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

Not applicable.

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

Not applicable.

### **Item 3.D. Risk Factors**

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

#### **Risk Factors Relating to Argentina**

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

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

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

After the presidential elections in October 2011, and in light of the foreign exchange imbalance that arose as a result of the increase in the dollarization of the private sector portfolio and the decrease in the balance of payment current account surplus, the Government issued a series of regulations with a view to stabilizing Argentina's stock of international reserves. The main measures taken included: (i) suspension of regulations that allowed non-financial Argentine residents (both individuals and entities) to purchase foreign currency for the following concepts: real estate investments abroad, loans granted to non-residents, direct investment contributions abroad, portfolio investments abroad, other investments abroad by residents, among other saving transactions, (ii) new obligations regarding the repatriation of funds (applicable, for example, to insurance and mining companies), (iii) shorter periods within which to convert foreign currency into Pesos when there is an obligation to repatriate funds, (iv) the implementation of a reporting system which includes a pre-import of Goods Affidavit ("DJAI"), an Anticipated Affidavit of Services ("DJAS") and an Anticipated Affidavit of (Financial) Payments Abroad ("DAPE" - Please see below "Risk Factors Relating to Us") whereby, for example, importers of goods for consumption are required to file such declarations with the Federal Public Revenue Authority prior to issuing any purchase order (or

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

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

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

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

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

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

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

- a limited availability of long-term credit;
- difficulty in reducing the high spending growth rate;
- high inflation rates;
- the shortage of foreign currency, which limits economic growth and which could lead to additional restrictions on the foreign exchange market;
- the ongoing review of the regulatory framework applicable to many private sector activities which remains uncertain; and
- the dependency of economic recovery on high commodity prices, which are volatile and beyond the control of the Argentine government.

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

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

The high rate of economic growth in recent years, which has been fueled by Argentina's full utilization of its installed productive capacity, along with expansive fiscal and monetary policies, has caused a high level of inflation in Argentina since 2007. According to INDEC data, the CPI grew 10.9% in 2010, 9.5% in 2011, 10.8% in 2012, 10.9% in 2013 and 23.9% in 2014. The WPI increased 14.6% in 2010, 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014. In the past, inflation has materially undermined the Argentine economy and the government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same may materially and adversely affect the business volume of the financial system and prevent the growth of intermediation activity levels. This result, in turn, could adversely affect the level of economic activity and employment.

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

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

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

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

In this regard, among other issues, Argentina is currently involved in litigation in U.S. courts with the holdout bondholders, i.e. those bondholders that chose not to participate in the above mentioned debt swaps. Although the Government timely made payment on its 2005 and 2010 restructured bonds, some of the holders of such bonds did not receive their payments due to injunctions imposed by the relevant New York court. As a consequence, the Government was declared in technical default on its 2005 and 2010 restructured bonds in July 2014. The outcome of this litigation and the technical default is still uncertain. In addition, the foreign shareholders of several Argentine companies, mostly public utilities, have filed claims with the International Centre for Settlement of Investment Disputes ("ICSID"), alleging that the emergency measures adopted by the Argentine government differ from the fair and equitable treatment provisions set forth in several bilateral investment treaties to which Argentina is a party. Both items would entail a contingent debt that would exceed US\$20 billion. In 2014, the Government fully paid Repsol's claim stemming from the Government's nationalization of the oil company YPF, in 2012, and also reached an agreement with other five foreign companies that had pending claims in the ICSID.

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

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

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

Argentina's economic recovery since the 2001-2002 crisis has taken place within a context of increasing prices for commodity exports, such as soy, which represented 28% of Argentine exports in 2014. High prices for commodities have contributed to the increase in exports by Argentina since the third quarter of 2002, and have contributed to increased tax revenues for the Argentine government, mainly from export taxes (withholdings). However, this reliance on the export of certain commodities, such as soy, has made the Argentine more vulnerable to fluctuations in their prices.

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

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

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

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

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

***The Argentine economy and its goods, financial services and securities markets remain vulnerable to external factors, which could affect Argentina's economic growth and Grupo Galicia's prospects.***

The financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other countries. Although such conditions may vary from country to country, investor reactions to events occurring in one country may affect capital flows to issuers in other countries, and consequently, affect the trading prices of their securities. Decreased capital inflows and lower prices in the securities market of a country may have a material adverse effect on the real economy of those countries in the form of higher interest rates and foreign exchange volatility.

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

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

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

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

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

***A potential future devaluation of the Peso may hinder or potentially prevent Grupo Galicia from being able to honor its foreign-currency denominated obligations.***

If the Peso were to devalue significantly in the future, it could have an adverse effect on the ability of Argentine companies to make timely payments on their debts denominated in or indexed or otherwise connected to a foreign currency, generate very high inflation rates, reduce real salaries significantly, and have an adverse effect on companies focused on the domestic market, such as public utilities and the financial industry. Devaluation could also adversely affect the Argentine government's capacity to honor its foreign debt, with adverse consequences for Grupo Galicia's and Banco Galicia's businesses, which could affect Grupo Galicia's capacity to meet future obligations denominated in a foreign currency which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

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

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

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

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

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

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

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

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain in the United States. Grupo Galicia and substantially all of its subsidiaries are companies incorporated under the laws of Argentina. Most of their shareholders, directors, members of the Supervisory Syndics' Committee, officers, and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina. Although Grupo Galicia has an agent to receive service of process in any action against it in the United States with respect to its ADSs, none of its executive officers or directors has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult to effect service of process against Grupo Galicia's executive officers and directors. Additionally, under Argentine law, the enforcement of foreign judgments will only be allowed if the requirements in sections 517 to 519 of the National Code of Civil and Commercial Procedures are met or, if it is one of the powers governed by provincial law, the requirements in the applicable local code of procedure, and provided that the foreign judgment does not infringe on concepts of public policy in Argentine law, as determined by the competent courts of Argentina. An Argentine court may consider the enforcement of foreign judgments which order payments to be made pursuant to a foreign-currency denominated security, to holders outside Argentina is contrary to the public policy of Argentina if for instance at such time there are legal restrictions in place prohibiting Argentine debtors from transferring foreign currency abroad to pay off debts.

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

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

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

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

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

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

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

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

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

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

As a result of the 2001-2002 economic crisis, the volume of financial intermediation activity dropped dramatically: private sector credit plummeted from 24% of GDP in December 2000 to 7.7% in June 2004 and total deposits as a percentage of GDP fell from 31% to 23.2% during the same period. The depth of the crisis and the effect it had on depositors' confidence in the financial system created uncertainty as to its ability to act as an intermediary between savings and credit. Further, the ratio of total financial system's private-sector deposits and loans to GDP is low when compared to international levels and lower than the periods prior to the crisis, with loans to the private sector representing approximately 15% of GDP as of December 31, 2014.

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

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

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

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

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

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

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

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

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

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

Argentine Law No. 24,240 (the "Consumer Protection Law") sets forth a series of rules and principles designed to protect consumers, which include Banco Galicia's customers. The Consumer Protection Law was amended by Law No. 26,361 on March 12, 2008 to expand its applicability and the penalties associated with violations thereof. Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") also sets forth public policy regulations designed to protect credit card holders.



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

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

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

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

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

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

In addition, although Banco Galicia considers it has met its tax obligations regarding current regulations and has properly recorded provisions for those risks based on the opinions and advice of its external legal advisors and pursuant to the applicable accounting standards, certain risk factors may render those provisions inadequate. Tax authorities may not agree with Grupo Galicia's tax treatment, possibly leading to an increase in the tax responsibilities.

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

## Risk Factors Relating to Us

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

Grupo Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate or hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo Galicia's ability to invest in its business developments and/or to repay obligations is subject to the funds generated by its subsidiaries and their ability to pay cash dividends. In the absence of such funds, Grupo Galicia may be forced to resort to financing options at unappealing prices, rates and conditions. Additionally, such financing could be unavailable when Grupo Galicia may need it.

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

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

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

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

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

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

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

A percentage of Banco Galicia's liquidity is derived from local banks and the local capital market. As of December 31, 2014, Banco Galicia's liquidity ratio was 38.6%, as measured by liquid assets as a percentage of total deposits (liquid assets that include cash, bank loans, holdings of securities issued by the Argentine Central Bank ("Lebac" and "Nobac"), net interbank loans, short-term placements with correspondent banks and repurchase agreement transactions in the local market). Any disruptions in the local capital market or in the local financial market, as have been experienced by Argentina in the past, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial position and/or results of operations.

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

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

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

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

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

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

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