

GRUPO FINANCIERO GALICIA SA

Form 20-F

April 29, 2013

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 29, 2013

**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, 2012

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

# **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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

International Financial Reporting Standards

U.S. GAAP  As issued by the International Accounting Standards Board  Other

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 is subject to the corresponding authorization of the Central Bank of Uruguay.

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, 2012 and total shareholders' equity as of December 31, 2012 and 2011 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.4.9173, Ps.4.3032 and Ps.3.9758 per US\$1.00 as of December 31, 2012, December 31, 2011 and December 31, 2010, 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.

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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. Although 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;

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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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**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

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

Not applicable.

**Item 3. Key Information**

**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, 2012 and December 31, 2011 and for the fiscal years ended December 31, 2012, 2011 and 2010 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2010, December 31, 2009 and December 31, 2008 and for the fiscal years ended December 31, 2009 and December 31, 2008 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.

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	Fiscal Year Ended December 31,					
	2012 <i>(in millions of Dollars, except as noted)<sup>(1)</sup></i>	2012	2011	2010	2009	2008
	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>					
	<i>Unaudited</i>					
<b>Consolidated Income Statement in Accordance with Argentine Banking GAAP</b>						
Financial Income	1,856.5	9,129.0	6,017.7	3,614.9	3,005.6	2,559.3
Financial Expenses	801.4	3,940.6	2,274.2	1,412.7	1,460.5	1,421.0
Net Financial Income <sup>(2)</sup>	1,055.1	5,188.4	3,743.5	2,202.2	1,545.1	1,138.3
Provision for Losses on Loans and Other Receivables	274.0	1,347.3	843.4	551.5	639.5	395.4
Income before Taxes	432.2	2,125.5	1,860.8	667.1	385.3	250.8
Income Tax	(160.5)	(789.3)	(753.9)	(258.2)	(156.0)	(74.0)
Net Income / (Loss)	271.7	1,336.2	1,106.9	408.9	229.3	176.8
Earnings / (Loss) per Share (in Pesos) <sup>(3)</sup>	0.219	1.076	0.892	0.329	0.185	0.142
Cash Dividends per Share (in Pesos) <sup>(3)</sup>	0.004	0.020	0.014	0.020		
Stock Dividends per Share (in Pesos) <sup>(3)</sup>						
Book Value per Share (in Pesos) <sup>(3)</sup>	0.798	3.923	2.861	1.989	1.653	1.487
<b>Amounts in Accordance with U.S. GAAP</b>						
Net Income / (Loss)	266.3	1,309.6	866.7	2,293.6	770.2	(1,171.0)
Basic and Diluted Earnings / (Losses) per Share (in Pesos) <sup>(3)</sup>	0.215	1.055	0.698	1.848	0.620	(0.943)
Book Value / (Deficit) per Share (in Pesos) <sup>(3)</sup>	0.837	4.115	3.122	2.414	0.996	(0.608)
Financial Income	1,868.3	9,187.1	5,985.6	4,778.0	3,374.8	1,201.7
Financial Expenses	797.8	3,923.1	2,240.8	1,343.4	1,434.4	1,391.3
Net Financial Income / (Loss)	1,075.5	5,264.0	3,744.8	3,434.6	1,940.4	(189.6)
Provision for Losses on Loans and Other Receivables	272.1	1,338.0	887.8	549.7	527.3	450.1
Income Tax	158.5	779.5	678.8	508.1	54.5	50.9
<b>Consolidated Balance Sheet in Accordance with Argentine Banking GAAP</b>						
Cash and Due from Banks	1,697.1	8,345.0	6,418.9	5,645.6	3,696.3	3,405.1
Government Securities, Net	737.6	3,627.1	5,227.7	2,267.7	3,907.2	1,531.8
Loans, Net	8,661.9	42,593.0	30,904.5	21,353.8	13,477.9	11,774.6
Total Assets	12,905.1	63,458.3	51,193.0	35,708.1	27,602.4	24,735.8
Deposits	8,133.6	39,945.2	30,135.1	22,222.8	17,039.4	14,056.1
Other Funds <sup>(4)</sup>	5,621.6	27,643.0	17,506.3	11,015.8	8,510.5	8,834.0
Total Shareholders' Equity	990.4	4,870.1	3,551.6	2,469.5	2,052.5	1,845.7
Average Total Assets <sup>(5)</sup>	11,066.3	54,416.4	41,635.7	29,118.4	24,685.3	23,412.5
<b>Percentage of Period-end Balance Sheet Items Denominated in Dollars:</b>						
Loans, Net of Allowances	6.32	6.32	13.88	14.53	17.78	16.97
Total Assets	11.42	11.42	15.15	18.98	24.95	28.85
Deposits	10.12	10.12	15.05	18.08	18.16	16.98
Total Liabilities	14.29	14.29	23.57	23.01	27.73	32.47
<b>Amounts in Accordance with U.S. GAAP</b>						
Trading Securities	701.6	3,450.1	5,309.8	2,700.4	2,011.9	989.6
Available-for-Sale Securities	661.2	3,251.2	2,881.9	2,384.9	3,916.9	2,050.0

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Total Assets	14,723.2	72,398.2	55,956.7	40,593.9	30,377.6	25,159.7
Total Liabilities	13,684.4	67,290.3	52,080.6	37,596.9	29,141.3	25,914.1
Shareholders' Equity (Deficit)	1,038.8	5,107.9	3,876.1	2,997.1	1,236.3	(754.4)

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	2012	Fiscal Year Ended December 31,			2008
		2011	2010	2009	
		<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>			
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b>Profitability and Efficiency</b>					
Net Yield on Interest Earning Assets <sup>(6)</sup>	14.14%	13.27%	11.38%	9.10%	5.72%
Financial Margin <sup>(7)</sup>	12.11	11.72	10.02	8.41	5.72
Return on Average Assets <sup>(8)</sup>	2.80	3.07	1.76	1.12	0.91
Return on Average Shareholders' Equity <sup>(9)</sup>	32.12	37.39	18.63	11.69	10.13
Net Income from Services as a Percentage of Operating Income <sup>(10)</sup>	38.15	39.57	44.73	45.90	51.07
Efficiency ratio <sup>(11)</sup>	68.83	67.88	71.42	71.05	76.57
<b>Capital</b>					
Shareholders' Equity as a Percentage of Total Assets	7.67%	6.94%	6.92%	7.44%	7.46%
Total Liabilities as a Multiple of Shareholders' Equity	12.03x	13.41x	13.46x	12.45x	12.40x
Total Capital Ratio	13.02%	12.63%	15.19%	14.35%	13.92%
<b>Liquidity</b>					
Cash and Due from Banks as a Percentage of Total Deposits	20.89%	21.30%	25.40%	21.69%	24.23%
Loans, Net as a Percentage of Total Assets	67.12	60.37	59.80	48.83	47.60
<b>Credit Quality</b>					
Past Due Loans <sup>(12)</sup> as a Percentage of Total Loans	2.53%	1.82%	2.57%	3.95%	2.87%
Non-Accrual Loans <sup>(13)</sup> as a Percentage of Total Loans	3.37	2.63	3.37	4.77	3.49
Allowance for Loan Losses as a Percentage of Non-accrual Loans <sup>(13)</sup>	115.86	152.01	137.57	118.64	123.11
Net Charge-Offs <sup>(14)</sup> as a Percentage of Average Loans	2.00	1.49	2.37	2.84	1.83
<b>Ratios in Accordance with U.S. GAAP</b>					
<b>Capital</b>					
Shareholders' Equity (deficit) as a Percentage of Total Assets	7.06%	6.93%	7.38%	4.07%	(3.00)%
Total Liabilities as a Multiple of Total Shareholders' Equity	13.17x	13.44x	12.54x	23.57x	(34.35)x
<b>Liquidity</b>					
Loans, Net as a Percentage of Total Assets	58.74%	55.06%	52.56%	45.55%	49.59%
<b>Credit Quality</b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	143.90	202.23	163.37	108.37	141.34
<b>Inflation and Exchange Rate</b>					
Wholesale Inflation <sup>(15)</sup>	13.08%	12.67%	14.56%	10.27%	8.82%
Consumer Inflation <sup>(16)</sup>	10.84	9.51	10.92	7.69	7.24
Exchange Rate Variation <sup>(17)</sup> (%)	14.27	8.23	4.72	9.93	9.61
CER <sup>(18)</sup>	10.55	9.54	11.04	6.95	7.97

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, 2012 amounts into Dollars was Ps.4.9173 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.

	Exchange Rate <sup>(1)</sup>			Period-End
	High	Low	Average (in Pesos per Dollar)	
2008	3.4537	3.0128	3.1797 <sup>(2)</sup>	3.4537
2009	3.8545	3.4497	3.7478	3.7967
2010	3.9857	3.7942	3.9226	3.9758
2011	4.3035	3.9715	4.1442	4.3032
2012	4.9173	4.3048	4.5760	4.9173
October 2012	4.7655	4.6992	4.7299 <sup>(3)</sup>	4.7655
November 2012	4.8338	4.7700	4.7974	4.8338
December 2012	4.9173	4.8398	4.8800	4.9173
January 2013	4.9768	4.9228	4.9486	4.9768
February 2013	5.0448	4.9825	5.0111	5.0448
March 2013	5.1223	5.0475	5.0840	5.1223

(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 26, 2013, the exchange rate was Ps.5.1752 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 recent nationalization of YPF, and certain changes in the legal framework applicable to the capital markets), 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 the 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 and (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 declaration with the Federal Public Revenue Authority, prior to issuing any purchase order (or similar document), otherwise they cannot make any import-related payment or fulfill the necessary Customs procedures to obtain the clearance of the imported goods.

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The above noted factors that are currently impacting the Argentine economy, the Argentine government's regulatory intervention and a deterioration in certain variables in the international context have led to a slowdown in the Argentine economic growth rate in 2012 that may continue in the near future. In addition, the inflation rate remains high. 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 and 1.9% in 2012, according to preliminary data. 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, 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 exceeds the exchange rate depreciation rate. Although the economic conditions for the current year show indications of an improvement in terms of yields for the agricultural sector and the recovery of Argentina's main business partner (Brazil), the macroeconomic imbalances as well as the regulatory risks continue, creating risks as to the domestic economy's performance.

The international economic deterioration, 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 due to the following economic conditions:

the availability of long-term credit is scarce;

if the difficulties in bringing down the high spending growth rate continue, this may adversely affect the fiscal situation;

inflation remains high;

an ongoing review of the regulatory framework applicable to many private sector activities continues to remain uncertain; and

the economic recovery has depended to some extent 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.

***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 7.2% in 2008, 7.7% in 2009, 10.9% in 2010, 9.5% in 2011 and 10.8% in 2012; while the WPI increased 8.8% in 2008, 10.0% in 2009, 14.6% in 2010, 12.7% in 2011 and 13.1% in 2012. 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.



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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.

***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 had very limited access to foreign financing, essentially due 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 sustain a high economic growth rate. If this occurs, Argentina's fiscal condition may be adversely affected, which could generate more inflation and undermine the Argentine government's ability to implement economic policies designed to foster growth. The difficulty of sustaining economic growth in the long term, along with a reasonable stability in prices, may result in another episode of economic instability, which could have a material adverse effect on the prospects of the Argentine economy and, therefore, could have a material adverse effect on Grupo Galicia's financial condition and operating results and on the trading prices for its ADSs.

***A decline in the international prices of Argentina's main commodity exports and a significant 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 21.9% of Argentine exports in 2012. High prices for

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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 and 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.

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.

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.

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***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.

***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 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



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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.

### **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

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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, especially in the case of loans to the private sector, which represented approximately 17% of GDP as of December 31, 2012.

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.

***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, 2012 was Ps.4,950 million, representing approximately 7.9% of its total consolidated assets and one times its shareholders' equity. Of this total, Ps.1,698 million corresponded to Argentine government securities, while the remaining Ps.3,252 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, include those of Banco Galicia.

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***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.

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 the 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 City 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 those 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 the assessment of the tax authorities of the Autonomous City of Buenos Aires. 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.

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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 year ended December 31, 2012, and therefore the ability of Grupo Financiero Galicia to pay dividends has been negatively impacted. In addition, the Federal Public Revenue Authority enacted a new regulation (effective since February, 2013), requiring an Anticipated Affidavit of (Financial) Payments Abroad (named DAPE) in order to complete payments of dividends to non-residents (among other concepts which are also subject to the mandatory DAPE).

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

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

Argentine disclosure requirements, are more limited than those in the United States in important respects and, as a foreign private issuer, Grupo Galicia may be subject to different disclosure and other requirements than a domestic U.S. registrant. For example, as a foreign private issuer in the U.S., Grupo Galicia is not subject to the same requirements and disclosure policies as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue financial statements, report on significant events and the standards applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants.

In addition, although Argentine laws provide for certain requirements that are similar to those prevailing in the U.S. in relation to publicly listed companies (including, for example, those related to price manipulation), in general, applicable Argentine laws are different to those in the U.S. and in certain aspects may provide different or fewer protections or remedies as compared to U.S. laws. Further, Grupo Galicia relies on exemptions from certain Nasdaq rules that are applicable to domestic companies. Accordingly, the information available about Grupo Galicia to you is not the same as, and may be more limited than, the information available to shareholders of a U.S. company.

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

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

A percentage of Banco Galicia's liquidity is derived from local banks and the local capital market. As of December 31, 2012, Banco Galicia's liquidity ratio was 27.64%, as measured by liquid assets as a percentage of total deposits (liquid assets that include cash, bank loans, holdings of securities issued by the Argentine Central Bank (Lebac and Nobac), net interbank loans, short-term placements with correspondent banks and repurchase agreement transactions in the local market). Any disruptions in the local capital market or in the local financial market, as have been experienced by Argentina in the past, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial position and/or results of operations.

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

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

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

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

Banco Galicia must be in compliance with all applicable laws against money laundering, funding of terrorist activities and other regulations. These laws and regulations require, among other things, that Banco Galicia adopt and implement control policies and procedures which involve know your customer principles that comply with the applicable regulations and reporting suspicious or unusual transactions to the applicable regulatory authorities. While Banco Galicia has adopted policies and procedures intended to detect and prevent the use of its network for money laundering activities and by terrorists, terrorist organizations and other types of organizations, those policies and procedures may fail to fully eliminate the risk that Banco Galicia has been or is currently being used by other parties, without its knowledge, to engage in activities related to money laundering or other illegal activities. To the extent that Banco Galicia has not detected or does not detect those illegal activities, the relevant governmental agencies to which it reports have the power and authority to impose fines and other penalties on Banco Galicia. In addition, its business and reputation could be adversely affected if customers use it for money laundering activities or other illegal activities.

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*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* 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.63,458 million as of December 31, 2012.

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, 2012. Percentages indicate the ownership interests held. All of the companies shown in the chart are incorporated in Argentina, except for:

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

Galval, incorporated in Uruguay and on September 4, 2012, the Board of Directors of Grupo Financiero Galicia approved the sale of the 100% of its interest in Galval. Such transaction is subject to the corresponding authorization of the Central Bank of Uruguay.

Galicia Cayman, incorporated in the Cayman Islands.

Tarjeta Naranja Dominicana, incorporated in the Dominican Republic.

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Tarjeta Naranja Perú, incorporated in Perú.



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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. For more information on Banco Galicia's debt restructuring, please see below.

In 2000, Net Investment was established as a holding company, of which Grupo Financiero Galicia had 87.5% ownership. During that year, Grupo Financiero Galicia also entered the bank 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, we created Galval, a securities broker based in Uruguay, with the purpose of providing trading and custody services. We own 100% of the capital and voting rights of this subsidiary. On September 4, 2012, the Board of Directors approved the sale of its 100% interest in Galval. Such transaction is subject to the corresponding authorization of the Central Bank of Uruguay.

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

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In March 2008, GV Mandataria (in liquidation) was incorporated with the purpose of carrying out securities-related representations, mandates and commissions of all types, involving both domestic and international companies. Grupo Financiero Galicia holds 100% of GV Mandataria's stock.

As of December 31, 2012, the controlling percentage held by Grupo Financiero Galicia in Banco Galicia was 94.93%. During the first quarter of fiscal year 2013, its ownership of Banco Galicia reached 94.94%.

### ***Banco Galicia***

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

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

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

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 the city of 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.

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

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

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

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

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

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

Pursuant to Resolution No. 124, dated June 7, 2010, the Argentine Central Bank authorized the purchase of the shares of the CFA Group by Banco Galicia and Tarjetas Regionales and on August 31, 2010, through Resolution No. 299, the National Commission for the Defense of Competition (*Comisión Nacional de Defensa de la Competencia*) approved the transaction. The purchase of the shares of the CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales (5%) on June 24, 2010. The price to acquire the shares of these companies was Ps.333.9 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. 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, 2012, the principal amount of old debt, the holders of which did not participate in the exchange offer was US\$1.3 million.

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

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

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

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

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

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

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, as well as interests that had accrued on such capitalized amount as of the day before such advanced payment, of US\$5.5 million and US\$0.3 million, respectively. Such payment was originally scheduled to be made on January 1, 2014.

As of December 31, 2012, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$242.4 million. For more information see Item 5.A. Operating Results-Contractual Obligations and Operating Results-Funding .

Grupo Financiero Galicia holds a credit against Banco Galicia for US\$10.2 million, as a result of the acquisition from third parties of subordinated loans maturing in 2019.

*Banco Galicia's 2007 Capital Increase*

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

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

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

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

On May 29, 2009, the Special General Meeting of Galicia Uruguay approved the voluntary reduction of capital by redemption of shares. Following such capital reduction, Banco Galicia held 100% of the capital stock of Galicia Cayman, of which formerly 65.34% was controlled by Galicia Uruguay and the remaining 34.66% by Banco Galicia. As of the closing of fiscal year 2012 the shareholders' equity of Galicia Uruguay amounted to Ps.55.7 million.

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

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

***Regional Credit Card Companies***

In the mid-1990s, Banco Galicia made the strategic decision to target the non-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, the second largest city in Argentina, by marketing *Tarjeta Naranja*, its proprietary brand credit card, in this city and had enjoyed local growth.

In 1996, Banco Galicia formed Tarjetas Cuyanas S.A. (*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 achieved control of Tarjeta Naranja, Comfiar S.A., Tarjetas Cuyanas, and Tarjetas del Mar. In addition, in 1999, Tarjetas Regionales acquired a 12.5% interest in Tarjetas del Sur S.A., a credit card company operating in southern Argentina. In January 2000, this interest increased to 60% and, in February of the same year, Tarjeta Naranja acquired the remaining 40%. 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, 2012, 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, 2012, the Regional Credit Card Companies, on a consolidated basis, had 7.3 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 Burofinanz 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. (insurance broker).

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

### ***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, 2012, the equity investment held by Net Investment is equivalent to 0.19% of such company's net worth.

For fiscal year 2013, the board of directors of Net Investment is analyzing 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. Such transaction is subject to the corresponding authorization of the Central Bank of Uruguay.

### ***GV Mandataria (in liquidation)***

The main purpose of GV Mandataria de Valores S.A. (GV Mandataria) (in liquidation) is 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 has not achieved 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 approved a proposal for the dissolution and liquidation of GV Mandataria pursuant to Section 94, Subsection 8, of the Law No. 19,550, as amended (Ley de Sociedades Comerciales, the Corporations Law). Consequently, GV Mandataria (in liquidation) is currently in liquidation and is taking all the necessary steps for the payment of its liabilities and the sale of its assets.

## **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 Argentina's largest full-service banks and is a leading provider of financial services in Argentina. According to information published by the Argentine Central Bank, as of December 31, 2012, Banco Galicia ranked second in terms of assets, deposits and loan portfolio within private-sector banks in Argentina. As of the same date, Banco Galicia also ranked first among private-sector domestic banks in terms of assets, loans and deposits. Its market share of private sector deposits and of loans to the private sector was of 9.12% and of 9.05% respectively, as of the end of 2012. On a consolidated basis, as of the end of fiscal year 2012, Banco Galicia had total assets of Ps.62,771 million, total loans of Ps.42,571 million, total deposits of Ps.39,991 million, and its shareholders' equity amounted to Ps.4,904 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, 2012, was comprised of 257 full service banking branches, located throughout the country, 1,676 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 2.5 million customers, who were comprised of mostly individuals but who also included more than 65,500 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and small and medium-sized companies. Specifically, it is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, the primary private-sector institution serving the 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). Banco Galicia also renewed its certification of the quality management system *Cobranza Integrada Galicia* (Galicia Integral Collection).

Banco Galicia provided assistance to more than 62,000 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 58% accounts for the financing of production-related sectors. Out of this total, 62% of such financing was granted to small and medium-sized companies and the agricultural sector, and the remainder of such financing to large companies and corporations.

During 2012, Ps.43,700 million were granted as loans to companies across the country and the total commercial loans portfolio increased by 33.6%. 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 the Productive Investment under Communiqué A 5319, Banco Galicia disbursed more than Ps.1,400 million in respect of 3,300 loans, 89% of which related to micro-, small- and medium-sized companies. Through such Communiqué, in July 2012, the Argentine Central Bank established that financial entities must offer a new credit line 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). Financial entities must assign at least an amount equivalent to 5% of the monthly average of daily balances of peso-denominated deposits from the non-financial private sector as of June 2012. Not less than 50% of said amount had to be granted to micro, small and medium enterprises, and said financing had to be fully approved before December 31, 2012. Loans had to be granted in pesos, at a fixed nominal annual interest rate not higher than 15.01%, with an average life longer than 24 months and for a minimum term of 36 months. In order to continue managing value chain integration, alliances were forged with leading companies to provide special financing conditions, entering into 115 agreements for the purchase of machines, seeds, agrochemicals, trucks and vehicles, among others; and purchases for over Ps.453 million were financed. The

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relationship with *Sociedades de Garantía Recíproca* SGR (Reciprocal Guarantee Companies) was sought to be strengthened, by generating differentiated circuits and exclusive proposals/quotas, and granting Ps.25 million for transactions guaranteed by the SGR and obtaining deposits amounting to Ps.130 million from their risk funds. Furthermore, an agreement was signed with Garantizar SGR, whereby Banco Galicia contributed Ps.30 million to the SGR's risk fund and became the contributory partner of the company.

Galicia Office, Banco Galicia's corporate e-banking service, provides a quick, dynamic and safe channel to manage the online treasury of corporate customers and continues to grow year after year. In this respect, Galicia Office's business increased by 36%, totaling Ps.553,800 million in transaction volumes, as compared to Ps.407,300 million in 2011.

### Corporate Banking

During the 2012 fiscal year, Banco Galicia consolidated its leading position in the 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 specialized advisory services from a professional team.

We have continued to design technological solutions to integrate Banco Galicia into global platforms in order to facilitate customers transactions. Treasury volumes increased by 56%, as compared to the prior year, as a result of increased e-banking services and the provision of products, such as *Cobranza Integrada Galicia* (Galicia Integral Collection), *Pago a Proveedores* (Payment to Suppliers) and *Pago de Haberes* (Direct Payroll Deposits).

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.50 million to Ps.500 million. Among these types of companies, Banco Galicia is the leading bank in the sector, standing out in all business sectors.

During the 2012 fiscal year, both cross-selling and transactional levels remained high, supported by the fact that the Companies segment practically fully joined 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 eleven Corporate Banking Centers throughout Argentina.

In the second half of the 2012 fiscal year, companies' demand for financing increased, both with respect to working capital and for financing investment projects. Furthermore, capital markets transactions and other financial transactions were successfully carried out within such segment.

### Agricultural and Livestock Sector

For the seventh 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 focusing on small producers in order to reach additional regions of Argentina.

This directly correlates to its offering of products relating to such sector. Tarjeta Galicia Rural holds more than 50% of the market share of credit card-related transactions in this segment, having experienced a 50% increase in sales volumes, as compared to the 2011 fiscal year. For example, more than 70 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 2012 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 2012 fiscal year, the tenth 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 also 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 2012 fiscal year, the foreign trade volumes (imports plus exports) amounted to US\$14,400 million, which accounts for 9.7% of the trade balance.

The Foreign Trade Customer Contact Center supported this sector by providing telephone assistance by way of more than 245,000 calls. Work was performed jointly with operating and commercial areas to strengthen the internal management and foster a better experience for all customers.

New employees joined the team of Foreign Trade specialists within the Corporate Banking Centers to provide assistance in the preparation of transactions, business advice and miscellaneous services. This new service model was implemented at the Corporate Banking Centers in Morón, Pilar, Quilmes, Mendoza, Corrientes and Córdoba.

During the 2012 fiscal year, the micro-, small- and medium-sized companies segment service model was launched with Foreign Trade Officers throughout Argentina. The Galicia Comex website, a community for Foreign Trade customers, was renewed for customers to be able to find valuable information required by its businesses. In respect of the same, 19 events were held in the main marketplaces of Argentina, where over 850 people attended who represented more than 600 companies. The goal of such events was to provide a forum for advice related to new regulations and updates regarding the Argentine Central Bank and the Federal Public Revenue Authority.

### Capital Markets and Investment Banking

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

### Non-Financial Public Sector

During the 2012 fiscal year, non-financial public sector work was intended to provide 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. In addition, at the municipal level, Banco Galicia is still the leader in implementing e-collection solutions for the payment of rates to large taxpayers through its Business to Business tool.

Based on the Bank's Foreign Trade positioning, customers in the sector were provided with advice, both on export and the introduction of new technologies and equipment.

### *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.30 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



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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.

Retail Banking continued consolidating its commercial strategy by segment. During the 2012 fiscal year, the Retail Banking Division launched an initiative for the small companies and business and professionals segment, increased the implementation of the customer service model targeted at the high-income customer segment and increased the effectiveness of customer service provided to other income segments.

As of December 31, 2012, the Retail Banking Division's total customers amounted to 1.8 million, representing a 12% growth from the fiscal year ended December 31, 2011.

During the 2012 fiscal year, certain actions were carried out in order to improve profitability, increase the number of customers, enhance consumer satisfaction and streamline key processes to achieve the promptness and simplicity Banco Galicia seeks for its services.

Similar to the strategy differentiated by segment previously discussed, an initiative targeted at business and small- and medium-sized companies was launched in August 2012. This customer service platform is targeted at individuals with business activity and companies with annual turnover of less than Ps.30 million. Such initiative is based on the following three points:

*Proximity:* More than 400 specialized officers and improved processes to achieve prompter services.

*Advisory Service:* Increase customers' growth by providing training and support for business development and management.

*Solutions:* New products by type of business activity and size were developed, new Home Banking and Galicia Office functions.

Galicia Éminent, a service launched in June 2011 and aimed at the high-income customer segment, was consolidated during the 2012 fiscal year. At the end of 2012, such service reached 100,000 customers and met all growth and service level goals.

In order to continuously improve the Bank's services and provide customer-focused services, a new satisfaction assessment system was implemented, involving both sale channels and those who are involved in central areas.

In order to improve responsiveness, comfort and the customer service offerings, strategies were implemented during the 2012 fiscal year to provide current customers with access to other alternative channels of customer service being provided. The Bank achieved a 35% increase in customers with access to such alternative channels.

Banco Galicia continued to lead in the direct deposit of salaries, with a 4% increase in the number of customers as compared to 2011.

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.

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 fifth year in a row, the Private Banking Division has obtained the ISO 9001 Certification for its Customer Service Model and continued with its customer loyalty and satisfaction assessment programs. Further, the ISO 9001 recertification was also obtained for the immediate loans process for the third consecutive year. The high index achieved with respect to the general perception of the services rendered exceeds the general market levels.

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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 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.

During the 2012 fiscal year, certain special offers were also launched, including *Tiempo de Préstamos* (Time for Loans) to provide easier access to personal loans for more conservative customers and promissory loans of up to Ps.250,000 for the high-income customer segment.

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

As of December 31, 2012, Banco Galicia's geographical distribution of its branches was as follows:

<i>Geographical Area</i>	<i>Number of Branches</i>
City of Buenos Aires	84
Greater Buenos Aires	68
Rest of the Province of Buenos Aires	31
Santa Fe	15
Córdoba	15
Mendoza	9
Chubut	5
Entre Ríos	4
Río Negro and Tucumán	3 each
Corrientes, La Pampa, Misiones, San Luis and Tierra del Fuego	2 each
Catamarca, Chaco, Formosa, Jujuy, La Rioja, Neuquén, Salta, Santa Cruz, Santiago del Estero and San Juan	1 each
<b>Total</b>	<b>257</b>

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.

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### *Consumption*

Through its Regional Credit Card Companies and CFA, Banco Galica 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, 2012, Tarjetas Regionales had more than 2.8 million active accounts, 7.3 million issued credit cards and more than 190,000 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market share of issued credit cards in Argentina was approximately 17% and of active accounts in Argentina was approximately 15%. As the credit card processor for all of our credit card operations, Tarjetas Regionales processes approximately 118 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 area. In addition, Tarjetas Regionales has exported its model to Peru, where it commenced operations in 2011 through a joint venture with Banco de Crédito del Perú.

As of the end of the second quarter of 2012, Tarjeta Naranja Dominicana S.A.'s shareholders decided to sell 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 right 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. At December 31, 2012, these proprietary credit cards accounted for, on average, approximately 57% of its issued credit cards and approximately 82% 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 254 branches, client service centers and other points of sale strategically located in most major Argentine cities and in limited locations in Peru. Its branch network provides a critical service and payment interface for its clients, which allows it to provide targeted client service and form relationships with its clients and affiliated merchants.

For a breakdown of the Regional Credit Card Companies' revenues for the last three financial years, see Item 5.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, 2012, CFA's assets were over Ps.3,198 million and its shareholders' equity was Ps.970.6 million. CFA employed 1,071 people. With 59 branches and 36 points of sale throughout Argentina, CFA offers its products to 500,000 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.

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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.

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

*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.

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



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CFA's net income for fiscal year 2012 amounted to Ps.213 million. At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.2,280 million, representing a 37.8% increase as compared to fiscal year 2011 and had strong portfolio quality ratios.

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

For a breakdown of CFA's revenues for the last financial year, see Item 5.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 agent 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.

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In 2012, Banco Galicia was ranked 1st in the MAE's annual ranking for transactions of fixed-income instruments, rising one position as compared to 2011.

Foreign trade transactions amounted to US\$15,800 million, similar to the amount of transactions in 2011. In addition, Dollar trading transactions significantly decreased as a result of foreign exchange restrictions, from US\$6,000 million in 2011 to US\$1,300 million in 2012. The trading of reais and Uruguayan pesos for trips and tourism was implemented in mid-October to provide a broader range of services to our customers.

Banco Galicia ranked first in the futures traded volume with a total of Ps.10,200 million, and second in swaps with a total traded volume of Ps.460 million. In 2012, Banco Galicia substantially increased the number of derivative transactions with customers to meet their hedging and investment needs.

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 Funding Unit's 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.

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 81% to Ps.3,562 million, as compared to the fiscal year ended December 31, 2011, accounting for 7.9% 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 Asesores de Seguros S.A. 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.939.0 million during 2012, 54% higher than the volume of premiums of the previous year (Ps.608.5 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.329.6 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 2012 amounted to Ps.272 million of annualized premiums. This represented a 56% 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.

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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 2013.

### ***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, 2012, the equity investment held by Net Investment was equivalent to 0.19% of such company's net worth.

For fiscal year 2013, the board of directors of Net Investment is analyzing various 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, 2012, Galicia Warrants recorded Ps.23.9 million in income from services and a net income of to Ps.7.9 million.

**Galval:** this company mainly generates 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. Such transaction is still subject to the approval of the Uruguayan Central Bank.

**GV Mandataria (in liquidation):** this company carries 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 has not achieved 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. Consequently, GV Mandataria (in liquidation) is currently in liquidation and taking all the necessary steps for the payment of its liabilities and the sale of its assets.

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.

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***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 9.12% as of December 31, 2012, compared to 8.78% as of December 31, 2011 and 8.35% as of December 31, 2010.

With respect to loans to the private sector, Banco Galicia's Argentine market share was 9.05% as of December 31, 2012, as compared to 8.63% and 8.99% as of December 31, 2011 and December 31, 2010, respectively.

According to the information published by the Argentine Central Bank, as of December 31, 2012, 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.

***Argentine Banking System***

As of December 31, 2012, the Argentine financial system consisted of 81 financial institutions, of which 65 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 65 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 53 private-sector banks, 33 were private-sector domestically-owned banks; 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 December 31, 2012, private-sector banks accounted for 53.3% of total deposits and 59.0% of total net loans in the Argentine financial system. Argentine financial industry regulations do not raise significant entry or exit barriers, nor do they make any differentiation between locally or foreign-owned institutions. The only cooperative bank is active principally in consumer and middle-market banking, with a special emphasis on the lower end of the market. As of December 31, 2012, financial institutions (other than banks) accounted for approximately 0.4% of deposits and 3.2% of net loans in the Argentine financial system.

As of December 31, 2012, 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 of the Financial Institutions Law, public-sector banks have comparable rights and obligations to private banks, except that public-sector banks are usually chosen as depositaries for public-sector revenues and promote regional development and certain public-sector banks have preferential tax treatment. The bylaws of some public-sector banks provide that the governments that own them (both national and provincial governments) guarantee their commitments. Under current law, Banco de la Provincia de Buenos Aires is not subject to any taxes, levies or assessments that the Argentine government may impose. According to information published by the Argentine Central Bank, as of December 31, 2012, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 46.3% of deposits and 37.8% of loans in the Argentine financial system.

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Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 81 at December 31, 2012, with the ten largest banks holding 77.7% of the system s deposits and 73.4% of the system s loans as of December 31, 2012.

Foreign banks continue to have significant presence, despite the fact that the number of foreign banks decreased by 20 through December 2012, as compared to the end of 2001, and that foreign banks share of total deposits has decreased since the 2001-2002 crisis while the share of domestic private-sector banks has increased.

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

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

In the consumer loan market, the Regional Credit Card Companies compete with Argentine banks and other financial institutions that target similar economic segments. The main players in this segment include Banco Supervielle, Banco Columbia, Banco Comafi, Banco Credicoop, 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.

The Regional Credit Card Companies believe that their diversified and consistent funding sources, significant network of branches, robust information technology infrastructure, relationships with over 190,000 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 (which acquired the branch network of GE Money), Banco de Servicios y Transacciones (formerly known as Credilogros), Cooperativa la Capital del Plata, Caja de Crédito Cuenca, Banco de Servicios Financieros (Carrefour Group), Banco Supervielle and Banco Sáenz (Frávega Group). It is worth mentioning that CFA is ranked 10th within national personal loans market, over entities such as Citibank, 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 2012, the Argentine insurance industry was comprised of approximately 178 insurance companies, 34 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 23,100 individuals and 470 companies.

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During 2012, the insurance industry continued growing. Production amounted to Ps.68.3 billion, 29.7% higher than the level recorded for 2011.

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 32%.

Within the life insurance segment, the group life insurance segment is the most significant, representing 66%, followed by individual life insurance, representing 15%, and personal accident insurance, representing 14%.

As of December 2012, Galicia Seguros ranked sixth in terms of net premium of life insurance policies underwritten and first in terms of net premium of home insurance policies underwritten.

**Sales and Marketing**

Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices, located in the *interior* of Argentina, of the Regional Credit Card Companies 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.

	<b>December 2012</b>
<b>Branches (number)</b>	
Bank Branches	257
Regional Credit Card Cos. Branches	198
CFA Branches	95
Business Centers and In-House Facilities	31
Eminent's space with Private-Banking	17
<b>Electronic Banking Terminals (number)</b>	
ATMs	807
Self-Service Terminals	869
<b>Electronic Banking Transactions (thousands per month)</b>	
ATMs + Self-Service Terminals	15,058
Phone-Banking	357
e-banking	36,641

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

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

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

service platform Galicia Móvil.

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Likewise, Banco Galicia currently has over 400,000 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 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](http://www.tiendanaranja.com) aimed at selling products associated with its primary merchants. Similarly, Tarjetas Cuyanas launched the website, [www.preciosbajos.com](http://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 Cuota SI in approximately 5,300 merchants, of which 666 are active, while the agreements are offered out of the branches through different channels. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

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



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The following are our main property assets, as of December 31, 2012:

<b>Property</b>	<b>Address</b>	<b>Square Meters (approx.)</b>	<b>Main Uses</b>
<b>Grupo Financiero Galicia</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 2nd floor, Buenos Aires, Argentina	191	Administrative activities
<b>Banco de Galicia y Buenos Aires S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	17,300	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	42,000	Administrative activities
	-Florida 361, Buenos Aires, Argentina	7,300	Administrative activities
	-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
<b>Banco Galicia Uruguay S.A. (in liquidation)</b>			
- Rented	-Bernardina Frago de Rivera 1438, Montevideo, Uruguay	580	Storage
	- Dr. Luis A. de Herrera 1052 - Tower C , Unit 1309, Montevideo, Uruguay	87	Administrative activities
<b>Tarjeta Naranja S.A.</b>			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	-Humberto Primo, Córdoba, Argentina	4,900	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	49,200	Storage
	-Río Grande, Tierra del Fuego, Argentina	309	Administrative activities
	-San Jerónimo 2348 and 2350, Santa Fe, Argentina	1,475	Administrative activities
- Rented			Administrative activities and printing
	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	centre
<b>Tarjetas Cuyanas S.A.</b>			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,740	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,156	Administrative activities
	-Belgrano 1478, Mendoza, Argentina	175	Printing centre
<b>Compañía Financiera Argentina</b>			
- Rented	-Florida 238, Buenos Aires, Argentina	4,500	Administrative Activities
	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	1,700	Administrative Activities
<b>Galicia Warrants S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
		2,100	Storage

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-Santa Marta, Alderete, Tucumán,  
Argentina

### **Galicia Seguros S.A.**

- Owned

-Maipú 241, Buenos Aires, Argentina

3,261 Administrative activities

As of December 31, 2012, our distribution network consisted of:

Banco Galicia: 244 branches located in Argentina, 139 of which were owned and 118 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja: 159 sales points located in 21 of the 23 Argentine provinces, 157 of which were rented by the company.

Tarjetas Cuyanas: 45 sales points in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, La Pampa, La Rioja, Catamarca, Neuquén, Río 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 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.

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

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

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

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These capital expenditures were made mainly in Argentina.

During fiscal year 2010, Banco Galicia purchased 95% of the shares of CFA and Tarjetas Regionales purchased the remaining 5% of the shares of CFA. The total cost for the shares was Ps.333.9 million (including acquisition costs), generating a negative goodwill of Ps.517.4 million resulting from the difference between the amount paid as acquisition cost and the book value of the net assets received. During fiscal year 2011, the 5% interest in CFA owned by Tarjetas Regionales SA was acquired by Grupo Financiero Galicia SA (3%) and by Banco Galicia (2%, which added to its previous interest totaled 97%).

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 now amounts to 100% of the capital stock of such subsidiaries.

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

We have budgeted capital expenditures for the fiscal year ending December 31, 2013, 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.	540.2
Organizational and IT System Development		689.7
<b>Total</b>	<b>Ps.</b>	<b>1,229.9</b>

These capital expenditures will be made mainly in Argentina.

Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2013 capital expenditures.

**Selected Statistical Information**

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

The exchange rate used in translating Pesos into Dollars, which is used in calculating the convenience translations included in the following tables is the Reference Exchange Rate published by the Argentine Central Bank, which was Ps.4.9173, Ps.4.3032 and Ps.3.9758 per US\$1.00 as of December 31, 2012, December 31, 2011 and December 31, 2010, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or any other rate. See Item 3. Key Information-Exchange Rate Information.

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

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



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

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

The following table shows our consolidated average balances, accrued interest and nominal interest rates for interest-earning assets and interest-bearing liabilities for the fiscal year ended December 31, 2012.

	Fiscal Year Ended December 31, 2012 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
	<i>(in millions of Pesos, except rates)</i>								
<b>Assets</b>									
Government Securities	5,154.1	695.0	13.48	94.0	2.1	2.23	5,248.1	697.1	13.28
<b>Loans</b>									
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 <sup>(1)</sup>	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
<b>Total Interest-Earning Assets</b>	<b>38,971.0</b>	<b>8,924.4</b>	<b>22.90</b>	<b>3,865.6</b>	<b>202.3</b>	<b>5.23</b>	<b>42,836.6</b>	<b>9,126.7</b>	<b>21.31</b>
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)		
<b>Total Assets</b>	<b>47,064.1</b>			<b>7,352.3</b>			<b>54,416.4</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
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
<b>Total Interest-Bearing Liabilities</b>	<b>22,705.1</b>	<b>2,630.7</b>	<b>11.59</b>	<b>8,216.9</b>	<b>439.4</b>	<b>5.35</b>	<b>30,922.0</b>	<b>3,070.1</b>	<b>9.93</b>
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		

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<b>Total Liabilities and Equity</b>	<b>44,328.2</b>	<b>10,088.2</b>	<b>54,416.4</b>
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**Spread and Net Yield**

Interest Rate Spread	11.31	(0.12)	11.38
Cost of Funds Supporting			
Interest-Earning Assets	6.75	11.37	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.

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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, 2011.

	Fiscal Year Ended December 31, 2011 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
	<i>(in millions of Pesos, except rates)</i>								
<b>Assets</b>									
Government Securities	3,781.5	652.8	17.26	4.4	0.2	4.55	3,785.9	653.0	17.25
<b>Loans</b>									
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 <sup>(1)</sup>	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
<b>Total Interest-Earning Assets</b>	<b>27,677.8</b>	<b>5,931.7</b>	<b>21.43</b>	<b>4,263.5</b>	<b>154.5</b>	<b>3.62</b>	<b>31,941.3</b>	<b>6,086.2</b>	<b>19.05</b>
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)		
<b>Total Assets</b>	<b>33,972.5</b>			<b>7,663.2</b>			<b>41,635.7</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
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
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
<b>Total Interest-Bearing Liabilities</b>	<b>15,273.2</b>	<b>1,507.1</b>	<b>9.87</b>	<b>8,055.7</b>	<b>340.9</b>	<b>4.23</b>	<b>23,328.9</b>	<b>1,848.0</b>	<b>7.92</b>
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		
<b>Total Liabilities and Equity</b>	<b>31,578.0</b>			<b>10,057.7</b>			<b>41,635.7</b>		
<b>Spread and Net Yield</b>									
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.*



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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, 2010.

	Fiscal Year Ended December 31, 2010 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
	<i>(in millions of Pesos, except rates)</i>								
<b>Assets</b>									
Government Securities	2,770.6	567.6	20.49	573.5	(181.0)	(31.56)	3,344.1	386.6	11.56
<b>Loans</b>									
Private Sector	14,191.4	3,002.5	21.16	2,609.0	116.1	4.45	16,800.4	3,118.6	18.56
Public Sector	0.4		0.20				0.4		0.20
Total Loans <sup>(1)</sup>	14,191.8	3,002.5	21.16	2,609.0	116.1	4.45	16,800.8	3,118.6	18.56
Other	1,571.8	85.3	5.43	266.6	3.9	1.46	1,838.4	89.2	4.85
<b>Total Interest-Earning Assets</b>	<b>18,534.2</b>	<b>3,655.4</b>	<b>19.72</b>	<b>3,449.1</b>	<b>(61.0)</b>	<b>(1.77)</b>	<b>21,983.3</b>	<b>3,594.4</b>	<b>16.35</b>
Cash and Gold	2,084.8			2,233.0			4,317.8		
Equity in Other Companies	702.5			147.7			850.2		
Other Assets	2,735.0			183.6			2,918.6		
Allowances	(901.1)			(50.4)			(951.5)		
<b>Total Assets</b>	<b>23,155.4</b>			<b>5,963.0</b>			<b>29,118.4</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
Checking Accounts	328.1	5.5	1.67	180.0			508.1	5.5	1.08
Savings Accounts	2,717.5	7.7	0.28	1,298.7			4,016.2	7.7	0.19
Time Deposits	7,083.8	741.8	10.47	1,470.5	11.7	0.79	8,554.3	753.5	8.81
Total Interest-Bearing Deposits	10,129.4	755.0	7.45	2,949.2	11.7	0.40	13,078.6	766.7	5.86
Other Financial Entities	335.2	61.3	18.29	281.2	7.1	2.53	616.4	68.4	11.10
Debt Securities	256.7	32.3	12.58	2,019.4	196.2	9.72	2,276.1	228.5	10.04
Other	147.5	10.7	7.25	543.9	18.9	3.47	691.4	29.6	4.28
<b>Total Interest-Bearing Liabilities</b>	<b>10,868.8</b>	<b>859.3</b>	<b>7.91</b>	<b>5,793.7</b>	<b>233.9</b>	<b>4.04</b>	<b>16,662.5</b>	<b>1,093.2</b>	<b>6.56</b>
Demand Deposits	4,746.0			390.7			5,136.7		
Other Liabilities	3,995.8			786.5			4,782.3		
Minority Interests	341.9						341.9		
Shareholders' Equity	2,195.0						2,195.0		
<b>Total Liabilities and Equity</b>	<b>22,147.5</b>			<b>6,970.9</b>			<b>29,118.4</b>		
<b>Spread and Net Yield</b>									
Interest Rate Spread			11.81			(5.81)			9.79
Cost of Funds Supporting Interest-Earning Assets			4.64			6.78			4.97
Net Yield on Interest-Earning Assets			15.09			(8.55)			11.38

- (\*) *Rates include the CER adjustment.*
- (1) *Non accruing loans have been included in average loans.*

**Table of Contents****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, 2012 compared with the fiscal year ended December 31, 2011; and (ii) the fiscal year ended December 31, 2011, compared with the fiscal year ended December 31, 2010. Differences related to both rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

	Fiscal Year 2012/ Fiscal Year 2011, Increase (Decrease) due to changes in			Fiscal Year 2011/ Fiscal Year 2010, Increase (Decrease) due to changes in		
	Volume	Rate	Net Change <i>(in millions of Pesos)</i>	Volume	Rate	Net Change
<b>Interest Earning Assets</b>						
Government Securities						
Pesos	106.4	(64.2)	42.2	149.8	(64.6)	85.2
Dollars	1.9		1.9	83.4	97.8	181.2
<b>Total</b>	<b>108.3</b>	<b>(64.2)</b>	<b>44.1</b>	<b>233.2</b>	<b>33.2</b>	<b>266.4</b>
Loans <sup>(1)</sup>						
Private Sector						
Banco Galicia and Regional Credit Card Companies						
Pesos	2,287.6	487.1	2,774.7	1,815.8	253.1	2,068.9
Dollars	(11.8)	59.2	47.4	47.6	(14.4)	33.2
<b>Total</b>	<b>2,275.8</b>	<b>546.3</b>	<b>2,822.1</b>	<b>1,863.4</b>	<b>238.7</b>	<b>2,102.1</b>
Public Sector						
Pesos						
Dollars						
<b>Total</b>						
Other						
Pesos	85.7	90.1	175.8	6.1	116.1	122.2
Dollars	(9.1)	7.6	(1.5)	(0.1)	1.2	1.1
<b>Total</b>	<b>76.6</b>	<b>97.7</b>	<b>174.3</b>	<b>6.0</b>	<b>117.3</b>	<b>123.3</b>
<b>Total Interest-Earning Assets</b>						
Pesos	2,479.7	513.0	2,992.7	1,971.7	304.6	2,276.3
Dollars	(19.0)	66.8	47.8	130.9	84.6	215.5
<b>Total</b>	<b>2,460.7</b>	<b>579.8</b>	<b>3,040.5</b>	<b>2,102.6</b>	<b>389.2</b>	<b>2,491.8</b>
<b>Interest Bearing Liabilities</b>						
Demand Account						
Pesos				(2.7)	(2.8)	(5.5)
Dollars						
<b>Total</b>				<b>(2.7)</b>	<b>(2.8)</b>	<b>(5.5)</b>
Savings Account						
Pesos	3.3	(3.4)	(0.1)	3.3	(0.4)	2.9
Dollars						
<b>Total</b>	<b>3.3</b>	<b>(3.4)</b>	<b>(0.1)</b>	<b>3.3</b>	<b>(0.4)</b>	<b>2.9</b>

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Time Deposits						
Pesos	705.5	230.6	936.1	366.9	177.2	544.1
Dollars	(1.2)	4.3	3.1	2.4	(2.8)	(0.4)
Total	704.3	234.9	939.2	369.3	174.4	543.7
With Other Financial Entities						
Pesos	46.9	10.8	57.7	69.7	3.8	73.5
Dollars	7.6	13.1	20.7	5.3	(1.3)	4.0
Total	54.5	23.9	78.4	75.0	2.5	77.5
Notes						
Pesos	117.5	2.0	119.5	18.9	15.4	34.3
Dollars	68.6	5.6	74.2	94.2	(3.8)	