos) ⁽³⁾	0.225	1.469	1.076	0.892	0.329	0.185
Diluted Earnings / (Loss) per Share (in Pesos) ⁽³⁾	0.222	1.446	1.076	0.892	0.329	0.185
Cash Dividends per Share (in Pesos) ⁽³⁾	0.005	0.030	0.020	0.014	0.020	
Stock Dividends per Share (in Pesos) ⁽³⁾						
Book Value per Share (in Pesos) ⁽³⁾	0.820	5.343	3.923	2.861	1.989	1.653

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Net Income / (Loss)	241.6	1,574.6	1,309.6	866.7	2,293.6	770.2
Basic Earnings / (Losses) per Share (in Pesos) ⁽³⁾	0.195	1.268	1.055	0.698	1.848	0.620
Diluted Earnings / (Losses) per Share (in Pesos) ⁽³⁾	0.186	1.211	1.055	0.698	1.848	0.620
Book Value / (Deficit) per Share (in Pesos) ⁽³⁾	0.819	5.340	4.115	3.122	2.414	0.996
Financial Income	2,011.2	13,108.8	9,187.1	5,985.6	4,778.0	3,374.8
Financial Expenses	947.9	6,178.2	3,923.1	2,240.8	1,343.4	1,434.4
Net Financial Income / (Loss)	1,063.3	6,930.6	5,264.0	3,744.8	3,434.6	1,940.4
Provision for Losses on Loans and Other Receivables	275.4	1,795.2	1,338.0	887.8	549.7	527.3
Income Tax	180.5	1,176.2	779.5	678.8	508.1	54.5

Consolidated Balance Sheet in Accordance with Argentine Banking GAAP

Cash and Due from Banks	1,927.0	12,560.3	8,345.0	6,418.9	5,645.6	3,696.3
Government Securities, Net	611.7	3,987.3	3,627.1	5,227.7	2,267.7	3,907.2
Loans, Net	8,478.8	55,264.9	42,593.0	30,904.5	21,353.8	13,477.9
Total Assets	12,757.9	83,155.8	63,458.3	51,193.0	35,708.1	27,602.4
Deposits	7,885.1	51,395.3	39,945.2	30,135.1	22,222.8	17,039.4
Other Funds ⁽⁴⁾	3,806.9	24,813.3	18,643.0	17,506.3	11,015.8	8,510.5
Total Shareholders' Equity	1,065.8	6,947.2	4,870.1	3,551.6	2,469.5	2,052.5
Average Total Assets ⁽⁵⁾	10,715.5	69,843.8	54,416.4	41,635.7	29,118.4	24,685.3

Percentage of Period-end Balance Sheet Items**Denominated in Dollars:**

Loans, Net of Allowances	5.27	5.27	6.32	13.88	14.53	17.78
Total Assets	11.74	11.74	11.42	15.15	18.98	24.95
Deposits	7.15	7.15	10.12	15.05	18.08	18.16
Total Liabilities	13.71	13.71	14.29	23.57	23.01	27.73

Amounts in Accordance with U.S. GAAP

Trading Securities	510.3	3,326.0	3,450.1	5,309.8	2,700.4	2,011.9
Available-for-Sale Securities	740.3	4,825.3	3,251.2	2,881.9	2,384.9	3,916.9
Total Assets	14,226.6	92,728.7	72,398.2	55,956.7	40,593.9	30,377.6
Total Liabilities	13,161.2	85,784.7	67,290.3	52,080.6	37,596.9	29,141.3
Shareholders' Equity (Deficit)	1,065.4	6,944.0	5,107.9	3,876.1	2,997.1	1,236.3

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	Fiscal Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in millions of Pesos, except as noted) ⁽¹⁾				
Selected Ratios in Accordance with Argentine Banking GAAP					
Profitability and Efficiency					
Net Yield on Interest Earning Assets ⁽⁶⁾	13.78%	14.14%	13.27%	11.38%	9.10%
Financial Margin ⁽⁷⁾	12.75	12.11	11.72	10.02	8.41
Return on Average Assets ⁽⁸⁾	2.91	2.80	3.07	1.76	1.12
Return on Average Shareholders' Equity ⁽⁹⁾	32.46	32.12	37.39	18.63	11.69
Net Income from Services as a Percentage of Operating Income ⁽¹⁰⁾	38.04	38.15	39.57	44.73	45.90
Efficiency ratio ⁽¹¹⁾	66.65	68.83	67.88	71.42	71.05
Capital					
Shareholders' Equity as a Percentage of Total Assets	8.35%	7.67%	6.94%	6.92%	7.44%
Total Liabilities as a Multiple of Shareholders' Equity	10.97x	12.03x	13.41x	13.46x	12.45x
Total Capital Ratio	14.28%	13.02%	12.63%	15.19%	14.35%
Liquidity					
Cash and Due from Banks as a Percentage of Total Deposits	24.44%	20.89%	21.30%	25.40%	21.69%
Loans, Net as a Percentage of Total Assets	66.46	67.12	60.37	59.80	48.83
Credit Quality					
Past Due Loans ⁽¹²⁾ as a Percentage of Total Loans	2.69%	2.53%	1.82%	2.57%	3.95%
Non-Accrual Loans ⁽¹³⁾ as a Percentage of Total Loans	3.57	3.37	2.63	3.37	4.77
Allowance for Loan Losses as a Percentage of Non-accrual Loans ⁽¹³⁾	103.76	115.86	152.01	137.57	118.64
Net Charge-Offs ⁽¹⁴⁾ as a Percentage of Average Loans	1.15	2.00	1.49	2.37	2.84
Ratios in Accordance with U.S. GAAP					
Capital					
Shareholders' Equity (deficit) as a Percentage of Total Assets	7.49%	7.06%	6.93%	7.38%	4.07%
Total Liabilities as a Multiple of Total Shareholders' Equity	12.35x	13.17x	13.44x	12.54x	23.57x
Liquidity					
Loans, Net as a Percentage of Total Assets	59.43%	58.74%	55.06%	52.56%	45.55%
Credit Quality					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	127.05	143.90	202.23	163.37	108.37
Inflation and Exchange Rate					
Wholesale Inflation ⁽¹⁵⁾	14.72%	13.13%	12.67%	14.56%	10.27%
Consumer Inflation ⁽¹⁶⁾	10.95	10.84	9.51	10.92	7.69
Exchange Rate Variation ⁽¹⁷⁾ (%)	32.55	14.27	8.23	4.72	9.93
CER ⁽¹⁸⁾	10.53	10.55	9.54	11.04	6.95

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, 2013 amounts into Dollars was Ps.6.5180 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) *Amounts stated in Pesos or Dollars, as it corresponds.*
- (4) *Includes primarily debt with merchants and liabilities with other banks and international entities.*
- (5) *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.*
- (6) *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 .*
- (7) *Financial margin represents net financial income divided by average interest-earning assets.*
- (8) *Net income excluding minority interest as a percentage of average total assets.*
- (9) *Net income as a percentage of average shareholders equity.*
- (10) *Operating income is defined as net financial income plus net income from services.*
- (11) *Administrative expenses as a percentage of operating income as defined above.*
- (12) *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.*
- (13) *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 .*
- (14) *Charge-offs plus direct charge-offs minus bad debts recovered.*
- (15) *As measured by the annual change in the end-of-period Wholesale Price Index (WPI), published by INDEC (as defined herein).*
- (16) *As measured by the annual change in the end-of-period Consumer Price Index (CPI), published by INDEC.*
- (17) *Annual change in the end-of-period exchange rate expressed in Pesos per Dollar.*
- (18) *The CER is the Coeficiente de Estabilización de Referencia , an adjustment coefficient based on changes in the CPI.*

Exchange Rate Information

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

	High	Exchange Rate ⁽¹⁾		
		Low	Average	Period-End
		(in Pesos per Dollar)		
2009	3.8545	3.4497	3.7478 ⁽²⁾	3.7967
2010	3.9857	3.7942	3.9226	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

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October 2013	5,9108	5,7995	5,8482	5,9108
November 2013	6,1360	5,9215	6,0149	6,1360
December 2013	6,5180	6,1547	6,3192	6,5180
January 2014	8,0225	6,5430	7,0967	8,0182
February 2014	8,0178	7,7635	7,8565	7,8782
March 2014	8,0098	7,8657	7,9313	8,0098

(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 25, 2014, the exchange rate was Ps.8.0005 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 mainly in Argentina. Accordingly, the quality of our customer portfolio, loan portfolio, financial condition and results of operations depend, to a significant extent, on the macroeconomic and political conditions prevailing in Argentina. In general, the risk assumed when investing in the securities of issuers from countries such as Argentina, is higher than when investing in the securities of issuers from developed countries.

Risk Factors Relating to Argentina

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 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.

Although a slight expansion of economic activity occurred in 2013, such expansion was primarily attributable to isolated events (i.e., a good harvest in the agricultural sector and strong performance of the automotive sector during the first half of 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. As a result of all of 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 6.8% in 2008, 0.9% in 2009, 9.2% in 2010, 8.9% in 2011, 1.9% in 2012, and 3% in 2013. 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. Despite these isolated 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;

inflation rate remains high;

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.

A 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.

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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 7.7% in 2009, 10.9% in 2010, 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013; and the WPI increased 10.9% in 2009, 14.6% in 2010, 12.7% in 2011, 13.1% in 2012 and 14.7% in 2013. 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 recently introduced to replace the previous CPI index used by the INDEC that only covered the Autonomous City of Buenos Aires (Buenos Aires) and its outskirts. It is still too early to analyze the accuracy of the IPCNu, but initial figures were close to figures received from private consultants, which too reflect higher levels of inflation.

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 (e.g., the IMF and the Paris Club) and other financial institutions. Although in 2006, Argentina settled all of its outstanding debt with the IMF and between 2004 and 2010 carried out a variety of debt swaps with certain bondholders, the Government is still in default with some of the bondholders (holdout creditors) and with the Paris Club.

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. The outcome of this litigation is uncertain and, in the event of an unfavorable outcome for Argentina, could cause Argentina to be in technical default under some of its current indebtedness. 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.

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

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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 25% of Argentine exports in 2013. 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 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, during fiscal year 2012, the Argentine Central Bank passed new regulations that require banks, including Banco Galicia, to provide loans with interest rates that are below the then prevailing market interest rates. 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.

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.

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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. Since January 2014, the U.S. Federal Reserve began to reduce its asset purchase and monetary easing programs. Therefore, such changes could strengthen the U.S. Dollar vis-à-vis the Argentine Peso, increase pressure on commodity prices and lower U.S. capital in 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 the first three months of 2014, the exchange rate of the Argentine peso suffered a devaluation of approximately 23% against the U.S. dollar. As a consequence, the exchange rate as of the date of this report may not be indicative of current or future exchange rates.

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 or indexed or otherwise connected to a foreign currency.

Decree No. 1570/01, effective as of December 3, 2001, established certain restrictions on transfers of foreign currencies abroad, prohibiting most of 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 the country 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 obtain the approval of the

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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 with 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 be allowed provided that 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 the concepts of public policy in Argentine law, as determined by the competent courts of Argentina. Grupo Galicia cannot guarantee that an Argentine court may consider that the enforcement of foreign judgments ordering payments under foreign-currency securities, outside Argentina is contrary to public policy regulations of Argentine law, for instance, if at such time there are legal restrictions in place prohibiting Argentine debtors from transferring foreign currency abroad to pay off debts.

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.

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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 17% of GDP as of December 31, 2013.

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 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.

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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, 2013 was Ps.5,321 million, representing approximately 6.5% of its total consolidated assets and 0.8 times its shareholders' equity. Of this total, Ps.2,766 million corresponded to Argentine government securities, while the remaining Ps.2,555 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.

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.

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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.

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

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year ended December 31, 2013, 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.

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, 2013, Banco Galicia's liquidity ratio was 30.78%, 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.

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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 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, a holding company controlled by Banco Galicia, and CFA (97% Banco Galicia, 3% Grupo Financiero Galicia S.A.) we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. Argentines refer to the *Interior* (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.83,156 million as of December 31, 2013.

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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 456, Second Floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

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

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2013. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

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

Galicia Cayman, incorporated in the Cayman Islands.

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- (1) Includes the 4.526385% increase as a result of the merger with Lagarcué SA and Theseus SA. See -History-Grupo Financiero Galicia below.*
- (2) In February 2014 the name of the company was changed to Galicia Brokers Asesores de Seguros S.A.*
- (3) On April 15, 2014, Banco de Galicia y Buenos Aires S.A. sold its 95% interest in Galicia Administradora de Fondos S.A. to Grupo Financiero Galicia S.A.*

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History

Grupo Financiero Galicia

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

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

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

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

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

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

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

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

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

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

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

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

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

As of the date of this annual report, Grupo Financiero Galicia owned 99.62% of Banco Galicia.

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

In January 2005, Grupo Financiero Galicia created Galval, a securities broker based in Uruguay, with the aim of providing trading and custody services. On September 4, 2012, the Board of Directors approved the sale of Grupo Galicia's 100% interest in Galval. Such transaction was approved by the Central Bank of Uruguay in June 2013 and occurred on June 13, 2013.

In March 2008, GV Mandataria was incorporated with the purpose of carrying out securities-related representations, mandates and commissions of all types, involving both domestic and international companies. Grupo Financiero Galicia held 100% of GV Mandataria's stock. The GV Mandataria liquidation process was finalized during the year ended December 31, 2013.

Banco Galicia

Banco de Galicia y Buenos Aires S.A. is a banking corporation organized as a stock corporation under Argentine law and supervised and licensed to operate as a commercial bank by the *Superintendencia de Entidades Financieras y*

Cambiarias (Superintendency of Financial Institutions and Exchange Bureaus or the Superintendency).

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

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

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

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

As part of its growth strategy, in 1995 Banco Galicia began a new expansion 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

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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 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.333.9 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.

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

On May 18, 2004, Banco Galicia successfully completed the restructuring of US\$1,320.9 million of the debt of Banco Galicia's Head Office and its Cayman Branch, consisting of bank debt (including debt with multilateral credit agencies) and bonds. This amount represented 98.2% of the foreign debt eligible for restructuring. As of December 31, 2013, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$0.8 million.

Banco Galicia paid creditors who elected to participate in the cash offer and the Boden offer and issued (i) US\$648.5 million of long-term Dollar-denominated debt instruments, of which US\$464.8 million were Dollar-denominated notes due 2014 (referred to as the "Step Up Notes Due 2014" or the "2014 Notes") and (ii) US\$399.8 million of medium-term Dollar-denominated debt instruments, of which US\$352.8 million were Dollar-denominated notes due 2010 (referred to as the "Floating Rate Notes Due 2010" or the "2010 Notes").

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

During February 2011, Banco Galicia partially redeemed capitalized interest of its Subordinated Notes Due 2019 for US\$90.1 million (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.

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\$5.5 million (and accrued interest thereof for US\$0.3 million). Such payment was originally scheduled to be made on January 1, 2014.

As of December 31, 2013, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$240.9 million. During the first days of 2014 cumulative interest accrued on these notes was paid. For more information see Item 5.A. Operating Results-Contractual Obligations and Operating Results-Funding .

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Grupo Financiero Galicia holds a credit against Banco Galicia for US\$10.2 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\$27.3 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011.

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.

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.

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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.

As of December 31, 2013, Banco Galicia held directly 57.97% of Tarjetas Regionales while through Galicia Cayman held 19.03%. In turn, Tarjetas Regionales held 99.0% of Tarjeta Naranja and 99.0% 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, 2013, the Regional Credit Card Companies, on a consolidated basis, had approximately 8.0 million issued cards and were the largest proprietary brand credit card operation in Argentina.

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

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

Compañía Financiera Argentina

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

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

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

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

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

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

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

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

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

Sudamericana Holding

In 1996, Banco Galicia entered the bank 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 and property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property and casualty and life insurance, Galicia Retiro Compañía de Seguros S.A. (Galicia Retiro), which provides retirement insurance and Galicia Broker Asesores de Seguros S.A., an insurance broker (Galicia 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.

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 2010 fiscal year, Net Investment purchased shares of a company that carries out activities related to online business development. Further, 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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As of December 31, 2013, the equity investment held by Net Investment is equivalent to 0.19% of such company's net worth.

For fiscal year 2014, the board of directors of Net Investment analyzes various business alternatives and opportunities.

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%

Galval

Galval was formed in January 2005 under the laws of República Oriental del Uruguay. Galval renders brokerage services in Uruguay.

On September 4, 2012, the Board of Directors approved the sale of the 100% of Grupo Financiero Galicia's interest in Galval. This transaction was approved by the Central Bank of Uruguay in June 2013 and was consummated on June 13, 2013.

GV Mandataria (liquidated)

The main purpose of GV Mandataria de Valores S.A. (GV Mandataria) (liquidated) was to represent, act as agent and carry out brokerage activities for domestic and foreign companies. As a result of the international financial crisis and its impact on financial brokerage, GV Mandataria did not achieve its economic goals. During the fiscal year ended December 31, 2012, the decision was made to reduce the number of shareholders to only one, Grupo Financiero Galicia.

On November 12, 2012, GV Mandataria's extraordinary shareholders' meeting approved a proposal for the dissolution and liquidation of GV Mandataria pursuant to Section 94, Subsection 8, of the Corporations Law. During the fiscal year ended December 31, 2013, the liquidation process in respect of GV Mandataria was completed.

Business

Banking

Banco Galicia is our largest subsidiary. Banco Galicia operates in Argentina and substantially all of its customers, operations and assets are located in Argentina. Banco Galicia is a bank that provides, directly or through its subsidiaries, a wide variety of financial products and services to large corporations, 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 October 31, 2013, 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 9.19% and of 8.79% respectively, as of the end of 2013. On a consolidated basis, as of the end of fiscal year 2013, Banco Galicia had total assets of Ps.82,217.0 million, total loans of Ps.55,279 million, total deposits of Ps.51,410 million, and its shareholders' equity amounted to Ps.6,741 million.

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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, 2013, was comprised of 261 full service banking branches, located throughout the country, 1,715 ATMs and self-service terminals owned by Banco Galicia, phone banking and e-banking facilities. Banco Galicia's customer base, on an unconsolidated basis, was comprised of more than 2.7 million customers, who were comprised of mostly individuals but who also included more than 67,000 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 continues to strengthen its leading position in various business segments, not only through the cross selling of its various products to existing clients, but also through continuing to provide better quality financial products and services (including collection and payment services, commercial credit cards for each segment, direct payroll deposit, capital market alternatives, foreign trade solutions and corporate e-banking solutions).

During fiscal year 2013, the Wholesale Banking division of Banco Galicia provided assistance to more than 67,000 companies in Argentina through multiple credit lines to finance from working capital to medium- to long-term investment projects. The commitment to the country's business activity becomes clear in the Bank's total loan portfolio structure (unconsolidated with Tarjetas Regionales or Compañía Financiera Argentina), of which 59% accounts for the financing of production-related sectors. Out of this total, 69% of such financing was disbursed to small and medium-sized companies and the agricultural sector, and the remainder of such financing to large companies and corporations.

During 2013, Ps.55,800 million was disbursed as loans to companies across the country and the total commercial loans portfolio increased by 28%. 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 International Finance Corporation (IFC), the Inter-American Development Bank (IDB), FONTAR (*Fondo Tecnológico Argentino*), the Netherlands Development Finance Company (FMO), the Promotion et Participation pour la Coopération Economique (Proparco) and Bank for Investment and Foreign Trade (BICE). 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.

In addition to investment in capital goods, through the Credit Line for Productive Investment (a credit line that financial entities are required to offer, pursuant to Comunicado A 5380 and Comunicado 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.3,500 million for

approximately 8,000 loans, 68% of which was disbursed to micro-, small- and medium-sized companies.

With the purpose of improving efficiency and achieving synergies within the Bank, the Corporate Banking Centers Management Model was launched, which provides for the creation of service centers for corporate clients and the coordination of Banco Galicia branches and these service centers. During the fiscal year ended December 31, 2013, two new service centers were opened in the cities of Río Cuarto and Junín. Each such service center is composed of a team of specialized professionals who provide solutions designed according to the needs of the area where such corporate clients conduct business.

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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 67%, totaling nearly Ps.925,000 million, as compared to the Ps.553,800 million in fiscal year ended December 31, 2012. In order to continue improving the services offered as part of Galicia Office, new functionalities were added which enhanced the quality of information received by customers and the manner in which customers can access such information. Furthermore, Banco Galicia offered online training through Galicia Office to customers in various areas across the country.

Corporate Banking

This segment is comprised of companies whose revenues start at Ps.700 million. During the 2013 fiscal year, Banco Galicia consolidated its leading position in this segment, as per its presence in assessment and market penetration indices, as a result of planned commercial management, tailor-made financial and non-financial solutions, and the offer of specialized advisory services from a professional team.

The ongoing financial support and the cash management service (which includes products such as Cobranza Integrada Galicia (Galicia Integral Collection), Pago a Proveedores (Payment to Suppliers) and Pago de Haberes (Direct Payroll Deposits)), made it possible for Banco Galicia to increase its treasury volumes by more than 60% as compared to the fiscal year ended December 31, 2012.

During the fiscal year, the Corporate Banking division actively took part in the structuring of debt transactions and capital markets issuances, bolstering its leading positions in such transactions.

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.

During the fiscal year ended December 31, 2013, both cross-selling and transactional levels remained high, supported by the fact that the Companies segment practically fully incorporated the corporate e-banking solution, Galicia Office. Additionally, there was an increased presence throughout Argentina by the opening of additional Corporate Banking Centers with officers and service representatives specializing in the geographic area and business of such companies. These officers provide attentive, professional advice, credit assistance and technical support to selected groups of companies. There are a total of 12 Corporate Banking Centers throughout Argentina.

During fiscal year 2013, financing offered to companies, both for working capital and for financing investment projects, including the Credit Line for Productive Investment financing option that was described in the Wholesale Banking section introduction amounted to more than Ps.6,000 million.

Agricultural and Livestock Sector

For the eighth 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. Further, Banco Galicia continued to improve its business model in respect of the agriculture sector by creating and implementing a new service model in order to provide additional

focus on small producers in the agricultural business and to meet customer service demands.

This directly correlates to its offering of products relating to such sector. Tarjeta Galicia Rural holds more than 43% of the market share of credit card-related transactions in this segment, having experienced a 58% increase in sales volumes, as compared to the 2012 fiscal year. For example, more than 90 interest-free agreements were entered into with leading agricultural and livestock sector companies.

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Noteworthy among the business activities carried out during the 2013 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 2013 fiscal year, the eleventh 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. Banco Galicia continued supporting the research and outreach activities of *Producir Conservando* Foundation and of *Universidad Austral* as well as continuing its support of the work of *Asociación Argentina de Productores en Siembra Directa* (Argentine Association of No-till Farming) and *Consortios Regionales de Experimentación Agrícola* (Agricultural Experimentation Regional Consortiums) with a view towards spreading the agriculture certified in Argentina.

Foreign Trade

During the 2013 fiscal year, the foreign trade volumes (imports plus exports) amounted to US\$17,758 million, which accounts for 11% of the trade balance.

In order to continue rendering specialized services and advice, and in order to maintain a strong presence throughout Argentina, new foreign trade officers joined the team for the micro-, small- and medium-sized companies segment.

Banco Galicia continued to renew and update Galicia Comex, its foreign trade specialized website, which seeks to ease, simplify and quicken customers' transactions, by incorporating new training material and regulatory updates.

Out of the total foreign trade transactions, 47% were carried out through electronic banking, indicating a 4 percentage point (p.p.) increase in fiscal year 2013 as compared to fiscal year 2012. With the purpose of conducting electronic transactions in a safer, faster and more comfortable manner, improvements were added to the electronic transfer form.

Capital Markets and Investment Banking

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

Non-Financial Public Sector

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 2013, non-financial public sector work was intended to strengthen the use of foreign trade tools among customers. This sector grew with regard to collection and payment products, generating new transactional cash flows that were later converted into demand deposits.

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.

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Retail Banking continued consolidating its commercial strategy by segment, focusing on the small companies and business and professionals segment. In addition, *Move* was launched as a value proposal for the young adult segment, with the goal of attracting customers at a low cost and positioning Banco Galicia as a leader in this age group.

Further, during fiscal year 2013, the *Lean* project was implemented with the goal of expediting the provision of service in order to have less crowded branches and to improve customer service. At the end of 2013 it has been implemented in 70% of the branches and we expect to cover our entire distribution network during the second half of 2014.

As of December 31, 2013, the Retail Banking Division's total customers amounted to 1.9 million, representing a 9% increase from the fiscal year ended December 31, 2012.

During 2013, service platforms were strengthened, with new services and technology being offered to customers in the business and small- and medium-sized companies segment as well as for users of Galicia Éminent, a service aimed at the high-income customer segment. Furthermore, with respect to the rest of the portfolio, efforts were made to define different activities, characteristics, business models and processes suitable for each group of customers identified. Banco Galicia worked on developing special offers for certain groups, such as women, young adults and retirees.

For the young adult segment, Banco Galicia developed a new service aimed at university students with the goal of attracting customers creating lasting loyalty. This is an online program with a mobile application without branch services. Furthermore, this project includes debit cards with new features, such as a picture and chips that are used for the university entry system. Banco Galicia entered into a strategic alliance with ISIC (International Student Identity Card), the only non-profit association that globally certifies students and offers more than 50,000 benefits in Argentina and worldwide.

A comprehensive proposal was created to target women by creating a private, simple and distinctive channel of communication between them and Banco Galicia. The proposal is marketed under the slogan *Vamos los jueves para nosotras* (Let's go, Thursdays are just for us). A virtual forum was created on bancogalicia.com, where women can find tax advice, information necessary to plan trips and savings recommendations, among other things.

For the mass income segment, in order to develop new customers, the minimum income to have access to a credit card was reduced, thus making it possible for low-income individuals to have access to credit and financing.

For the business and small- and medium-sized companies segment, Banco Galicia primarily worked on attracting new customers and developing and increasing its portfolio profitability. Such business strategy is based on the following three points: solutions, proximity and advisory services. The latter was based on a series of innovative actions that differentiate Banco Galicia from its competitors and developing positioning activities focused on providing advice to businessmen from small- and medium-sized companies through four *Buenos Negocios* (Good Businesses) events. These events included training activities and business meetings for more than 2,500 customers in Buenos Aires, Rosario, Córdoba and Mar del Plata, and for 2,000 more customers through online streaming. Banco Galicia also took part in seven sector-specific fairs. Banco Galicia also launched the buenosnegocios.com community website, which received almost 900,000 visits during the first year after its launch. The segment reached 192,000 customers by the end of 2013, developing products that generate deposits, such as foreign trade, payroll and collection services.

Galicia Éminent, a service aimed at the high-income customer segment, reached 126,000 customers in 2013, attaining a 33% penetration in this market segment and, based on internal studies conducted by Banco Galicia, achieved the goals set for the year: i.e., being the leader with regard to satisfaction, achieving brand recognition, increasing its

number of customers, increasing its volume of deposits, and becoming the first choice of clients over competing products in the market. The QuieroViajes Éminent trip platform was created, with a website and a specialized call center to guarantee a differentiating experience vis-à-vis other products or segments. Experiences and benefits in this platform were also upgraded to keep up with the highly competitive market.

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Banco Galicia believes it continued to be the leader in the direct deposit of salaries (i.e., customers for whom their employers deposit their salaries directly at Banco Galicia) based on internal studies undertaken by Banco Galicia, increasing by 7.5% the number of customers as compared to 2012 and thus increasing its market share.

In order to improve efficiency and render more immediate and interactive services, Banco Galicia strengthened its digital platform, by including content suitable for the different profiles of its customers. During 2013, Banco Galicia stopped sending printed newsletters and instead began publishing a digital newsletter that is available at bancogalicia.com. In addition, over 500,000 customers currently receive their account statement or credit card statement electronically.

Private Banking 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.

During 2013, Private Banking significantly participated in the placement of primary issuances of bonds and establishment of financial trusts, estimating to being one of the major referrals within the domestic retail market based on internal studies undertaken by Banco Galicia.

One of the Private Banking goals, similar to the Bank's strategy to differentiate from competitors through quality of service, is the focus on customer service. For the sixth year in a row, the Private Banking Division has obtained the ISO 9001 Certification for its Customer Service Model and is preparing the recertification for 2014, while continuing with its customer loyalty and satisfaction assessment programs. The high index achieved with respect to the general perception of the services rendered exceeds the general market levels.

Banco Galicia has placed special emphasis on its personal loan customer base and has aimed at sustaining growth while maintaining its excellent low-risk levels.

Banco Galicia improved and simplified its credit limit granting process by allowing online offers to be available, as a result, over 80% of the credit applications are automatically granted through this sales channel.

Banco Galicia provides a wide offering of services according to each customer's income and credit profile. A personal loan can be accessed immediately by visiting any of its branches, by phone, from home banking, ATMs and self-inquiry terminals.

The credit and debit card business continued its strong growth during 2013, with a 41% increase in purchases, as compared to 2012, and over 200 million transactions during 2013, representing a 10% increase as compared to transactions during 2012. The Bank's market share in the banking means of payment (i.e., credit and debit cards business) reached 13.2%.

During the 2013 fiscal year, over 360,000 primary cards and 320,000 additional cards were issued, totaling over 4 million cards. With 1,300 business agreements, Banco Galicia provides benefits to its customers at 12,000 stores in various industries and throughout the country. Customers can also 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.

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As of December 31, 2013, Banco Galicia's geographical distribution of its branches was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires	86
Greater Buenos Aires	69
Rest of the Province of Buenos Aires	31
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
Total	261

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

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, 2013, Tarjetas Regionales had more than 3.0 million active accounts, 8.0 million issued credit cards and more than 216,000 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market share of issued credit cards in Argentina was approximately 18% 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 135 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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As of the end of the second quarter of 2012, Tarjeta Naranja Dominicana S.A.'s shareholders decided to sell 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.

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, 2013, these proprietary credit cards accounted for, on average, approximately 55% of its issued credit cards and approximately 79% 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 260 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, 2013, CFA's assets were over Ps.3,641 million and its shareholders' equity was Ps. 1.010 million. CFA employed 1,170 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 536,000 customers, who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

Main products:

Efectivo Sí - 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 has strengthened, mainly through advertising in major soccer tournaments organized by the Argentine Soccer Association.

CFA's net income for fiscal year 2013 amounted to Ps.139 million. At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.3.020 million, representing a 32 % increase as compared to fiscal year 2012 and had strong portfolio quality ratios.

CFA's objective is to secure, maintain and expand its leading position in the consumer finance market. During 2014, 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.

In 2013, Banco Galicia was ranked 2nd in the MAE's annual ranking for transactions of fixed-income instruments.

Foreign trade transactions amounted to US\$16,800 million, 6 % higher than in 2012. In addition, Dollar trading transactions significantly decreased as a result of foreign exchange restrictions from US\$1,300 million in 2012 to US\$74 million in 2013. In the wholesale market, the total volume traded among banks in the MAE decreased by 6%, as compared to 2012, from US\$61,700 million in 2012 to US\$58,200 million in 2013, whereas the volume traded by Banco Galicia increased by 37%, from US\$3,700 million in 2012 to US\$5,050 million in 2013, which caused an improvement in Banco Galicia's rankings from fifth to third, according to MAE's ranking.

Banco Galicia ranked first in the traded volume of interest rate futures with a total of Ps.3,500 million, and third in the traded volume of swaps with a total of Ps.480 million.

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.

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Banco Galicia distributes the FIMA mutual funds through its broad distribution network (branches, electronic banking and telephone banking) to different customer segments (institutions, companies and individuals), while it acts as custodian of the assets that make up the funds in its role as depository. Galicia Administradora de Fondos is the company that manages investments and determines the value of the mutual fund units on a daily basis. The total value of the FIMA funds equity grew 86% to Ps.6,631 million, as compared to the fiscal year ended December 31, 2012, accounting for 9.1% of the market share.

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.1,322 million during 2013, 41% higher than the volume of premiums of the previous year (Ps.939 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps. 383.6 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 2013 amounted to Ps.396 million of annualized premiums. This represented a 46% 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 2014.

Other Businesses

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 2010 fiscal year, Net Investment purchased shares of a company that carries out activities related to online business development. Further, 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. As of December 31, 2013, the equity investment held by Net Investment was equivalent to 0.19% of such company's net worth.

For fiscal year 2014, 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. The growth experienced by the Argentine economy and the increased activity in the industrial and agro-industrial sectors resulted in higher demand for credit and, therefore, an increase in financing-related activities. As a result of such growth, together with the demand for short- and mid-term financial services, in the fiscal year December 31, 2013, Galicia Warrants recorded Ps.28.8 million in income from services and a net income of to Ps.11.9 million.

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Galval: this company mainly generated fee income from brokerage and custodial services. On September 4, 2012, the Board of Directors resolved to approve the sale of 100% of its interest in Galval. In June 2013, the Uruguayan Central Bank approved this transaction and it occurred on June 13, 2013.

GV Mandataria (liquidated): this company was created to carry out representations, mandates and commissions of all types, whether involving domestic or international companies.

As a result of the international financial crisis and its impact on GV Mandataria's business, it did not achieve its economic goals. During the fiscal year ended December 31, 2012, the decision was made to reduce the number of shareholders to only one, Grupo Financiero Galicia.

On November 12, 2012, the company's extraordinary shareholders' meeting approved a proposal for the dissolution and liquidation of the company pursuant to Section 94, Subsection 8, of the Corporations Law. In August 2013 GV Mandataria was liquidated.

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 deposit market share of private-sector deposits in the Argentine financial system was 9.19% as of December 31, 2013, as compared to 9.11% as of December 31, 2012 and 8.78% as of December 31, 2011.

With respect to loans to the private sector, Banco Galicia's Argentine market share was 8.79% as of December 31, 2013, as compared to 9.03% and 8.63% as of December 31, 2012 and December 31, 2011, respectively.

According to the information published by the Argentine Central Bank, as of October 31, 2013, 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 October 31, 2013, the Argentine financial system consisted of 82 financial institutions, of which 65 were banks and 17 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; 20 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks); and 1 was a cooperative bank, also domestically-owned.

As of the same date, the largest private-sector banks, in terms of total deposits, were: Banco Santander Río, Banco Galicia, BBVA Banco Francés, Banco Macro, HSBC Bank, Credicoop and 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 October 31, 2013, private-sector banks accounted for 53.8% of total deposits and 59.6% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise significant entry or exit barriers, nor do they make any differentiation between locally or foreign-owned institutions. The only cooperative bank is active principally in consumer and middle-market banking, with a special emphasis on the lower end of the market. As of October 31, 2013, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 3.4% of net loans in the Argentine financial system.

As of October 31, 2013, 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. Under current law, Banco de la Provincia de Buenos Aires is not subject to any taxes, levies or assessments that the Argentine government may impose. According to information published by the Argentine Central Bank, as of October 31, 2013, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 45.9% 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 82 at October 31, 2013, 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 October 31, 2013.

Foreign banks continue to have a significant presence in Argentina, despite the fact that the number of foreign banks decreased by 20 through October 2013, as compared to the end of 2001, and that foreign banks share of total deposits has decreased since the 2001-2002 crisis while the share of domestic private-sector banks has increased.

Regional Credit Cards

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 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 network of branches, which is the second largest in Argentina, has allowed the Regional Credit Card Companies to establish a local presence in all of the provinces of Argentina.

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The Regional Credit Card Companies believe that their diversified and consistent funding sources, significant network of branches, robust information technology infrastructure, relationships with over 216,000 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). Based on internal studies undertaken by CFA, it is estimated that CFA is ranked 10th within national personal loans market, over entities such as Citibank, Cordial Cía. Financiera S.A., Banco Supervielle, Banco Credicoop and Banco Hipotecario.

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

Insurance

Sudamericana's subsidiaries face significant competition since, as of December 2013, the Argentine insurance industry was comprised of approximately 184 insurance companies, 37 of which were dedicated exclusively to life insurance and 18 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 26,026 individuals and 551 companies.

During 2013, the insurance industry continued growing. Production amounted to Ps.91 billion, 36.3% higher than the level recorded for 2012.

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 44%, followed by the workers' compensation segment, representing 34%.

Within the life insurance segment, the group life insurance segment is the most significant, representing 67%, followed by individual life insurance, representing 14%, and personal accident insurance, representing 14%.

As of June 2013, based on internal studies undertaken by Galicia Seguros it is estimated that Galicia Seguros ranked fourth in terms of net premiums for life insurance policies underwritten and first in terms of net premiums for home insurance policies underwritten.

Sales and Marketing

Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices of the Regional Credit Card Companies, 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 outskirts. Through Banco Galicia, we operate a nationwide distribution network, which is one of the most extensive and diversified distribution networks among private-sector financial institutions in Argentina.

	December 2013
Branches <i>(number)</i>	
Bank Branches	261
Regional Credit Card Cos. Branches	204
CFA Branches	95
Business Centers and In-House Facilities	31
Eminent's space with Private-Banking	16
Electronic Banking Terminals <i>(number)</i>	
ATMs	837
Self-Service Terminals	878
Electronic Banking Transactions <i>(thousands per month)</i>	
ATMs + Self-Service Terminals	9,419
Phone-Banking	448
e-banking	37,917

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

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

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

Likewise, Banco Galicia currently has over 1 million customers who 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's investment in advertising has increased in the last years, in line with the general market's trend and particularly, the Argentine financial system's increase in investment and number of advertisers.

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

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

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include a link that allows payments to be made. In addition, each company has a call center, through which sales, post-sales and collection functions are performed. During 2012, Tarjeta Naranja launched the website www.tiendanaranja.com aimed at selling products associated with its primary merchants. Similarly, Tarjetas Cuyanas launched the website, www.preciosbajos.com.

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 900 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, 2013:

Property	Address	Square Meters (approx.)	Main Uses
Grupo Financiero Galicia			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
Banco de Galicia y Buenos Aires S.A.			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	18,183	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	41,511	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,300	Administrative activities
	-Corrientes 6287, Buenos Aires, Argentina	4,800	Land for corporate building
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3,600	Administrative activities
	-Corrientes 411, 3rd and 4th floors, Buenos Aires, Argentina	2,100	Administrative activities
Banco Galicia Uruguay S.A. (in liquidation)			
- Rented	-Bernardina Fragoso de Rivera 1438, Montevideo, Uruguay	580	Storage
	- Dr. Luis A. de Herrera 1052 - Tower C, Unit 1309, Montevideo, Uruguay	87	Administrative activities
Tarjeta Naranja S.A.			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities

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	-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
	-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
Tarjetas Cuyanas S.A.			
- 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
Compañía Financiera Argentina			
- Rented	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	9,275	Administrative Activities
Galicia Warrants S.A.			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
	-Santa Marta, Alderete, Tucumán, Argentina	2,100	Storage
Galicia Seguros S.A.			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities

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As of December 31, 2013, our distribution network consisted of:

Banco Galicia: 261 branches located in Argentina, 140 of which were owned and 121 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja: 213 sales points located in 21 of the 23 Argentine provinces, 162 of which were rented by the company.

Tarjetas Cuyanas: 47 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 2013, our capital expenditures amounted to Ps.989.1 million, distributed as follows:

Ps.343.5 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.645.6 million in organizational and IT system development expenses.

During 2012, our capital expenditures amounted to Ps.868.0 million, distributed as follows:

Ps.299.6 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.568.4 million in organizational and IT system development expenses.

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

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

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

These capital expenditures were made mainly in Argentina.

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

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.

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 95.0%, 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 Lagarcu  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 Lagarcu  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.

During the 2012 fiscal year, Galicia Seguros invested Ps.11.7 million for the formation of a reinsurance company (Nova Re Compa  a Argentina de Reaseguro S.A.), controlling 39% of the capital stock and voting rights of such company.

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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.

On February 25, 2014, the Board of Directors of Grupo Financiero Galicia resolved to acquire the remaining 2,123,962 shares of Banco Galicia held by third parties at a price of Ps.23.22 per share. This transaction is subject to the authorization of the National Securities Commission.

Investment planning

We have budgeted capital expenditures for the fiscal year ending December 31, 2014, 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.	488.2
Organizational and IT System Development		683.1
Total	Ps.	1,171.3

These capital expenditures will be made mainly in Argentina.

Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2014 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.6.5180, Ps.4.9173 and Ps.4.3032 per US\$1.00 as of December 31, 2013, December 31, 2012 and December 31, 2011, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or any other rate. See Item 3. Key Information-Exchange Rate Information .

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

The average balances of interest-earning assets and interest-bearing liabilities, including the related interest that is receivable and payable, are calculated on a daily basis for Banco Galicia, Galicia Uruguay, Tarjetas Regionales and CFA on a consolidated basis. 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.

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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
(in millions of Pesos, except rates)									
Assets									
Government Securities	3,754.8	568.2	15.13	400.9	27.3	6.80	4,155.7	595.5	14.33
Loans									
Private Sector	44,965.0	11,367.8	25.28	2,940.2	137.9	4.69	47,905.2	11,505.7	24.02
Public Sector	6.8						6.8		
Total Loans ⁽¹⁾	44,971.8	11,367.8	25.28	2,940.2	137.9	4.69	47,912.0	11,505.7	24.01
Other	2,008.9	364.4	18.14	83.1	7.3	8.78	2,092.0	371.7	17.77
Total Interest-Earning Assets	50,735.5	12,300.4	24.24	3,424.2	172.5	5.04	54,159.7	12,472.9	23.03
Cash and Gold	6,343.7			3,467.0			9,810.7		
Equity in Other Companies	1,445.5			262.5			1,708.0		
Other Assets	5,671.6			624.8			6,296.4		
Allowances	(2,058.5)			(72.5)			(2,131.0)		
Total Assets	62,137.8			7,706.0			69,843.8		
Liabilities and Equity									
Deposits									
Checking Accounts	0.1			1.0			1.1		
Savings Accounts	7,140.1	14.5	0.20	937.9			8,078.0	14.5	0.18
Time Deposits	21,781.6	3,755.2	17.24	1,475.0	17.4	1.18	23,256.6	3,772.6	16.22
Total Interest-Bearing Deposits	28,921.8	3,769.7	13.03	2,413.9	17.4	0.72	31,335.7	3,787.1	12.09
Other Financial Entities	1,270.5	316.2	24.89	442.3	8.4	1.90	1,712.8	324.6	18.95

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Debt Securities	2,152.8	429.6	19.96	4,197.5	439.9	10.48	6,350.3	869.5	13.69
Other	155.8	15.7	10.08	224.2	14.8	6.60	380.0	30.5	8.03

Total Interest-Bearing Liabilities	32,500.9	4,531.2	13.94	7,277.9	480.5	6.60	39,778.8	5,011.7	12.60
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Demand Deposits	11,264.1			463.9			11,728.0		
Other Liabilities	10,894.6			1,113.4			12,008.0		
Minority Interests	711.3						711.3		
Shareholders Equity	5,617.7						5,617.7		

Total Liabilities and Equity	60,988.6			8,855.2			69,843.8		
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Spread and Net Yield

Interest Rate Spread		10.30		(1.56)				10.43
Cost of Funds Supporting Interest-Earning Assets		8.93		14.03				9.25
Net Yield on Interest-Earning Assets		15.31		(8.99)				13.78

(*) 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>									
Assets									
Government Securities	5,154.1	695.0	13.48	94.0	2.1	2.23	5,248.1	697.1	13.28
Loans									
Private Sector	31,552.2	7,846.1	24.87	3,644.7	196.7	5.40	35,196.9	8,042.8	22.85
Public Sector									
Total Loans ⁽¹⁾	31,552.2	7,846.1	24.87	3,644.7	196.7	5.40	35,196.9	8,042.8	22.85
Other	2,264.7	383.3	16.92	126.9	3.5	2.76	2,391.6	386.8	16.17
Total Interest-Earning Assets	38,971.0	8,924.4	22.90	3,865.6	202.3	5.23	42,836.6	9,126.7	21.31
Cash and Gold	4,349.5			2,799.3			7,148.8		
Equity in Other Companies	850.9			265.3			1,116.2		
Other Assets	4,435.8			527.3			4,963.1		
Allowances	(1,543.1)			(105.2)			(1,648.3)		
Total Assets	47,064.1			7,352.3			54,416.4		
Liabilities and Equity									
Deposits									
Checking Accounts	0.2			1.3			1.5		
Savings Accounts	5,395.2	10.5	0.19	1,274.0			6,669.2	10.5	0.16
Time Deposits	15,124.7	2,222.0	14.69	1,585.8	14.4	0.91	16,710.5	2,236.4	13.38
Total Interest-Bearing Deposits	20,520.1	2,232.5	10.88	2,861.1	14.4	0.50	23,381.2	2,246.9	9.61
Other Financial									
Entities	925.0	192.5	20.81	968.2	31.8	3.28	1,893.2	224.3	11.85
Debt Securities	1,032.0	186.1	18.03	3,718.7	360.8	9.70	4,750.7	546.9	11.51

Other	228.0	19.6	8.60	668.9	32.4	4.84	896.9	52.0	5.80
Total Interest-Bearing Liabilities	22,705.1	2,630.7	11.59	8,216.9	439.4	5.35	30,922.0	3,070.1	9.93
Demand Deposits	8,922.0			615.4			9,537.4		
Other Liabilities	7,971.9			1,255.9			9,227.8		
Minority Interests	568.8						568.8		
Shareholders Equity	4,160.4						4,160.4		
Total Liabilities and Equity	44,328.2			10,088.2			54,416.4		
Spread and Net Yield									
Interest Rate Spread			11.31			(0.12)			11.38
Cost of Funds Supporting Interest-Earning Assets			6.75			11.37			7.17
Net Yield on Interest-Earning Assets			16.15			(6.13)			14.14

(*) Rates include the CER adjustment.

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

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

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

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Cash and Gold	3,184.7			2,952.6			6,137.3		
Equity in Other Companies	678.0			248.3			926.3		
Other Assets	3,572.3			277.3			3,849.6		
Allowances	(1,140.3)			(78.5)			(1,218.8)		
Total Assets	33,972.5			7,663.2			41,635.7		

Liabilities and Equity

Deposits									
Checking Accounts	0.6			2.7			3.3		
Savings Accounts	3,928.3	10.6	0.27	1,897.4			5,825.7	10.6	0.18
Time Deposits	10,153.5	1,285.9	12.66	1,816.7	11.3	0.62	11,970.2	1,297.2	10.84

Total Interest-Bearing Deposits	14,082.4	1,296.5	9.21	3,716.8	11.3	0.30	17,799.2	1,307.8	7.35
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Other Financial Entities	696.5	134.8	19.35	636.4	11.1	1.74	1,332.9	145.9	10.95
Debt Securities	379.9	66.6	17.53	3,010.9	286.6	9.52	3,390.8	353.2	10.42
Other	114.4	9.2	8.04	691.6	31.9	4.61	806.0	41.1	5.10

Total Interest-Bearing Liabilities	15,273.2	1,507.1	9.87	8,055.7	340.9	4.23	23,328.9	1,848.0	7.92
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Demand Deposits	6,878.8			750.2			7,629.0		
Other Liabilities	6,048.5			1,251.8			7,300.3		
Minority Interests	416.7						416.7		
Shareholders Equity	2,960.8						2,960.8		

Total Liabilities and Equity	31,578.0			10,057.7			41,635.7		
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Spread and Net Yield

Interest Rate Spread			11.56			(0.61)			11.13
Cost of Funds									
Supporting Interest-Earning Assets			5.45			8.00			5.79
Net Yield on Interest-Earning Assets			15.99			(4.37)			13.27

(*) Rates include the CER adjustment.

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

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, 2013 compared with the fiscal year ended December 31, 2012; and (ii) the fiscal year ended December 31, 2012, compared with the fiscal year ended December 31, 2011. Differences related to both rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2013/ Fiscal Year 2012			Fiscal Year 2012/ Fiscal Year 2011,		
	Increase (Decrease) due to changes in			Increase (Decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in millions of Pesos)					
Interest Earning Assets						
Government Securities						
Pesos	(230.7)	103.9	(126.8)	106.4	(64.2)	42.2
Dollars	15.4	9.8	25.2	1.9		1.9
Total	(215.3)	113.7	(101.6)	108.3	(64.2)	44.1
Loans ⁽¹⁾						
Private Sector						
Banco Galicia and Regional Credit Card Companies						
Pesos	3,388.8	132.9	3,521.7	2,287.6	487.1	2,774.7
Dollars	(35.1)	(23.7)	(58.8)	(11.8)	59.2	47.4
Total	3,353.7	109.2	3,462.9	2,275.8	546.3	2,822.1
Public Sector						
Pesos						
Dollars						
Total						
Other						
Pesos	(51.9)	33.0	(18.9)	85.7	90.1	175.8
Dollars	(0.7)	4.5	3.8	(9.1)	7.6	(1.5)
Total	(52.6)	37.5	(15.1)	76.6	97.7	174.3
Total Interest-Earning Assets						
Pesos	3,106.2	269.8	3,376.0	2,479.7	513.0	2,992.7
Dollars	(20.4)	(9.4)	(29.8)	(19.0)	66.8	47.8
Total	3,085.8	260.4	3,346.2	2,460.7	579.8	3,040.5

Table of Contents**Interest Bearing Liabilities**

Demand Account

Pesos

Dollars

Total

Savings Account

Pesos

Dollars

Total

Time Deposits

Pesos

Dollars

Total

With Other Financial Entities

Pesos

Dollars

Total

Notes

Pesos

Dollars

Total

Other liabilities

Pesos

Dollars

Total

Total Interest Bearing Liabilities

Pesos

Dollars

Total

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

The increase of Ps.3,346.2 million in interest income for the fiscal year ended December 31, 2013, as compared to the previous year, is mainly explained by the Ps.3,085.8 million benefit from the increase in the volume of interest-earning assets, together with the Ps.260.4 million increase in interest rates.

In particular, the Ps.3,376.0 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. Likewise, the increase in interest rates in Pesos was primarily a result of the 117 basis points (b.p.) increase in the average interest rate for loans to the private sector, from 22.85% to 24.02%, and to the higher average interest rate on government securities denominated in Pesos, from

13.48% to 15.13%, mainly as a consequence of the higher average rate accrued on Lebac and Nobac, as well as on Bonar 2015 Bonds.

The Ps.29.8 million negative net change in Dollar-denominated assets reflects a decrease of Ps.9.4 million as a result of the decrease in the interest rate for interest-earning assets, together with a Ps.20.4 million decrease in the volume of interest-earning assets held.

In terms of interest expenses, the Ps.1,941.6 million increase for the fiscal year ended December 31, 2013, as compared to 2012, is primarily a result of the increase in the volume of time deposits, as well as the higher amount of notes outstanding, which was primarily attributable to the issuances of notes by Tarjeta Naranja, Tarjetas Cuyanas, CFA and Grupo Financiero Galicia.

Table of Contents**Interest-Earning Assets-Net Yield on Interest-Earning Assets**

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

	Fiscal Year Ended December 31,		
	2013	2012	2011
	(in millions of Pesos, except percentages)		
Total Average Interest-Earning Assets			
Pesos	50,735.5	38,971.0	27,677.8
Dollars	3,424.2	3,865.6	4,263.5
Total	54,159.7	42,836.6	31,941.3
Net Interest Earned ⁽¹⁾			
Pesos	7,769.1	6,293.7	4,424.6
Dollars	(308.1)	(237.1)	(186.4)
Total	7,461.0	6,056.6	4,238.2
Net Yield on Interest-Earning Assets ⁽²⁾ (%)			
Pesos	15.31	16.15	15.99
Dollars	(9.00)	(6.13)	(4.37)
Weighted-Average Yield	13.78	14.14	13.27
Interest Spread, Nominal Basis ⁽³⁾ (%)			
Pesos	10.30	11.31	11.56
Dollars	(1.56)	(0.12)	(0.61)
Weighted-Average Yield	10.43	11.38	11.13
Credit Related Fees Included in Net Interest Earned			
Pesos	222.7	191.5	146.2
Dollars	5.9	0.4	
Total	228.6	191.9	146.2

(1) Net interest earned corresponds to the net financial income (Financial Income minus Financial Expenses), as set forth in the Income Statement), plus (i) financial fees included in Income from Services - In Relation to Lending Transactions in the Income Statement, (ii) contributions to the Deposits Insurance Fund included in the item with the same denomination that is part of the Financial Expenses caption in the Income Statement, and (iii) contributions and taxes on financial income included in the

Income Statement under Financial Expenses - Others; minus (i) net income from corporate securities, included under *Financial Income/Expenses - Interest Income and Gains/Losses from Holdings of Government and Corporate Securities*, in the Income Statement, (ii) differences in quotation of gold and foreign currency included in the item with the same denomination that is part of the *Financial Expenses/Income* caption in the Income Statement, and (iii) the premiums and adjustments on forward transactions in foreign currency, included in the item *Financial Income-Others* in the Income Statement. Net interest earned also includes income from government securities used as security margins in repurchase agreement transactions. This income/loss is included in *Miscellaneous Income/Loss - Others* in the Income Statement. Net income from government securities includes both interest and gains/losses due to the variation of market quotations.

(2) Net interest earned, divided by average interest-earning assets.

(3) Interest spread, nominal basis is the difference between the average nominal interest rate on interest-earning assets and the average nominal interest rate on interest-bearing liabilities.

Government and Corporate Securities

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

	Fiscal Year Ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Government Securities			
Pesos			
Recorded at Cost plus Yield	396.1	595.7	162.4
Bonar Bonds	392.0	558.1	
Others	4.1	37.6	162.4
Recorded at Fair Value	491.3	98.8	93.1
Bonar Bonds	459.4	89.1	61.1
Others	31.9	9.7	32.0
Issued by Argentine Central Bank	2,077.0	2,685.3	4,917.9
Lebac Unquoted	1,110.2	1,165.5	713.5
Lebac Quoted	948.8	1,309.2	10.3
Nobac Unquoted		46.6	637.4
Nobac Quoted	18.0	125.5	2,146.0
Nobac Repurchase Agreement Transactions			66.5
Lebac Repurchase Agreement Transactions		38.5	1,344.2
Total Government Securities in Pesos	2,964.4	3,379.8	5,173.4

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Dollars			
Recorded at Cost plus Yield	740.9	228.5	
Government Bonds	740.9	228.5	
Recorded at Fair Value	251.6	19.8	54.3
Boden 2015 Bonds	17.2		
Government Bonds	234.4	19.8	54.3
Total Government Securities in Dollars	992.5	248.3	54.3
Total Government Securities	3,956.9	3,628.1	5,227.7
Corporate Securities	30.4	0.2	3.1
Corporate Equity Securities (Quoted) in Pesos		0.2	3.1
Corporate Equity Securities (Quoted) in Dollars	30.4		
Allowances		(1.2)	
Total Government and Corporate Securities	3,987.3	3,627.1	5,230.8

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.558.1 million.

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

Government Securities - Net Position

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

As of December 31, 2013					
	Forward	Forward	Spot	Spot	Net
	Holdings	Purchases ⁽¹⁾	Sales ⁽²⁾	purchases to be settled	sales to be settled
					Position
					<i>(in millions of Pesos)</i>
Government Securities					
Holdings Recorded at Cost plus Yield					
Pesos	396.1				396.1
Dollars	740.9		0.3	(1.0)	740.2

Holdings Recorded at Fair Value

Pesos	491.3	(127.1)	3.4	(0.3)	367.3
Dollars	251.6		24.7	(36.7)	239.6

Securities issued by the Argentine Central Bank

Pesos	2,077.0	408.9		79.8	(10.6)	2,555.1
Total Government Securities	3,956.9	408.9	(127.1)	108.2	(48.6)	4,298.3

Corporate Equity Securities (Quoted)	30.4				(4.6)	25.8
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Total Government and Corporate Securities

	3,987.3	408.9	(127.1)	108.2	(53.2)	4,324.1
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(1) Forward purchases include securities granted as collateral.

(2) Forward sales include government securities deposits.

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The net position of government securities as of December 31, 2013 amounted to Ps.4,324.1 million.

The net position of government securities at cost plus yield issued in Pesos, for Ps.396.1 million, mainly corresponds to Bonar 2015 Bonds, for Ps.392.0 million. The net position of government securities at cost plus yield issued in Dollars amounts to Ps.740.2 million and can primarily be attributed to debt issued by the provinces of Chubut, Neuquén, 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, such as energy plants and YPF.

The net position corresponding to government securities at fair value in Pesos, in the amount of Ps.367.3 million, mainly corresponds to Bonar 2014 Bonds equal to Ps.429.2 million, which position was partially offset by a negative position equal to Ps.127.1 million as a result of the receipt of deposits of the Bonar 2015 Bonds. The net position of government securities at fair value in Dollars can primarily be attributed to debt issued by the provinces of Entre Ríos, Buenos Aires, Mendoza and Neuquén.

Regarding securities issued by the Argentine Central Bank, the net position corresponds to our holding of Lebac and Nobac in the amount of Ps.2,555.1 million.

The net position of corporate equity securities equal to Ps.25.8 million corresponds to our holding of Class XV notes issued by YPF S.A.

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, 2013. Our government securities portfolio yields do not contain any tax equivalency adjustments.

	Maturity Yield					Maturing after 5			
	Total Book Value	Maturing within 1 year		Maturing after 1 year but within 5 years		years but within 10 years		Maturing after 10 years	
		Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾	Book Value	Yield ⁽¹⁾
<i>(in millions of Pesos, except percentages)</i>									
Government Securities									
Recorded at Fair Value									
Pesos	491.3	455.9	79.3%	30.8	22.1%	3.1	23.2%	1.4	10.2
Dollars	251.6	21.5	-1.1%	224.7	-1.7%			5.4	8.3
Recorded at Cost plus Yield									
Pesos	396.1	200.1	24.1%	196.0	24.1%				
Dollars	740.9	75.6	4.6%	665.3	3.5%				
Instruments Issued by the Argentine Central									

Bank

Pesos	2,077.0	2,014.0	19.1%	63.0	15.0%
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Securities Without

Quotation

Pesos

Dollars

Total Government

Securities	3,956.9	2,767.2	28.8%	1,179.7	7.0%	3.1	23.2%	6.9	8.7%
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Corporate Debt

Securities	30.4	30.4	2.5%
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Total Portfolio	3,987.3	2,797.6	28.6%	1,179.7	7.0%	3.1	23.2%	6.9	8.7%
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(1) Effective yield based on December 31, 2013 quoted market values.

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As of December 31, 2013, we had the following investments in securities of issuers that exceeded 10% of our shareholders' equity.

<i>In millions of Pesos</i>	Issuer	December 31, 2013	
		Book Value	Market Value
Securities issued by the Argentine Central Bank	Argentine Central Bank	2,077.0	2,070.9
Government Securities Bonar	National Government	392.0	396.5
Total		2,469.0	2,467.4

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.

	2013	2012	As of December 31,			2009
			2011	2010		
			<i>(in millions of Pesos)</i>			
Principal and Interest						
Non-Financial Public Sector	0.2	0.1	1.0	3.2		5.0
Local Financial Sector	632.8	356.6	326.2	80.6		25.4
Non-Financial Private Sector and Residents Abroad ⁽¹⁾						
Advances	3,348.9	3,097.8	2,302.1	979.2		630.1
Promissory Notes	13,322.5	10,459.7	6,412.3	4,534.3		3,205.4
Mortgage Loans	1,803.4	1,158.8	959.5	950.2		964.3
Pledge Loans	480.7	310.7	202.3	119.2		64.8
Personal Loans	8,050.7	7,283.1	5,785.7	4,093.6		1,724.4
Credit Card Loans	27,388.7	19,279.0	13,392.2	9,120.1		5,691.3
Placements in Banks Abroad	586.1	277.5	66.0	215.3		440.7
Other Loans	1,236.8	1,619.4	2,462.5	2,081.2		1,387.9
Accrued Interest, Adjustment and Quotation						
Differences Receivable	827.1	660.5	420.8	277.1		178.8
Documented Interest	(270.6)	(200.7)	(165.6)	(81.8)		(54.2)
Total Non-Financial Private-Sector and Residents Abroad	56,774.3	43,945.8	31,837.8	22,288.4		14,233.5

Total Gross Loans	57,407.3	44,302.5	32,165.0	22,372.2	14,263.9
Allowance for Loan Losses	(2,128.6)	(1,731.9)	(1,284.0)	(1,038.5)	(806.4)
Total Loans	55,278.7	42,570.6	30,881.0	21,333.7	13,457.5
Loans with Guarantees					
With Preferred Guarantees ⁽²⁾	2,433.3	1,698.9	1,441.3	1,257.1	1,142.2
Other Guarantees	8,257.0	6,829.5	4,866.0	3,694.5	2,453.9
Total Loans with Guarantees	10,690.3	8,528.4	6,307.3	4,951.6	3,596.1

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(1) Categories of loans include:

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

Promissory Notes: endorsed promissory notes, notes and other promises to pay signed by one borrower or group of borrowers and factored loans.

Mortgage Loans: loans granted to purchase or improve real estate and collateralized by such real estate and commercial loans secured by a real estate mortgage.

Pledge Loans: loans secured by collateral (such as cars or machinery) other than real estate, where such collateral is an integral part of the loan documents.

Personal Loans: loans to individuals.

Credit-Card Loans: loans granted through credit cards to credit card holders.

Placements in Banks Abroad: short-term loans to banks abroad.

Other Loans: loans not included in other categories.

Documented Interest: discount on notes and bills.

(2) Preferred guarantees include mortgages on real estate property or pledges on movable property, such as cars or machinery, where Banco Galicia has priority, endorsements of the Federal Office of the Secretary of Finance, pledges of Government securities, or gold or cash as collateral.

For the fiscal year ended December 31, 2013, Banco Galicia's loan portfolio before allowances for loan losses amounted to Ps.57,407.3 million, a 29.6% increase as compared to the fiscal year ended December 31, 2012, as a result of increases in loans to both companies and individuals by 29.0% and 30.0%, respectively.

For the fiscal year ended December 31, 2012, Banco Galicia's loan portfolio before allowances for loan losses increased by 37.7% as compared to the fiscal year ended December 31, 2011, as a result of increases in loans to both companies and individuals by 39.8% and 35.8%, respectively.

Loans by Type of Borrower

The following table shows the breakdown of our total loan portfolio, by type of borrower at December 31, 2013, 2012 and 2011. 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.

	2013		As of December 31, 2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>						
Commercial Loans	24,570.8	42.80	19,041.3	42.98	13,623.7	42.36
Corporate	6,507.5	11.34	6,256.6	14.12	4,454.5	13.85
Middle-Market Companies	18,063.3	31.46	12,784.7	28.86	9,169.2	28.51
- Agribusiness	7,881.9	13.73	5,474.2	12.36	3,615.9	11.24
- Small and medium-sized companies	10,181.4	17.73	7,310.5	16.50	5,553.3	17.27
Individuals	31,988.0	55.72	24,609.5	55.55	18,115.2	56.32
- Bank	16,322.1	28.43	12,915.6	29.15	9,562.2	29.73
- Regional Credit Card Companies	12,438.7	21.67	9,260.6	20.90	6,740.0	20.95
- CFA	3,227.2	5.62	2,433.3	5.50	1,813.0	5.64
Financial Sector ⁽¹⁾	848.3	1.48	651.6	1.47	425.1	1.32
Non-Financial Public Sector	0.2	0.00	0.1	0.00	1.0	0.00
Total ⁽²⁾	57,407.3	100.00	44,302.5	100.00	32,165.0	100.00

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

(2) Before the allowance for loan losses.

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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.

	2013		As of December 31, 2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>						
Financial Sector ⁽¹⁾	848.3	1.48	651.6	1.47	425.1	1.32
Services						
Non-Financial Public Sector	0.2		0.1		1.0	
Communications, Transportation						
Health and Others	2,881.8	5.02	2,063.8	4.66	1,571.2	4.88
Electricity, Gas, Water Supply and						
Sewage Services	259.5	0.45	243.9	0.55	268.9	0.84
Other Financial Services	231.4	0.41	165.3	0.37	126.1	0.39
Total	3,372.9	5.88	2,473.1	5.58	1,967.2	6.11
Primary Products						
Agriculture and Livestock	7,160.1	12.47	4,844.8	10.94	3,318.9	10.32
Fishing, Forestry and Mining	477.0	0.83	133.8	0.30	537.7	1.67
Total	7,637.1	13.30	4,978.6	11.24	3,856.6	11.99
Consumer	31,719.6	55.25	24,167.5	54.55	17,617.0	54.77
Retail Trade	2,325.7	4.05	1,749.2	3.95	1,125.7	3.50
Wholesale Trade	3,075.4	5.36	2,476.4	5.59	1,918.3	5.96
Construction	706.5	1.23	593.8	1.34	510.0	1.59
Manufacturing						
Foodstuffs	2,303.1	4.01	2,614.5	5.90	1,962.2	6.10
Transportation Materials	962.4	1.68	1,041.1	2.35	76.5	0.24
Chemicals and Oil	1,557.3	2.71	1,139.7	2.57	642.6	2.00
Manufacturing Industries	2,898.3	5.05	2,416.3	5.46	2,062.0	6.41
Total	7,721.1	13.45	7,211.6	16.28	4,743.3	14.75
Other Loans	0.7		0.7		1.8	0.01
Total ⁽²⁾	57,407.3	100.00	44,302.5	100.00	32,165.0	100.00

(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 55.25% of the total loan portfolio; similar to the 54.55% of the previous fiscal year and 54.77% for fiscal year 2011.

As for business activities, the most significant categories during the fiscal year ended December 31, 2013 were loans to the manufacturing industry, the primary production sector and trade (wholesale and retail), with a total portfolio share of 13.45%, 13.30% and 9.41%, respectively.

The most significant growth occurred in the primary production sector, with a 53.4% increase as compared to the previous fiscal year, and in the retail trade sector, which increased 33.0% as compared to the previous fiscal year.

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, 2013.

	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, 2013
<i>(in millions of Pesos)</i>							
Non-Financial Public Sector ⁽¹⁾	0.2						0.2
Financial Sector ⁽¹⁾	170.1	161.9	285.8	15.0			632.8
Private Sector and Residents Abroad	29,554.3	12,367.9	5,588.7	8,199.9	901.9	161.6	56,774.3
- Advances	2,263.8	879.6	204.9	0.6	0.0	0.0	3,348.9
- Promissory Notes	3,548.3	4,639.0	1,633.5	3,399.4	93.0	9.3	13,322.5
- Mortgage Loans	63.0	148.8	210.9	863.3	365.5	151.9	1,803.4
- Pledge Loans	12.5	62.1	85.0	314.6	6.5	0.0	480.7
- Personal Loans	530.8	1,843.4	1,811.5	3,430.2	434.7	0.1	8,050.7
- Credit-Card Loans	20,863.0	4,719.0	1,630.8	175.9			27,388.7
- Other Loans	1,718.7	76.0	12.1	15.9	2.2	0.3	1,825.2
- Accrued Interest and Quotation Differences Receivable ⁽¹⁾	827.1						827.1
- (Documented Interest)	(270.6)						(270.6)
- (Unallocated Collections)	(2.3)						(2.3)
Allowance for Loan Losses ⁽²⁾	(2,128.6)						(2,128.6)
Total Loans, Net	27,596.0	12,529.8	5,874.5	8,214.9	901.9	161.6	55,278.7

(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, 2013.

	In millions of Pesos	As a % of Total Loans
Variable Rate ⁽¹⁾⁽²⁾		

Pesos	2,688.7	29.03%
Dollars	122.4	1.32%
Total	2,811.1	30.35%
Fixed Rate ⁽²⁾⁽³⁾		
Pesos	6,377.9	68.85%
Dollars	74.3	0.80%
Total	6,452.2	69.65%

(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

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asset quality, a proactive management of loans with problems, aggressive charge-offs of uncollectible loans, and adequate loan loss provisioning. Apart from that, it includes the follow-up of the models for measuring the portfolio risk at the operation and customer levels, facilitating the detection of loans with problems and the losses associated thereto, what in turn allows the early detection of situations that could entail some degree of portfolio deterioration and provides appropriate protection of our assets.

Banco Galicia

The Risk Management Division manages the Bank's risks in a comprehensive manner and follows international best practices. The Risk Management Division handles credit, insurance, financial and operational risks. 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 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.

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.

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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 Corporate Approval Division, 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 Information and Management Division provides information for the decision-making process in compliance with both internal credit policies and regulations passed by regulating authorities, and carries out an ongoing review of processes by establishing efficiency ratios and proposing alternatives for improvement.

The Policy and Strategy Department is responsible 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.

The Preventive Management and Analysis Division is in charge of the reorganization of Banco Galicia's portfolio through the analysis of strategic patterns of behavior, as well as sector, environmental, economic and financial

analyses to assist in identifying credit customers that may potentially default in their payments.

The Customer Credit Recovery Division is responsible for reducing the deterioration of the loan portfolio under management and pursuing customers' reinsertion in the commercial line; whereas the Portfolio Recovery Division covers the court and out-of-court proceedings with respect to customers within the individuals and companies portfolio.

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

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.

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

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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.1,500,000. This classification is based on the level of fulfillment and the situation thereof.

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

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.4.0 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.

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

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	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	<p>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.</p>
6. Uncollectible due to Technical Reasons	<p>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:</p> <p>(i) classified as normal ;</p> <p>(ii) subject to the supervision of the Argentine Central Bank or other similar authority of the country of origin;</p> <p>(iii) classified as investment grade by any of the rating agencies admitted pursuant to Communiqué A 2729 of the Argentine Central Bank.</p>

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.

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.

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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

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

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, 2013, 2012 and 2011, we maintained a general loan loss allowance of Ps.1,010.2 million, Ps.937.8 million and Ps.836.4 million, respectively, which exceeded by Ps.442.0 million, Ps.501.1 million and Ps.417.2 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.

	As of December 31, 2013					
			Amounts Past			
	Amounts Not Yet Due		Due		Total Loans	
	(in millions of Pesos, except percentages)					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	54,118.0	96.87			54,118.0	94.27
2. With Special Follow-up - Under observation and Low Risk	1,237.9	2.22			1,237.9	2.16
3. With Problems and Medium Risk	310.9	0.56	415.4	26.91	726.3	1.27
4. High Risk of Insolvency and High Risk	197.0	0.35	724.0	46.91	921.0	1.60
5. Uncollectible			401.4	26.01	401.4	0.70
6. Uncollectible Due to Technical Reasons			2.7	0.17	2.7	0.00
Total	55,863.8	100.00	1,543.5	100.00	57,407.3	100.00

	As of December 31, 2012					
	Amounts Past					
	Amounts Not Yet Due		Due		Total Loans	
	(in millions of Pesos, except percentages)					
	Amounts	%	Amounts	%	Amounts	%
Loan Portfolio Classification						
1. Normal and Normal Performance	41,790.4	96.78			41,790.4	94.33
2. With Special Follow-up - Under observation and Low Risk	1,017.3	2.36			1,017.3	2.30
3. With Problems and Medium Risk	243.9	0.56	353.3	31.46	597.2	1.35
4. High Risk of Insolvency and High Risk	128.0	0.30	534.5	47.60	662.5	1.50
5. Uncollectible			233.3	20.78	233.3	0.52
6. Uncollectible Due to Technical Reasons			1.8	0.16	1.8	
Total	43,179.6	100.00	1,122.9	100.00	44,302.5	100.00

Loan Portfolio Classification	As of December 31, 2011					
	Amounts Past Due					
	Amounts Not Yet Due		Due		Total Loans	
	(in millions of Pesos, except percentages)					
	Amounts	%	Amounts	%	Amounts	%

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1. Normal and Normal Performance	30,715.8	97.28			30,715.8	95.49
2. With Special Follow-up - Under observation and Low Risk	604.5	1.91			604.5	1.88
3. With Problems and Medium Risk	162.5	0.51	163.4	27.89	325.9	1.01
4. High Risk of Insolvency and High Risk	96.3	0.30	275.6	47.04	371.9	1.16
5. Uncollectible			144.1	24.59	144.1	0.45
6. Uncollectible Due to Technical Reasons			2.8	0.48	2.8	0.01
Total	31,579.1	100.00	585.9	100.00	32,165.0	100.00

As of December 31, 2010

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

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

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,				
	2013	2012	2011	2010	2009
	<i>(in millions of Pesos, except ratios)</i>				
Total Loans ⁽¹⁾	57,407.3	44,302.5	32,165.0	22,372.2	14,263.9
Non-Accrual Loans ⁽²⁾					
With Preferred Guarantees	38.7	12.6	17.2	27.9	33.7
With Other Guarantees	58.4	28.9	12.8	37.4	97.9
Without Guarantees	1,954.3	1,453.3	814.7	689.6	548.1
Total Non-Accrual Loans ⁽²⁾	2,051.4	1,494.8	844.7	754.9	679.7

Past Due Loan Portfolio

Non-Financial Public Sector

Local Financial Sector

Non-Financial Private Sector and Residents Abroad

Advances	149.5	96.0	65.1	94.3	64.4
Promissory Notes	76.4	54.2	35.4	53.1	90.5
Mortgage Loans	27.9	9.0	10.6	16.0	16.8
Pledge Loans	5.5	1.3	3.4	6.8	2.7
Personal Loans	242.7	188.3	115.6	131.2	69.8
Credit-Card Loans	1,003.2	739.4	340.0	237.8	285.9
Placements with Correspondent Banks					
Other Loans	38.2	34.7	15.8	36.7	34.0

Total Past Due Loans	1,543.4	1,122.9	585.9	575.9	564.1
Past Due Loans					
With Preferred Guarantees	34.5	9.6	11.2	19.1	19.8
With Other Guarantees	47.2	25.2	10.8	35.1	66.9
Without Guarantees	1,461.7	1,088.1	563.9	521.7	477.4
Total Past Due Loans	1,543.4	1,122.9	585.9	575.9	564.1
Allowance for Loan Losses	2,128.6	1,731.9	1,284.0	1,038.5	806.4
Ratios (%)					
As a % of Total Loans:					
- Total Past Due Loans	2.69	2.53	1.82	2.57	3.95
- Past Due Loans with Preferred Guarantees	0.06	0.02	0.03	0.09	0.14

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	As of December 31,				
	2013	2012	2011	2010	2009
	<i>(in millions of Pesos, except ratios)</i>				
- Past Due Loans with Other Guarantees	0.08	0.06	0.04	0.16	0.47
- Past Due Unsecured Amounts	2.55	2.45	1.75	2.32	3.34
- Non-Accrual Loans ⁽²⁾	3.57	3.37	2.63	3.37	4.77
- Non-Accrual Loans ⁽²⁾ (Excluding Interbank Loans)	3.62	3.40	2.64	3.42	4.93
Non-Accrual Loans ⁽²⁾ as a Percentage of Loans to the					
Private Sector	3.57	3.37	2.63	3.37	4.77
Allowance for Loan Losses as a % of:					
- Total Loans	3.71	3.91	3.99	4.64	5.65
- Total Loans Excluding Interbank Loans	3.76	3.94	4.02	4.70	5.84
- Total Non-Accrual Loans ⁽²⁾	103.76	115.86	152.01	137.57	118.64
Non-Accrual Loans with Guarantees as a Percentage of Non-Accrual Loans ⁽²⁾	4.73	2.78	3.55	8.65	19.36
Non-Accrual Loans as a Percentage of Total Past Due Loans	132.91	133.12	144.17	131.08	120.49

(1) Before the allowance for loan losses.

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

At the end of the fiscal year ended December 31, 2013, our non-accrual loans to the private sector ratio was 3.57%, representing an increase from 3.37% and 2.63% recorded at the end of the fiscal year ended December 31, 2012 and December 31, 2011, respectively. These increases were primarily a result of the seasoning of the consumer loan portfolio.

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.96.5 million, Ps.99.4 million and Ps. 137.3 million as of December 31, 2013, 2012 and 2011, respectively.

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

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

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

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

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

	As of December 31,				
	2013	2012	2011	2010	2009
	(in millions of Pesos)				
Interest Income that Would Have Been Recorded on Non-Accrual Loans on which the Accrual of Interest was Discontinued	127.1	85.7	53.2	56.0	52.0
Recoveries of Interest on Loans Classified as Non-Accrual on which the Accrual of Interest had been Discontinued ⁽¹⁾	6.4	4.3	2.7	2.8	2.6

(1) Recorded under Miscellaneous Income .

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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,				
	2013	2012	2011	2010	2009
	<i>(in millions of Pesos, except ratios)</i>				
Total Loans, Average ⁽¹⁾	47,963.6	35,212.6	26,218.7	16,800.8	11,481.9
Allowance for Loan Losses at Beginning of Period ⁽²⁾	1,731.9	1,284.0	1,038.5	806.4	526.8
Changes in the Allowance for Loan Losses During the Period ⁽²⁾					
Provisions Charged to Income	1,700.5	1,294.7	820.1	523.6	625.9
Prior Allowances Reversed		(11.6)	(22.1)		(5.4)
Charge-Offs (A)	(1,303.8)	(835.2)	(552.5)	(487.3)	(354.5)
Inflation and Foreign Exchange Effect and Other Adjustments				195.8	13.6
Allowance for Loan Losses at End of Period	2,128.6	1,731.9	1,284.0	1,038.5	806.4
Charge to the Income Statement during the Period					
Provisions Charged to Income ⁽²⁾	1,700.5	1,294.7	820.1	523.6	625.9
Direct Charge-Offs, Net of Recoveries (B)	(186.6)	(132.1)	(162.4)	(88.6)	(27.9)
Recoveries of Provisions		(60.4)	(22.1)		(5.4)
Net Charge (Benefit) to the Income Statement	1,513.9	1,102.2	635.6	435.0	592.6
Ratios (%)					
Charge-Offs Net of Recoveries (A+B) to Average Loans ⁽⁴⁾	2.33	2.00	1.49	2.37	2.84
Net Charge to the Income Statement to Average Loans ⁽⁴⁾	3.16	3.13	2.42	2.59	5.16

(1) Before the allowance for loan losses.

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

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

During 2013, the Bank established allowances for loan losses in an amount of Ps.1,700.5 million. The increase recorded in the allowances for loan losses in fiscal year 2013 was primarily related to the growth and seasoning of the consumer loan portfolio and to the worsening of certain macroeconomic variables, such 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 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,								
	2013			2012			2011		
	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			1.10			0.80			1.01
Non-Financial Private Sector and Residents Abroad									
Advances	94.8	0.17	5.83	67.7	0.15	6.99	48.9	0.15	7.16
Promissory Notes	56.4	0.10	23.21	40.9	0.09	23.61	35.5	0.11	19.94
Mortgage Loans	10.6	0.02	3.14	4.5	0.01	2.62	6.2	0.02	2.98
Pledge Loans	2.5		0.84	1.5	0.01	0.70	1.4	0.01	0.63
Personal Loans	261.3	0.45	14.02	190.3	0.43	16.44	128.1	0.40	17.99
Credit-Card Loans	676.1	1.18	47.71	460.7	1.04	43.52	231.6	0.72	41.64
Placements in Correspondent Banks			1.02			0.63			0.21
Other	22.2	0.04	3.13	14.7	0.03	4.69	9.1	0.03	8.44
Unallocated ⁽¹⁾	1,004.7	1.75	0.00	951.6	2.15		823.2	2.55	0.00
Total	2,128.6	3.71	100.00	1,731.9	3.91	100.00	1,284.0	3.99	100.00

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	As of December 31,					
	2010			2009		
	Amount	% of Loan	Loan Category %	Amount	% of Loan	Loan Category %
<i>(in millions of Pesos, except percentages)</i>						
Non-Financial Public Sector			0.01			0.04
Local Financial Sector			0.36			0.18
Non-Financial Private Sector and Residents Abroad						
Advances	55.1	0.25	4.38	31.7	0.22	4.42
Promissory Notes	43.3	0.19	20.27	80.3	0.56	22.47
Mortgage Loans	10.6	0.05	4.25	11.8	0.08	6.76
Pledge Loans	2.6	0.01	0.53	1.5	0.01	0.45
Personal Loans	139.2	0.62	18.30	63.9	0.45	12.09
Credit-Card Loans	166.8	0.75	40.77	168.3	1.18	39.90
Placements in Correspondent Banks			0.96			3.09
Other	16.9	0.08	10.17	16.0	0.11	10.60
Unallocated ⁽¹⁾	604.0	2.69		432.9	3.04	
Total	1,038.5	4.64	100.00	806.4	5.65	100.00

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

Charge-Offs

The following table sets forth the allocation of the main charge-offs made by Banco Galicia, the Regional Credit Card Companies and CFA during the years ended December 31, 2013, 2012 and 2011.

	Fiscal Year Ended		
	December 31,		
	2013	2012	2011
<i>(in millions of Pesos)</i>			
Charge-offs by Type			
Advances	52.9	50.5	35.4
Promissory Notes	78.7	70.6	50.2
Mortgage Loans	0.9	2.6	3.4
Pledge Loans		2.3	2.5
Personal Loans	373.7	275.4	182.1
Credit-Card Loans			
Banco Galicia	270.7	160.4	92.3
Regional Credit Card Companies	467.5	228.7	147.2
Other Loans	59.4	44.7	39.4
Total⁽¹⁾	1,303.8	835.2	552.5

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

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During fiscal year 2013, Ps.1,303.8 million was charged off against the allowance for loan losses, including the Regional Credit Card Companies and CFA's loan portfolios. The increased amount as compared to the prior year was attributable to the seasoning of the individuals' loan portfolio.

During fiscal year 2012, Ps.835.2 million was charged off against allowances for loan losses, including the Regional Credit Card Companies and CFA's loan portfolios. The increased amount as compared to the prior year was attributable to the seasoning of the loan portfolio for individuals, which represented more than 75% of charge-offs.

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 1.00% or more of our total assets:

Country	Fiscal Year Ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
United Kingdom			
Demand Deposits		4.0	2.0
Forward Purchases of Bonar 2015 Bonds			633.9
Other			
Total		4.0	635.9
United States			
Demand Deposits	71.0	122.0	90.7
Overnight Placements	586.1	277.5	66.0
Other	14.2	30.0	72.3
Total	671.3	429.5	229.0
Germany			
Demand Deposits	36.2	11.4	1.8
Forward Purchases of Boden 2012 Bonds			
Other	0.2	0.4	
Total	36.4	11.8	1.8

As of December 31, 2013, we had the following foreign outstandings:

Ps.671.3 million (0.81% of our total assets) representing liquid placements with United States financial institutions, of which Ps.71.0 million corresponded to demand deposits and Ps.586.1 million represented overnight placements.

Ps.36.4 million with German financial institutions, mainly corresponding to demand deposits.

Table of Contents**Deposits**

The following table sets out the composition of our deposits as of December 31, 2013, 2012 and 2011. Our deposits represent deposits with Banco Galicia and CFA.

	As of December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Checking Accounts and Other Demand Deposits	12,393.7	9,916.3	7,203.5
Savings Accounts	11,801.2	9,478.2	8,010.8
Time Deposits	26,185.1	19,694.2	14,150.8
Other Deposits ⁽¹⁾	574.7	576.3	534.3
Plus: Accrued Interest, Quotation Differences and CER Adjustment	440.7	280.3	235.7
Total Deposits	51,395.4	39,945.2	30,135.1

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

In 2013, our consolidated deposits increased 28.7% mainly as a result of a Ps.4,000.5 million increase in deposits in checking and savings accounts and a Ps.6,490.9 million increase in time deposits. These increases were mainly a result of deposits received by Banco Galicia.

In 2012, our consolidated deposits increased 32.6% primarily as a result of a Ps. 4,180.2 million increase in deposits in checking and savings accounts and a Ps.5,543.44 million increase in time deposits. These increases were mainly due to deposits received by Banco Galicia.

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

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

The following table provides a breakdown of our consolidated deposits as of December 31, 2013, 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>					
	Ps. 12.393.7	26.2%			% Ps. 12.393.7	24.3%

Checking Accounts and Demand Deposits						
Savings Accounts	10,038.5	21.2	1,762.6	48.0	11,801.1	23.2
Time Deposits	24,416.2	51.6	1,769.0	48.2	26,185.2	51.4
Maturing Within 30 Days	4,714.8	10.0	386.0	10.5	5,100.8	10.0
Maturing After 31 Days but Within 59 Days	11,492.3	24.3	385.1	10.5	11,877.4	23.3
Maturing After 60 Days but Within 89 Days	3,131.2	6.6	184.3	5.0	3,315.5	6.5
Maturing After 90 Days but Within 179 Days	3,237.6	6.9	342.9	9.3	3,580.5	7.0
Maturing After 180 Days but Within 365 Days	1,250.3	2.6	371.7	10.1	1,622.0	3.2
Maturing After 365 Days	590.0	1.2	99.0	2.8	689.0	1.4
Other Deposits	434.6	1.0	140.0	3.8	574.6	1.1
Maturing Within 30 Days	363.8	0.8	115.5	3.2	479.3	0.9
Maturing After 31 Days but Within 59 Days						
Maturing After 60 Days but Within 89 Days						
Maturing After 90 Days but Within 179 Days						
Maturing After 180 Days but Within 365 Days	68.8	0.2			68.8	0.1
Maturing After 365 Days	2.0		24.5	0.6	26.5	0.1
Total Deposits ⁽¹⁾	47,283.0	100.0%	3,671.6	100.0%	50,954.6	100.0%

(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 33.3% of the total and corresponded mainly to Peso-denominated time deposits. The rest of the terms have a homogeneous participation. As of December 31, 2013, the average original term of non-adjusted Peso-denominated time deposits was approximately 60 days and for Dollar-denominated time deposits the original term was 107 days. Dollar-denominated deposits, for Ps.3,671.6 million (only principal), represented 7.2% of total deposits.

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The following table provides information about the maturity of our outstanding time deposits exceeding Ps.100,000, as of December 31, 2013.

Deposits over Ps.100,000 <i>(in millions of Pesos)</i>	
Time Deposits	
Within 30 Days	3,642.0
After 31 Days but Within 59 Days	10,000.2
After 60 Days but Within 89 Days	2,617.0
After 90 Days but Within 179 Days	2,644.2
After 180 Days but Within 365 Days	1,131.5
After 365 Days	221.7
Total Outstanding Time Deposits Exceeding Ps.100.000 ⁽¹⁾	20,256.7

(1) Only principal.

Return on Equity and Assets

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

	Fiscal Year Ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos, except percentages)</i>		
Net Income / (Loss)	1,823.7	1,336.2	1,106.9
Average Total Assets	69,843.8	54,416.4	41,635.7
Average Shareholders' Equity	5,617.7	4,160.4	2,960.8
Shareholders' Equity at End of the Period	6,947.2	4,870.1	3,551.6
Net Income as a Percentage of:			
Average Total Assets	2.91	2.80	3.07
Average Shareholders' Equity	32.46	32.12	37.39
Declared Cash Dividends	38.60	24.35	17.75
Dividend Payout Ratio	2.12	1.82	1.60
Average Shareholders' Equity as a Percentage of			
Average Total Assets	8.04	7.65	7.11
Shareholders' Equity at the End of the Period as a Percentage of Average Total Assets	9.95	8.95	8.53

Short-term Borrowings

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

holders of notes.

	As of December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Short-Term Borrowings			
Argentine Central Bank	6.0	0.9	0.7
Other Banks and International Entities			
Credit Lines from Domestic Banks	529.5	419.0	216.0
Credit Lines from Foreign Banks	378.1	198.3	1,142.3
Repurchases with Domestic Banks			
Notes	160.6	311.8	227.4
Total	1,074.2	930.1	1,586.4

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As of the end of fiscal year 2013, our short-term borrowings mainly consisted of credit lines from domestic banks, which represented 49.3% of our short term borrowings. Credit lines from foreign banks represented 35.2%

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

	As of December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Banks and International Entities			
Contractual Short-term Liabilities			
Other Lines from Foreign Banks	378.1	198.3	1,142.3
Total Short-term Liabilities	378.1	198.3	1,142.3
Total Banks and International Entities	378.1	198.3	1,142.3
Domestic and Financial Institutions			
Contractual Short-term Liabilities:			
Other Lines from Credit from Domestic Banks			216.0
Total Short-term Liabilities	529.5	419.0	216.0
Total Domestic and Financial Institutions	529.5	419.0	216.0
Total	907.6	617.3	1,358.3

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

	As of December 31,			
	Maturity	Annual Interest Rate	2013	2012
			2011	
<i>(in millions of Pesos)</i>				
Notes(*)				
Tarjetas Cuyanas S.A. Class XI Series I				
<i>(Quarterly interest, principal payable at maturity)</i>	2014	20.50%	13.1	
Tarjeta Naranja Class XXIII Series I				
<i>(Quarterly interest, principal payable at maturity)</i>	2014	24.50%	34.7	
Tarjeta Naranja Class XXII Series I				
<i>(Quarterly interest, principal payable at maturity)</i>	2014	21.00%	41.9	
CFA Class IX Series I	2014	18.89%	44.9	

(Quarterly interest, principal payable at maturity)

CFA Class X Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2014	23.5%	26.0
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Tarjeta Naranja Class XVIII Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.70%	46.3
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Tarjeta Naranja Class XIX Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	19.00%	52.6
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Tarjetas Cuyanas Class VIII Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.75%	49.6
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Tarjetas Cuyanas Class IX Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	19.25%	33.4
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CFA Class VI Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	15.50%	81.2
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CFA Class VII Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2013	17.90%	48.8
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Tarjeta Naranja Class XIV Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2012	13.50%	20.0
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Tarjeta Naranja Class XV

<i>(Quarterly interest, principal payable at maturity)</i>	2012	Badlar + 375 b.p.	61.6
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Tarjetas Cuyanas Class IV

<i>(Quarterly interest, principal payable at maturity)</i>	2012	Badlar + 285 b.p.	48.3
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Tarjetas Cuyanas Class V Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2012	14.00%	12.8
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CFA Class V Series I

<i>(Quarterly interest, principal payable at maturity)</i>	2012	Badlar + 325 b.p.	84.6
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Total			160.6	311.9	227.4
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(*) 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, 2013, 2012 and 2011:

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.

	As of December 31,		
	2013	2012	2011
	(in millions of Pesos, except percentages)		
Argentine Central Bank			
Weighted-average Interest Rate at End of Period	%	%	%
Maximum Balance Recorded at the Monthly Closing Dates	6.0	1.4	2.5
Average Balances for Each Period	4.1	0.6	0.8
Weighted-average Interest Rate for the Period	%	%	%
Credit Lines from Domestic Banks			
Weighted-average Interest Rate at End of Period	26.0%	19.4%	19.8%
Maximum Balance Recorded at the Monthly Closing Dates	693.9	419.0	271.9
Average Balances for Each Period	504.3	325.6	218.0
Weighted-average Interest Rate for the Period	21.0%	16.0%	16.8%
Credit Lines from Foreign Banks			
Weighted-average Interest Rate at End of Period	2.3%	3.8%	1.5%
Maximum Balance Recorded at the Monthly Closing Dates	535.0	1,155.1	1,142.3
Average Balances for Each Period	299.8	906.3	595.5
Weighted-average Interest Rate for the Period	1.8%	2.6%	1.3%
Repurchases with Domestic Banks			
Weighted-average Interest Rate at End of Period	%	11.0%	%
Maximum Balance Recorded at the Monthly Closing Dates	455.9	427.9	139.4
Average Balances for Each Period	113.4	173.2	54.8
Weighted-average Interest Rate for the Period	12.1%	9.6%	10.4%
Notes			
Weighted-average Interest Rate at End of Period	22.8%	17.6%	22.0%
Maximum Balance Recorded at the Monthly Closing Dates	402.4	387.5	227.4

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Average Balances for Each Period	268.3	304.1	161.9
Weighted-average Interest Rate for the Period	19.3%	16.8%	16.8%

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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. Through its Communiqués A 3959 and A 3986 dated as of June 2 and June 25, 2003, respectively, the Argentine Central Bank established regulations regarding minimum capital requirements effective as from January 1, 2004.

The capital adequacy regulations are based on the Basel Committee methodology, are similar to the previous regulations and establish 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 mismatches between assets and liabilities in terms of interest-rate repricing. The minimum capital requirement imposed by the regulations is 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.

Additionally, 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. Further, the regulation established a gradual schedule for compliance equal to 0% of the requirement from February through March, 50% from April through July, 75% from August through November and 100% from December 2012.

Through its Communiqué A 5369, the Argentine Central Bank modified the regulation regarding minimum capital requirements for financial entities. Modifications related to the requirement to cover credit risk came into effect on January 1, 2013, while the corresponding requirements for computable regulatory capital came into effect on February 1, 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⁽¹⁾: 75% of the 8% (previously: 100% of the 8%).

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

In the table below, Banco Galicia's information on regulatory capital and compliance with minimum capital requirements regulations is consolidated with Galicia Uruguay (in liquidation), CFA and the companies indirectly controlled by Banco Galicia through Tarjetas Regionales.

<i>(in millions of Pesos, except percentages)</i>	December 31,		
	2013	2012	2011
Minimum capital required (A)	5,690.5	4,265.4	2,860.5
Allocated to Financial Assets, Fixed Assets, Other Assets and to Lending to the Public Sector	4,327.4	3,485.8	2,809.4
Allocated to Market Risk	57.6	15.7	41.0
Allocated to Interest-Rate Risk		46.6	10.1
Allocated to Operational Risk	1,305.5	717.3	
Computable Capital (B)	7,513.0	5,610.4	4,416.1
- Tier I	5,477.9	4,272.1	3,286.4
- Tier II	1,805.1	1,313.5	1,136.7
Additional Capital- Market Variation	230.0	24.8	(7.0)
Excess over Required Capital (B)-(A)	1,822.5	1,345.0	1,555.6
Total Capital Ratio (%)	14.28	13.02	12.63

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

As of December 31, 2013, Banco Galicia consolidated computable capital exceeded the minimum capital requirement of Ps.5,690.5 million by Ps.1,822.5 million, or 32.0%. As of December 31, 2012, the minimum capital requirement was Ps.4,265.4 million and Banco Galicia's consolidated computable capital exceeded such amount by Ps.1,345.0 million, or 31.5%.

The above noted minimum capital requirement increase of Ps.1,425.1 million, or 33.4%, as compared to December 31, 2012, was primarily a result of: i) higher requirements in connection with financing to the private sector due to the growth of this portfolio; and ii) higher requirements in connection with operational risk for Ps.588.2 million mainly as a result of the fact that, beginning in December 2012, 100% of capital in connection with such operational risk is required to be held.

Computable capital increased Ps.1,902.6 million (33.9%) as compared to December 31, 2012, mainly as a result of: i) a higher Tier I capital, for Ps.1,205.8 million, mainly due to the net income in 2013, which was partially offset by higher deductions resulting from organization and development expenses; and ii) an increase in Tier II capital as a result of: a) considering 100% of the provisions for loan losses in connection with the loan portfolio in normal situation (previous regulations allowed 50%); and b) a higher balance of subordinated notes (due to the exchange rate changes during the applicable period, which were partially offset by the 90% limit on Banco Galicia's balance required by the new regulations).

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.

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Minimum Capital Requirements of Insurance Companies

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

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

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

As of December 31, 2013, the computable capital of the companies controlled by Sudamericana exceeded the minimum requirement of Ps.201.5 million by Ps.62.8 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 the Argentine National Securities Commission (the CNV) or the Argentine Central Bank. All companies operating in Argentina are also regulated by the Corporations Law.

In their capacity as companies listed in Argentina, Grupo Financiero Galicia and Banco Galicia must comply with the disclosure, reporting, governance and other rules applicable to such companies issued by the markets in which they are listed and their regulators, including Law No. 26,831 (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.

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In their capacity as public issuers of securities these companies are subject to the above-mentioned rules. As Grupo Financiero Galicia has publicly listed ADSs in the United States, it is also subject to the reporting requirements of the Securities and Exchange Act of 1934 of the United States (the Exchange Act) for foreign private issuers and to the provisions applicable to foreign private issuers under the Sarbanes Oxley Act. See Item 9. The Offer and Listing-Market Regulations .

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

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

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

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

Sudamericana s insurance subsidiaries are regulated by the National Insurance Superintendency and Laws No. 17,418 and No. 20,091. Galicia Broker 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, or the Public Emergency Law, which together with various decrees and Argentine Central Bank rules, provided for the principal measures in order to deal with the 2001 and 2002 crisis, including Asymmetric Pesification, among others. The period of effectiveness of the Public Emergency Law was extended again until December 31, 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, which were tightened by the middle of 2002. The Public Emergency Law granted the executive branch of the Argentine government the power to regulate the local foreign exchange market.

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

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

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

- (iv) to be applied to real estate acquisitions;
 - (v) an indebtedness with multilateral and bilateral credit agencies either directly or through their related agencies, in so far as such funds pertain to transactions conducted in full compliance with their purposes; however, when such inflows are related to the integration (or acquisition) of securities issued by financial trusts, it is necessary to comply with other requirements to avoid the 30% deposit;
 - (vi) other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years (including principal and interest), the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);
 - (vii) other foreign indebtedness with no resident creditor of the financial sector and of the private, non-financial sector, to extent the proceeds from the foreign exchange settlement are simultaneously applied, net of taxes and expenses to (i) the acquisition of foreign currency to repay external debts service and/or (ii) the formation of long-term off-shore assets;
 - (viii) that will be utilized within 10 business days from their liquidation in the local foreign exchange market for purposes listed as current transactions within the international accounts (as defined by the Argentine Central Bank), among others, within such purposes are the payment by non-Argentine residents of certain local taxes; or
 - (ix) resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the Argentine government; and
- (f) The proceeds of sales of foreign assets brought into the country by residents (capital repatriation) will be subject to the 30% deposit requirement noted in (c) above, which will apply to any amounts exceeding US\$2.0 million per month if certain other operative requirements are met.

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

In addition to Decree No. 616/05, the Argentine Ministry of Economy issued Resolution No. 637/05, dated November 16, 2005, which established that, the restrictions established in 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:

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

- (b) With a US\$500,000 monthly limit in the case of the aggregate proceeds of the sale of portfolio investments made with foreign currency that entered the local foreign exchange market no less than 365 days before. 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 which allowed Argentine individuals and companies to acquire foreign exchange without a specific use. This channel provided entities with the ability to make real estate investments abroad and to hold savings denominated in foreign currencies in Argentina. Recently, the Argentine Central Bank passed Communication A 5,526 which replaced section 4 of the aforementioned Communication A 5,236, allowing only Argentine individuals to purchase foreign currencies for savings purposes, in the amount previously validated by the Argentine Federal Revenue Authority (AFIP). 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 regulations and 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.

In this context, payments of dividends have been informally blocked since 2011, although this situation has slightly improved for the year ended December 31, 2013 as a few transfers pursuant to this communication have been approved. Also, local banks must notify the Argentine Central Bank at least ten days in advance of any transfer abroad exceeding US\$100,000, or even US\$1 in the case of dividends, royalties, and other related concepts. The Argentine Central Bank will forward such notification to the Secretary of Domestic Trade who indicates whether the applicable transfer can be carried out, and in what proportion, even though it has no legal power to do so. Only after a clearance is obtained, such transfer of funds will be completed.

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

Compensation to Financial Institutions

For the Asymmetric Pesification and its Consequences

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

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

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

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

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

For Differences Related to Amparo Claims

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

Through 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, 2012 and charged to income, amounted to Ps.2.3 million.

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

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.1.00 per US\$1.00 (1:1), (b) Dollar-denominated public sector debt to the financial sector were converted into Peso-denominated debt instruments at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), and (c) the Dollar-denominated bank deposits were

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converted into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US\$1.00 (1.40:1), while foreign regulated public sector debt held by banks and companies remained Dollar-denominated; (vi) the modification of the return on assets and cost of liabilities pesified at the rate of Ps.1.40 per US\$1.00 through the establishment of maximum and minimum interest rates and capital adjustments in accordance with retail price or wage change indices; (vii) the extension of the maturities of Peso-denominated time deposits and deposits originally denominated in Dollars, above a certain amount, which established a payment schedule with maturities in 2003 or 2005, depending on whether the deposits were originally made in Pesos or Dollars (the *corralón*); (viii) the voluntary exchange of *corralito* or *corralón* deposits for Argentine government bonds (through Decree No. 739/03, dated April 1, 2003, the *corralón* was eliminated); (ix) the amendment of the charter of the Argentine Central Bank (see -General above); and (x) the compensation to financial institutions, through bonds issued by the Argentine government for the losses caused by Asymmetric Pesification. The executive branch of the Argentine government and the Argentine Central Bank have provided a set of rules for determining the amount of compensation for losses related to Asymmetric Pesification, although certain financial entities claim that the compensation established by such rules is not adequate to cover the losses that they have experienced.

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.

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After temporarily halting such examinations as a result of the 2001-2002 economic crisis, the Argentine Central Bank resumed the examination process, which continues to be in effect today. In Banco Galicia's case, the first examination after the 2001-2002 economic crisis was based on the information as of June 30, 2005. New examinations were conducted, the last one of which was based on information as of September 30, 2010. Currently a new examination is being conducted, based on information as of April 30, 2013.

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.26,000,000. The minimum capital requirements related to credit or counterparty risk, which are calculated using a formula created by the Argentine Central Bank, aim to estimate the minimum capital required to counteract the risk associated with counterparties to the assets under review. The minimum capital requirements related to interest rate risk aim to counteract the risk associated with mismatches between lending and deposit rates earned on assets and liabilities held by Banco Galicia. 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.

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.

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

Computable Regulatory Capital

Pursuant to the Argentine Central Bank's regulations, a bank's RPC is calculated as: (a) the minimum core capital (Tier 1 capital) which includes: (i) capital contributions, capital adjustments, reserves, irrevocable capital contributions pending capitalization, 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 Communiqué, capital contributions made for the purposes of all regulations related to capital, capital calculations and capital increases must be completed in cash. Subject to the prior authorization by the Superintendency, the following instruments are allowed as capital contributions: (i) securities issued by the Argentine government, (ii) debt instruments issued by the Argentine Central Bank, and (iii) a financial institution's deposits and other liabilities resulting from financial brokerage, including subordinated obligations. In 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 .

Legal Reserve Requirements for Liquidity Purposes

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

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

Pursuant to 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 December 31, 2013, 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: 15%.

Dollar-denominated savings accounts: 40%.

Time deposits (by remaining maturity):

Peso-denominated: up to 29 days: 12%; from 30 to 59 days: 9%; from 60 to 89 days: 5%; from 90 to 179 days: 0%; from 180 to 365 days: 0%; and more than 365 days: 0%.

Dollar-denominated: up to 29 days: 40%; from 30 to 59 days: 30%; from 60 to 89 days: 20%; from 90 to 179 days: 11%; from 180 to 365 days: 4%; 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, 2013, 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.

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.

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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 Communiqué A 3911 establishes that, as of January 2006, the average financial assistance to non-financial public sector, in the aggregate, shall not be higher than 40% of the bank's total assets as of the end of the previous month. Later, through Communiqué A 4546, this limit was reduced to 35%, to be effective as from July 1, 2007 to present.

The Argentine Central Bank also regulates the level of total financial exposure (defined as financial assistance or credit plus equity participations) of 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:

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.

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

Controlling company rated 1: General assistance: 100%

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

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

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

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

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

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

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Foreign financial entities:

Investment grade: 10%

No Investment grade: Unsecured 5%; Secured 10%

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

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

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

Banco Galicia has historically complied with such rules.

Loan Classification System and Loan Loss Provisions

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

Valuation of Public Sector Assets

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

- (a) Fair 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.

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Deposit Insurance System

In 1995, Law No. 24,485 and Decree No. 540/95, as amended, created a deposit insurance system for bank deposits and delegated to the Argentine Central Bank the organization and start-up of the deposit insurance system. The deposit insurance system was implemented through the creation of a fund named *Fondo de Garantía de los Depósitos* (FGD), which is administered by Seguros de Depósitos S.A. (Sedesa). The shareholders of Sedesa are the Argentine government, through the Argentine Central Bank, which holds at least one share, and a trust constituted by the financial institutions which participate in the fund. The Argentine Central Bank establishes the extent of participation by each institution in proportion to the resources contributed by each such institution to the FGD. Banks must contribute to the FGD on a monthly basis in an amount that is currently equal to 0.015% of the monthly average of daily balances of a financial institution's deposits (both Pesos and foreign currency denominated). The deposit insurance system covers all Peso and foreign currency deposits held in demand deposit accounts, savings accounts and time deposits. The Argentine Central Bank may modify, at any time, and with general scope, the amount of the mandatory deposit guarantee insurance. As of the date of this annual report, the Argentine Central Bank has established the limit of the deposit insurance at Ps.120,000.

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

Priority Rights of Depositors

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

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.

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

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

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

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

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.

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Credit Cards Regulation

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

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

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

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

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

Concealment and Laundering of Assets of a Criminal Origin

Law No. 25,246 (as amended 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

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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.

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.

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Overview

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

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, at the level of Banco Galicia, of the Regional Credit Card Companies, and of CFA.

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

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

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 2014 will be more challenging as the world economy is more volatile and there are still certain domestic problems such as a growing fiscal deficit, difficulties to access to the foreign exchange market, decreasing international reserves, pressure on the foreign currency exchange rate and high levels of inflation, which could negatively impact the Argentine economy.

The Argentine Economy

The 2013 fiscal year was characterized by low volatility in the international financial markets, continuance of the monetary stimulus provided by the major central banks worldwide and a good performance for financial assets. In particular, the stock exchanges of developed countries grew 24% as compared to 2012.

Towards the second half of 2013, expectations regarding a decrease in the monetary stimulus provided by the U.S. Federal Reserve led to an increase of more than 130b.p. in the rate of the U.S. treasury notes, the yield of which was approximately 3% at the end of 2013.

The improvement of the economic outlook and the higher yields of sovereign debt in developed countries, led to a reversal of capital flows and a depreciation of the currencies of developing countries. During 2013, the prices of the main consumer commodities decreased 5%.

However, the U.S. Federal Reserve's decrease in monetary stimulus was less severe than anticipated by the market, became effective later and was implemented more gradually than originally predicted.

The GDP of developed economies grew 1.2% in 2013. The U.S. and Japan grew 1.9% and 1.7%, respectively. Europe's GDP decreased 0.4% in 2013; however, during the second half of 2013, its economy showed signs of recovery, especially in Spain, Germany and France. On the other hand, emerging economies grew an average of 4.7% in 2013, as compared to 4.9% in 2012.

The volume of Argentine exports declined during 2013, due to the devaluation of other emerging currencies, particularly the Brazilian Real, and a 5.6% decrease in the prices of the major export products according to the Argentine Central Bank.

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In the financial sector, following the legislative elections and positive signs for the Argentine economy, payment of pending legal proceedings in respect of the International Centre for Settlement of Investment Disputes, arrangement with Repsol for the nationalization of YPF, and negotiations with the International Monetary Fund (the IMF) and the Paris Club, financial assets performed well.

It is estimated that activity increased by 3.1% in 2013, which implied an improvement as compared to the 0.3% decrease noted in 2012. This increase took place primarily during the first half of 2013, when there was a 3.3% increase with respect to the first half of the year. However, during the second half of 2013, Argentine GDP decreased 0.2% in seasonally-adjusted terms.

With respect to supply, the financial intermediation sector showed the best performance, with a 13.5% annual increase, followed by agriculture, livestock, hunting and forestry (10.7%). In turn, the manufacturing industry showed an increase lower than the general average, growing 2.8% during the year as a result of factory capacity that is approaching its limits. The worst performing economic sectors were real estate, business, lease and mining and quarrying.

In turn, the Industrial Production Index prepared by Fundación de Investigaciones Económicas Latinoamericanas (FIEL) posted a slight 0.7% annual accumulated increase in 2013. The sectors that decreased the most are the metallurgy industry, with an accumulated decrease of 3.9% and the cigarette sector, with a decrease of 2.4%, whereas non-metallic mineral products and the automotive sector were the sectors that increased the most during this period (9.4% and 4.7%, respectively).

The unemployment rate decreased from 6.9% of the economically active population for the fourth quarter of 2012 to 6.4% for the same quarter of 2013, reflecting the impact of the economic activity level on the labor market.

In the monetary area, the main monetary aggregates slowed their increase as compared to 2012, below the overall nominal economic growth. By the end of the 2013 fiscal year, the monetary base of the Argentine government recorded a 23.8% expansion, more than 15 basis points (b.p.) below the growth recorded in 2012. Notwithstanding, the monetary base grew by Ps. 69,845 million, almost exclusively due to the increase in financing provided to the National Treasury (Ps. 94,182 million) and, to a lesser extent, due to repossession transactions (Ps. 10,025 million). Unlike 2012, the intervention in the foreign exchange market decrease in an amount equal to Ps. 32,331 million, while transactions with Argentine Central Bank Bills and Notes (Lebac and Nobac, respectively) decreased by Ps. 4,541 million, through the issuance of such instruments. 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 24.8%, as compared to the 37.2% growth recorded in 2012. On the other hand, total M2 (including deposits from the public sector) increased 27.1% in 2013, after increasing 40.1% in 2012.

Interest rates increased during the second half of 2013, after remaining relatively unchanged during the first half of 2013. Increased pressure on the financial system's liquidity led to an increase in interest rates, which by the end of 2013 were 20% per annum, as compared to the 15% per annum at the end of 2012.

The reference exchange rate established by the Argentine Central Bank increased from Ps. 4.917 to Ps. 6.518 per Dollar between December 31, 2012 and December 30, 2013 (equivalent to a 32.6% depreciation); while the average exchange rate increased from Ps. 4.880 per Dollar in 2012 to Ps. 6.319 per Dollar in 2013.

Inflation for 2013 was equal to 10.9%, as measured by the CPI of the INDEC, higher than the 10.8% recorded in 2012. In turn, the Wholesale Domestic Price Index recorded a 14.7% increase. According to private estimates, consumer prices increased approximately 26.4% during 2013.

In the fiscal area, tax revenues, including social security, grew 25.9% in 2013, as compared to 26.7% in 2012, and a 30.0% increase in 2011. Primary expenditures increased 33.5% in 2013 as compared to 2012. The Argentine public sector achieved a primary deficit of Ps. 22,479 million, equivalent to 0.8% of GDP, showing a decline as compared to the Ps. 4,374 primary deficit recorded in 2012 (0.2% of GDP). After an interest payment for Ps. 41,998 million, the financial deficit amounted to Ps. 64,477 million, equivalent to 2.3% of GDP.

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The balance of payments on current account recorded a deficit amounting to US\$2,500 million in 2013. In terms of GDP, this shows a slight deterioration from a neutral balance in 2012 to a 0.5% deficit in 2013. The balance of trade posted a US\$ 9,024 million surplus over the year, below the US\$ 3,396 million posted in 2012.

Exports increased by 3%, as compared to the prior year, due to the 3% rise in export volumes, partially offset by a 1% drop in prices. This increase in the export volumes represents a strong recovery, as compared to the 4% decrease noted in 2012. This improvement largely results from an increase in crop harvests, mainly of soy, together with an improvement in prices, and from the recovery of the Brazilian economy, which had a positive impact on the export of industrial goods.

On the other hand, imports increased as compared to 2012. In 2013, they increased 8%, as compared to a 7.8% drop in 2012. This increase was primarily attributable to an increase in the amounts imported (5%) and in prices (3%). Imports of automobiles grew the most, increasing 32% as compared to 2012, followed, in order of importance, by imports of fuel and lubricants, which grew 23% as compared to 2012, after recording a 1% drop in 2012.

The non-financial private sector's capital account (as per estimates made by the single free exchange market) posted a net foreign currency inflow of US\$2,290 million in 2013, representing a strong recovery against the US\$591 million net foreign currency outflow in 2012. Therefore, such account had a positive balance for the year ended December 31, 2013 after six years of a net foreign currency outflow. As of December 31, 2013, the Argentine Central Bank's international reserves amounted to US\$ 30,599 million, US\$ 12,691 million lower than those as of December 31, 2012.

The Argentine Financial System

Financial intermediation continued to develop strongly during 2013. The loans-to-private-sector to GDP ratio, an indicator of financial system depth, increased by 1.2 p.p. during 2013, reaching 16.9%.

Total loans to the private sector in the financial system grew 30.8% in 2013 as compared to 2012, reaching Ps. 491,722 million. The category of loans that experienced the most growth were consumer credit lines, comprised of loans through credit cards and personal loans, which increased 37.4%, reaching Ps. 188,634 million as of December 31, 2013. Short-term commercial loans, which include overdrafts and promissory notes, grew by 24.2%, amounting to Ps. 137,916 million. Loans secured by a pledge increased 40.7%, with a final balance of Ps. 31,816 million, whereas mortgage loans increased 23.9%, to Ps. 44,802 million. In turn, loans to the public sector accounted for 8.9% of total assets as of November 2013, decreasing 0.7 p.p. from November 2012.

The financial system's total deposits increased 26.3% during 2013, amounting to Ps. 744,665 million as of December 31, 2013. Deposits from the non-financial private sector increased 28.1%, amounting to Ps. 541,643 million as of December 31, 2013, whereas deposits from the public sector amounted to Ps. 201,873 million as of December 31, 2013, representing a 23.3% increase as compared to 2012. Within deposits from the private sector, transactional deposits grew 25.1%, amounting to Ps. 274,796 million as of December 31, 2013, while time deposits increased 31.5%, amounting to Ps. 246,680 million.

The average interest rate paid by private banks in December 2013 for deposits up to 59 days was 19.51%, increasing 454 b.p. inter-annually, while for deposits over Ps. 1 million, such rate was 20.32%, increasing 481 b.p. inter-annually.

With respect to lending rates, in December 2013 the rate applicable to overdrafts was 27.38%, increasing 559 b.p. inter-annually, and the signature loan rate was 22.34%, increasing 376 b.p. inter-annually.

In 2013, financial institutions maintained their liquidity levels (in relation to total deposits) as compared to 2012, with an average rate of 26.8%. The Argentine financial system's net worth increased by Ps. 30,997 million, which represents a 34.1% improvement over 2012. The Argentine financial system's profitability was equivalent to 3.4% of total assets (+0.5 p.p.), while the return on shareholders' equity was 29.6% (+3.9 p.p.). Income from interest and services amounted to 5.9% and 4.3% of total assets, respectively. In turn, administrative expenses increased from 7.0% to 7.1% of total assets, while provisions for loan losses increased from 0.9% to 1.0% of total assets. The non-accrual loan portfolio to the non-financial private sector was 1.7% in December 2013, showing no change from

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the previous year. Within the framework of prudent policies, the coverage of the private-sector non-accrual loan portfolio with allowances increased in recent years, reaching historically high levels. After the 172% maximum reached in November 2011, in 2013 financial institutions maintained coverage at levels similar to those of the prior year, reaching 140% by the end of 2013.

As of October 31, 2013, there were 82 financial institutions in operation in Argentina, including banks and non-banking institutions. Of this total, 65 were banks, 53 of which were private-sector banks (concentrating 53.8% of total deposits in the financial system). Of these 53, 33 were domestic banks, one of which was a cooperative bank (which represented 28.0% of total deposits, 1.2% higher as compared to the end of 2012) and 20 were foreign-owned banks (which represented 25.8% of total deposits, 0.7% lower as compared to the end of 2012). There are 12 government-owned banks as of December 31, 2013 (which represented 45.9% of total deposits), and 16 non-banking financial institutions with only a 0.4% share of total deposits.

The concentration of the financial system, measured by the private-sector deposit-market share of the ten leading banks, reached 75.9% as of October 31, 2013. This percentage was similar to the one recorded at the end of 2012.

Based on information as of September 2013 (the most recent date of available information), the Argentine financial system's banks employed a total of 105,302 people (60.5% of which were employed by the private sector), representing a 0.8% increase in 2013.

The Argentine Insurance Industry

The insurance industry continued to grow in 2013. Production amounted to Ps.91,000 million, 36.3% higher than the level recorded for 2012. Out of the total insurance production, 80% related to property insurance, 18% related to life and personal insurance and 2% related to retirement insurance. Within the 80% corresponding to property insurance, the automotive insurance segment comprised the most significant portion with 44% of property insurance, followed by the workers' compensation segment with 34%.

Within the life insurance business, group life insurance represented 67% 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 2013, 2012 and 2011. In addition, the chart below presents the evolution of the CER index, published by the Argentine Central Bank, used to adjust the principal of certain of our assets and liabilities, for the periods indicated.

<i>(in percentages)</i>	For the 12-month period ended December 31,		
	2013	2012	2011
Price Indices ^{(1) (2)}			
WPI	14.76	13.13	12.67

CPI	10.95	10.84	9.51
Adjustment Indices			
CER	10.53	10.55	9.54

- (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 21% (rather than 9.5%) in 2011, 24% (rather than 10.8%) in 2012 and 27% (rather than 10.9%) in 2013.*

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In the first three months of 2014, the WPI increased 13.0% and the CPI increased 10.0%. Over the same period, the CER increased 8.1%.

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,		
	2013	2012	2011
	(In millions of Pesos)		
Assets			
In Pesos, Unadjusted	72,612.9	55,493.8	42,860.0
In Pesos, Adjusted by the CER	780.7	717.0	579.3
In Foreign Currency ⁽¹⁾	9,762.2	7,247.4	7,753.7
Total Assets	83,155.8	63,458.2	51,193.0
Liabilities and Shareholders Equity			
In Pesos, Unadjusted, Including Shareholders Equity	72,695.7	55,081.5	39,973.7
In Pesos, Adjusted by the CER	8.2	8.2	8.8
In Foreign Currency ⁽¹⁾	10,451.9	8,368.5	11,210.5
Total Liabilities and Shareholders Equity	83,155.8	63,458.2	51,193.0

(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.20,343.5 million and liabilities to Ps.14,275.4 million.

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

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, 2013, December 31, 2012 and December 31, 2011

We discuss below 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, and our results of operations for the fiscal year ended December 31, 2012 as compared with our results of operations for the fiscal year ended December 31, 2011.

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	Fiscal Year Ended December 31,			Change December 31,	
	2013	2012	2011	2013/2012	2012/2011
	(in millions of Pesos, except percentages)				
Consolidated Income Statement					
Financial Income	13,075.7	9,129.0	6,017.7	3,946.7	3,111.3
Financial Expenses	6,170.0	3,940.6	2,274.2	2,229.4	1,666.4
Net financial Income	6,905.7	5,188.4	3,743.5	1,717.3	1,444.9
Provision for Losses on Loans and Other Receivables	1,776.3	1,347.3	843.4	429.0	503.9
Net income from Services	4,239.4	3,200.0	2,451.7	1,039.4	748.3
Income from Insurance Activities	904.9	651.9	457.4	253.0	194.5
Administrative Expenses	7,428.3	5,773.6	4,205.2	1,654.7	1,568.4
Minority Interest	(208.7)	(186.4)	(171.0)	(22.3)	(15.4)
Income / (Loss) from Equity Investments	123.7	117.4	132.7	6.3	(15.3)
Miscellaneous Income / (Loss), Net	295.3	275.1	295.1	20.2	(20.0)
Income Tax	(1,232.0)	(789.3)	(753.9)	(442.7)	(35.4)
Net income / (Loss)	1,823.7	1,336.2	1,106.9	487.5	229.3
Return on Average Assets ⁽¹⁾	2.91	2.80	3.07	0.1	(0.3)
Return on Average Shareholders Equity	32.46	32.12	37.39	0.4	(5.3)

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

Net income for the fiscal year ended December 31, 2013 was Ps.1,823.7 million, as compared to Ps. 1,336.2 million for the fiscal year ended December 31, 2012 and Ps. 1,106.9 million for the fiscal year ended December 31, 2011.

Net earnings per share for the fiscal year ended December 31, 2013 were Ps.1.469, as compared to Ps.1.076 for the fiscal year ended December 31, 2012 and Ps.0.892 for the fiscal year ended December 31, 2011.

The return on average assets and the return on average shareholders equity for the fiscal year ended December 31, 2013 were 2.91 % and 32.46%, respectively, as compared to 2.80% and 32.12%, respectively, for the fiscal year ended December 31, 2012 and to 3.07% and 37.39%, respectively, for the fiscal year ended December 31, 2010.

Fiscal Year 2013 compared to Fiscal Year 2012

Net income for the fiscal year ended December 31, 2013 was Ps.1,823.7 million, as compared to Ps.1,336.2 million for the fiscal year ended December 31, 2012, representing a Ps.487.5 million or 36.5% increase. Such increase was primarily attributable to:

a Ps.3,946.7 million increase in financial income, from Ps. 9,129.0 million to Ps.13,075.7 million,

a Ps.1,039.4 million increase in net income from services, from Ps.3,200.0 million to Ps.4,239.4 million, and

a Ps.253.0 million increase in income from insurance activities, from Ps.651.9 million to Ps.904.9 million.
Such changes were partially offset by:

a Ps.2,229.4 million increase in financial expenses, from Ps.3,940.6 million to Ps.6,170.0 million,

a Ps.429.0 million increase in provision for loan losses and other receivables, from Ps.1,347.3 million to Ps.1,776.3 million,

a Ps.1,654.7 million increase in administrative expenses, from Ps.5,773.6 million to Ps.7,428.3 million, and

a Ps.442.7 million increase in income tax, from Ps.789.3 million to Ps.1,232.0 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.

Table of Contents*Fiscal Year 2012 compared to Fiscal Year 2011*

Net income for the fiscal year ended December 31, 2012 was Ps.1,336.2 million, as compared to Ps.1,106.9 million for the fiscal year ended December 31, 2011, representing a Ps.229.3 million or 20.7% increase. Such increase was primarily attributable to:

a Ps.3,111.3 million increase in financial income, from Ps.6,017.7 million to Ps.9,129.0 million,

a Ps.748.3 million increase in net income from services, from Ps.2,451.7 million to Ps.3,200.0 million, and

a Ps.194.5 million increase in income from insurance activities, from Ps.457.4 million to Ps.651.9 million. Such changes were partially offset by:

a Ps.1,666.4 million increase in financial expenses, from Ps.2,274.2 million to Ps.3,940.6 million,

a Ps.503.9 million increase in provision for loan losses and other receivables, from Ps.843.4 million to Ps.1,347.3 million, and

a Ps.1,568.4 million increase in administrative expenses from Ps.4,205.2 million to Ps.5,773.6 million. The increase in income as compared to fiscal year 2011 was the result of a significant increase in the volume of financial intermediation with the private sector, which led to an increase in net operating income (net financial income plus net income from services) which more than offset the increases recorded in administrative expenses and in provisions for loan losses.

Financial Income

Our financial income was composed of the following:

	Fiscal Year Ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Income on Loans and Other Receivables Resulting from Financial Brokerage and Premiums Earned on Reverse Repurchases	11,368.4	8,010.0	5,160.2
Income from Government and Corporate Securities, Net	939.1	961.7	753.0
Other ⁽¹⁾	768.2	157.3	104.5

Total	13,075.7	9,129.0	6,017.7
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(1) Reflects income from receivables from financial leases, premiums on forward sales of foreign currency, CER adjustment and, during fiscal year 2011, results from foreign-exchange differences.

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

	2013		As of December 31, 2012		2011	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
<i>(in millions of Pesos, except rates)</i>						
Interest-Earning Assets	54,159.7	23.03	42,836.6	21.31	31,941.3	19.05
Government Securities	4,155.7	14.33	5,248.1	13.28	3,785.9	17.25
Loans	47,912.0	24.01	35,196.9	22.85	26,218.7	19.91
Other	2,092.0	17.77	2,391.6	16.17	1,936.7	10.97
Interest-Bearing Liabilities	39,778.7	12.60	30,922.0	9.93	23,328.9	7.92
Checking Accounts	1.1		1.5		3.3	
Savings Accounts	8,077.9	0.18	6,669.2	0.16	5,825.7	0.18
Time Deposits	23,256.6	16.22	16,710.5	13.38	11,970.2	10.84
Debt Securities	6,350.3	13.69	4,750.7	11.51	3,390.8	10.42
Other Interest-bearing Liabilities	2,092.8	16.97	2,790.1	9.90	2,138.9	8.75

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	2013		As of December 31, 2012		2011	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
<i>(in millions of Pesos, except rates)</i>						
Spread and Net Yield						
Interest Spread, Nominal Basis ⁽¹⁾		10.43		11.38		11.13
Net Yield on Interest-earning Assets ⁽²⁾		13.78		14.14		13.27
Financial Margin ⁽³⁾		12.75		12.11		11.72

(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 2013 compared to Fiscal Year 2012

Financial income for the fiscal year ended December 31, 2013 was Ps.13,075.7 million, as compared to Ps.9,129.0 million for the fiscal year ended December 31, 2012, representing a 43.2% 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.54,159.7 million as compared to Ps. 42,836.6 million for the fiscal year ended December 31, 2012, representing a 26.4% increase. Out of this growth, Ps.12,715.1 million corresponded to the increase of the average loan portfolio which totaled Ps.47,912.0 million, 36.1% higher than the Ps.35,196.9 million for the fiscal year ended December 31, 2012. Within the loans to the private sector segment, a Ps.8,109.7 million (or 42.1%) increase in credit cards, a Ps.2,862.8 million (or 27.4%) growth in promissory notes, a Ps.767.6 million (or 10.5%) increase in personal loans and a Ps.644.6 million (or 55.6%) 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.1,347.7 million) and the 2013 quota (first semester: Ps.1,622.6 and second semester: Ps.1,871.6 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 8.79%, as compared to 9.03% as of December 31, 2012.

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%).

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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.4,155.7 million, as compared to Ps.5,248.1 million for the fiscal year ended December 31, 2012, representing a decrease of 20.8%. This was attributable to a Ps.1,399.3 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.306.9 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.2,092.0 million, as compared to Ps.2,391.6 million for the fiscal year ended December 31, 2012, representing a decrease of Ps.299.6 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 16.92% 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.577.9 million profit from foreign-currency forward transactions, while in fiscal year 2012 profit from foreign-currency forward transactions represented a gain of Ps.26.0 million.

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

(in percentages)	Fiscal Year Ended December 31,		
	2013	2012	2011
Total Deposits	6.91	6.75	6.62

Private-Sector Deposits

Total	9.19	9.11	8.78
Deposits in Checking and Savings Accounts and Time Deposits	9.47	9.39	9.06

Total Loans	8.08	8.19	7.77
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Private-Sector Loans	8.79	9.03	8.63
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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.

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Fiscal Year 2012 compared to Fiscal Year 2011

Financial income for the fiscal year ended December 31, 2012 was Ps.9,129.0 million, as compared to Ps.6,017.7 million for the fiscal year ended December 31, 2011, representing a 51.7% 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, 2012 was 21.31%, as compared to 19.05% for the fiscal year ended December 31, 2011, a 226 b.p. increase primarily as a result of a higher average interest rate earned on loans, offset by a lower average yield on government securities.

The average of interest-earning assets for the fiscal year ended December 31, 2012 was Ps.42,836.6 million as compared to Ps.31,941.3 million for the fiscal year ended December 31, 2011, representing a 34.1% increase, which was primarily attributable to the 34.2% increase in the size of the average loan portfolio.

According to Argentine Central Bank information, as of December 31, 2012, Banco Galicia's estimated market share of loans to the private sector, excluding loans granted by the Regional Credit Card Companies, was 9.03%, as compared to 8.63% as of December 31, 2011, a 40 b.p. increase.

The average interest rate on total loans was 22.85% for the fiscal year ended December 31, 2012, as compared to 19.91% for the fiscal year ended December 31, 2011, representing an increase of 294 b.p. Such increase was primarily attributable to a 204 b.p. increase in the average interest rate earned on Peso-denominated loans to the private sector, which was 24.87% for fiscal year ended December 31, 2012, as compared to 22.83% for the fiscal year ended December 31, 2011. The average interest rate earned on foreign currency denominated loans to the private sector for the fiscal year ended December 31, 2012 was 5.40%, as compared to 3.73% for the fiscal year ended December 31, 2011, representing a 166 b.p. increase.

The average position in government securities for the fiscal year ended December 31, 2012 was Ps.5,248.1 million, as compared to Ps.3,785.9 million for the fiscal year ended December 31, 2011, representing an increase of 38.6%. This was primarily attributable to a Ps.1,372.6 million increase in the average position on Peso-denominated government bonds, due to an increase 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.89.6 million during the fiscal year ended December 31, 2012.

The average yield on government securities for the fiscal year ended December 31, 2012 was 13.28%, as compared to 17.25% for the fiscal year ended December 31, 2011, a 397 b.p. decrease. The average interest rate on government securities denominated in Pesos for the fiscal year ended December 31, 2012 was 13.48%, as compared to 17.26% for the fiscal year ended December 31, 2011, a 378 b.p. decrease, mainly due to the lower average rate accrued on Lebac and Nobac, as well as on Bonar 2015 Bonds.

The average Other Interest-Earning Assets for the fiscal year ended December 31, 2012 was Ps.2,391.6 million, as compared to Ps.1,936.7 million for the fiscal year ended December 31, 2011, representing an increase of Ps.454.9 million, or 23.5%, mainly attributable to the higher average balance of reverse repurchase agreement transactions.

The average rate on Other Interest-Earning Assets for the fiscal year ended December 31, 2012 was 16.17%, as compared to 10.97% for the fiscal year ended December 31, 2011, a 520 b.p. increase. Such increase was attributable to the variation in the average rate of other Peso-denominated assets as such rate increased to 16.92% for the fiscal year ended December 31, 2012 from 12.37% for the fiscal year ended December 31, 2011, predominantly as a result of financial trust transactions. The foreign currency average rate increased to 2.76% from 1.93% for the same periods.

Financial income for the fiscal year ended December 31, 2012 included, under the item Other in the Financial Income table above, a Ps.26.0 million profit from foreign-currency futures transactions. Financial income for the fiscal year ended December 31, 2011 included a Ps.6.4 million profit from exchange differences, including discrepancies arising from foreign-currency futures transactions. Such income was comprised of a Ps.213.1 million profit from foreign exchange brokerage activities and a Ps.206.7 million loss from the valuation of the foreign currency net position.

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Table of Contents**Financial Expenses**

Our financial expenses were composed of the following:

	Fiscal Year Ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Interest on Deposits	3779.6	2,244.8	1,305.7
Notes	869.5	546.9	353.2
Contributions and Taxes	1008.7	629.9	412.3
Other ⁽¹⁾	512.2	519.0	203.0
Total	6,170.0	3,940.6	2,274.2

(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 2013 compared to Fiscal Year 2012

The financial expenses for the fiscal year ended December 31, 2013 were Ps.6,170.0 million, as compared to Ps.3,940.6 million for the fiscal year ended December 31, 2012, a 56.6% increase. Such growth was attributable to a 28.6% 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.39,778.7 million, as compared to Ps.30,992.0 million for the fiscal year ended December 31, 2012. Such growth was attributable to the Ps.7,954.4 million higher total interest-bearing deposits, which increased from Ps.23,381.2 million to Ps.31,335.6 million, and to the Ps.1,599.6 million increase in the average balance of debt securities, from Ps.4,750.7 million to Ps.6,350.3 million. These increases were offset by a decrease of Ps.697.3 million in the average balance of Other Interest-Bearing Liabilities, from Ps.2,790.1 million to Ps.2,092.8 million.

With respect to the total average interest-bearing deposits for the fiscal year ended December 31, 2013, Ps.28,921.8 million were Peso-denominated deposits and Ps.2,413.9 million were Dollar-denominated deposits, as compared to Ps.20,520.1 million and Ps.2,861.1 million, respectively, for the fiscal year ended December 31, 2012.

Average Peso-denominated deposits recorded an increase of 40.9%, with a growth of 32.3% in savings accounts and 44.0% in time deposits. Average deposits in Dollars fell 15.6% during fiscal year 2013, with deposits in savings accounts decreasing 26.4% and time deposits decreasing by 7.0%.

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 13.03% average interest rate, as compared to 10.88% for the fiscal year ended December 31, 2012, a 215 b.p. increase. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2013 was 0.72%, as compared to 0.50% for the fiscal year ended December 31, 2012, a 22 b.p. increase.

The average balance of debt securities for the fiscal year ended December 31, 2013 was Ps.6,350.3 million, as compared to Ps.4,750.7 million for the fiscal year ended December 31, 2012, a 33.7% increase. This growth 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.

The average interest rate for debt securities for the fiscal year ended December 31, 2013 was 13.69%, as compared to 11.51% for the fiscal year ended December 31, 2012, a 218 b.p. increase.

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The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2013 was Ps.2,092.8 million, with an average rate of 16.79%, as compared to Ps.2,790.1 million for the fiscal year ended December 31, 2012, with an average rate of 9.90%, a 25.0% decrease in the average balance and a 707 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.697.3 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.152.6 million loss from currency quotation differences. These financial expenses were composed of a Ps.173.5 million gain from foreign exchange brokerage activities and a Ps.326.1 million loss from the valuation of the foreign currency net position. For the fiscal year ended December 31, 2012 financial expenses included a Ps.189.2 million loss from currency quotation differences, composed of a Ps.159.6 million gain from foreign exchange brokerage activities and a Ps.348.8 million loss from the valuation of the foreign currency net position.

Fiscal Year 2012 compared to Fiscal Year 2011

The financial expenses for the fiscal year ended December 31, 2012 were Ps.3,940.6 million, as compared to Ps.2,274.2 million for the fiscal year ended December 31, 2011, a 73.3% increase. Such increase was mainly attributable to a 32.5% increase in the average balance of interest-bearing liabilities combined with a 201 b.p. increase in the average cost thereof.

The average interest-bearing liabilities for the fiscal year ended December 31, 2012 were Ps.30,992.0 million, as compared to Ps.23,328.9 million for the fiscal year ended December 31, 2011. Such increase was mainly attributable to the Ps.5,582.0 million increase in total interest-bearing deposits, which increased from Ps.17,799.2 million to Ps.23,381.2 million, a Ps.1,359.9 million increase in the average balance of debt securities, from Ps.3,390.8 million to Ps.4,750.7 million, and an increase of Ps.651.2 million in the average balance of Other Interest-Bearing Liabilities, from Ps.2,138.9 million to Ps.2,790.1 million.

With respect to the total average interest-bearing deposits for the fiscal year ended December 31, 2012, Ps.20,520.1 million were Peso-denominated deposits and Ps.2,861.1 million were Dollar-denominated deposits, as compared to Ps.14,082.4 million and Ps.3,716.8 million, respectively, for the fiscal year ended December 31, 2011.

Average Peso-denominated deposits increased 45.7%, with increases of 37.3% in saving accounts and of 49.0% in time deposits. Dollar-denominated deposits decreased during the period, as well as in the financial system as a whole. Average deposits in Dollars fell 23.0% during fiscal year 2012, with deposits in savings accounts decreasing 32.9% and time deposits decreasing by 12.7%.

Considering 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 9.39% for the fiscal year ended December 31, 2012, as compared to 9.06% for the fiscal year ended December 31, 2011, a 33 b.p. increase.

The average rate on interest-bearing deposits for the fiscal year ended December 31, 2012 was 9.61%, as compared to 7.35% for the fiscal year ended December 31, 2011, a 226 b.p. increase. Peso-denominated deposits for the fiscal year ended December 31, 2012 accrued at a 10.88% average interest rate, as compared to 9.21% for the fiscal year ended

December 31, 2011, a 167 b.p. increase. The rate of Dollar-denominated deposits for the fiscal year ended December 31, 2012 was 0.50%, as compared to 0.30% for the fiscal year ended December 31, 2011, a 20 b.p. increase.

The average balance of debt securities for the fiscal year ended December 31, 2012 was Ps.4,750.7 million, as compared to Ps.3,390.8 million for the fiscal year ended December 31, 2011, a 40.1% increase. This increase was mainly attributable to the issuance of notes by Tarjeta Naranja, Tarjetas Cuyanas and CFA, 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, 2012 was 11.51%, as compared to 10.42% for the fiscal year ended December 31, 2011, a 109 b.p. increase.

The average balance of Other Interest-Bearing Liabilities for the fiscal year ended December 31, 2012 was Ps.2,790.1 million, with an average rate of 9.90%, as compared to Ps.2,138.9 million for the fiscal year ended December 31, 2011, with an average rate of 8.75%, a 30.4% increase in the average balance and a 115 b.p. increase in the average rate, respectively. This item includes mainly Peso and Dollar-denominated debt with domestic and international banks and credit entities, and Peso and Dollar-denominated obligations in connection with repurchase agreement transactions for government securities. The Ps.651.2 million increase in the average balance was mainly attributable to the higher average balance of transactions with banks and international entities.

The financial expenses for the fiscal year ended December 31, 2012 included a Ps.189.2 million loss from currency quotation differences. These financial expenses were composed of a Ps.159.6 million gain from foreign exchange brokerage activities and a Ps.348.8 million loss from the valuation of the net position in foreign currency. For the fiscal year ended December 31, 2011 the result from currency quotation differences was positive and is disclosed under the item Other in the Financial Income table above.

Net Financial Income

Fiscal Year 2013 compared to Fiscal Year 2012

Net financial income for the fiscal year ended December 31, 2013 was Ps.6,905.7 million, with a corresponding financial margin of 12.75%, as compared to Ps.5,188.4 million for the fiscal year ended December 31, 2012 with a corresponding financial margin of 12.11%, a Ps.1,717.3 million increase and a 64 b.p. increase, respectively.

The net financial income for the fiscal year ended December 31, 2013 included a Ps.425.6 million gain from currency quotation differences, comprised of a Ps.173.5 million gain from foreign exchange brokerage activities and Ps.252.1 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.163.2 million loss comprised of a Ps.159.6 million gain from foreign exchange brokerage activities and a Ps.322.8 million loss from the valuation of the foreign currency net position and the results from foreign-currency forward transactions. The higher result from quotations differences for the fiscal year ended December 31, 2013 as compared to 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.6,480.1 million, Ps.1,128.5 million higher than the Ps.5,351.6 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.

Fiscal Year 2012 compared to Fiscal Year 2011

Net financial income for the fiscal year ended December 31, 2012 was Ps.5,188.4 million, with a corresponding financial margin of 12.11%, as compared to Ps.3,743.5 million for the fiscal year ended December 31, 2011 with a corresponding financial margin of 11.72%, a Ps.1,444.9 million increase and a 39 b.p. increase, respectively.

The increase in net financial income for the fiscal year ended December 31, 2012 was mainly attributable to a significant increase in the volume of activity with the private sector, partially offset by the lower spread related to Peso-denominated transactions, which decreased to 11.31% for fiscal year 2012 from 11.56% for fiscal year ended

December 31, 2011.

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Table of Contents***Provision for Losses on Loans and Other Receivables******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.1,776.3 million, as compared to Ps.1,347.3 million for the fiscal year ended December 31, 2012, a Ps.429.0 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.1,700.5 million.

The coverage of the non-accrual portfolio with allowances decreased from 115.86% at fiscal year-end 2012 to 103.76% 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.186.6 million. Charge-offs against allowances for loan losses were equal to Ps.1,303.8 million. The increase was mainly due to the increase in delinquency in credit card and personal loans.

Fiscal Year 2012 compared to Fiscal Year 2011

Provisions for losses on loans and other receivables for the fiscal year ended December 31, 2012 were Ps.1,347.3 million, as compared to Ps.843.4 million for the fiscal year ended December 31, 2011, Ps.503.9 million higher due to an increase in the size of the individuals portfolio. The non-accrual loan portfolio as a percentage of total loans increased from 2.63% at the end of fiscal year 2011 to 3.37% at the end of fiscal year 2012, primarily as a result of the worsening of the macroeconomic variables related to the consumer loan portfolio. During 2012, Banco Galicia established allowances for loan losses for Ps.1,294.7 million.

The coverage of the non-accrual portfolio with allowances decreased from 152.01% at fiscal year-end 2011 to 115.86% at fiscal year-end 2012.

Direct charges, net of recoveries, represented a gain of Ps.132.1 million. Charge-offs against allowances for loan losses were Ps.835.2 million.

Net Income from Services

Our net income from services consisted of:

	Fiscal Year Ended December 31,			% Change December 31,	
	2013	2012	2011	2013/2012	2012/2011
	<i>(in millions of Pesos)</i>			<i>(in percentages)</i>	
Income From					
Credit and Debit Cards	4,097.1	3,036.8	2,235.9	34.9	35.8
CFA	122.0	104.3	70.4	17.0	48.2
Deposit Accounts	878.5	652.0	475.4	34.7	37.1

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Cash Management	55.2	38.7	30.7	42.6	26.1
Safe Deposit Box	124.0	98.7	72.3	25.6	36.5
Services for Shipments	42.8	26.2	22.5	63.4	16.4
Financial Fees	81.7	70.2	54.9	16.4	27.9
Credit-related Fees	289.3	233.5	224.9	23.9	3.8
Check Collection	105.3	79.1	65.5	33.1	20.8
Collection Services (Taxes and Utility Bills)	86.5	64.5	52.2	34.1	23.6
International Trade	127.6	98.8	87.9	29.1	12.4
Other (1)	224.5	151.1	127.7	48.6	18.3
Total Income	6,234.5	4,653.9	3,520.3	34.0	32.2
Total Expenses	1,995.1	1,453.9	1,068.6	37.2	36.1
Net Income from Services	4,239.4	3,200.0	2,451.7	32.5	30.5

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

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Fiscal Year 2013 compared to Fiscal Year 2012

Net income from services for the fiscal year ended December 31, 2013 was Ps.4,239.4 million, as compared to Ps.3,200.0 million for the fiscal year ended December 31, 2012, a 32.5% 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.1,682.6 million, as compared to Ps.1,223.9 million for the fiscal year ended December 31, 2012, a 37.5% 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, 2013 was 2.5 million, as compared to 2.2 million for the fiscal year ended December 31, 2012, a 16.7% increase.

Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2013 was Ps.2,676.0 million, as compared to Ps.2,019.2 million for the fiscal year ended December 31, 2012, a 32.5% 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 8.3 million credit cards as of December 31, 2013, as compared to 7.5 million credit cards as of December 31, 2012, a 10.3% increase.

Consequently, income generated from credit card transactions amounted to Ps.4,097.1 million in 2013, a 34.9% increase from the Ps.3,036.8 million generated in 2012.

In addition to income from credit cards transactions, significant growth was achieved by Banco Galicia for the fiscal year ended December 31, 2013, particularly in the form of fees collected in connection with deposit accounts (34.7%), check collections (33.1%), international trade (29.2%) and credit related fees (23.9%), as compared to the fiscal year ended December 31, 2012.

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 6.6% increase.

Expenses from services for the fiscal year ended December 31, 2013 were Ps.1,995.1 million, as compared to Ps.1,453.9 million for the fiscal year ended December 31, 2012, representing a 37.2% 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.

Fiscal Year 2012 compared to Fiscal Year 2011

Net income from services for the fiscal year ended December 31, 2012 was Ps.3,200.0 million, as compared to Ps.2,451.7 million for the fiscal year ended December 31, 2011, a 30.5% 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, 2012 was Ps.1,223.9 million, as compared to Ps.897.3 million for the fiscal year ended December 31, 2011, a 36.4% 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, 2012 was 2.2 million, as compared to 1.9 million for the fiscal year ended December 31, 2011, a 10.7% increase.

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Income from services corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2012 was Ps.2,019.2 million, as compared to Ps.1,454.1 million for the fiscal year ended December 31, 2011, a 38.9% 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. These Regional Credit Card Companies had issued 7.5 million credit cards as of December 31, 2012, as compared to 6.5 million credit cards as of December 31, 2010, a 15.2% increase.

Income generated from credit card transactions amounted to Ps.3,036.8 million, a 35.8% increase from the Ps.2,235.9 million generated in 2011.

In addition to income from credit card transactions, significant growth was achieved by Banco Galicia for the fiscal year ended December 31, 2012, particularly in the amount of fees collected in connection with deposit accounts (37.1%), safe deposit boxes (36.5%) and financial fees (27.9%), as compared to the fiscal year ended December 31, 2011.

Total deposit accounts for the fiscal year ended December 31, 2012 were 2.6 million, as compared to 2.2 million for the fiscal year ended December 31, 2011, representing a 17.5% increase.

Expenses from services for the fiscal year ended December 31, 2012 were Ps.1,453.9 million, as compared to Ps.1,068.6 million for the fiscal year ended December 31, 2011, representing a 36.1% increase. Such increase was mainly attributable to an increase in the number and frequency of promotions related to credit cards.

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

Credit Cards	December 31,			% Change	
	2013	2012	2011	2013/2012	2012/2011
	<i>(number of credit cards, except otherwise noted)</i>			<i>(percentages)</i>	
Visa	1,586,344	1,400,979	1,317,402	13.23	6.34
Gold	324,903	304,967	300,536	6.54	1.47
International	826,297	714,920	642,828	15.58	11.21
Domestic	90,245	115,336	162,515	(21.75)	(29.03)
Business	71,307	57,845	46,211	23.27	25.18
Corporate	3,139	2,924	2,421	7.35	20.78
Platinum	270,453	204,987	162,891	31.94	25.84
Galicia Rural	15,476	12,472	10,619	24.09	17.45
American Express	810,780	644,710	524,560	25.76	22.90
Gold	238,088	211,297	183,472	12.68	15.17
International	345,380	282,744	228,966	22.15	23.49
Platinum	227,312	150,669	112,122	50.87	34.38
MasterCard	107,235	100,288	96,644	6.93	3.77
Gold	34,935	30,592	26,918	14.20	13.65
MasterCard	71,779	69,058	68,951	3.94	0.16
Argencard	521	638	775	(18.34)	(17.68)
Regional Credit Card Companies	8,270,150	7,494,721	6,504,825	10.35	15.22

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Local Brands ⁽¹⁾	4,552,203	4,242,386	3,879,919	7.30	9.34
Visa	3,164,358	2,741,907	2,172,228	15.41	26.23
MasterCard	519,342	478,173	422,266	8.61	13.24
American Express	34,247	32,255	30,412	6.18	6.06
CFA	101,412	88,987	64,989	13.96	36.93
Visa	93,881	79,488	53,761	18.11	47.85
MasterCard	7,531	9,499	11,228	(20.72)	(15.40)
Total	10,891,397	9,742,157	8,519,039	11.80	14.36
Total Amount of Purchases (in millions of Pesos)					
	Ps. 75,925	Ps. 52,804	Ps. 38,207	43.79	38.21

(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,	
	2013	2012	2011	2013/2012	2012/2011
	(in millions of Pesos)			(in percentages)	
Salaries and Social Security Contributions	3,681.2	2,784.7	2,008.2	32.2	38.7
Property-related Expenses	376.0	280.8	218.7	33.9	28.4
Personnel Services	127.7	158.1	124.2	(19.2)	27.3
Advertising and Publicity	382.9	359.3	280.5	6.6	28.1
Amount Accrued in Relation to Directors and Syndics Compensation	63.9	49.9	38.2	28.1	30.6
Electricity and Communications	217.0	191.7	135.6	13.2	41.4
Taxes	607.9	435.7	298.6	39.5	45.9
Other	1,971.7	1,513.4	1,101.2	30.3	37.4
Total	7,428.3	5,773.6	4,205.2	28.7	37.3

Fiscal Year 2013 compared to Fiscal Year 2012

Administrative expenses for the fiscal year ended December 31, 2013 were Ps.7,428.3 million, as compared to Ps.5,773.6 million for the fiscal year ended December 31, 2012, a 28.7% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2013 were Ps.3,808.9 million, as compared to Ps.2,942.8 million for the fiscal year ended December 31, 2012, a 29.4% 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 composed of 13,329 employees, while as of the end of fiscal year 2013 the same staff was composed of 12,600 employees.

The remaining administrative expenses for the fiscal year ended December 31, 2013 were Ps.3,619.4 million, as compared to Ps.2,830.8 million for the fiscal year ended December 31, 2012, a 27.9% 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.

Fiscal Year 2012 compared to Fiscal Year 2011

Administrative expenses for the fiscal year ended December 31, 2012 were Ps.5,773.6 million, as compared to Ps.4,205.2 million for the fiscal year ended December 31, 2011, a 37.3% increase.

Salaries, social security contributions and expenses related to personnel services for the fiscal year ended December 31, 2012 were Ps.2,942.8 million, as compared to Ps.2,132.4 million for the fiscal year ended December 31, 2011, a 38.0% increase. Such increase was mainly attributable to the salary increase agreement with the unions. For the fiscal year ended December 31, 2011, Grupo Financiero Galicia and its subsidiaries had 12,606

employees, while for the fiscal year ended December 31, 2012 Grupo Financiero Galicia and its subsidiaries had 13,329 employees.

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The remaining administrative expenses for the fiscal year ended December 31, 2012 were Ps.2,830.8 million, as compared to Ps.2,072.8 million for the fiscal year ended December 31, 2011, a 36.6% 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, the rise in utility rates and the increases in amounts payable pursuant to agreements with different service providers, the main component of which is labor.

Income from Insurance Activities

Fiscal Year 2013 compared to Fiscal Year 2012

Income from insurance activities amounted to Ps.904.9 million for the fiscal year ended December 31, 2013, 38.8% higher than the Ps.651.9 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.

Fiscal Year 2012 compared to Fiscal Year 2011

Income from insurance activities amounted to Ps.651.9 million in fiscal year 2012, 42.5% higher than the Ps.457.4 million income recorded in fiscal year 2011, mainly as a consequence of a significant increase in the volume of premiums issued for the insurance products sold.

Income/(Loss) from Equity Investments

Fiscal Year 2013 compared to Fiscal Year 2012

Income from equity investments for the fiscal year ended December 31, 2013 was Ps.123.7 million, as compared to Ps.117.4 million for the fiscal year ended December 31, 2012. The Ps.6.3 million increase was mainly attributable to the collection of higher dividends from VISA Argentina S.A.

Fiscal Year 2012 compared to Fiscal Year 2011

Income from equity investments for the fiscal year ended December 31, 2012 was Ps.117.4 million, as compared to Ps.132.7 million for the fiscal year ended December 31, 2011. The decrease of Ps.15.3 million was mainly attributable to a lower amortization of CFA's negative goodwill, as fiscal year 2011 included the accelerated amortization of Ps.16.4 million recorded by Tarjetas Regionales as a result of the sale of its equity investment in CFA to Banco Galicia and Grupo Financiero Galicia. This decline in income for equity investments was partially offset by the collection of higher dividends from VISA Argentina S.A.

Miscellaneous Income/(Loss), Net

Fiscal Year 2013 compared to Fiscal Year 2012

Miscellaneous net income for the fiscal year ended December 31, 2013 was Ps.295.3 million, as compared to Ps.275.1 million for the fiscal year ended December 31, 2012.

The higher income of Ps.20.2 million was mainly due to the increase of Ps.137.8 million in profits from loans recovered and punitive interest, partially offset by the higher establishment of net allowances for Ps.115.8 million.

Fiscal Year 2012 compared to Fiscal Year 2011

Miscellaneous net income for the fiscal year ended December 31, 2012 was Ps.275.1 million, as compared to Ps.295.1 million for the fiscal year ended December 31, 2011, a Ps.20.0 million decrease.

The result for the 2012 fiscal year was mainly attributable to profits from loans recovered and punitive interest for a total amount of Ps.317.2 million, and adjustments and interest for miscellaneous receivables amounting to Ps.52.5 million, mainly from profits on security margins of repurchase agreement transactions. Such profits were partially offset by the establishment of net allowances for Ps.80.9 million.

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During fiscal year 2011, adjustments and interest were recorded for miscellaneous receivables, and for loans recovered and punitive interest in the amounts of Ps.66.1 million and Ps.269.3 million, respectively. These profits were lessened by the establishment of net allowances which amounted to Ps.43.1 million.

Income Tax

Fiscal Year 2013 compared to Fiscal Year 2012

The income tax charge for the fiscal year ended December 31, 2013 was Ps.1,232.0 million, as compared to Ps.789.3 million for the fiscal year ended December 31, 2012, a Ps.442.7 million increase.

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

Fiscal Year 2012 compared to Fiscal Year 2011

The income tax charge for the fiscal year ended December 31, 2012 was Ps.789.3 million, as compared to Ps.753.9 million for the fiscal year ended December 31, 2011, a Ps.35.4 million increase.

The effective income tax rate for fiscal year 2012 was 37.1%, lower than the 40.5% recorded in 2011.

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, 2013, see Note 35 to our consolidated financial statements.

Allowances for Loan Losses

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

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, 2013	December 31, 2012	December 31, 2011
<i>(in millions of Pesos)</i>		

Argentine Banking GAAP	2,172.3	1,761.4	1,300.6
U.S. GAAP			
ASC 310			
Allowance for Loan Losses	104.7	70.6	40.5
ASC 450	2,056.1	1,660.5	1,239.0
U.S. GAAP Shareholders Equity			
Adjustment ⁽¹⁾	11.4	30.3	21.1

(1) Including qualitative and quantitative adjustments.

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

With Problems

High Risk of Insolvency

Uncollectible

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

	December 31, 2013	December 31, 2012	December 31, 2011
	(in millions of Pesos)		
Loan Loss Reserve Under U.S. GAAP	ASC 310		
Analysis	104.7	70.6	40.5

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 2013 and 2012 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.

	December 31, 2013	December 31, 2012	December 31, 2011
	<i>(in millions of Pesos)</i>		
Loan Loss Reserve Under U.S. GAAP			
ASC 450			
Analysis	2,056.1	1,660.5	1,239.0

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.

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

	December 31, 2013	December 31, 2012	December 31, 2011
Loan Loss Reserves as a Percentage of Non-accrual Loans	127.05%	138.77%	202.23%
Loan Loss Reserves as a Percentage of Total Amounts Past Due	79.52%	87.80%	121.00%
Loan Loss Reserves as a Percentage of Past-due Unsecured Amounts	147.83%	159.09%	226.90%

The allowance for loan losses has increased approximately 24% during 2013 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.

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.

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

Under U.S. GAAP, all of these assets are carried at fair value as fully explained in Note 35 to our financial statements and -U.S. GAAP - Critical Accounting Policies .

The table below shows the book value, market value and amortized cost of Bonar 2015 Bonds as of December 31, 2013 and 2012, respectively.

	December 31, 2013					December 31, 2012				
	Book					Book				
	Amortized Value					Amortized Value				
	Cost	Argentine	Shareholders	Unrealized	Equity	Cost	Argentine	Shareholders	Unrealized	Equity
(In millions of Pesos)	US GAAP	Banking GAAP	Market Value	(Loss)/Gain	Adjustment	US GAAP	Banking GAAP	Market Value	(Loss)/Gain	Adjustment
Bonar 2015 Bonds	196.5	392.0	396.5	200.0	4.4	409.9	558.0	601.0	191.1	43

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.

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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.

Shareholders' Equity adjustments between Argentine Banking GAAP and U.S. GAAP as of December 31, 2013 and December 31, 2012, amounted to Ps.(33.2) and Ps.(25.0), respectively.

Securitizations

The following table summarizes the adjustment for U.S. GAAP purposes related to securitization transactions as of December 31, 2013 and 2012:

	2013			As of December 31, <i>(In millions of Pesos)</i>			2012
	Book Value Argentine Banking GAAP	Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment	Book Value Argentine Banking GAAP	Fair Value Book value under U.S. GAAP	U.S. GAAP Shareholders Equity Adjustment	
Galtrust I ⁽¹⁾	743.4	743.4		674.0	674.0		
Financial Trust Galicia ⁽²⁾	151.3	142.5	(8.8)	136.7	75.7	(61.0)	
Total	894.7	885.9	(8.8)	810.7	749.7	(61.0)	

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

Under Argentine Banking GAAP, this transaction was accounted for as sales and the debt securities and certificates retained by Banco Galicia are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

The retained interest in the trust was recorded under Argentine Central Bank rules in the Other Receivables from Financial Brokerage, and its balance as of December 31, 2013 and 2012, was Ps.743.4 million and Ps. 674.0 million,

respectively.

As of December 31, 2013 and 2012, under Argentine Banking GAAP, we recorded certain reserves to adjust the equity method used to account for the residual interest in the trust, at its fair value.

The fair value of these securities was determined on the balance sheet date, based on the fair value and internal valuation techniques. Such fair value constituted the new cost basis for this investment.

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. As the fair value of the residual interest in the trust recorded pursuant to Argentine Central Bank rules was determined based on the fair value of the Bogar Bonds, recorded as an asset in the trust,

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there is no difference in the measurement of the net assets held and recorded under Argentine Central Bank rules as compared to under U.S. GAAP. The only difference between both standards is that under U.S. GAAP, changes in the fair value of the Bogar Bonds are recorded in other comprehensive income, while under Argentine Banking GAAP, changes are recorded in the consolidated income statement.

(2) Financial Trust Galicia

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

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

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

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

Additional information required by U.S. GAAP

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

<i>(In millions of Pesos)</i>	As of December 31,	
	2013	2012
Cash and Due from Banks	Ps. 13.0	Ps. 11.8
Government Securities	962.6	988.0
Other Assets	0.1	4.8
Total Assets	Ps. 975.7	Ps. 1,004.6
Debt Securities	Ps. 89.1	Ps. 204.4
Certificates of Participation	886.2	800.0
Other Liabilities	0.4	0.2
Total Liabilities	Ps. 975.7	Ps. 1,004.6

Our maximum loss exposure, which amounted to Ps.975.7 million and Ps. 1,004.6 million as of December 31, 2013 and 2012, respectively, is based on the unlikely events that all of the assets in the VIE s become worthless and incorporates potential losses associated with assets recorded on our balance sheet.

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.

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

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

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

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

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

As of December 31, 2013 and 2012 we had a balance of Ps.148.7 million and Ps. 247.8 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 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.

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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 2013	1,823.7	1,574.6	6,947.2	6,944.0
Fiscal Year 2012	1,336.2	1,309.6	4,870.1	5,107.9
Fiscal Year 2011	1,106.9	866.7	3,551.6	3,876.1

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, 2013, 2012 and 2011 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 (in liquidation), Galicia Cayman and its subsidiaries and the results of other small banking-related subsidiaries.

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

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

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 and Galicia Warrants. Fiscal year 2011 also includes the results of GV Mandataria (now liquidated) and Galval (sold).

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, 2013, December 31, 2012 and December 31, 2011.

Banking

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

<i>In millions of Pesos, except percentages</i>	For the year ended December 31,		
	2013	2012	2011
Net Financial Income	4,425.0	3,188.4	2,362.5
Net Income from Services	2,011.5	1,477.1	1,095.5
Net Operating Revenue	6,436.5	4,665.5	3,458.0
Provisions for Loan Losses	820.6	593.3	494.1
Administrative Expenses	3,963.5	3,094.6	2,302.4
Net Operating Income	1,652.4	977.6	661.5
Income from Equity Investments			
Tarjetas Regionales SA	464.6	434.8	347.0
Compañía Financiera Argentina S.A.	292.9	307.6	315.0

Sudamericana	22.2	14.4	11.3
Others	84.6	(60.0)	17.7
Income from Equity Investments	864.3	696.8	700.3
Other Income (Loss)	(5.8)	(31.3)	71.2
Pre-tax Income	2,510.9	1,643.1	1,433.0
Income Tax Provision	673.9	342.0	325.7
Net Income	1,837.0	1,301.1	1,107.3
Net Income as a % of Grupo Financiero Galicia's Net Income	101%	97%	100%
Average Loans	35,341.0	25,871.8	19,608.3
Average Deposits	42,144.7	32,220.4	25,146.8

For the fiscal year ended December 31, 2013, net income for this segment amounted to Ps.1,837.0 million, a Ps.535.9 million increase, or 41.2%, as compared to Ps.1,301.1 million for the fiscal year ended December 31, 2012, which in turn was Ps.193.8 million higher than the Ps.1,107.3 million for the fiscal year ended December 31, 2011.

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.

The Ps.535.9 million growth in net income was primarily a result of an increase of Ps.1,771.0 million in net operating revenues and Ps.167.5 million in income from equity investments, offset by higher administrative expenses in an amount of Ps.868.9 million, provisions for loans losses in an amount of Ps.227.3 million and income tax in an amount of Ps.331.9 million.

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The increase in net income for the fiscal year ended December 31, 2012 as compared to the fiscal year ended December 31, 2011 was primarily due to the significant increase in the volume of financial intermediation with the private sector, together with an increase of Ps.1,207.5 million in net operating revenues, partially offset by an increase of Ps.792.2 million in administrative expenses, a decrease of Ps.102.5 million in other income and an increase of Ps.99.2 million in provisions for loan losses.

During the fiscal year ended December 31, 2013, the growth in the volume of financial intermediation with the private sector, together with an improvement of the financial margins resulted in an increase of net financial income.

During the fiscal year ended December 31, 2013, the increase in net financial income was primarily attributable to a significant increase in the volume of financial intermediation with the private sector, and was partially offset by the drop in the spread related to Peso-denominated transactions.

Net income for the fiscal year ended December 31, 2013, included a Ps.477.2 million gain from currency quotation differences, comprised of a Ps.173.5 million gain from foreign exchange brokerage activities and a Ps.303.7 million gain from the valuation of the foreign currency net position and the result from foreign currency forward transactions. For the fiscal year ended December 31, 2012, such result was a Ps.16.4 million loss comprised of a Ps.159.6 million gain from foreign exchange brokerage activities and a Ps.176.0 million loss from the valuation of the foreign currency net position and the result from foreign currency forward transactions.

As a result, net financial income, before currency quotation differences, amounted to Ps.3,947.8 million, Ps.743.0 million higher than the Ps.3,204.8 million for the fiscal year ended December 31, 2012, which in turn was Ps.944.3 million higher than the Ps.2,260.5 for the fiscal year ended December 31, 2011. The variation in the net financial income was due to an increase in the volume of activity with the private sector partially offset by a decrease in the spread between the interest rates on assets and liabilities.

Loans to the private sector reached Ps.41,403.7 million for the fiscal year ended December 31, 2013, 27.6% higher than those for the fiscal year ended December 31, 2012. Increases in credit card transactions equal to Ps.4,943.5 million (49.1%), promissory notes equal to Ps.2,981.3 million (27.9%) and mortgage loans equal to Ps.644.5 million (55.6%), stood out.

Credit growth was influenced by loans granted pursuant to the Credit Line for Productive Investment Projects set forth by the Argentine Central Bank in July 2012. As of the end of fiscal year 2012 and 2013, the Bank complied with the loan placement requirements pursuant to the conditions set forth by the Argentine Central Bank for the 2012 quota (Ps.1,347.7 million) and the 2013 quota (first semester: Ps.1,622.6 and second semester: Ps.1,871.6 million).

According to information provided by the Argentine Central Bank, as of December 31, 2013, Banco Galicia's estimated market share of loans to the private sector was 8.17%, as compared to 8.41% as of December 31, 2012 and 8.03% as of December 31, 2011.

Net income from services was Ps.2,011.5 million for the fiscal year ended December 31, 2013, as compared to Ps.1,477.1 million for the fiscal year ended December 31, 2012, a 36.2% increase, which in turn was 34.8% higher than the Ps.1,095.5 million for the fiscal year ended December 31, 2011. These increases can be mainly attributed to the Bank's strategic positioning in the different segments in which it operates, the significant growth in the business volume and the rise in prices, in line with the dynamics of the market.

The main components of income from services are fees related to credit and debit card transactions, deposit accounts, insurance and international trade. With respect to credit cards, the most important component for the Bank's income

from services, revenue from such segment increased 16.7% for the fiscal year ended December 31, 2013, with 2.5 million of credit cards managed, compared to 2.2 million for the fiscal year ended December 31, 2012 and to 1.9 million for the fiscal year ended December 31, 2011. Such growth was accompanied by an increase in consumption during the past three fiscal years.

Provisions for loan losses and other receivables were Ps.820.6 million for the fiscal year ended December 31, 2013, representing an increase of Ps.227.3 million as compared to Ps.593.3 million for the fiscal year ended

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December 31, 2012, primarily attributable to the seasoning of the consumer loan portfolio. In turn, provisions for loan losses and other receivables for the fiscal year ended December 31, 2012, were Ps.99.2 million higher than the Ps.494.1 million recorded in the fiscal year ended December 31, 2011, as a consequence of the increase in the size of the loan portfolio and in the amount of provisioning for the non-accrual loan portfolio with allowances for loan losses.

Administrative expenses were Ps.3,963.5 million for the fiscal year ended December 31, 2013, as compared to Ps.3,094.6 million for the fiscal year ended December 31, 2012, a 28.1% increase. In turn, administrative expenses for the fiscal year ended December 31, 2012, were 34.4% higher as compared to Ps.2,302.4 million for the fiscal year ended December 31, 2011. These increases were mainly attributable to 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, 2012 the Bank had 5,734 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 geographic expansion of the branch network, an increased level of activity and an increase in costs related to the services provided to the Bank.

Income from equity investments was Ps.864.3 million for the fiscal year ended December 31, 2013, Ps.167.5 million higher as compared to Ps.696.8 million for the fiscal year ended December 31, 2012, which in turn was Ps.3.5 million lower than the Ps.700.3 million for the fiscal year ended December 31, 2011. The increase recorded in the fiscal year ended December 31, 2013 was mainly attributable to an increase in profits from Tarjetas Regionales, in an amount equal to Ps.140.2 million and from Sudamericana, for Ps.7.8 million, partially offset by a decrease in profits from CFA. For more information, see *-Regional Credit Cards*, *-CFA* and *-Insurance*.

Other net loss for the fiscal year ended December 31, 2013 was Ps.5.8 million, with a decrease of Ps.25.5 million as compared to the Ps.31.3 million loss for the fiscal year ended December 31, 2012, which was Ps.102.5 million lower than the Ps.71.2 million gain for the fiscal year ended December 31, 2011. Other net loss for the fiscal year 2013 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. During fiscal year 2012, the loss was mainly attributable to higher net other provisions for Ps.94.8 million.

The income tax charge during the fiscal year ended December 31, 2013 was Ps.673.9 million, Ps.331.9 million higher than the Ps.342.0 million for fiscal year 2012.

Regional Credit Cards

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

<i>In millions of Pesos, except percentages</i>	For the year ended December 31,		
	2013	2012	2011
Net Financial Income	1,453.4	1,169.2	701.6
Net Income from Services	2,663.6	2,052.8	1,571.1
Net Operating Revenue	4,117.0	3,222.0	2,272.7

Provisions for Loan Losses	703.1	580.1	270.4
Administrative Expenses	2,597.8	2,014.0	1,402.2
Net Operating Income	816.1	627.9	600.1
Income from Equity Investments	(13.8)	(9.1)	13.0
Other Income (Loss)	217.5	176.8	128.2
Minority Interests	0.1	(9.8)	(106.4)
Pre-tax Income	1,019.9	785.8	634.9
Income Tax Provision	402.4	351.0	287.9
Net Income	617.5	434.8	347.0
Net Income as a % of Grupo Financiero Galicia's Net Income	34%	33%	31%
Average Loans	9,909.1	7,300.5	5,087.5

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For the fiscal year ended December 31, 2013, the Regional Credit Card Companies recorded net income of Ps.617.5 million, as compared to Ps.434.8 million for the fiscal year ended December 31, 2012, representing a Ps.182.7 million or 42.0% increase.

The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2013 was mainly attributable to an increase in net operating revenues of Ps.895.0 million, partially offset by increases of Ps.583.8 million in administrative expenses, Ps.123.0 million in loan loss provisions and Ps.51.4 million in income tax.

The net operating revenues for the fiscal year ended December 31, 2013 amounted to Ps.4,117.0 million, a 27.8% increase as compared to the Ps.3,222.0 million for fiscal year ended December 31, 2012, as a result of higher net financial income in an amount of Ps.284.2 million and higher net income from services in an amount of Ps.610.8 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, 2013, provisions for loan losses in an amount of Ps.703.1 million were recorded, Ps.123.0 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 provisioning methodology method of Markov , 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, 2013 amounted to Ps.2,597.8 million, a 29.0% increase from the fiscal year ended December 31, 2012, mainly due to the salary increase agreed upon with unions, a higher level of economic activity and the higher inflation rate during the period.

In the 2013 and 2012 fiscal years, other net income amounted to Ps.217.5 million and Ps.176.8 million, respectively, with increases of 23.0% and 37.9%, respectively, mainly as a result of an increase in loans recovered.

The income tax charge during the fiscal year 2013 was Ps.402.4 million, Ps.51.4 million higher than in fiscal year 2012.

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

average statements issued: 10.2% growth, reaching an annual average of 2.8 million customers;

increase in retail sales: 42.5%, from Ps.25,804 million to Ps.36,771 million;

increase in loan portfolio: 30.5%, amounting to Ps.14,745 million;

increase in the number of purchase transactions: 14.8%, reaching 135 million; and

increase in the size of the distribution network: 3%, reaching a total of 260 service centers. Regarding the distribution network, in fiscal year ended December 31, 2013, Tarjeta Naranja opened four new branches, two of which are located in Buenos Aires and the other two located in the Interior, in addition to the opening of an office in Buenos Aires for administrative and commercial support to branches. Tarjetas Cuyanas opened two branches, both of which are located in the province of San Juan.

The Regional Credit Card Companies had 5,668 employees as of December 31, 2013, which represents a 7.2% decrease as compared to the number of employees as of December 31, 2012.

In fiscal year 2012, the Regional Credit Card Companies recorded net income of Ps.434.8 million, as compared to Ps.347.0 million for the fiscal year ended December 31, 2011, representing a Ps.87.8 million or 25.3% increase.

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The increase in income corresponding to the Regional Credit Card Companies for the fiscal year ended December 31, 2012 was mainly attributable to an increase in net operating revenues of Ps.949.3 million, partially offset by higher administrative expenses for Ps.611.8 million, loan loss provisions for Ps.309.7 million and income tax for Ps.63.1 million.

The net operating revenues for fiscal year 2012 amounted to Ps.3,222.0 million, a 41.8% increase as compared to the Ps.2,272.7 million for fiscal year 2011, as a consequence of increases of Ps.467.6 million in net financial income and Ps.481.7 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 2012 fiscal year provisions for loan losses of Ps.580.1 million were recorded, Ps.309.7 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 2012 amounted to Ps.2,014.0, a 43.6% increase from fiscal year 2011, mainly due to a higher level of economic activity, the geographic expansion of the branch network and the higher inflation rate during such period.

In fiscal year 2012, other net income amounted to Ps.176.8 million, Ps.48.6 million higher than the Ps.128.2 million recorded in fiscal year 2011, mainly as a result of an increase in past due loans recovered.

The income tax charge during the fiscal year 2012 was Ps.351.0 million, Ps.63.1 million higher than in fiscal year 2011.

The Regional Credit Card Companies experienced growth in the following key indicators during the fiscal year ended December 31, 2012, as compared to the fiscal year ended December 31, 2011:

average statements issued: 14.3% growth, reaching an annual average of 2.6 million customers;

increase in retail sales: 41.4%, from Ps.18,248 million to Ps.25,804 million;

increase in loan portfolio: 43.4%, amounting to Ps.11,296 million;

increase in the number of purchase transactions: 18.1%, reaching Ps.118 million; and

increase in the size of the distribution network: 5%, reaching a total of 254 service centers.

The Regional Credit Card Companies employed 6,109 employees as of December 31, 2012, which represents a 6.1% increase as compared to the number of employees as of December 31, 2011.

Regarding the branch network, in fiscal year ended December 31, 2012, Tarjeta Naranja opened 25 branches, four of which were located in Buenos Aires, four located in the province of Buenos Aires and the remaining branches in the Interior of Argentina. Tarjetas Cuyanas opened two branches, both located in the province of Mendoza.

CFA

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