

GRUPO FINANCIERO GALICIA SA

Form 20-F

April 19, 2018

Table of Contents

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 19, 2018

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, 2017

or

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

or

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

Date of event requiring this Shell Company Report

Commission File Number 000-30852

GRUPO FINANCIERO GALICIA S.A.

(Exact name of Registrant as specified in its charter)

GALICIA FINANCIAL GROUP

(Translation of Registrant's name into English)

REPUBLIC OF ARGENTINA

(Jurisdiction of incorporation or organization)

Grupo Financiero Galicia S.A.

Tte. Gral. Juan D. Perón 430, 25th floor

C1038 AAJ-Buenos Aires, Argentina

(Address of principal executive offices)

Pedro A. Richards, Chief Executive Officer

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

Perón 430, 25° Piso C1038AAJ Buenos Aires ARGENTINA

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

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

American Depositary Shares, each representing ten Class B ordinary Shares

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

Title of each class

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

None

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

None

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

Class A Ordinary Shares, Ps.1.00 par value	281,221,650
Class B Ordinary Shares, Ps.1.00 par value	1,145,542,947

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

Emerging growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP

International Financial Reporting Standards

Other

As issued by the International Accounting Standards Board

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

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

Table of Contents

TABLE OF CONTENTS

	Page
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	1
<u>FORWARD LOOKING STATEMENTS</u>	2
<u>PART I</u>	4
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	4
<u>Item 2. Offer Statistics and Expected Timetable</u>	4
<u>Item 3. Key Information</u>	4
<u>Item 3.A. Selected Financial Data</u>	4
<u>Exchange Rate Information</u>	6
<u>Item 3.B. Capitalization and Indebtedness</u>	7
<u>Item 3.C. Reasons for the Offer and Use of Proceeds</u>	7
<u>Item 3.D. Risk Factors</u>	7
<u>Item 4. Information on the Company</u>	21
<u>History and Development of the Company</u>	21
<u>Organizational Structure</u>	22
<u>History</u>	24
<u>Business</u>	33
<u>Competition</u>	51
<u>Sales and Marketing</u>	53
<u>Property</u>	55
<u>Capital Investments and Divestitures</u>	56
<u>Selected Statistical Information</u>	57
<u>Government Regulation</u>	89
<u>Argentine Banking Regulation</u>	93
<u>Credit Cards Regulation</u>	102
<u>Concealment and Laundering of Assets of a Criminal Origin</u>	103
<u>Item 4.A. Unresolved Staff Comments</u>	104
<u>Item 5. Operating and Financial Review and Prospects</u>	105
<u>Item 5.A. Operating Results</u>	105
<u>Overview</u>	105
<u>The Argentine Economy</u>	105
<u>The Argentine Financial System</u>	107
<u>The Argentine Insurance Industry</u>	108
<u>Inflation</u>	108
<u>Currency Composition of Our Balance Sheet</u>	109
<u>Results of Operations for the Fiscal Years Ended December 31, 2017 December 31, 2016 and December 31, 2015</u>	110
<u>U.S. GAAP and Argentine Banking GAAP Reconciliation</u>	124
<u>Results by Segments</u>	130
<u>Consolidated Assets</u>	138
<u>Exposure to the Argentine Public Sector</u>	140
<u>Funding</u>	140
<u>Contractual Obligations</u>	146
<u>Off-Balance Sheet Arrangements</u>	147

<u>Critical Accounting Policies</u>	148
<u>U.S. GAAP Critical Accounting Policies</u>	149
<u>Principal Trends</u>	153
<u>Item 5.B. Liquidity and Capital Resources</u>	155
<u>Liquidity Holding Company on an Individual Basis</u>	155
<u>Consolidated Cash Flows</u>	156
<u>Banco Galicia's Liquidity Management</u>	158
<u>Capital</u>	160
<u>Capital Expenditures</u>	160
<u>Item 5.E. Off-Balance Sheet Arrangements</u>	160
<u>Item 5.F. Contractual Obligations</u>	161

Table of Contents

TABLE OF CONTENTS

(continued)

	Page
<u>Item 5.G. Safe Harbor</u>	161
<u>Item 6. Directors, Senior Management and Employees</u>	161
<u>Our Board of Directors</u>	161
<u>Our Audit Committee</u>	163
<u>Our Supervisory Committee</u>	164
<u>Compensation of Our Directors</u>	165
<u>Management of Grupo Financiero Galicia</u>	165
<u>Board of Directors of Banco Galicia</u>	166
<u>Functions of the Board of Directors of Banco Galicia</u>	167
<u>Banco Galicia's Executive Officers</u>	169
<u>Banco Galicia's Supervisory Committee</u>	172
<u>Compensation of Banco Galicia's Directors and Officers</u>	173
<u>Employees</u>	173
<u>Nasdaq Corporate Governance Standards</u>	174
<u>Share Ownership</u>	176
<u>Item 7. Major Shareholders and Related Party Transactions</u>	176
<u>Major Shareholders</u>	176
<u>Related Party Transactions</u>	177
<u>Item 8. Financial Information</u>	179
<u>Legal Proceedings</u>	179
<u>Dividend Policy and Dividends</u>	180
<u>Significant Changes</u>	182
<u>Item 9. The Offer and Listing Market Regulations</u>	183
<u>Shares and ADSs</u>	183
<u>Argentine Securities Market</u>	185
<u>Market Regulations</u>	186
<u>Item 10. Additional Information</u>	187
<u>Description of Our Bylaws</u>	187
<u>Exchange Controls</u>	194
<u>Taxation</u>	194
<u>Argentine Taxes</u>	195
<u>Material Contracts</u>	202
<u>Documents on Display</u>	202
<u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u>	202
<u>General</u>	202
<u>Interest Rate Risk</u>	204
<u>Foreign Exchange Rate Risk</u>	206
<u>Currency Mismatches</u>	207
<u>Market Risk</u>	209
<u>Cross-Border Risk</u>	210
<u>Overseas Foreign Currency Transfer Risk</u>	211

<u>Risk Exposures in the Non-financial Public Sector</u>	211
<u>Operational Risk and Technological Risk</u>	211
<u>Item 12. Description of Securities Other Than Equity Securities</u>	214
<u>Item 12.D. American Depositary Shares</u>	214
<u>Fees and Charges Applicable to ADS Holders</u>	214
<u>Fees and Direct and Indirect Payments Made by the Depositary to Us</u>	214
<u>PART II</u>	215
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	215
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	215
<u>Item 15. Controls and Procedures</u>	215
<u>Item 16.A. Audit Committee Financial Expert</u>	216
<u>Item 16.B. Code of Ethics</u>	216
<u>Item 16.C. Principal Accountants Fees and Services</u>	216

Table of Contents

TABLE OF CONTENTS

(continued)

	Page
<u>Item 16.D. Exemptions from the Listing Standards for Audit Committees</u>	217
<u>Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	217
<u>Item 16.F. Change in Registrant's Certifying Accountant.</u>	217
<u>Item 16.G. Corporate Governance</u>	217
<u>Item 16.H. Mine Safety Disclosure</u>	218
<u>PART III</u>	218
<u>Item 17. Financial Statements</u>	218
<u>Item 18. Financial Statements</u>	218
<u>Item 19. Exhibits</u>	218

Table of Contents

PRESENTATION OF FINANCIAL INFORMATION

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

Grupo Financiero Galicia;

Banco de Galicia y Buenos Aires S.A. (Banco Galicia or the Bank), our largest subsidiary, consolidated with (i) Banco Galicia Uruguay S.A. (Galicia Uruguay) liquidated as of April 30, 2016, (ii) Tarjetas Regionales S.A. (Tarjetas Regionales) and its operating subsidiaries, (iii) Tarjetas del Mar S.A. (Tarjetas del Mar) until March 31, 2017 as effective April 1, 2017 Tarjetas del Mar was sold to Sociedad Anonima Importadora y Exportadora de la Patagonia, (iv) Galicia Valores S.A., (v) Compañía Financiera Argentina S.A. (Compañía Financiera Argentina or CFA) and (viii) Cobranzas y Servicios S.A.;

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

Galicia Warrants S.A. (Galicia Warrants);

Net Investment S.A. (Net Investment) liquidated as of December 31, 2017; and

Galicia Administradora de Fondos (which has been reported on a consolidated basis with Grupo Financiero Galicia since April 2014).

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 31 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 34 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, 2017 and total shareholders' equity as of December 31, 2017 and 2016, 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.18.7742, Ps.15.8502 and Ps.13.0050 per U.S. \$1.00 as of December 31, 2017, December 31, 2016 and December 31, 2015, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or at any other rate.

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

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

Table of Contents

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

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

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve substantial risks and uncertainties, including, in particular, statements about our plans, strategies and prospects under the captions Item 4. Information on the Company-Capital Investments and Divestitures, Item 5. Operating and Financial Review and Prospects -Item 5.A.

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

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

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

fluctuations in the Argentine rate of inflation;

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

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

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

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

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

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

Grupo Financiero Galicia's subsidiaries inability to sustain or improve their 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;

Table of Contents

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.

Table of Contents**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, 2017, and December 31, 2016, and for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015 has been derived from our audited consolidated financial statements included in this annual report. The selected consolidated financial information as of December 31, 2015, December 31, 2014, and December 31, 2013, and for the fiscal years ended December 31, 2014, and December 31, 2013, has been derived from our audited consolidated financial statements not included in this annual report.

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

	Fiscal Year Ended December 31,				
2017	2017	2016	2015	2014	2013
<i>(in millions of Dollars, except as noted)⁽¹⁾</i>					
<i>Unaudited</i>	<i>(in millions of Pesos, except as noted)⁽¹⁾</i>				

Consolidated Income Statement in Accordance with Argentine Banking GAAP

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

Financial Income	2,409	45,220	36,608	25,844	19,860	13,076
Financial Expenses	1,084	20,345	20,239	13,402	10,321	6,170
Gross Brokerage Margin ⁽²⁾	1,325	24,875	16,369	12,442	9,539	6,906
Provision for Losses on Loans and Other Receivables	277	5,205	3,533	2,214	2,411	1,776
Income before Taxes	708	13,284	9,371	7,139	5,330	3,056
Income Tax	(264)	(4,955)	(3,353)	(2,801)	(1,992)	(1,232)
Net Income	444	8,329	6,018	4,338	3,338	1,824
Basic Earnings per Share (in Pesos)	0.33	6.25	4.63	3.34	2.57	1.45
Diluted Earnings per Share (in Pesos)	0.33	6.25	4.63	3.34	2.57	1.45
Cash Dividends per Share (in Pesos)	0.04	0.84	0.18	0.12	0.08	0.03
Book Value per Share (in Pesos)	1.47	27.54	15.66	11.14	7.88	5.34

Amounts in Accordance with U.S. GAAP

Net Income	478	8,983	6,037	4,336	3,504	1,575
Basic and Diluted Earnings per Share (in Pesos)	0.36	6.74	4.64	3.33	2.70	1.27
Book Value per Share (in Pesos)	1.46	27.34	15.45	11.06	7.88	5.34
Financial Income	2,248	42,191	34,549	24,252	18,166	13,109
Financial Expenses	1,022	19,183	19,410	12,826	9,663	6,178

-4-

Table of Contents

	Fiscal Year Ended December 31,					
	2017	2017	2016	2015	2014	2013
(in millions of Dollars, except as noted) ⁽¹⁾						
	Unaudited	(in millions of Pesos, except as noted) ⁽¹⁾				
Gross Brokerage Margin	1,226	23,008	15,139	11,426	8,503	6,931
Provision for Losses on Loans and Other Receivables	216	4,051	3,192	1,985	1,992	1,795
Income Tax	275	5,168	3,195	2,644	1,890	1,176

Consolidated Balance Sheet in Accordance with Argentine Banking GAAP

Cash and Due from Banks	3,018	56,659	61,166	30,835	16,959	12,560
Government Securities, Net	2,065	38,771	13,701	15,525	10,010	3,987
Loans, Net	10,511	197,335	137,452	98,345	66,608	55,265
Total Assets	18,164	341,013	242,251	161,748	107,314	83,156
Deposits	10,837	203,451	151,688	100,039	64,666	51,395
Other Funds ⁽³⁾	5,234	98,262	70,210	47,224	32,402	24,814
Total Shareholders Equity	2,093	39,300	20,353	14,485	10,246	6,947
Average Total Assets ⁽⁴⁾	13,545	254,295	184,395	122,684	92,510	69,844

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

Loans, Net of Allowances	19.67	19.67	12.77	3.26	4.20	5.27
Total Assets	26.14	26.14	27.56	16.88	12.11	11.74
Deposits	34.60	34.60	33.63	14.37	7.46	7.15
Total Liabilities	28.88	28.88	30.82	18.86	13.61	13.71

Amounts in Accordance with U.S. GAAP

Trading Securities	2,166	40,660	17,196	16,148	10,199	3,326
Available-for-Sale Securities	367	6,882	5,423	4,385	4,627	4,819
Total Assets	18,806	353,075	260,403	180,142	120,393	92,729
Total Liabilities	16,729	314,069	240,316	165,759	110,150	85,785
Shareholders Equity	2,078	39,006	20,087	14,383	10,243	6,944

	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
Selected Ratios in Accordance with Argentine Banking GAAP					
Profitability and Efficiency					
Net Yield on Interest Earning Assets ⁽⁵⁾	13.98%	13.26%	14.18%	14.42%	13.77%

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

Financial Margin ⁽⁶⁾	13.31	12.10	13.12	13.56	12.75
Return on Average Assets ⁽⁷⁾	3.52	3.48	3.83	3.85	2.91
Return on Average Shareholders' Equity ⁽⁸⁾	30.91	35.03	35.54	39.07	32.47
Net Income from Services as a Percentage of Operating Income ⁽⁹⁾	36.79	39.63	38.65	37.40	38.03
Efficiency ratio ⁽¹⁰⁾	58.43	64.98	63.64	60.51	66.65
Capital					
Shareholders' Equity as a Percentage of Total Assets	11.52%	8.40%	8.96%	9.55%	8.35%
Total Liabilities as a Multiple of Shareholders' Equity	7.68x	10.90x	10.17x	9.47x	10.97x
Total Capital Ratio	13.22%	15.04%	13.38%	15.91%	14.28%
Liquidity					
Cash and Due from Banks ⁽¹¹⁾ as a Percentage of Total Deposits	44.26%	47.18%	42.93%	38.60%	30.78%
Loans, Net as a Percentage of Total Assets	57.87	56.74	60.80	62.07	66.46
Credit Quality					
Past Due Loans ⁽¹²⁾ as a Percentage of Total Loans	2.24%	2.43%	2.46%	2.61%	2.69%
Non-Accrual Loans ⁽¹³⁾ as a Percentage of Total Loans	3.36	3.31	3.11	3.57	3.57
Allowance for Loan Losses as a Percentage of Non-accrual Loans ⁽¹³⁾	97.34	100.06	112.41	105.78	103.80
Net Charge-Offs ⁽¹⁴⁾ as a Percentage of Average Loans	1.75	1.67	1.26	2.81	2.33

Ratios in Accordance with U.S. GAAP

Table of Contents

	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
<i>Capital</i>					
Shareholders' Equity as a Percentage of Total Assets	11.05	7.71	7.98	8.51	7.49
Total Liabilities as a Multiple of Total Shareholders' Equity	8.05x	11.96x	11.52x	10.75x	12.35x
<i>Liquidity</i>					
Loans, Net as a Percentage of Total Assets	54.98%	52.76%	54.55%	55.29%	59.43%
<i>Credit Quality</i>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	109.18	128.53	135.35	129.78	127.05
<i>Inflation and Exchange Rate</i>					
Wholesale Inflation ⁽¹⁵⁾	18.80%	34.59%	12.65%	28.27%	14.76%
Consumer Inflation ⁽¹⁶⁾	24.80%	41.05%	26.90%	23.91%	10.95%
Exchange Rate Variation ⁽¹⁷⁾ (%)	18.45	21.88	52.07	31.21	32.55
CER ⁽¹⁸⁾	22.62	35.79	15.05	24.34	10.53
UVA ⁽¹⁹⁾	21.15	17.26			

All of the ratios disclosed above are included because they are considered significant by the management of Grupo Financiero Galicia despite the fact that their disclosure is a specific GAAP requirement.

- (1) The exchange rate used to convert the December 31, 2017 amounts into Dollars was Ps.18.7742 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) Gross Brokerage Margin 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/UVA adjustment.
- (3) Primarily includes debt with merchants and liabilities with other banks and international entities.
- (4) Average Total Assets, including the related interest that is due thereon is calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales consolidated with its operating subsidiaries, and on a monthly basis for Grupo Financiero Galicia and its non-banking subsidiaries.
- (5) Net interest earned divided by interest-earning assets. For a description of net interest earned, see Item 4. Information on the Company-Selected Statistical Information-Interest-Earning Assets-Net Yield on Interest-Earning Assets .
- (6) Financial margin represents gross brokerage margin divided by average interest-earning assets.
- (7) Net income excluding non-controlling interest as a percentage of average total assets.
- (8) Net income as a percentage of average shareholders' equity.
- (9) Operating income is defined as gross brokerage margin plus net income from services.
- (10) Administrative expenses as a percentage of operating income as defined above.
- (11) Liquid assets of Banco Galicia include cash and receivables, Lebacks, net call money, short-term loans to other Argentine financial institutions, special guarantee accounts at the Argentine Central Bank, and repurchase and reverse repurchase transactions in the Argentine financial market.
- (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) *Direct charge-offs minus amounts recovered.*
- (15) *As of December 31, 2015 as measured by the interannual change between the October 2014 and the October 2015 Wholesale Price Index (WPI), published by INDEC (as defined herein), because the measurement of this index was discontinued for the remainder of 2015. In 2016 the measure was reinstated.*
- (16) *In 2015, annual variation of the Consumer Price Index (CPI) was calculated using the Consumer Price Index of the City of Buenos Aires, an alternative measure of inflation proposed by INDEC after it discontinued its index.*
- (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.*
- (19) *The UVA is the Unidad de Valor Adquisitivo , an adjustment coefficient based on changes in the CER.*

Exchange Rate Information

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

	High	Exchange Rate ⁽¹⁾		Period-End
		Low	Average	
2013	6.5180	4.9228	5.5442	6.5180
2014	8.5555	6.5430	8.2314	8.5520
2015	13.7633	8.5537	9.4421	13.0050

Table of Contents

	High	Exchange Rate ⁽¹⁾		Period-End
		Low	Average	
		<i>(in Pesos per Dollar)</i>		
2016	16.0392	13.0692	14.9449	15.8502
2017	18.8300	15.1742	16.7583	18.7742
October 2017	17.6775	17.3217	17.4528	17.6713
November 2017	17.6703	17.3307	17.4925	17.3845
December 2017	18.8300	17.2600	17.7001	18.7742
January 2018	19.6525	18.4158	19.0290	19.6525
February 2018	20.1600	19.4700	19.8409	20.1150
March 2018	20.3875	20.1433	20.2378	20.1433

(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 16, 2018, the exchange rate was Ps.20.2163 for U.S. \$1.00.

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

The current state of the Argentine economy, together with uncertainty regarding the new government, 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 Argentine government's policies and other political or economic developments either internationally or in Argentina that affect the country.

During the course of the last few decades, Argentina's economy has been marked by a high degree of instability and volatility, periods of low or negative economic growth and high, fluctuating levels of inflation and devaluation. Grupo Galicia's results of operations, the rights of holders of securities issued by Grupo Galicia and the value of such securities could be materially and adversely affected by a number of possible factors, some of which include Argentina's inability to sustain economic growth, the effects of inflation, Argentina's ability to obtain financing, a decline in the international prices for Argentina's main commodity exports, fluctuations in the exchange rates of other countries against which Argentina competes and the vulnerability of the Argentine economy to external shocks.

Table of Contents

Since 2012, Argentina has gone through a period of stagflation. Figures of economic activity reflected a slowdown in domestic production, together with an increasing inflation rate at a higher pace than that noted in previous years. After the Peso devaluation with respect to the U.S. Dollar that took place in January 2014, the exchange rate between those two currencies remained relatively steady until the end of the former government's term of office. During that period, low activity growth levels continued coexisting with a high inflation rate.

In December 2015, Mauricio Macri took office as the new president of Argentina. Since becoming president, Mr. Macri has implemented several measures, such as exchange and regulatory measures that reversed policies that had been in place prior to his administration, such as regulations related to exchange controls and other currency regulations. The impact of these measures, such as a devaluation of the Peso with respect to the U.S. Dollar of approximately 50%, as well as the impact of any measures that the Macri administration may implement in the future, is unknown and could have a material and adverse impact on the results of Grupo Galicia's operations.

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 the foregoing, the financial position and results of operations of private sector companies in Argentina, including Grupo Galicia, the rights of the holders of securities issued by such institutions and the value thereof may be negatively and adversely impacted.

Economic conditions in Argentina may deteriorate, which may adversely impact Grupo Galicia's business and financial condition.

A less favorable international context, a decrease in the competitiveness of the Peso as compared to foreign currencies, the low consumer confidence and low confidence from both local and foreign investors and a higher inflation rate, among other factors, may affect the development and growth of the Argentine economy and cause volatility in the local capital markets. Such events may adversely impact Grupo Galicia's business and financial condition. Pursuant to the National Institute of Statistics and Census (the INDEC), the gross domestic product (the GDP) in Argentina, in real terms, increased 2.4% in 2013; decreased 2.5% in 2014; increased 2.6% in 2015; decreased 2.3% in 2016; and increased by 3% in 2017. Likewise, the INDEC carried out a review of the economic growth data corresponding to the periods from 2005 to 2015. This review exhibited a 20% difference between current measurements and those conducted by the prior administration.

In particular, the Argentine economy continues to be vulnerable to several factors, including:

a high rate of public spending;

high inflation rates;

regulatory uncertainty for certain economic activities and sectors;

decreases in the prices for commodities as the economic recovery has depended on high prices for commodities, which prices are volatile and beyond the control of the government;

the effects of a restrictive U.S. monetary policy, which could generate an increase in financial costs for Argentina;

fluctuations in the Argentine Central Bank's monetary reserves; and

uncertainty with respect to exchange and capital controls.

No assurance can be provided that a decline in economic growth or certain economic instability will not occur. Any such stagnation or slowdown or increased economic and political instability could have a significant adverse effect on Grupo Galicia's business, financial position and results of operations and the trading price for its ADSs.

Table of Contents

The ability of the current administration to implement proposed economic policy reforms, and the impact that these measures and any future measures taken by a new administration will have on the Argentine economy, remains uncertain.

As the date of this annual report, the impact that the reforms adopted by the Macri administration will have on the Argentine economy as a whole, and the financial sector in particular, cannot be predicted. In addition, the Macri administration's ability to implement all of its proposed policies and corresponding measures cannot be assured. Since assuming office, the Macri administration has announced and implemented several significant economic policy reforms, including reforms related to the INDEC, the foreign exchange market (see Foreign Exchange Rates and Exchange Controls), foreign trade, fiscal deficit reduction, the correction of certain monetary imbalances, energy crisis, corporate criminal liability, the social security system, and the tax code. In 2016, Macri's administration also was able to reach an agreement with the holdout creditors of Argentina's outstanding debt.

In the congressional elections held on October 22, 2017, Macri's governing coalition obtained the largest percentage of votes. His coalition, however, does not have a majority of seats in Congress, and therefore, it may be difficult to implement some of the aforementioned measures unless President Macri obtains support from the opposition party. This creates further uncertainty as to whether the Macri administration will be able to pass further reform measures. The political uncertainty surrounding potential economic reform could lead to volatility in the market prices of securities of Argentine companies.

The fiscal, monetary and currency adjustments undertaken by the Macri administration may result in slower short-term economic growth while seeking to guide the economy toward a sustained path for growth in the medium-term. Immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official Peso exchange rate (available only for certain types of transactions) falling in value by 40.1%, and the Peso-U.S. Dollar exchange rate fell to Ps.13.76 to US\$1.00 on December 17, 2015. The Argentine Central Bank has since allowed the Peso to float with limited intervention intended to ensure the orderly operation of the foreign exchange market. On April 16, 2018, the Peso-U.S. Dollar exchange rate was Ps.20.2163 to US\$1.00. There can be no assurance as to the short- or long-term effects of these policies on the exchange rate or the Argentine economy as a whole.

The impact that these measures, and any future measures taken by a new administration, will have on the Argentine economy as a whole and the financial sector in particular cannot be predicted. Economic liberalization may be disruptive to the economy and may fail to benefit, or may harm, our business. In particular, Grupo Galicia has no control over the implementation of the reforms to the regulatory framework that governs its operations and cannot guarantee that these reforms will be implemented or that they will be implemented in a manner that will benefit its business. The failure of these measures to achieve their intended goals could adversely affect the Argentine economy and Grupo Galicia's business, financial position and results of 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.

Since 2007, the Argentine economy has experienced high levels of inflation. According to private estimates, as figures published by the INDEC were not reliable, inflation rates increased from levels of around 10% in 2005 and 2006 to a level above 20% during the following years, and reached a rate of 42.3% in 2014, decreasing to 27.2% in 2015, mainly due to the slowdown in economic activity in Argentina and to the overvaluation of the Peso, and increasing again to around 40% in 2016 and 25% in 2017, primarily as a consequence of the adjustments made by the government to fix certain macroeconomic imbalances, such as the dismantling of the multiple exchange regime and eliminating certain subsidies. Additional measures implemented by the Macri administration with respect to increases

in the rates for public services are expected result in a further reduction of inflation rates in 2018. The new official inflation index reflects an increase in the rate of the devaluation of the Peso in 2016 and 2017. According to the BCRA, the annual inflation reduction goals, are 17% for the 2018, 10% for 2019 and of 5% for 2020.

Table of Contents

In the past, inflation has materially undermined the Argentine economy and the Argentine 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 financial intermediation activity. This, in turn, could adversely affect economic activity and employment.

In addition to the above, the accuracy of INDEC's calculation of the CPI in Greater Buenos Aires (IPC-GBA), according to which inflation was calculated, has been questioned. In particular, concerns were historically voiced that the actual consumer and wholesale price indices may be significantly higher than those that were indicated by INDEC. In order to address these concerns, the Macri administration has implemented various personnel changes at the INDEC. The new individuals in charge have discontinued use of most previously-used indices in order to review the same and, potentially, to establish new, more accurate and reliable indices. There is currently uncertainty regarding what other future measures the INDEC may adopt and the impact that such measures may have on the relationship between Argentina and the IMF and the results of operations of Grupo Galicia.

A high inflation rate also affects Argentina's competitiveness abroad, as well as real salaries, employment rates, consumption rates and interest rates. A high level of uncertainty with regard to these economic variables, and 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 and the trading price for its ADSs.

If the Peso qualifies as a currency of a hyperinflationary economy under IAS 29, our audited consolidated financial statements and other financial information may need to be restated.

As of January 1, 2018, Grupo Financiero Galicia adopted IFRS. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost method or on the current cost method, be stated in terms of the measuring unit current at the end of the reporting period. IAS 29 does not establish a set inflation rate beyond which an economy is deemed to be experiencing hyperinflation. However, hyperinflation is commonly understood to occur when changes in price levels are close to or exceed 100% on a cumulative basis over the prior three years, along with the presence of several other macroeconomic-related qualitative factors. Despite the high inflation rates in Argentina in recent years, we conducted an analysis pursuant to the criteria set forth in IAS 29, and based solely on such internal review we do not currently believe that Argentina qualifies as a hyperinflationary economy for any of the years included in this annual report.

In formulating such belief, we considered the lack of objective data available regarding the Consumer Price Index (CPI); the existence of other qualitative and quantitative indicators, such as the program established by the Argentine Central Bank to foster monetary stability that aims to induce a systematic and sustainable low inflation rate and the alternative WPI, according to which the inflation rate was below 100% in the three-year cumulative period ended December 31, 2017. We also noted a strong downward trend in inflation rates in December 2017. We believe that our analysis and current belief is consistent with that of most public entities in Argentina. We reassess inflation data periodically to determine whether this belief continues to be applicable.

However, certain macroeconomic variables that affect our business, such as salary costs and the prices of supplies, have experienced a significant annual variation, a circumstance that must be taken into account when evaluating and interpreting our results of operations and financial condition as reflected in our audited consolidated financial statements included elsewhere in this annual report. Although we do not currently believe that the current rate of inflation rises to the level required for Argentina to be considered a hyperinflationary economy under IAS 29, if

inflation rates continue to escalate in the future, the Peso may qualify as a currency of a hyperinflationary economy. In such case, our audited consolidated financial statements and other financial information may need to be adjusted by applying a general price index and be expressed in the measuring unit (the hyperinflationary currency) current at the end of each reporting period. We cannot determine at this time the impact such a restatement would have on our business, results of operations, financial condition or the trading price for our ADSs.

Table of Contents

Argentina's and Argentine companies' 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.

Argentina and Argentine companies have had limited access to foreign financing in recent years, primarily as a result of a default in December 2001 by Argentina on its debt to foreign bondholders, multilateral financial institutions and other financial institutions. 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. After several years of litigation, on March 1, 2016, an agreement was reached between the Argentine government and certain creditors to which the Argentine government was previously in default. This agreement consisted of a payment in cash of approximately US\$ 4.7 billion to the NML, Aurelius, Barcebridge and Davidson Kempner funds, and was approved by the Argentine Congress pursuant to law No. 27,249.

On April 18, 2016, in order to make the payment to said funds and to other bondholders in similar conditions, Argentina issued bonds in an amount of US\$16.5 billion, with interest rates between 6.25% and 8% and maturities of 3, 5, 10 and 30 years. The payment of approximately U.S. \$9.3 billion to the bondholders was made on April 22, 2016, thus reaching a final solution to the Argentine debt in default.

Despite this settlement, the government may still have or could again have limited access to financing that it would use to stimulate growth and implement reforms, and the financing that is available may only be available with onerous terms (such as high interest rates and shortened availability periods), which could have a significant adverse effect on Argentina's economy and on Argentine companies or Grupo Galicia's ability to obtain international financing, and could also adversely affect local credit conditions.

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.

The reliance on the export of certain commodities, such as soy, has made the country more vulnerable to fluctuations in their prices. A decrease in commodity prices may adversely affect the Argentine government's fiscal revenues and the Argentine economy as a whole.

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. More importantly, in the short term, a significant appreciation of the real exchange rate could substantially reduce 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 and adverse effect on Argentina's economy in general, and on Grupo Galicia's financial position, specifically.

From time to time the Argentine government has enacted several laws amending the regulatory framework governing a number of different activities as a measure to stimulate the economy, some of which have had adverse effects on Grupo Galicia's business. Although the current administration has eliminated some of these regulations, political and social pressures could inhibit the Argentine government's implementation of policies designed to generate growth and enhance consumer and investor confidence.

No assurance can be provided that future regulations, and especially those related to the financial system, will not 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 activities of the financial system and Grupo Galicia's business, and would generate uncertainty regarding its future financial position and result of operations and trading price for its ADSs.

Table of Contents

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 could continue to adversely affect the country's economy in the near future.

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. Such changes started to strengthen the U.S. Dollar globally, affecting the evolution of commodity prices and lowering capital inflows to countries such as Argentina; which impacts were observed in 2015 and 2016.

Brazil, which is Argentina's main trade partner, has experienced a decrease in GDP (which declined by 3.8% in 2015 and 3.6% in 2016) in recent years. Although Brazil's economic outlook seems to be improving, a further deterioration of activity, a delay in Brazil's expected economic recovery or a slower pace of economic improvement in Brazil may have a negative impact on Argentine exports and on the overall level of economic and industrial activity in Argentina, particularly with respect to the automotive industry. In 2017, Brazil experienced a slight increase in its GDP, increasing by 1.9%. If the Brazilian economy's current recovery stalls or once again deteriorates, the demand for Argentine exports may be adversely impacted.

China, which is the main importer of Argentine raw materials, experienced an economic slowdown in 2017 as compared to recent years. The prices for Argentine commodities, in particular oilseeds, decreased, which, if such trend continues, could in the long term, affect the inflow of foreign currency in Argentina from exports. The slowdown of the Chinese economy and increased volatility of its financial markets could impact financial markets worldwide, which, in turn, could increase the cost and availability of financing both domestically and internationally for Argentine companies.

The international financial environment may also result in a devaluation of regional currencies and exchange rates, including the Peso, which would likely also cause volatility in Argentina.

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.

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

If the Peso depreciated significantly against the U.S. Dollar, as has recently occurred and which could occur again 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. Such a potential 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 obligations denominated in a foreign currency which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

Table of Contents

In 2015, the Dollar to Peso exchange rate increased 53% as compared to 2014. In 2016, the Dollar to Peso exchange rate increased 22% as compared to 2015. In 2017, the Dollar to Peso exchange rate increased 18% as compared to 2016. This trend continued in the first few months of 2018, with an increase of 7% from December 31, 2017 to March 31, 2018. Any further depreciation of the Peso may have an adverse impact on the business of Grupo Galicia and on the trading prices for its ADSs.

Changes or new regulations in the Argentine foreign exchange market may adversely affect the ability and the manner in which Grupo Galicia repays its obligations denominated in, indexed to or otherwise connected to a foreign currency.

Since December 2001, different government administrations have established and implemented various restrictions on foreign currency transfers (both in respect of transfer into and out of Argentina). Although the Macri administration eliminated such restrictions, Grupo Galicia cannot assure that such measures will not be implemented again in the future.

The impact that the new measures will have on the Argentine economy and Grupo Galicia's is uncertain. No assurance can be provided that the 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 new 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. In the future Grupo Galicia may be prevented from making payments in U.S. Dollars and/or making payments outside of 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 of Argentina as 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 intervention of the Argentine government in the electric power sector could have a material adverse impact on the Argentine economy, which may have a material adverse impact on Grupo Galicia's results of operations.

Historically, the Argentine government has played an active role in the electric power sector through the ownership and management of state-owned companies engaged in the generation, transmission and distribution of electric power. To address the Argentine economic crisis of 2001 and 2002, the Argentine government adopted Law No. 25,561 and other regulations, which made a number of material changes to the regulatory framework applicable to the electric power sector and have significantly distorted supply and demand in the sector. These changes

Table of Contents

included the freezing of distribution margins, the revocation of adjustment and inflation indexation mechanisms for tariffs, a limitation on the ability of electric power distribution companies to pass on to the consumer increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the wholesale electricity market, all of which had a significant impact on electric power generators and caused substantial price differences within the market.

Since the Macri administration assumed office, the Argentine government has initiated significant reforms in the electric power sector. As part of such reforms, the Argentine government has taken actions designed to guarantee the supply of electric power in Argentina, such as instructing the Ministry of Energy and Mining to develop and implement a coordinated program to guarantee the quality of the electric power system and ration individuals and public entities consumption of energy by increasing tariffs. In addition, the Argentine government and certain provincial governments have approved significant price adjustments and tariff increases applicable to certain generation and distribution companies, resulting in an increase in cost of energy prices for consumers.

On March 31, 2017, the Ministry of Energy and Mining released a new tariff schedule that increased the price consumers pay for electricity and natural gas by 36% with the goal of reducing government subsidies for energy consumption as part of efforts to reduce the Argentine government's fiscal deficit. Following a public hearing, the Minister of Energy and Mining released a revised tariff schedule in December 2017, which further increased rates between 34% and 57% (depending on the province) for natural gas and approximately 34% for other electricity.

As a result, there has been a significant increase in the cost of energy in Argentina, which could have a material adverse effect on consumers' disposable income, and therefore, Grupo Galicia's financial condition and results of operations and the trading price of our ADSs.

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. Additionally, labor union activity could lead to strikes or work stoppages, which may materially and adversely affect Grupo Galicia's results of operations.

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 work-related benefits. Furthermore, employers, both in the public sector and in the private sector, have been experiencing intense pressure from their personnel, or from the labor unions representing such personnel, demanding salary increases and certain benefits for the workers, given the prevailing high inflation rates. Labor pressure can also potentially lead to strikes or work stoppages if demands are not satisfied, which could have a material and adverse effect on Grupo Galicia's operations.

There can be no assurance that the Argentine government will not adopt measures in the future mandating salary increases or the provision of additional employee benefits, or that employees or their unions will not exert pressure on companies, such as Grupo Galicia, in demanding the implementation of such measures. The implementation of 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.

Table of Contents

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.

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 financial 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 remains low when compared to international levels and continues to be lower than the periods prior to the crisis, especially in the case of private-sector deposits and loans, which represented approximately 17.3% and 14.7% of GDP, respectively, at the end of 2017.

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 the 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.

Table of Contents

Banco Galicia's exposure to the public sector as of December 31, 2017 was Ps.27,028 million, representing approximately 8% of its total consolidated assets and 75% of its shareholders' equity. Of this total, Ps.17,284 million were Argentine Central Bank debt instruments, Ps.9,309 million corresponded to Argentine government securities, while the remaining Ps.435 million corresponded to other receivables resulting from financial brokerage. As a result, Grupo 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 respect of Argentine government obligations owed to 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. On October 1, 2014, a new Civil and Commercial Code was sanctioned, which captured the principles of Consumer Protection Law and established their application to banking agreements.

On September 17, 2014, Law No. 26,993 was enacted, which created a System to Solve Disputes in Consumer Relationships, introducing new administrative and legal procedures within the framework of the Consumer Protection Law; namely, an administrative and a judicial regime for such matters.

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 led to an increase in 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. There can be no assurance 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, including Banco Galicia. Class actions are contemplated in the Argentine National Constitution and the Consumer Protection Law, but their use is not regulated. The courts, however, have admitted class actions in spite of lacking specific regulations, providing some guidance with respect to the procedures for the same. These courts have admitted several complaints filed against financial institutions to defend collective interests, based on arguments that object to charges applied to certain products, applicable interest rates 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. For further information regarding class actions brought against Banco Galicia, please refer to the Item 8. Accounting Information Legal Proceedings Banco Galicia .

Administrative procedures filed by the tax authorities of certain 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.

Table of Contents

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 such financial institutions beginning in 2002 and onward. Such tax authorities are alleging that the Compensatory Bond (as defined below) should be subject to taxation. The purpose of the Compensatory Bond was to compensate financial institutions for the losses they would otherwise have incurred as a result of the measures implemented to confront the 2001-2002 economic crisis, in particular, the asymmetric pesification of assets and liabilities. The final decision regarding these proceedings remains uncertain and substantial losses may be sustained by financial institutions, including Banco Galicia.

Although Banco Galicia believes 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 risks may render those provisions inadequate. Tax authorities may not agree with Grupo Galicia's tax treatment, possibly leading to an increase in its tax liabilities.

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 development 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, Banco Galicia has restrictions relating to dividend distributions.

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 equity in Grupo Galicia. For further information on dividend distribution restrictions, see Item 5.B. Financial Review and Prospects Liquidity and Capital Resources .

Corporate governance standards and disclosure policies that govern companies listing their shares pursuant to the public offering 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 and differ in important respects. As a foreign private issuer, Grupo Galicia is subject to different disclosure policies 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.

Table of Contents

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 corporate information available about Grupo Galicia 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.

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 subsidiaries should fail to detect money laundering and other illegal or inappropriate activities in a comprehensive or timely manner, the business interests and reputation of Grupo Galicia may be harmed.

Grupo Galicia's subsidiaries 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 Grupo Galicia's subsidiaries 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 Grupo Galicia's subsidiaries have adopted policies and procedures intended to detect and prevent the use of their networks 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 Grupo Galicia's subsidiaries have been or are currently being used by other parties, without their knowledge, to engage in activities related to money laundering or other illegal activities. To the extent that Grupo Galicia's subsidiaries have not detected or do not detect those illegal activities, the relevant governmental agencies to which they report have the power and authority to impose fines and other penalties on Grupo Galicia's subsidiaries. In addition, their business and reputation could be adversely affected if customers use it for money laundering activities or other illegal activities.

Table of Contents

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 global 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.

An increase in cybersecurity breaches or fraudulent and other illegal activity involving Grupo Galicia or its subsidiaries could lead to reputational damage to Grupo Galicia's (or its subsidiaries') brands and could reduce the use and acceptance of its and its subsidiaries' products.

The business of many of Grupo Galicia's subsidiaries depends on the efficient and uninterrupted operation of its data processing systems, its platforms for the exchange of information and its digital networks. Many of Grupo Galicia's subsidiaries have access to a large amount of confidential information about their respective clients. Therefore, cybersecurity breaches represent a potential risk for Grupo Galicia. Cybersecurity breaches that result in, for example, identity theft, phishing schemes or the theft of personal and confidential information could negatively affect the security of information that is stored and transmitted through the information systems and network infrastructure of Grupo Galicia and could cause existing and potential clients to refrain from conducting business with the subsidiaries of Grupo Galicia. Grupo Galicia cannot provide any assurance that the systems are invulnerable to cybersecurity breaches or that its existing security measures will be successful in protecting against any such breach. If any of the above described events were to occur, it could lead to reputational damage to Grupo Galicia's brands, which could reduce the use and acceptance of its products, or to greater regulation, which could increase its compliance costs, all of which could materially adversely affect its business and results of operation and the trading price for its ADSs.

Fluctuations in the value of the Peso could adversely affect Argentine economic growth and Argentina's international reserves and the financial situation of the Grupo Galicia and its subsidiaries.

The devaluation of the Peso could have a negative impact on the ability of certain Argentine businesses to make timely payments on their foreign currency-denominated debt, could cause inflation, could cause a significant reduction in salaries in real terms, could put at risk the financial stability of companies, such as certain subsidiaries of Grupo Galicia, whose success depends on internal market demand and could also adversely affect the ability of the Argentine government to pay its foreign currency-denominated debt. The Peso depreciated vis-à-vis the Dollar by almost 30% in 2013 and 2014. In 2015, the Peso depreciated approximately 52% as compared to the Dollar, which included a 10% depreciation between January 1, 2015 and September 30, 2015 and a 38% devaluation during the final quarter of the year, the majority of which was concentrated in the period after December 16, 2015 once the government of Macri assumed control of the exchange rate put in place by the prior government. In 2016, the Peso lost approximately 21% of its value as compared to the Dollar. In 2017, the Peso lost approximately 17% of its value as compared to the Dollar. The selling exchange rate published by Banco Nación as of April 16, 2018 was Ps.20.45 per US\$1.00.

From time to time, the Central Bank may intervene in the foreign exchange market to influence exchange rates. Purchases of Pesos by the Central Bank could cause a decrease in the international reserves of the Central Bank. A significant decrease in the Central Bank's international reserves may have an adverse impact on Argentina's ability to withstand external shocks to the economy, and any adverse effects to the Argentine economy could, in turn, adversely affect the financial position and business of Grupo Galicia and its subsidiaries.

Further, a significant depreciation of the Peso would, among other things, increase the cost of servicing certain of Grupo Galicia's subsidiaries' foreign currency-denominated debt. Either a significant depreciation or appreciation could have a material adverse effect on the Argentine economy and Grupo Galicia's financial condition and results of operations.

Table of Contents

Shortages in the availability of energy in Argentina could adversely affect the Argentine economy and hence the operation and business of Grupo Galicia and its subsidiaries.

The various economic crisis in the past in Argentina and the fixing of the tariff rates in the electricity sector, have provoked a significant lack of infrastructure and business investment for the supply and transportation of natural gas and electricity. At the same time, the demand for the natural gas and electricity in Argentina has increased considerably due to the improving economic conditions in the country and the low cost of such services. To address such increase in demand, Argentina has needed to import natural gas from other countries. The Central Bank's reserves have been frequently used by the government to pay for such imports. If the government is unable to pay to import natural gas to cover the energy deficit, the Argentine economy may suffer and Argentine businesses may be adversely affected.

Several measures have been adopted by the government in order to lessen the short term impact of the lack of energy for residential and industrial users. If these measures are not sufficient, or if the relevant investments are not timely made, the Argentine economy could be seriously affected, producing a negative impact on local business.

Since 2015, as a first step, tariff increases were implemented and subsidies to industries and to high income consumers were reduced. In February 2016, the government implemented various increases in tariffs and reductions in subsidies for gas and electricity users.

On August 18, 2016, the Supreme Court suspended the gas tariff increases for residential users and ordered public hearings in respect of such increases. The Argentine government, complying with this ruling, conducted public hearings on the matter in September 2016. During such hearings, the Secretary of Energy ratified the government's plan to maintain such increases and to further increase the same. In October 2016, resolution No. 212 E/2016 established the new gas tariffs with an average increase of 200% for residential consumers and of 277% for most merchants, small and medium companies.

On September 27, 2016, Federal Judge No. 3 of the Province of Cordoba suspended for the whole country the increase of gas tariffs for merchants, small and medium companies and ordered the imposition of the tariff regime in place on March 31, 2016 until December 27, 2016. Such resolution was appealed by the Argentine government. On September 6, 2016, the Supreme Court ruled in favor of increasing the electricity tariffs in the Province of Buenos Aires.

As a consequence of the above, the cost of energy has increased significantly in recent years, which increase may have an adverse effect on the Argentine economy and Grupo Galicia's financial condition and results of operations.

The high levels of public spending in Argentina could generate long lasting adverse consequences for the Argentine economy.

During recent years, the Argentine government has substantially increased the levels of its public spending. In 2015, the spending of the public sector increased by 34.5% as compared to the prior year, and the government announced a primary fiscal deficit equal to 5.5% of GDP. In 2016, the spending of the public sector increased by 38.2% as compared to the prior year, and the government announced a primary fiscal deficit equal to 4.6% of GDP. In 2017, the spending of the public sector increased by 3% as compared to the prior year, and the government announced a primary fiscal deficit equal to 6% of GDP. If spending continues to outpace revenue, the fiscal deficit is likely to increase and past sources to address such deficit, such as the Central Bank and the National Administrator of Pensions may be utilized.

Any such increasing deficit could have a negative effect on the government's ability to access to the long term financial markets, and in turn, could limit the access to such markets for Argentine companies, such as Grupo Galicia and its subsidiaries. The same may have a material and adverse effect on Grupo Galicia's financial condition and results of operations.

Table of Contents

Failure to adequately address actual and perceived risks arising from institutional deterioration and corruption could adversely affect Argentina's economy and financial position and the ability of Argentine companies to attract foreign investment.

The lack of a solid institutional framework and corruption have been identified as serious problems for Argentina, and may continue to be. In the Transparency International's Corruption Perceptions Index 2016, which measures corruption in 176 countries, Argentina ranked No. 95. In the World Bank's Doing Business report in 2017, Argentina Ranked No.117 among 189 countries, having ranked No. 121 among 189 countries in 2016. The failure to address these issues could increase the risk of political instability, distort the decision-making process, adversely affect Argentina's international reputation and its ability and the ability of its companies to attract foreign investment. Although the Macri administration has announced several measures aimed at strengthening Argentina's institutions and reducing corruption, the Argentine government's ability to implement these initiatives is uncertain as it would require the involvement of the judiciary branch, which is independent, as well as legislative support from opposition parties and there can be no assurances that the implementation of such measures will be successful. A deterioration in the Argentine economy could have a material and adverse effect on Grupo Galicia's financial condition and results of operations.

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, in which Grupo Financiero Galicia has an 83% ownership interest as of March 31, 2018, and CFA, in which Banco Galicia has a 97% ownership interest and Grupo Financiero Galicia has a 3% ownership interest through December 31, 2017 (as the sale of CFA was completed during the first quarter of 2018), we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. Argentines refer to the *Interior* as all of Argentina except for the Buenos Aires, 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.341,013 million as of December 31, 2017. For more information regarding the corporate reorganization of Tarjetas Regionales and CFA sale, please see [History](#).

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 in which Banco Galicia either cannot participate or in which it can participate only on a limited basis due to restrictive banking regulations.

We are domiciled in Buenos Aires, Argentina. Under our bylaws, our corporate duration is until June 30, 2100. Our duration may be extended by a resolution passed at the extraordinary shareholders' meeting. Our principal executive

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

offices are located at Teniente General Juan D. Perón 430, 25th Floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

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

-21-

Table of Contents

Organizational Structure

The following table illustrates our organizational structure as of December 31, 2017. Percentages indicate the ownership interests held.

Table of Contents

The following table illustrates our new organizational structure after the sale of CFA and the corporate reorganization of Tarjetas Regionales. Percentages indicate the ownership interests held.

Table of Contents

History

Grupo Financiero Galicia

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

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

On May 16, 2000, our shareholders held an extraordinary shareholders' meeting during which they unanimously approved a capital increase of up to Ps.628,704,540 and the public offering and listings of our class B shares. All of the new common shares were designated as class B shares, with a par value of Ps.1. During this extraordinary shareholders' meeting, all of our existing shareholders waived their preemptive rights. In addition, the shareholders determined that the exchange ratio for the exchange offer would be one class B share of Banco Galicia for 2.5 of our class B shares and one ADS of Banco Galicia for one of our ADSs. The exchange offer was completed in July 2000 and the resulting capital increase was of Ps.549,407,017. Upon the 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 U.S. \$100 million of face value of subordinated notes to be issued by Banco Galicia to its creditors in the restructuring of the foreign debt of its head office in Argentina (the Head Office) and its Cayman Branch, or cash. This capital increase was carried out in connection with the restructuring of Banco Galicia's foreign debt. On May 13, 2004, we issued 149,000,000 preferred non-voting shares, with preference over the ordinary shares in the event of liquidation, each with a face value of Ps.1. The preferred shares were converted into class B shares on May 13, 2005. With this capital increase, our capital increased to Ps.1,241,407,017.

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

On January 12, 2017, Grupo Financiero Galicia and Banco Galicia accepted an offer made by Mr. Julio A. Fraomeni and Galeno Capital S.A.U. to purchase 100% of CFA, a subsidiary of Banco Galicia. On December 4, 2017, pursuant to Resolution No. 414, the Argentine Central Bank authorized such transaction, which was completed on February 2, 2018. As a result of such sale, Grupo Financiero Galicia received a total of Ps.1,047.3 million for its ownership interest.

On May 16, 2017, the Board of Directors of Grupo Financiero Galicia accepted an offer to acquire 10,000 book-entry shares with a nominal value of Ps.1 per share, representing 1% of the share capital of Galicia Valores S.A. owned by CFA for Ps.906,524.15.

During August 2017, Grupo Financiero Galicia accepted a series of irrevocable sales offers for the acquisition of 6% of the issued and outstanding share capital of its subsidiary, Tarjetas Regionales. On January 5, 2018, a total sales price of U.S. \$49,000,000 was paid by Grupo Financiero Galicia and the transaction was completed on January 8, 2018 with the transfer of 22,633,260 Class A common shares, book-entry, with a par value of Ps.1 per share and five votes per share, and 42,033,196 Class B common shares, book-entry, with a par value of Ps.1 per share and one vote per share.

On October 12, 2017, the Board of Directors of the Company approved the corporate reorganization of Grupo Financiero Galicia and Banco Galicia. Such reorganization consisted of the divestiture of Banco Galicia's shares in Tarjetas Regionales (77% of its share capital), and the incorporation of such shares into the assets of Grupo Financiero Galicia effective January 1, 2018. On January 19, 2018, the Argentine Central Bank issued Note No. /04/2018, thereby confirming that it did not object to the reorganization. As a result, Grupo Financiero Galicia maintains an 83% ownership interest in Tarjetas Regionales.

Table of Contents

On August 15, 2017, the shareholders of Grupo Financiero Galicia approved an increase of its share capital by issuing up to a maximum of 150,000,000 of new Class B shares, book-entry, with a right to one vote and a face value of Ps.1 per share.

On September 26, 2017, the global primary follow-on offering period ended and 109,999,996 Class B shares were subscribed for a price of U.S. \$5 per share. Such shares were issued on September 29, 2017. The Company granted the underwriters the option to purchase additional Class B ordinary shares at the offering price, and on October 2, 2017, the underwriters exercised such option and 16,500,004 additional Class B shares at U.S. \$5 per share were issued on October 4, 2017.

As a result of the foregoing offering, a total of 126,500,000 ordinary Class B shares, book-entry, with a right to one vote and a face value of Ps.1 per share were issued. Issued and outstanding capital of Grupo Financiero Galicia was therefore Ps.1,426,764,597, represented by 281,221,650 ordinary Class A shares, book-entry, entitled to five votes per share and a face value of Ps.1 per share and 1,145,542,947 ordinary Class B shares, book-entry, entitled to one vote and a face value of Ps.1 per share.

On December 27, 2017, Grupo Financiero Galicia made a capital contribution to Banco Galicia of Ps.10,000,000,000.

Banco Galicia

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

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

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

In order to develop automated banking in Argentina and avoid bank disintermediation (i.e., when consumers access information or goods directly rather than through 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 (e.g., in-store), ATMs, banking centers, phone banking and internet banking.

Table of Contents

As part of its growth strategy, Banco Galicia began expanding into rural areas in the *Interior*, where there was believed to be a high potential for growth. Historically, the *Interior* was underserved relative to Buenos Aires and its surroundings with respect to access to financial services, and its population tends to use fewer banking services. Between 1995 and 1999, Banco Galicia acquired equity interests in entities and 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 most 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, listed its American Depositary Receipts (*ADRs*) on the Nasdaq Stock Market until 2000, when Banco Galicia's shares were exchanged for our shares. In 1991, it was the first Argentine bank to issue debt in the European capital markets and, in 1994, it was the first Latin American issuer of a convertible bond. In 1996, Banco Galicia raised equity again through a local and international public offering.

In 1996, Banco Galicia entered the bank insurance business through an agreement with ITT Hartford Life Insurance Co. for the joint development of initiatives in the life insurance business. In the 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 transactional banking services was maintained. With the normalization of the Argentine economy and the subsequent period of growth, financial activities began to increase, translating into significant growth for the financial system as a whole, including Banco Galicia. The provision of services continued to develop, surpassing their development pre-crisis, and financial intermediation activity 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 financial crisis. 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 financial 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 financial 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.

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

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*

Table of Contents

Competencia) approved the transaction. The purchase of the shares of the CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales (5%) on June 24, 2010. The price to acquire the shares of these companies was Ps.334 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. During the fiscal year ended December 31, 2011, the 5% interest held by Tarjetas Regionales was acquired by Grupo Financiero Galicia and Banco Galicia, which acquired 3% and 2% of such interest, respectively. Following such acquisition, Banco Galicia held a 97% interest in CFA.

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

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

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

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

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

On January 12, 2017, Grupo Financiero Galicia and Banco Galicia accepted an offer made by Mr. Julio A. Fraomeni and Galeno Capital S.A.U. to purchase 100% of CFA, a subsidiary of Banco Galicia. On December 4, 2017, pursuant to Resolution No. 414, the Argentine Central Bank authorized such transaction, which was completed on February 2, 2018.

On December 27, 2017, Grupo Financiero Galicia, in its capacity as sole shareholder and holder of 100% of the capital of Banco Galicia, integrated a capital contribution of Ps.10,000 million through Lebacks. The Argentine Central Bank, through its Resolution No.35 dated January 11, 2018, approved the capital contribution and its consideration as computable capital.

In a survey conducted in 2017 by Great Place to Work[®], which involved more than 76,000 employees from 121 different companies, Banco Galicia was ranked first among the best companies to work for with more than 1,000 employees.

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

On May 18, 2004, Banco Galicia successfully completed the restructuring of US\$1,321 million of the debt of Banco Galicia's Head Office and its Cayman Branch, consisting of bank debt (including debt with multilateral credit

agencies) and bonds. This amount represented 98% of the foreign debt eligible for restructuring. As of December 31, 2014, the principal amount of old debt, the holders of which did not participate in the exchange offer was U.S. \$1 million.

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

Table of Contents

denominated debt instruments, of which U.S. \$353 million were Dollar-denominated notes due 2010 (referred to as the 2010 Notes) and (iii) U.S. \$230 million of subordinated Dollar-denominated debt instruments, of which U.S. \$218.2 million were Dollar-denominated notes due 2019 (referred to as the Subordinated Notes Due 2019 or the 2019 Notes).

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

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

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

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

Grupo Financiero Galicia previously held a credit against Banco Galicia for a face value of U.S. \$10 million, as a result of the acquisition from third parties of subordinated loans maturing in 2019. During fiscal year 2016, Banco Galicia prepaid its Subordinated Notes due 2019 and the subordinated loans that were to mature in 2019.

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

In 1983, Galicia Uruguay was established as a *Casa Bancaria* , a license that granted an offshore status, as an alternative service location for Banco Galicia s customers. In September and October 1999, the Uruguayan government s executive branch and the Uruguayan Central Bank, respectively, approved Galicia Uruguay s status as a full service domestic bank.

Due to the effects of the 2001-2002 financial 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 U.S. \$27 million, corresponding to the remaining balance of its restructured debt, which was initially due in September 2011. Having fulfilled its obligations, Galicia Uruguay s shareholders resolved at a shareholders meeting held on June 30, 2010, to voluntarily dissolve and liquidate the company.

Furthermore, taking into consideration the financial condition and the evolution estimated in the liquidation process, shareholders decided to reduce the company s computable capital in an amount equal to U.S. \$2.1 million through the voluntary redemption of shares, which was carried out on October 18, 2010. During 2013 and 2014, shareholders decided to carry out two new voluntary share redemptions. These redemptions were carried out for a value equal to U.S. \$2 million and U.S. \$3 million, on November 18, 2013 and September 10, 2014, respectively.

As of the date of this annual report, Galicia Uruguay was in the process of finalizing its dissolution process with the appropriate Uruguayan authorities.

Table of Contents

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 parts of 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, where it marketed Tarjeta Naranja, its proprietary brand credit card, 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, to operate in the city of Mar del Plata and its area of influence. Tarjetas del Mar began marketing the Mira card in March 1997.

In early 1997, Banco Galicia purchased an interest in Comfiar S.A., a consumer finance company operating in the provinces of Santa Fe and Entre Ríos, which was merged into Tarjeta Naranja in January 2004.

In 1999, Banco Galicia reorganized its participation in this business through Tarjetas Regionales, a holding company wholly owned by Banco Galicia and Galicia Cayman, which owns the shares of Tarjeta Naranja, Comfiar S.A., Tarjetas Cuyanas, and Tarjetas del Mar. In addition, between 1999 and 2000, Tarjetas Regionales acquired Tarjetas del Sur S.A., a credit card company operating in southern Argentina. In March 2001, Tarjetas del Sur S.A. merged into Tarjeta Naranja.

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

Tarjeta Naranja's board of directors approved the merger of Tarjeta Mira S.A. (merged company) into Tarjeta Naranja (merging company).

Tarjetas Regionales carried out a capital increase that was mainly paid by the contribution of the minority shareholders' holdings in its subsidiaries Tarjeta Naranja and Tarjetas Cuyanas. Therefore, Banco Galicia's direct and indirect interest decreased to 77% of the capital stock and the remaining 23% is held by the shareholders who, by means of the above-mentioned contribution, became Tarjetas Regionales' minority shareholders.

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

On March 31, 2017, Banco Galicia's Board of Directors approved the sale of its stake (58.8% of the issued and outstanding shares) in its subsidiary Tarjetas del Mar to *Sociedad Anónima Importadora y Exportadora de la Patagonia* (which already owned 40% of the total shares of Tarjetas del Mar). CFA also sold its stake (1.2% of the issued and outstanding shares) in Tarjetas del Mar to Federico Braun. The consideration received for such sale was approximately U.S. \$5 million.

As of December 31, 2016, Banco Galicia held a 77% ownership interest in Tarjetas Regionales. Tarjetas Regionales directly and indirectly held 100% of Tarjeta Naranja and 100% of Tarjetas Cuyanas.

Table of Contents

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, 2017, the Regional Credit Card Companies, on a consolidated basis, had approximately 10 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 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 requiring them to maintain sufficient liquidity to cover at least three months of future operations and to 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.

On August 10, 2017, the Board of Directors of each of Tarjeta Naranja and Tarjetas Cuyanas approved the merger of such subsidiaries, by which Tarjetas Cuyanas would merge into Tarjeta Naranja. On September 5, 2017, Tarjetas Naranja and Tarjetas Cuyanas executed a supplemental merger agreement pursuant to which Tarjeta Naranja acquired the assets and liabilities of Tarjetas Cuyanas effective as of October 1, 2017. Such merger was approved by the shareholders of each subsidiary at Extraordinary General Shareholders Meetings in October 2017.

Additionally, in October 2017, Grupo Financiero Galicia publicly announced its plan to undertake a corporate reorganization between Grupo Financiero Galicia and Banco Galicia as discussed above in History and Development of the Company .

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 on a limited scale.

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

In 1992, CFA carried out its commercial activities under the name Interbonos Compañía Financiera S.A. (authorized by Resolution No. 284 of the Argentine Central Bank, dated June 17, 1992), as agent of the *Mercado Abierto* (fixed income brokerage), and later 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 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.

Table of Contents

The Argentine Central Bank, through its Resolution No. 85 dated February 7, 1996, registered CFA's legal name change 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 on February 27, 1996.

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

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.

On January 12, 2017, Grupo Financiero Galicia and Banco Galicia accepted an offer made by Mr. Julio A. Fraomeni and Galeno Capital S.A.U. to purchase 100% of CFA, a subsidiary of Banco Galicia. On December 4, 2017, pursuant to Resolution No. 414, the Argentine Central Bank authorized such transaction, which was completed on February 2, 2018.

Sudamericana Holding

In 1996, Banco Galicia entered the bank insurance business, through the establishment of a joint venture with Hartford Life International to sell life insurance and annuities, in which it had a 12.5% interest. In December 2000, Banco Galicia sold its interest in this company and purchased 12.5% of Sudamericana, a subsidiary of Hartford Life International. As a result of various acquisitions, Grupo Financiero Galicia owns 87.5% of Sudamericana (with the remaining 12.5% being held by Banco Galicia) which offers life, retirement, property and casualty insurance products in Argentina through its subsidiaries Galicia Seguros S.A. (Galicia Seguros), which provides property, casualty and life insurance, Galicia Retiro Compañía de Seguros S.A., which provides retirement insurance and Galicia Broker Asesores de Seguros S.A., an insurance broker

In addition, during fiscal year 2012 Galicia Seguros, together with three other 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. In September 2017, Galicia Seguros sold its ownership interest in such entity.

Galicia Administradora de Fondos

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

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

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

Table of Contents

Net Investment (Liquidated)

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).

On May 16, 2017, the General Ordinary Shareholders Meeting of Net Investment unanimously approved the early dissolution and subsequent liquidation of the company. At such meeting, the shareholders appointed a liquidating committee that took all required actions leading to such entity's actual liquidation, with the financial statements as of December 31, 2017 corresponding to its final liquidation. The final distribution of capital was made on January 9, 2018.

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 and it also serves exporters and retailers. Its main objective is to enable its customers to access credit and financing, which are secured by the property kept under its custody. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake, and Banco Galicia, with the remaining 12.5%.

Business

Banking

Banco Galicia, our largest subsidiary, operates in Argentina and substantially all of its customers, operations and assets are located in Argentina. Banco Galicia is a bank that provides, directly or through its subsidiaries, a wide variety of financial products and services to large corporations, SMEs, and individuals.

Banco Galicia is one of Argentina's largest full-service banks and is a leading provider of financial services in Argentina. According to information published by the Argentine Central Bank, as of October 31, 2017, 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 second 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 10.29% and 10.11% respectively, as of the end of 2017. On a consolidated basis, as of the end of fiscal year 2017, Banco Galicia had total assets of Ps.336,384 million, total loans of Ps.197,330 million, total deposits of Ps.203,504 million, and its shareholders' equity amounted to Ps.35,821 million.

Banco Galicia provides a full range of financial services through one of the most extensive and diversified distribution platforms amongst private-sector financial institutions in Argentina. This distribution platform, as of December 31, 2017, was comprised of 306 full service banking branches, located throughout the country, 1,982 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 3.9 million customers, who were comprised of mostly individuals but who also included more than 104,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, based on internal studies undertaken by Banco Galicia, it is estimated that Banco Galicia is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, one of the primary private-sector institutions serving SMEs, and has traditionally maintained

a leading position in the agriculture and livestock sectors. Banco Galicia's primary clients are classified into three categories, Wholesale Banking, Retail Banking, and Financial Banking.

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.

Table of Contents

Wholesale Banking

Banco Galicia's Wholesale Banking division is organized into the following three segments: (i) Corporate, Investment Banking and Capital Markets; (ii) Wholesale Banking Customer Base; and (iii) Agricultural Sector.

Corporate, Investment Banking and Capital Markets

In 2017, Banco Galicia consolidated its leading position in the Corporate segment, both with respect to domestic and international companies, through the implementation of a business model focused on providing loan and other credit product offerings and by providing detailed and tailored advice to its customers. In addition, as the demand for longer term credit increased, the volume of major market transactions increased, contributing to a 70% increase in the Bank's lending portfolio, as the majority of domestic companies use Banco Galicia's financing and credit services for their transactions.

In the Investment Banking and Capital Markets segment, the Bank structured a variety of tailor-made financing products for corporate, SMEs, and agricultural businesses. In this segment, the Bank completed more than 91 transactions, 21 syndicated and structured loans, and 70 capital markets offerings, including notes, short-term securities, bills and financial trusts.

The most important categories of Peso-denominated transactions in 2017 in which Banco Galicia was involved were issuances of securities by (i) automotive companies (such as Fiat, Toyota and Mercedes Benz) in an aggregate principal amount of over Ps.1,600 million, (ii) companies affiliated with Grupo Financiero Galicia (such as Tarjeta Naranja, Tarjetas Cuyanas and CFA) in an aggregate principal amount of over Ps.3,200 million and by Banco Galicia in its capacity as an issuer in an aggregate principal amount of Ps.4,300 million, (iii) the City of Buenos Aires and the provinces of Buenos Aires, Neuquén and Río Negro in an aggregate principal amount of over Ps.39,400 million, and (iv) the financial sector in an aggregate principal amount of over Ps.19,100 million.

With respect to U.S. Dollar-denominated transactions, the most important transaction in which Banco Galicia was involved in 2017 was the repurchase by the City of Buenos Aires of notes it had previously issued and the subsequent offering by the City of Buenos Aires of new notes in a principal aggregate amount of over U.S. \$400 million.

In addition, in 2017 the Bank acted as a local placement agent in foreign debt offerings by Banco Galicia and Tarjeta Naranja.

The Bank also participated in syndicated transactions in 2017 in an aggregate amount of over Ps.2,800 million and U.S. \$290 million.

Wholesale Banking Customer Base

The Bank's corporate customer base is comprised of companies from all over Argentina, with annual revenues ranging from Ps.200 million to Ps.1,500 million. The Bank works with all business sectors, except primary agricultural production. The Bank provides companies with dedicated and customized service tailored-made to their individual needs. Corporate banking services are provided by business executives and specialists in foreign trade and treasury services located in the Bank's 20 corporate banking centers located throughout Argentina. These centers allow the Bank to specialize in regional economies and leverage synergies with local branches to meet companies' needs.

In 2017, the Bank offered the following services to its corporate banking clients:

advice from experts on specific products tailored to each corporate banking client's treasury requirements;

on-demand information and online customer service;

Table of Contents

individualized pricing based on a company's size;

competitive exchange rates;

access to pricing and volume in the secondary market; and

access to issuances in the primary market.

In addition, the Bank continued to enhance its online banking platform. The Bank shifted 70% of time deposits and 17% of check purchases to its electronic Office Banking platform, in addition to processing foreign trade operations, payments to suppliers and payroll.

With respect to customer recognition, the Bank organized more than 70 events throughout Argentina to interact with its customers and provide them with political, trade and economic updates, product training and human resources.

Agricultural Sector

The agricultural sector is Banco Galicia's Wholesale Banking segment focused on providing products, services and attention to its various agricultural-sector clients. Banco Galicia provides such clients with a variety of services and product offerings, including credit and debit cards, loans, and financing advice from in-house financial experts.

The Bank expects that the agricultural sector will increase its corporate activity and revenues in 2018 as a result of favorable tax and business regulations passed in 2017 and it plans to attempt to maximize its offering of products and services to agricultural companies. In 2017, Tarjeta Galicia Rural maintained its leading position in this sector with a market share of approximately 53% of credit cards issued by private banks and a sales volume above Ps.9,600 million.

In 2017, more than 80 revolving credit agreements and other extensions of credit remained in force with leading companies in this sector. The Bank provided financing to several agricultural companies, including extending loans to farmers and providing other forms of financing for capital expenditures, such as financing for the acquisition of agricultural machinery, vehicles and other production goods, as well as financing for the purchase and maintenance of female breeding stock.

During the 2017 fiscal year, foreign currency-denominated financing for crop purchases further contributed to growth. The Bank continued to develop products to help regional businesses adapt to new market conditions. Improved economic conditions in Argentina led to an increase in the demand for long-term financing for investment projects, with an emphasis on renewable energy and energy efficiency, in addition to the option of settling leasing and collateral loan transactions in U.S. Dollars.

During the 2017 fiscal year, the fifteenth edition of the *Excelencia Agropecuaria La Nación* Award (La Nación's Agricultural Excellence Award), was awarded to Banco Galicia, and the *Revista Chacra a la Gestión Solidaria del Campo* Award (Chacra Magazine's Rural Solidarity Award) and the CAPA Award for agricultural journalism were also both awarded to Banco Galicia.

Table of Contents

Similar to prior years, the Bank supported the research and outreach activities of Universidad Austral, actively participating in receiving delegations and developing the *3° Encuesta Sobre las Necesidades del Productor Agropecuario Argentino* (Third Survey of Argentine Agricultural Sector Needs) in partnership with Purdue University. The Bank also continued supporting the activities of the Fundación Producir Conservando, the activities of the Agronomy School of the University of Buenos Aires, and the work of Asociación Argentina de Productores en Siembra Directa (Argentine Association of No Till Farming) with the goal of spreading certified agricultural practices in Argentina. The Bank also continued supporting activities promoted by Consorcios Regionales de Experimentación Agrícola (Agricultural Experimentation Regional Consortiums) and the Líderes (Leaders) training program. The Bank also continued to actively support and participate in the advisory council of Confederaciones Rurales Argentinas (Argentine Rural Confederations) and the Sociedad Rural Argentina, in addition to other regional and rural organizations throughout Argentina. The Bank also provided support to the Centro de Estudios e Investigación para la Dirigencia Agroindustrial (Study and Research Center for Agricultural Management), which provides training to agricultural leaders. The Bank maintained an active presence on the board of the Asociación Argentina del Girasol (Sunflower Argentine Association) and other associations for Argentina's main agricultural products.

Building on synergies with Grupo Financiero Galicia-affiliated companies, the Bank achieved a new record of insurance underwriting for an agricultural area by insuring an agricultural area of 200,000 hectares against hail. The Bank also had representatives attend 190 events, solidifying Grupo Financiero Galicia's image as a universal brand.

Products and Marketing

Foreign Trade

The foreign trade sector focuses on providing the Banco Galicia's clients with financial support with respect to foreign trade transactions. Banco Galicia provides such clients with a variety of products and customer services including, but not limited to, financing, payment orders, collections and guarantees.

The foreign trade volume (imports + exports) amounted to U.S. \$17,501 million in 2017, which accounts for 13% of the Argentine trade exchange. Out of 134,904 foreign trade transactions, 70% were conducted through the Bank's Office Banking platform.

As a result of the deregulation of the Argentine exchange market, there was a shift in the macroeconomic business context in Argentina, with a new focus on electronic transactions and on different forms of financial products and transactions that are better suited to take advantage of such deregulated market. The Bank focused on meeting these demands while taking into account market requirements and customer needs. The Bank conducted workshops for customers with the goal of providing them information with respect to these economic developments, focusing on discussing foreign trade and lending transactions and providing such discussions through an economist.

In addition, the Bank continued providing training to the Bank's Foreign Trade Officers in the form of monthly meetings and semi-annual training sessions, with the goal of introducing these new financial instruments. The Bank's participation at the school of Managers, Corporate Officers, ÉMINENT and Private Banking Officers continued during the year.

In April 2017, the Bank deployed a new Foreign Trade Service Model, seeking to simplify internal processes in order to streamline operations and improve the customer experience.

Galicia Comex, the Bank's Foreign Trade specialized site, was relaunched in 2017 to include additional and updated content and functionalities, providing a valuable resource to customers. The Bank also introduced the Consumer

Banking portal to encourage self-service, which provides information to simplify foreign trade transactions.

Table of Contents

The Bank made progress on the Comex Project, which is expected to be complete in the first quarter of 2019. The goal of this project is to replace the systems currently used by Banco Galicia to better channel, process and manage foreign trade transactions. The Bank is also in the process of implementing a comprehensive project to manage import-related letters of credit.

Transactional Products, Investments and Insurance

In 2017, the Wholesale Banking Division focused on simplifying its client's transactional activity seeking to reduce the number of requests by directing operations to the Bank's electronic platform, and to streamline treasury management for all companies served by this Division.

The following transactions increased on the Bank's electronic platform:

Time deposits via Office Banking, with approximately 65% of such deposits currently being made electronically for a total amount of approximately Ps.30,000 million.

Closing of Primary Biddings (Lebacs and Letes), removing in-person channels for the same and creating a unique customer experience.

Scheduled transactions for the subscription and redemption of Fima Mutual Funds, promoting investment planning and improving the performance of customers' investment portfolios.

Opening of Brokerage Accounts via Office Banking.

With respect to checking accounts, the implementation of the Bank's new clearing system optimized operations with checks in general, minimizing the associated claims.

With respect to payroll accounts, the Bank successfully implemented the first stage of its Payroll Massive Addition Project, which significantly streamlined the process of setting up new payroll accounts and led to a 33% decrease in company claims associated with this process.

The Bank opened two new Container Banks at YPF, Luján de Cayo and Coca Cola, Córdoba. Container Banks are small branches located inside corporate offices or headquarters of Argentine companies. Furthermore, in order to streamline and facilitate customers' treasury management and to enhance internal efficiency, the Bank focused on (i) migrating a portion of Cobranza Integrada Galicia (Galicia Integrated Collection) services to smart self-service terminals, increasing operations using these terminals from 5% to 18%; and (ii) implementing collection centers in Córdoba and General Pacheco (in northern Greater Buenos Aires) to improve cash collection.

Finally, considerable efforts were made to address discounts and price deviations in connection with collections, payments and checking accounts, attaining a 44% increase in income from services derived from these products vis-a-vis 2016, with approximately Ps.2,200 million in annual revenues in 2017.

e-platform

The Bank's e-platform segment is focused on providing online services and products to its Wholesale Banking Division clients through three platforms – Office Banking, Interbanking and Swift. Office Banking is the Bank's online platform for its wholesale banking clients. Interbanking and Swift are private platforms through which the Bank's wholesale clients are able to undertake transactions with domestic and foreign counterparties. During 2017, the Bank completed improvements in Office Banking, focusing on usability, interface, and financing. The Bank also launched its Galicia Office Banking app, which provides users with the ability to authorize all online operations on their smartphone, including remote check deposit, in a secure online environment as the Bank is the first wholesale bank to implement facial recognition technology. The Bank worked on the migration of all products with digital signatures to Office Express, including Foreign Trade, and focused on the migration of customers to this platform, as well as on communication and promotion efforts. The Bank made available self-service tools to its customers, including foreign currency exchange, opening of brokerage accounts, upgrade of the FIMA model, and Stopdebit (an automatic credit stop system) of service payments.

Table of Contents

The Bank conformed to regulatory changes by implementing the operation of DEBIN I and CBU Alias. DEBIN I is the Argentine Central Bank's mechanism which provides for immediate debit between financial institutions. CBU Alias is a new reference banking system that clients can select to identify their bank accounts, in lieu of the reference number automatically assigned by a client's respective bank. The Bank also improved the usability and design of Galicia Rural and Galicia Comex products.

The Bank made progress on the following opportunities: Posición Consolidada (Consolidated Position), Préstamo Inmediato (Immediate Loan), Mis Pagos (My Payments), electronic payment vouchers, service electronic payment, Cobranza Integrada (Integrated Collection), and automatic addition of customers at the time of the account opening.

There was a 34% increase in transactions in 2017 as compared to 2016. With respect to electronic transactions, there was a 22% increase in the use of the Bank's three platforms (Office Banking, Interbanking and Swift) in 2017 as compared to 2016.

With respect to Interbanking, in 2017 the Bank migrated a large portion of the Bank's core system, which handles payments to the SAP Payment Engine, to an online platform, which will provide benefits in payment optimization and will allow us to communicate directly with companies' SAP teams.

With respect to Swift, the Bank continued increasing the number of companies operating in a fully automated environment and are working to comply with CSP security standards.

Retail Banking

The Retail Banking Division manages Banco Galicia's business with individuals from all income brackets and with businesses, retailers and professionals. Retail Banking provides a wide range of financial products and services related to transactions, loans, and investments. On the transactions side, Banco Galicia offers its customers checking and savings accounts, credit and debit cards, and payroll direct deposit, among other services. Banco Galicia's customers have access to its services through its branch network as well as through its electronic distribution channels. The Bank's Retail Banking Division offers various types of loans (i.e., personal loans and mortgages) and time deposits (in Pesos or foreign currencies). See *Sales and Marketing*.

In 2017, Retail Banking continued to focus on implementing its commercial strategy, focusing on offering products tailored to the unique needs of each of the following segments: Business and SMEs, ÉMINENT, Private Banking and Mass Market. The following are the major challenges that the Bank believes this division will face in implementing this strategy for the period from 2017-2020:

To build, along with all the Bank's sectors, a customer-oriented culture.

To lead the digital transformation in the financial market, keeping ahead of new competitors.

To further elaborate the Bank's multichannel product platforms in order to deliver the best customer experience.

To reinforce strategies by segment in order to maintain the leadership position.

To develop innovative products and services.

With a focus on the customer, Retail Banking has incorporated the Customer Contact Center with the goal of increasing customer satisfaction and loyalty.

The Retail Banking Division's customer base grew 9% in 2017, reaching 2.8 million customers.

Table of Contents

Segments

Business and SMEs

The Business and SMEs segment is focused on providing financing and other financial products and services to businesses not serviced by the wholesale banking division, and small- to medium-sized companies. Banco Galicia provides such clients with a variety of services and product offerings, including financial products, payroll services, discount checks and foreign trade transaction support. In 2017, the Bank continued to develop and implement value-generating proposals for Galicia Business and SME customers, in addition to providing attentive, tailored-customer service. According to private surveys, in 2017 this segment had a leading position in Argentina in terms of overall customer satisfaction, increasing the gap between the Bank and its competitors.

The customer base of the Business and SMEs segment recorded an increase of 5,000 customers in 2017 and maintained its leadership position among Argentine financial institutions in the sector, with a market share of 34%. The most important business achievements were a 15% increase in payroll accounts, the placement of loans for over Ps.15,000 million in the SMEs segment, and the market leadership in terms of consumer purchases made using the Galicia Visa Business. During the last quarter of 2017, the Bank executed an action plan aimed at attracting new retailers and resulting in a doubling in the number of applications by retailers for brand credit cards. In 2017, the Bank introduced the ability for simplified stock companies (which can be incorporated online in less than 24 hours and have less stringent initial capital requirements) to apply for an account with the Bank online through a streamlined system.

In 2017, four Buenos Negocios (Good Business) meetings were held and the Bank continued to add content generated by experts in SMEs to the buenosnegocios.com portal to provide customers with information regarding good business practices.

The Bank also participated in twelve trade fairs, in order to have direct interaction with certain corporate clients and promote Préstamo Eslabón, a 12-month credit facility with an immediate 0% interest rate, which offers a long-term payment option at a 15% interest rate. Such facility is aimed at financing machinery, software, consulting services or booths at such trade fairs.

In 2017, the Bank held the first edition of the SMEs Awards of Banco Galicia and Clarín. The awards were split into four categories: Family, High Global Impact, Innovation, and High Social and/or Environmental Impact.

Galicia ÉMINENT

Galicia ÉMINENT is a segment of the Bank which is a service aimed at high-income customers.

As of December 31, 2017, Galicia ÉMINENT grew 28% as compared to December 31, 2016 as a result of an increase new customers. Investments, such as time deposits, FIMA mutual fund investments and Lebacs, increased 110% year-over-year as the Bank continued to pursue its strategy to position itself as an investment bank. With respect to its customer service model, it has continued leading the Net Promoter Score (NPS) by 41%, with outstanding performance in the promotion attributes: Channels, Customer Service, Problems, Product and Reputation. NPS is a private online survey conducted by the Bank that gauges overall customer satisfaction and loyalty based on customers' willingness to recommend a brand to others.

Galicia Conecta, the Bank's exclusive service for Galicia ÉMINENT clients through which a Bank employee has direct contact with clients on WhatsApp, had over 17,000 customers as of December 31, 2017 and maintains a competitive advantage in Argentina by focusing on the customer experience and offering simple and dynamic processes. In

addition to positioning the Galicia ÉMINENT brand as a premium and distinct service, the Bank opened La Isla (The Island) with the goal of providing clients with branches that provide additional amenities. The Bank also continued to market the brand through the Quiero! Viajes (I Want! Travel) , Conecta , and Investments campaigns to continue to attract customers from a variety of backgrounds and age groups through its diversified offerings and brand recognition.

Table of Contents

Mass Market

Mass Market is a segment of the Bank which primarily is focusing in upper middle-class customers, lower middle-class and entry level customers. In 2017, as the Bank continued to build a customer-oriented culture, the General Income segment prioritized the development of customers' eligibility for additional credit lines and products.

With respect to self-service, the Bank undertook several initiatives in 2017, such initiatives primarily focusing on the migration to electronic statements for customers served by this segment, up from 67% to over 75%. Several campaigns were also held to move the exchange of Dollars to Pesos, deposits, transfers and withdrawals to the online banking platform. The growth of customers interannually was 8.8%, improving the customer portfolio structure as a result of indirect and online sales channels.

The Bank also worked to improve the sales of products and services from other segments to customer of its General Income segment. In addition, the Bank was able to increase the sales of its insurance products to the General Income segment, thereby contributing to an increase in its insurance market share and income from such services. The Bank developed the capacity to make upgrades through its Online Banking platform, thus allowing for the extension of personal loans online, which such activity increased from 17% to 40% in 2017. The credit and debit cards business grew during 2017, with a 37% increase in purchases, as compared to 2016, and over 248 million transactions.

The Bank continued to monitor its NPS results and take steps to continue to improve the same during 2017. As of December 31 2017, the Bank ranked first among financial institutions in Argentina based on the NPS results at such time, with an increase of 12 points as compared to the NPS results for the year ended December 31, 2016.

Galicia MOVE continued to focus on increasing the number of young customers served by this segment through digital marketing efforts. Early in the year, the Bank focused on customer activation and development, delivering more relevant communications through new communications channels like Instagram, where the account experienced a fivefold increase in the number of followers. During the second stage, the Bank started to devise the strategy to transform Galicia MOVE into a digital proposal, which was officially launched in the market in November, consolidating the concept of a bank without branches, 100% online as a differentiating brand attribute. The Bank currently has over 110,000 Galicia MOVE customers.

Private Banking

Private Banking offers distinctive and professional financial services to high-net worth individuals 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, shares and trusts where the Bank acts as a dealer.

One of the Private Banking premises, in line with the Bank's strategy to differentiate itself from competitors through service quality, is the preferential treatment of its customers. In order to maintain high service quality, the service has highly-trained officers, an investment center that operates from 8 a.m. to 6 p.m., a wide network of ÉMINENT officers, and exclusive customer service areas at the Bank's branches and its headquarters, located Reconquista 228 in Buenos Aires.

Products

Certain of the key products offered by the Retail Banking Division to its client are the following:

Agreements and Payroll

Agreements and Payroll are comprised of product offerings to businesses to conduct their payroll transactions and account services for their employees.

Table of Contents

In 2017, the Bank increased the number of payroll customers by 2% and the credited salaries by 34% as compared to 2016. The Bank also generated an increase in the average salary earned by employers at the business representing these new accounts, with such increase being 16% above inflation. As in other sectors, the Bank focused on improving the customer service experience and improving efficiency.

The Bank strengthened partnerships with several businesses, including but not limited to, the Bar Association of the City of Buenos Aires, the Argentine Dental Association, and the Argentine Neurosurgery Association. Furthermore, the Bank continued supporting the educational community and providing benefits to families in more than 130 schools that use Banco Galicia for their transactions.

Claims declined 41% during 2017 as a result of efforts focused on customer contact, improved advice, and immediate response to customer questions or issues.

Investments

Investments is comprised of products tailored to clients seeking to maximize returns on their deposits and provides clients with the ability to invest in mutual funds, bonds and stocks.

In 2017, the Bank achieved significant growth in diversifying its retail customers' investments, notably in the following products:

Peso-Denominated Deposits: Increased 28% (Ps.17,629 million) as compared to 2016, maintaining the same mix of transactional deposits and time deposits in 2017 as compared to 2016. Transactional deposits and time deposits increased, Ps.9,475 million and Ps.8,155 million, respectively.

Dollar-Denominated Deposits: Increased 34% (Ps.14,195 million) as compared to 2016 as a result of the ongoing proceeds from the Tax Amnesty Law enacted in 2016, with 84% of such deposits in savings accounts.

Mutual Funds – FIMA: Increased 160% (Ps.23,300 million) as compared to 2016 as a result of the low initial fee (Ps.100/U.S. \$100), which attracted new customers interested in making an investment.

Bonds and Shares: Increased 83% (Ps.17,150 million) as compared to 2016. Bond investments increased 80% (Ps.14,132 million) as compared to 2016, while equity investments increased 96% (Ps.3,017 million) as compared to 2016. The increase in bond investments was accompanied by an increasing demand for Lebac. Retail Banking experienced 51% inter-annual growth in Investments or Ps.72,300 million. Such amount is composed with the following mix: Peso-Denominated Deposits 38%, Dollar-Denominated Deposits 26%, FIMA 18%, and Bonds and Shares 18%.

The Bank improved its self-service product offerings and platforms for customers to make their investments in a secure and fast manner, including:

UVA-adjusted time deposits through Online Banking and via telephone.

Allowing customers to bid for Letes (treasury bonds), via Online Banking, by direct debit from their Peso-denominated or Dollar-denominated accounts.

Extending the hours to exchange Dollars on Mobile Banking until 9 pm.

Extending the operating hours for subscriptions and redemptions until 4 pm for all FIMA funds.

Business and SMEs segment customers could bid for Lebacs and Letes through Office Banking and the Bank is working to enable the online trading of bonds and shares.

Table of Contents

Personal Loans

The Bank's personal loan portfolio is focused on providing personal loans to its existing clients. During 2017, Banco Galicia increased its personal loan portfolio 88%, as compared to 2016, to Ps.17,629 billion (as of December 2017), accounting for a 59 basis point (hereinafter, b.p.) increase in its market share in this sector. During 2017, the Bank provided personal loans to 9.08% of its existing clients. As part of its retail banking commercial strategy, the Bank began offering UVA-adjusted personal loans not tied to a specific use. The Bank also implemented a new sales strategy pursuant to which the Bank offered customers tailored loan products and increased hours of banking operation. The main point of execution for such personal loans was the Bank's online banking platform, whereas historically most personal loans were obtained in its branches.

Insurance

The Bank's insurance business is focused on offering a variety of insurance products to businesses and individuals that provide coverage to protect business property, people and assets, as applicable. Banco Galicia continues consolidating its position as one of the leading banks in the marketing of insurance products through its wide variety of insurance policy offerings and its reputation for good customer service through its branches, telephone customer service and online platforms.

The Bank's insurance business continued to grow in 2017, with more than 400,000 new insurance policies and an increase in income of more than Ps.105 million as compared to 2016. The Bank currently provides over 1.65 million of coverage with respect to property and personal insurance policies. In 2017, the Bank successfully launched sales of insurance policies through its Online Banking platform, which was primarily used by customers in the purchase of automobile insurance.

With respect to product development, Banco Galicia increased the number of policies outstanding for unemployment insurance (with 59,000 policies outstanding as of the end of 2017) and for theft insurance, with the growth in its theft insurance sector being driven by the issuance of over 80,000 policies in 2017 for mobile phone theft protection. Insurance products for individuals also grew significantly in 2017, in particular life insurance policies, with over 64,000 life insurance policies issued by the Bank outstanding as of the date hereof.

Credit Cards and Promotions

The Bank's credit cards and promotions business is focused on developing effective promotions and marketing strategies to increase customers and customers' use of the Bank's credit card products. The Bank's credit and debit card business continued to grow during 2017, with a 37% increase in purchases, as compared to 2016, and over 248 million transactions conducted during the year. For 2017, the Bank had a 12.3% market share in the use of credit card and debit card purchases in Argentina.

During the year, Banco Galicia issued over 406,000 basic credit cards and 269,000 additional credit cards, totaling approximately 4.1 million authorized credit cards. With 6,600 business agreements, the Bank provides benefits to its customers at 12,000 stores across various industries throughout the country.

Consumption amounting to Ps.8,500 million was financed through the Ahora 12 (Now 12 Installments) program, including the Ahora 3, 6, 12 and 18 (Now 3, 6, 12 and 18 Installments) plans.

Quiero! Fidelity Program (I Want! Loyalty Program)

Quiero!, is a program that rewards customers for using the Bank's payment methods for purchasing products. This benefits/loyalty program continued to grow in 2017 and has received positive feedback from customers in terms of satisfaction and value. According to market research, Quiero! was considered one of the best benefits programs in Argentina in 2017, particularly among customers who have redeemed points in exchange for rewards.

Table of Contents

Out of the over 1.1 million customers subscribed to Quiero!, 44% redeemed points at least once in 2017. More than half such redemptions were in exchange for discounts in respect of the 1,500 brands available in the catalog, 350,000 redemptions were in exchange for experiences, 70,000 redemptions were in exchange for catalog products and 70,000 redemptions were exchanged on the Bank's Quiero! Viajes (I Want! Travel).

A significant number of the Bank's high-income customers (84% of such customers the redemption program) use their accumulated awards points to purchase high-priced items in the catalog. The Bank's medium and low-income customers, however, also use their awards points to obtain discounts on products or travel and to purchase products and services for sale through the Bank's loyalty program.

During 2017, the Bank expanded the benefit offerings in the Quiero! program, including:

A new partnership between Iberia and Banco Galicia, which provides customers with the opportunity to redeem points for miles under Iberia's frequent flyer program, as well as the ability to use points to upgrade to business class and purchase tickets to international destinations.

An expanded number of post-purchase discounts, which provides customers with the opportunity to redeem points to obtain discounts on already purchased items, with an improved points-to-discount ratio.

Improved offerings in the Bank's voucher redemption program, targeted at its lower point-earning clients, which accounts for 23% of redemptions (including, but not limited to, movie and theater tickets, dinners vouchers or outdoor entertainment).

While the Quiero! program continues to grow, the Bank is working to improve efficiency in the point redemption program, have a lower impact on its income statement, and allocate its resources to customers based on their use of its products.

Digital

This area of the Bank focuses on its digital services for its Retail Banking Division clients. In 2017, Banco Galicia continued strengthening its digital strategy, which focused on improving the Bank's digital capacity and product offerings. The use of the Bank's mobile platform has increased since its launch in late 2016, with 7 million monthly interactions during 2017, as compared to 9 million interactions through its Online Banking platform. The Bank's mobile platform ranked first in client use for certain of its product offerings, including currency trading and investments. In 2017, 53% of total personal loans were entered into through either the Bank's mobile or Online Banking platform, an over 100% increase as compared to the 2016. The Bank consolidated digital operations and multidisciplinary teams, which allowed the Bank to implement its digital strategy noted above.

The Bank launched a new and fully redesigned online banking platform, emphasizing user-friendliness and interface. The Bank's customers conduct most of their transactions through this platform, with more than 1.2 million customers logging onto the site annually to undertake a variety of transactions.

The Bank developed new functionalities for both mobile banking and online banking platforms in order to reduce the need for customers to physically visit its branches or call the Bank's call centers. Some of the new functionalities include extended hours for certain transactions, such as transfers and Dollar exchange transactions. The Bank

launched a token product within its mobile banking app to gradually and securely eliminate the need for physical debit cards. The Bank also implemented the ability for customers to make appointments at branches from the mobile banking app. The Bank's mobile banking app currently has a four-star rating at the online app store, which leads the financial industry in Argentina in terms of digital product offerings.

The Bank is also working to streamline its messaging interface with customers, use data modeling to leverage its business, and employ its cognitive intelligence platform (known as Watson) to generate automated interactions with its customers, increasing contact efficiency and delivering a better customer experience.

Table of Contents

With respect to digital innovation, the Digital Innovation Lab continued working on (i) communicating trends both internally and externally; (ii) developing prototypes (such as checking account balances through devices like Amazon Alexa, among others); and (iii) working on an application programming interface (API) platform to support interactions with third parties in a simple manner to serve the Bank's customers' financial needs. This initiative was put in place by holding a new hackathon, at which the Bank opened its doors to encourage collective innovation. This was a 36-hour long event, at which 20 teams developed customer solutions within the Bank's open API platform.

Furthermore, the Bank relaunched Galicia MOVE as part of its digital strategy in order to remain competitive as an innovative bank and compete with new digital competitors. A distinctive aspect of this initiative was the development of a new and fully digital customer activation channel, featuring biometric validation and digital files. Customers may open accounts by populating their basic data and taking a selfie and a photo of their IDs, thus eliminating the need for signatures and paperwork.

In 2017, the Bank finalized its digital transformation plan for the next three years, which involves implementing additional strategies to improve the customer experience, efficiency, and management efforts. The plan entails a six-pronged approach, which includes: Digital Marketing, Process Optimization, Advanced Analytics, IT Road Map, Dynamic Methodologies; and Culture, Organization and Talent.

Branch Network

Branches

The Bank has an extensive branch network in Argentina. In 2017, the Bank continued working to transform its physical network to a multi-format network in order to continue expanding and increasing its customer base. The Bank created new layouts to within its branches to improve customers' experience and efficiency and developed new, simplified service models. By year end, 27 new business units were added to the Banco Galicia branch network, each featuring different formats.

The Bank implemented the Comprehensive Management System across its network of branches. The Bank's main goals with this system were to develop business, increase its customer base, improve efficiency, and improve customers' experiences. With a view towards such goals, the Bank provided additional training to area supervisors, network managers, and officers. The Bank also implemented a new employee incentive plan to encourage employees to develop business and increase its customer base.

Red Galicia 24 and Self-Service Terminals

Banco Galicia also has one of the most extensive self-service networks in Argentina. At the end of 2017, the Bank had 1,956 self-service stations (992 ATMs and 964 terminals), distributed throughout branches, banks and other locations, such as gas stations, hypermarkets and shopping malls.

The number of transactions at ATMs and self-service terminals increased 13%, as compared to 2016, and almost 135 million transactions were performed through ATMs and self-service terminals. The average amounts per withdrawal increased by 16% in 2017. The Bank also added 240 pieces of equipment to its ATMs and terminals with the ability to sort banknotes according to their fitness for use, selecting the best quality notes for ATMs. In December 2017, the Bank added the capacity for ATMs to dispense Ps.1,000 notes. At the end of 2017, Banco Galicia had the best ratio in Cash Availability at ATMs, as compared to the rest of the banks within the Banelco network.

Indirect Channels Division

In 2017, the Indirect Channels Division, whose mission is to develop internal and external channels to attract new customers, efficiently marketed Consumer Banking products and improve customers' experience, adding more customers.

This division is composed of (i) the Retail Sales Unit, a sales force focused on cross-selling, attracting of customers with direct payroll deposit, attracting SMEs accounts; (ii) the Indirect Sales Channel, focused on attracting customers through agreements with third parties; and (iii) the Commercial Planning of Telephone Banking, focused on attracting customers and cross-selling through internal and external call centers.

Table of Contents

Public Relations

With respect to public relations and communications, the development of digital media had a significant impact in 2017.

Mass Media Campaigns

2017 marked the ninth anniversary of Marcos and Claudia as spokespersons in commercials, including those to promote the benefits of *¡Vamos los Jueves!* (Let's Go on Thursdays), personal and mortgage loans, and *Quiero! Viajes*, the goal of which is to improve brand awareness.

In 2017, the Bank also launched the *Quiero! Points* advertising campaign, the focus of which was to increase awareness and knowledge of the benefits for customers with respect to travel, products, or discounts available under the Bank's loyalty rewards programs. This campaign yielded outstanding outcomes both in *top of mind* and brand awareness, leading YouTube's Brand Lift five times during 2017, a monthly ranking of the ten most-viewed Argentine commercials on YouTube.

As discussed above, as part of its digital strategy, the Bank relaunched Galicia MOVE under the motto of *Muevete para todo menos para ir al banco* (Move for Everything but to Go to the Bank). With a young, fresh and dynamic message targeted at the digital native audience and early adopters, the Bank communicated the ease of which one can become a customer of the Bank (which can be done even with just a selfie) and to undertake transactions. Galicia MOVE is the Bank's digital proposal; it is simple and embraces a service model based on mobile devices, eliminating the need for stopping by at a branch.

Digital Communication

Throughout 2017, the Banks continued to improve its digital marketing through a variety of comprehensive initiatives, prioritizing matching digital marketing efforts to the correct target audience based on interest and relevance with customized messages. In order to target customers with customized messages, the Bank generates content, such as banners and advertising on its website and online banking platforms, using real time decision information.

The Bank also emphasized digital communication to provide customers with information regarding self-service features, such as its mobile banking app and online banking platform, as well as third party banking channels such as the *Todo Pago* app. The Bank also employed digital communication to improve the customer onboarding experience (the first 120 days with the Bank) and to follow-up on use of its products. Furthermore, the Bank simplified its communications as to how to generate the passwords required to transact across channels: ATMs, self-service terminals, Fonobanco and digital channels.

With respect to the buenosnegocios.com site, the Bank generated content on financial literacy, economic issues, financial success cases, and training targeted at SMEs and entrepreneurship. The Bank also continued to promote its brand through social network platforms, including the promotion of *Experiencia Galicia* (Galicia Experience), internal job postings, young professionals programming, the opening of new branches and employee benefits.

Branches

With respect to remodeling existing branches and opening new branches, the Bank prioritized self-service offerings in order to streamline transactions and improve efficiency for customers visiting its branches. The Bank introduced self-service islands at new branches for customers to efficiently carry out transactions and improve the network's NPS.

Table of Contents

In order to continue to improve the Bank's brand image with a view towards customer experience, the Bank reviews its service models and how a customer would use a branch. This Bank's public relations team works together with its engineering and customer service departments in order to make any adjustments.

Loyalty and Relationship Events for Retail and Wholesale Banking

The Bank launched the SMEs Awards in association with Clarín newspaper (which has significant recognition in the SMEs segment). The goal of the SMEs Awards are to recognize Argentine SMEs with outstanding performance in the following categories: Innovation, Family-Run SMEs, High Global Impact, Golden SME Award and Track Record. The awards were held in Galicia Square in order to introduce its recently opened corporate headquarters.

In 2017, the Bank held four "Good Businesses" meetings in Rosario, Salta, Buenos Aires and Neuquén, at which over 2,700 individuals (both customers and prospective customers) convened to learn about marketing tools, management, networking and innovation. These meetings received significant coverage from each city's local media thereby contributing to increasing the profile and positioning of the Bank's brand in the SMEs community.

The Bank sponsored the Expoagro exhibition in San Nicolás, reaffirming its commitment to the agriculture and livestock sector, and held the Excelencia Agropecuaria La Nación Banco Galicia Award (La Nación-Banco Galicia's Agricultural Excellence Award), an award and reception that convenes the main participants of the agriculture and livestock sector. The Bank and its Galicia Rural brand had a strong presence at the Exposición de Ganadería, Agricultura e Industria Internacional (International Livestock, Agriculture and Industry Exhibition), strengthening its position as a bank supportive of the agriculture and livestock sector.

Financial Banking

The Financial Banking Division includes the Commercial, Financial Entities, Public Sector, Products, Information Management, and Support areas. Additionally, it is also responsible for the mutual funds business as it is the main distribution channel for mutual funds.

Commercial Division

The Commercial Division is responsible for consolidating the Bank's position in the Institutional Customer segment (Insurance Companies and Mutual Funds), and acting as the investment channel for its corporate clients.

Certain of the Commercial Division's responsibilities include reinforcing the cross-sale of financial products, developing new segments, and encouraging the use of transactional products to promote the development of new customers. As a result of such efforts in 2017, Banco Galicia led NPS indicators (Banco Galicia 46%, HSBC 17%, and ICBC -6%) and the eligibility indicators, in each case in Argentina.

Within the Commercial Division, Lebac's were the most important asset in 2017, as trading volumes in respect of the same grew significantly. Ps.339,038 million Lebac's and Ps.1,373,708 million Lebac's were traded in the primary and secondary market, respectively. Transactions within the Commercial Division increased by 73%, with 1,070 monthly transactions in January 2017 and 1,852 monthly transactions by December 2017, with a total of 17,800 transactions for 2017.

Financial Institutions

The Financial Institutions Division is responsible, at an international level, for managing the Bank's business relationships with partner banks, international credit agencies, official credit banks and export credit insurance companies, and, at a domestic level, with banks, financial companies, exchange houses, and other entities that carry out related activities.

Table of Contents

Similar to prior years, bilateral meetings were held in 2017 with the most active international partner banks, through which the Bank obtained the different products and services offered to its customers. The credit lines obtained by the Bank from partner banks, the IFC, IDB Invest and the Andean Development Corporation helped the Bank to have the capacity to meet the increasing number of applications for letters of credit and standby letters of credit from customers, as well as its customers' financing needs.

In light of recent economic deregulation in Argentina, Banco Galicia was able to strengthen its relationships and take advantage of business opportunities with multilateral agencies and official credit banks, such as the IFC, IDB Invest, the Andean Development Corporation, the FMO, Proparco, the National Economic and Social Development Bank, the DEG, the KFW and the OFID, among others, with the goal of broadening its offerings of mid- and long-term credit lines to finance investment projects in the agricultural, energy and renewables sectors.

Furthermore, in line with Argentina's renewed access to the international markets, the Bank was the exclusive sponsor of 2017 IIF Argentina Financial Summit, a business forum held in March 2017 in Buenos Aires organized by the Institute of International Finance, which brought together influential figures from international and local economic and financial sectors. The Bank also reestablished business relationships with leading European export credit insurance companies (such as Hermes, COFACE, SACE, and Cesce, among others), with the goal of offering medium- and long-term credit lines to its customers for the import of capital goods.

Domestically, the Bank continued to identify business opportunities with financial institutions, emphasizing repeat interactions and business, reciprocal relationships and long-term partnerships.

Public Sector

The Public Sector Division seeks to position Banco Galicia as the leading bank used by the public sector for obtaining transactional, investment and financing products. The Bank continued to build its business relationships with the public sector in 2017 through regional expansion and implementation of a new service protocol to increase its presence in this sector. As a result of political changes, there was a high level of turnover in the leaders of public sector agencies and governmental officers at the federal, provincial and municipal level. Many of the new officers came from the private sector, thus leading the Bank to adjust its strategy in this division. As a result of the foregoing, the Bank's managed portfolio of public sector loans increased 70% as compared to 2016.

Product Division

The Product Division is primarily responsible for the management and administration of foreign currency positions, derivatives instruments and government and corporate securities for both proprietary trading or investments. The Bank also provides brokerage services to institutional and international corporate or individual customers. Furthermore, the Product Division is also responsible for developing and applying investment strategies based on the risk parameters determined by the Board of Directors. By providing comprehensive financial strategic advice, Banco Galicia was able to maintain a leadership position in the Argentine capital markets offerings based on debt origination and structuring for local issuers.

The Bank's investor base grew significantly in 2017, in particular with respect to banks, brokers, investment funds, private banks, as a result of the favorable economic conditions. The increase in fixed income trading volumes contributed to Banco Galicia's rise to second place MAE ranking for government securities held by third parties in 2017, with a significant number of such investors also interested in primary offerings going forward.

In the foreign exchange market, the total foreign exchange volume traded among banks in the MAE increased 76% from U.S. \$120,925 million in 2016 to U.S. \$212,294 million in 2017, while the volume traded by the Bank rose by 54%, from U.S. \$16,925 million in 2016 to U.S. \$26,023 million in 2017, thus occupying the second place in the ranking. In 2017, Banco Galicia also maintained its second position in the MAE's ranking in the futures market with a total volume of U.S. \$2,854 million in 2017, and ranked fourth in ROFEX's ranking. The foreign trade volume transacted amounted to U.S. \$17,501 million, a 15% increase as compared to 2016. In addition, Dollar trading performed well, increasing to U.S. \$5,799 million in 2017 from U.S. \$3,098 million in 2016.

Table of Contents

The total volume traded in fixed income through the MAE increased 97%, from U.S. \$279,949 million in 2016 to U.S. \$573,756 million in 2017. Banco Galicia ranked first in total fixed income trading for the sixth consecutive year, increasing 94% to U.S. \$83,201 million in 2017, as compared to 2016, in total volume traded and a 15.5% market share. It should also be noted that Banco Galicia maintains the first place in the MAE's Market Makers ranking with 23.1% of the market share.

With respect to primary issuances, the Bank had an 86% increase as compared to 2016 in placements with Ps.32,754 million placed in 2017, contributing to its first place in the MAE's consolidated ranking of placement agents (notes, trusts and sub-sovereign securities in the aggregate), a 16.3% market share in Argentina.

Customer Experience

In order to improve customers' experience and prioritize projects focused on customer experience and efficiency, the Organization Division merged into the Bank's Customer Experience sector. With a view towards this goal, the Bank implemented projects to increase revenues and improve the customer experience and efficiency through fraud prevention tools, the addition of self-service features, the strengthening of control processes, the addition of foreign trade products, and the rollout of a new investment platform.

The Bank also implemented a new, simpler approach to corporate PMO management. In 2017, the Bank carried out three major projects aimed at improving customers' experience:

Complaint Resolution: In 2017, the Bank implemented new training and service protocols in communication channels, achieving a 35% decline in the claims-to-total number of customers' ratio in 2017 as compared to 2016. During the fourth quarter of 2017, the Bank implemented a pilot first contact resolution project, which resulted in an increase from 0% to 3% in first contact resolution. The Bank's goal is for complaints to be resolved upon initial contact with the Bank at least 50% of the time by the end of 2018.

Delivery: The Bank defined and implemented a sustainable governance model to effectively manage its day-to-day credit card distribution processes. By the end of 2017, the Bank had opened 34,000 new payroll accounts per month. In addition, as a result of joint work with the service channels, 90% of the products ceased to be delivered at branches, but rather at customers' preferred address, leading to a 20% increase in product deliveries to customers. The Bank made progress in the development and implementation of a new tool to deliver products which are returned to the Bank as a result of delivery failures, resulting in improvements in product visibility and in efforts to deliver the products to customers.

Onboarding: The Bank designed, jointly with the customer and communication platforms, the customer purchase experience through the various communication channels based on the redesign of the purchase process, delivery, welcome to the Bank, and assistance with the product set-up and first use. Most importantly, Galicia's certified sales to external vendors, service protocols, and channel roles played critical roles in the onboarding process.

Consumption

Through its regional credit-card companies (including Tarjeta Naranja S.A., which acquired Tarjetas Cuyanas assets and liabilities effective October 1, 2017) and CFA (which was sold in February 2018), Banco Galicia offers financing to low- and medium-income customer segments.

Regional Credit Card Companies (Tarjetas Regionales)

Tarjeta Naranja and Tarjeta Nevada continued consolidating their leading position in the regional credit cards market in 2017. According to official data and private market studies, the Bank is the primary issuer of credit cards domestically and is ranked as the leading credit card brand in rural areas of Argentina.

In December 2017, Tarjeta Naranja and Tarjeta Nevada collectively issued 3.4 million account statements, 1% more than in 2016. Authorized cards totaled 9.1 million, including Naranja Clásica, Naranja Visa, Naranja MasterCard, Naranja American Express, Nevada and Nevada Visa. In addition, purchase transactions at stores increased 5% as compared to 2016.

Table of Contents

Our managed credit portfolio reached Ps.51,288 by December 31, 2017, a 21% increase year-over-year. Accumulated turnover at stores amounted to Ps.131,340 million, a 29% increase year-over-year. As of December 31, 2017, Tarjetas Regionales' net income was equal to Ps.2,745 million, a 92% increase as compared to 2016. During 2017, the Regional Credit Card companies had a 8.79% average return on assets with respect to fixed income investments and a 42.70% average return on shareholders' equity as compared to 5.81% and 29.45% in 2016, respectively.

Net operating income for 2017 was equal to Ps.12,662 million, a 41% increase as compared to 2016, with a 51% increase in gross brokerage margin and a 34% increase in net income from services. In 2017, the provision for loan losses was equal to Ps.2,018 million, a 31% increase as compared to 2016. At December 31, 2017, following the merger between Tarjetas Cuyanas and Tarjetas Naranjas effective October 1, 2017, Tarjeta Naranja's payroll employees totaled 3,829, a 12% decrease as compared to 2016.

Tarjeta Naranja, Tarjetas Regionales' main subsidiary, will continue to rely on its strategic pillar of Organizational Culture and Customer Experience to grow its customer base and business. For a breakdown of the Regional Credit Card Companies' revenues for the last three fiscal years, see Item 5.A. Operating Results Results by Segments Regional Credit Cards.

Compañía Financiera Argentina

CFA, a leader in consumer personal loans to low- and medium-income customer segment, is a non-banking financial institution regulated by the Argentine Central Bank. CFA competes with government-owned and privately-owned banks. As of December 31, 2017, CFA had approximately 480,000 customers. CFA had 1,117 employees in 94 branches throughout Argentina. CFA's net income was equal to Ps.274 million as of December 31, 2017, a 20% decrease as compared to 2016. CFA's shareholder's equity was equal to Ps.1,240 million in 2017. The ratios of return on average equity and on average assets in 2017 were 22.53% and 3.86%, respectively.

Net operating income for 2017 was equal to Ps.2,426 million, a 43% increase as compared to 2016, with a 47% increase in gross brokerage margin and a 16% increase in net income from services. In 2017, the provision for loan losses was equal to Ps.602 million, a 74% increase as compared to 2016. As of December 31, 2017, the loan portfolio, net of allowances for loan losses, was equal to Ps.6,952 million, a 41% increase, as compared to 2016.

On January 12, 2017, Grupo Financiero Galicia and Banco Galicia, as controlling shareholders of CFA, accepted an offer from Mr. Julio Alfredo Fraomeni and Galeno Capital S.A.U. to purchase 100% of their shares in CFA. The Argentine Central Bank approved such sale on December 4, 2017 through Resolution No. 414. For additional detail regarding CFA's revenues for the year ended December 31, 2017, please see Item 5.A. (Operating Results Results by Segments CFA).

Galicia Seguros

Galicia Seguros provides property and casualty and life insurance to customers. Its most significant business is group life insurance, including employee benefit plans and credit-related insurance. With respect to property and casualty insurance products, Galicia Seguros primarily underwrites home and ATM theft insurance. Galicia Retiro provides annuity products and Galicia Broker is an insurance broker. All such subsidiaries operate exclusively in Argentina and total insurance underwriting for these three subsidiaries was equal to Ps.3,254 million in 2017.

In 2017, the insurance subsidiaries continued to focus on increasing sales across these three brands. In 2017 annualized premiums increased to Ps.1,662 million, a 57% increase as compared to 2016.

Table of Contents

In 2017, Law No. 26,425, which created the Argentine Social Security Integrated System (*Sistema Integrado Previsional Argentino*), also ended pension-linked life annuities, the main product marketed by Galicia Retiro. As a result, Galicia Retiro's business plan is now aimed at maintaining its current business and analyzing market conditions in order to assess whether to re-launch voluntary retirement products (for both individuals and groups). Through Galicia Seguros, the insurance subsidiaries intend to develop alternative sales channels by launching new products and using new points of contact and sales to increase the Bank's insurance customer base. Additionally, it will continue maintaining the following goals:

boosting the business with supplementary products to Banco Galicia's core business, adjusted to each of segment;

expanding the sale of insurance to companies;

making management effective to support the business volume growth and updating the management system;

consolidating its insurance position for individuals, taking advantage of synergies with Grupo Galicia and developing an over-the-counter market and additional channels;

minimizing expenses; and

fostering a positive work environment.

Other Businesses

Galicia Administradora de Fondos

This company manages the FIMA mutual funds which are distributed through Banco Galicia (as the custodial agent for collective investment products corresponding to mutual funds) using a broad distribution network (branches, electronic banking, telephone banking) to target different customer segments (institutions, companies and individuals). The mutual funds' assets are invested in a variety of assets depending on the different investment purposes, including government and corporate securities and shares or time deposits.

The FIMA funds' equity increased 82% in 2017, as compared to 2016, reaching Ps.67,973 million, which accounts for a 12.4% market share in Argentina. Such substantial increase was attributable to several customer segments, with noteworthy growth coming from the increase in the number of individuals' investment accounts. In terms of volume, Fima Renta Dólares I and Fima Renta Dólares II were the preferred funds among these customers, with U.S. \$881 million in assets under management as of December 31, 2017.

Through General Resolution No. 705, the CNV introduced changes to the Supervision and Control Rates and Authorization Fees system, shifting to a scheme based on a percentage of the assets under management, with fund managers being liable for an annual 0.02 % fee in such assets under management starting in the fourth quarter of

2017.

The enactment of the Productive Financing Law, and the subsequent implementation of regulations associated therewith, is expected to establish a new framework for Argentine capital markets. Following implementation of the same, we are planning to launch a new retirement savings fund for investors and funds that will invest in international markets. The company believes that in 2018 it will see an increase in the volume of business with mutual funds and the development of business related to that activity within the framework of the new law and its implementing regulations.

During 2017, Galicia Administradora de Fondos optimized the financial performance of its liquid assets with investments in a variety of assets, including FIMA mutual funds.

Table of Contents

Galicia Warrants

Galicia Warrants is a leading company in the Argentine deposit certificates and warrants issuance market. This company has been conducting transactions since 1994, supporting medium and large companies with respect to the custody of stocks. Its main purpose is to enable its customers access to credit and financing, which are secured by the property kept under custody. Galicia Warrants' main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers.

In 2017, the volume of transactions related to the issuance of deposit certificates and warrants was similar to the volume of such transactions in 2016, mainly as a result of market conditions. These services were primarily popular with regional businesses, including those related to the agricultural and agro-industrial sectors. Income from such services for 2017 was equal to Ps.91.9 million, while net income was equal to Ps.31.5 million.

Galicia Warrants will continue focusing on providing customers with good customer service and tailored products to enable sustained growth and aggressive development in the coming years. 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 Galicia Businesses .

Competition

Due to our financial holding structure, competition is experienced at the level of our operating subsidiaries. We face strong competition in most of the areas in which our subsidiaries are active. For a breakdown of our total revenues, for each of the past three fiscal years, for the activities discussed below (i.e., banking, regional credit cards, CFA personal loans and insurance), see Item 5.A. Operating Results-Results by Segments.

Banking

Banco Galicia faces significant competition in all of its principal areas of operation from foreign banks operating in Argentina (mainly large retail banks which are subsidiaries or branches of banks with global operations), Argentine national and provincial government-owned banks, private-sector domestic banks and cooperative banks, as well as non-bank financial institutions.

Regarding private-sector customers, Banco Galicia's main competitors are large foreign banks and certain domestically-owned private-sector banks. Banco Galicia also faces competition from government-owned banks.

Banco Galicia's estimated market share of private-sector deposits in the Argentine financial system was 10.29% as of December 31, 2017, as compared to 9.96% as of December 31, 2016 and 9.40% as of December 31, 2015.

With respect to loans to the private sector, Banco Galicia's Argentine market share was 10.11% as of December 31, 2017, as compared to 10.12% and 9.68% as of December 31, 2016 and December 31, 2015, respectively.

According to the information published by the Argentine Central Bank, as of December 31, 2017, Banco Galicia was the second largest private-sector bank as measured by its assets, deposits, loan portfolio and net worth.

Banco Galicia believes that it has a strong competitive position in retail banking, both with respect to individuals and SMEs. Specifically, Banco Galicia believes it is one of the primary providers of financial services to individuals, the primary private-sector institution serving SMEs, and has traditionally maintained a leading position in the agriculture and livestock sector.

Argentine Banking System

As of December 31, 2017, the Argentine financial system consisted of 77 financial institutions, of which 62 were banks and 15 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 62 banks, 13 were Argentine national and provincial government-owned or related banks. Of the 49 private-sector banks, 33 were private-sector domestically-owned banks and 16 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks).

Table of Contents

As of December 31, 2017, the top 10 banks, in terms of total deposits (excluding Argentine national and provincial government-owned banks), were: Banco Santander Río, Banco Galicia, BBVA Banco Francés, Banco Macro, Credicoop, HSBC Bank and Patagonia. Banco Galicia, Banco Macro and Credicoop are domestically-owned banks and the others are foreign-owned banks. According to information published by the Argentine Central Bank as of December 31, 2017, private-sector banks accounted for 56.2% of total deposits and 63.4% of total net loans in the Argentine financial system. As of the same date, financial institutions (other than banks) accounted for approximately 0.3% of deposits and 3.5% of net loans in the Argentine financial system.

As of December 31, 2017, the largest Argentine national and provincial government-owned or related banks, in terms of total deposits, were Banco Nación, Banco de la Provincia de Buenos Aires and Banco Ciudad 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) must guarantee their commitments. According to information published by the Argentine Central Bank, as of December 31, 2017, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 43.5% of deposits and 33.1% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990s, with the total number of financial institutions declining from 214 in 1991 to 77 as of December 31, 2017, with the ten largest banks holding 77.4% of the system's deposits from the private sector and 72.5% of the system's loans to the private sector as of December 31, 2017.

Foreign banks continue to have a significant presence in Argentina, despite the fact that the number of these financial institutions decreased from 39 at the end of 2001 to 16 as of December 2017, and the fact that their share of total deposits has decreased since the 2001-2002 financial crisis while the share of domestic private-sector banks has increased.

The Argentine banking sector focuses on transactional business, and lacks a robust supply of medium and long-term lending. Local financial system deposits and loans are equivalent to 23% and 16% of the Gross Domestic Product (GDP) respectively, well below those same ratios for other countries in the region.

To promote the growth of the financial system, the Argentine Central Bank (BCRA) aims to achieve low and stable inflation by reducing the money supply together with other measures. In addition to this goal, the BCRA is implementing an agenda that focuses on emphasizing full banking service use (through the offer of free savings accounts and money transfers), effective communication of the cost of all services by banks to customers and fostering innovation and increased competition among banks. To boost savings in domestic currency and long-term lending (mortgage loans in particular), the monetary authority has introduced instruments denominated in Housing Units (Unidades de Vivienda - UVAs), an instrument to adjust deposits and loans by inflation.

Regional Credit Cards

In the consumer loan market, the Regional Credit Card Companies compete with Argentine banks and other financial institutions that target similar economic segments. The main players in this segment include Banco Supervielle, Banco Columbia, Banco Comafi, Banco Credicoop, Banco Macro, Banco MasVentas, Banco Municipal de Rosario, Banco Nación (Nativa card), Banco de Córdoba (Cordobesa card), Cabal card, tarjeta shopping card and CFA (Efectivo Si). Historically, certain international banks with a presence in Argentina have attempted to target consumers in these economic segments and have been, to date and for the most part, unsuccessful.

Table of Contents

In order to compete effectively at a national and regional level, the Regional Credit Card Companies target low- to middle-income clients by offering personalized services in each region, focusing their commercial efforts mainly on such segments. While other Argentine credit card issuers and consumer loan providers focus on earning interest on outstanding personal loans and credit card balances, the Regional Credit Card Companies 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 the Regional Credit Card Companies' clients pay their credit card bill through their branch network. The broad geographical reach of their distribution network, which is the second largest in Argentina, has allowed the Regional Credit Card Companies to establish a local presence in all the provinces of Argentina.

The Regional Credit Card Companies believe that their diversified and consistent funding sources, significant network of branches, robust information technology infrastructure, relationships with over 250,000 merchants and the brand recognition they enjoy provide them with a competitive edge to consolidate and expand their market share in their target market segment, making it difficult for new players to effectively compete in this market segment on a national scale.

Compañía Financiera Argentina

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

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

Insurance

Sudamericana's subsidiaries face significant competition since, as of December 2017, the Argentine insurance industry was comprised of approximately 186 insurance companies, 16 of which were dedicated exclusively to annuities. Subsidiaries of foreign insurance companies and the world's largest insurance companies with global operations are among these companies.

During 2017, the insurance industry continued growing. Production amounted to Ps.272 billion, 29% higher than the level recorded for the prior year. Out of the total insurance production in 2017, 82% related to property insurance, 16% related to life and personal insurance, and 2% related to retirement insurance.

Within the 82% corresponding to property insurance, the automotive insurance segment continues to be the most significant segment, representing 43%, followed by the workers' compensation segment, representing 35%. Within the life insurance segment, the group life insurance segment was the most significant, representing 65%, followed by individual life insurance, representing 15%, and personal accident insurance, representing 14%.

As of December 31, 2017, based on internal studies undertaken by Galicia Seguros, it is estimated that Galicia Seguros ranked third in terms of net premiums for personal accident insurance policies underwritten and first in terms of net premiums for home insurance policies underwritten and in terms of net premiums for theft insurance policies underwritten, in each case in Argentina.

Sales and Marketing

Banco Galicia markets all of its financial products and services to high-, medium- and medium- to low-income individuals, including loans, insurance and the FIMA family of mutual funds, among other products, through its branch network, which operates online in real time. Within the Bank's 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.

Table of Contents

	December 2017
Branches (number)	
Bank Branches	306
Regional Credit Card Cos. Branches	205
CFA Branches	63
Business Centers and In-House Facilities	31
Eminent s space with Private-Banking	8
Electronic Banking Terminals (number)	
ATMs	992
Self-Service Terminals	964
Electronic Banking Transactions (thousands per month)	
ATMs + Self-Service Terminals	14,843
Phone-Banking	2,903
e-banking	22,250

Commercial and investment banking services for 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 its agriculture and livestock sector customers. Banco Galicia has also 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 its ATM and self-service terminals network, a multifunction call center, an e-banking website (www.bancogalicia.com) and a mobile banking service platform (Galicia Móvil).

Banco Galicia also maintains a presence on many relevant social networks. Customers use social networks as a means to talk to Banco Galicia quickly, effectively and openly. Banco Galicia consistently focuses on adapting to the variety of 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 through the digital platform, Banco Galicia believes it 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 strives to be customer service-oriented and assigns great importance to its customer service model, constantly seeking to improve its customer service.

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 believes that the quality of its products and services, as well as providing differentiating experiences to its clients, are the main elements capable of distinguishing it from competitors. In order to measure these indicators, Banco Galicia periodically performs surveys, with positive results in recent years, showing high customer satisfaction and recognition.

The Regional Credit Cards 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 Regional Credit Cards culture is strongly client service-oriented and assigns great importance to quality of customer 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. Each of the companies has a website 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), and provide information on and promote products. These sites include a link that allows payments to be made. In addition, Tarjeta Naranja has a website aimed at selling products associated with its primary merchants. Similarly, Tarjeta Nevada also has a website. Each company has a call center, through which sales, post-sales and collection functions are performed.

Table of Contents

CFA markets its products through a network of 63 branches and 31 points of sale, located throughout Argentina. The company leads the personal loan business among financial institutions in Argentina and offers its products to customers who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. As such, CFA offers its product *Efectivo Si Consumer Loans* in approximately 400 active merchants, while the agreements are offered out of the branches through different channels. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

Sudamericana's subsidiaries mainly use Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution networks to market their products. They also use Galicia Broker sales officers, and Sudamericana has its own telemarketing center.

Property

The following are our main property assets, as of December 31, 2017:

Property	Address	Square Meters (approx.)	Main Uses
Grupo Financiero Galicia			
- Rented	-Tte. Gral. Juan D. Perón 430, 25th floor, Buenos Aires, Argentina	89	Administrative activities
Banco de Galicia y Buenos Aires S.A.			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	18.815	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	41.547	Administrative activities
	-Corrientes 6287, Buenos Aires, Argentina	34,000	Administrative activities
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3.777	Administrative activities
	-Corrientes 411, 3rd and 4th floors, Buenos Aires, Argentina	3.586	Administrative activities
Tarjeta Naranja S.A.			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	- La Tablada 451, Humberto Primo 450 y 454, Córdoba, Argentina	14,080	Administrative activities
	-Jujuy 542, Córdoba, Argentina	853	Administrative activities
	-Ruta Nacional 36, km. 8, Córdoba, Argentina	7,715	Storage
	-Río Grande, Tierra del Fuego, Argentina	309	Administrative activities
	-San Jerónimo 2348 and 2350, Santa Fe, Argentina	1,475	Administrative activities
- Rented	-Sucre 145/151, La Rioja 359, 364 and 375, Córdoba, Argentina	4,450	Administrative activities and printing center
	Av. Corrientes 3135, CABA, Argentina	1,271	Administrative activities
	-Belgrano 1415, Mendoza, Argentina(*)	1,160	Administrative activities
	-Belgrano 1462, Mendoza, Argentina(*)	1,152	Administrative activities and printing center
Compañía Financiera Argentina			
- Rented	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	7,628	Administrative Activities

Galicia Warrants S.A.

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

- 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
	- Ruta N° 301- Acceso Famaillá, Tucumán, Argentina	3,150	Storage
Galicia Seguros S.A.			
- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities

*This were rented for Tarjetas Cuyanas before the merger with Tarjeta Naranja.

As of December 31, 2017, our distribution network consisted of:

Banco Galicia: 306 branches, located throughout Argentina s 23 provinces, 148 of which were owned and 158 of which were leased by Banco Galicia.

Table of Contents

Tarjeta Naranja: 205 branches and 52 points of sale, located in 21 of the 23 Argentine provinces, 200 of which were leased by Tarjeta Naranja.

CFA: 63 branches and 31 points of sale, with at least one branch located in each Argentine province, all of which were leased by CFA.

Capital Investments and Divestitures

During 2017, our capital expenditures amounted to Ps.3,107 million, distributed as follows:

Ps.1,382 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.1,725 million in organizational and development expenses.

During 2016, our capital expenditures amounted to Ps.2,827 million, distributed as follows:

Ps.1,502 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.1,325 million in organizational and development expenses.

During 2015, our capital expenditures amounted to Ps.1,987 million, distributed as follows:

Ps.1,097 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.890 million in organizational and development expenses.

These capital expenditures were made mainly in Argentina.

In October 2013, Galicia Seguros approved the sale of its 4% ownership interest in Nova Re Compañía Argentina de Reaseguro S.A. to Reaseguradora Patria S.A., a Mexican reinsurance company. This transaction was finalized in January 2016 and Galicia Seguros continued to own 35% of Nova Re following the consummation of the sale.

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

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

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

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

Table of Contents

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

On October 14, 2014, Tarjeta Naranja executed the final agreement to sell its equity interest in Tarjeta Naranja Perú, equivalent to 24% of the capital stock, to Grupo Crédito S.A. for U.S. \$900,000. The shares were sold as of December 31, 2014.

Investment planning

We have budgeted capital expenditures for the fiscal year ending December 31, 2018, 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)	1,575
Organizational and IT System Development	2,858
Total	4,433

These capital expenditures will be made mainly in Argentina. Management considers that internal funds will be sufficient to finance its fiscal year ended December 31, 2018 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.18.7742, Ps.15.8502 and Ps.13.0050 per U.S. \$1.00 as of December 31, 2017, December 31, 2016 and December 31, 2015, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or any other rate. See Item 3. Key Information-Exchange Rate Information .

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

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

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

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

Table of Contents

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, 2017.

	Fiscal Year Ended December 31, 2017 (*)								
	Pesos			Foreign Currency			Total		Average Yield/Rate
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	
<i>(in millions of Pesos, except rates)</i>									
Assets									
Government Securities	19,727	4,833	24.50	3,088	219	7.09	22,815	5,052	22.14
Loans									
Private Sector	129,923	35,173	27.07	29,221	916	3.13	159,144	36,089	22.68
Public Sector	7	2	28.57				7	2	28.57
Total Loans ⁽¹⁾	129,930	35,175	27.07	29,221	916	3.13	159,151	36,091	22.68
Other	4,643	1,246	26.84	312	13	4.17	4,955	1,259	25.41
Total Interest-Earning Assets									
Assets	154,300	41,254	26.74	32,621	1,148	3.52	186,921	42,402	22.68
Cash and Gold	18,547			30,021			48,568		
Equity in Other Companies	3,600			1,033			4,633		
Other Assets	17,727			2,102			19,829		
Allowances	(5,344)			(312)			(5,656)		
Total Assets	188,830			65,465			254,295		
Liabilities and Equity									
Deposits									
Checking Accounts	2,808	1	0.02	57			2,865	1	
Savings Accounts	23,421	51	0.22	31,821			55,242	51	0.09
Time Deposits	51,850	11,061	21.33	7,135	57	0.80	58,985	11,118	18.85
Total Interest-Bearing Deposits	78,079	11,113	14.23	39,013	57	0.15	117,092	11,170	9.54
Debt Securities	13,381	3,323	24.83	5,731	504	8.79	19,112	3,827	20.02
Other	4,741	1,164	24.55	3,264	118	3.62	8,005	1,282	16.01
Total Interest-Bearing Liabilities	96,201	15,600	16.22	48,008	679	1.41	144,209	16,279	11.29
Demand Deposits	26,884			7,000			33,884		
Other Liabilities	37,037			10,739			47,776		
Non-Controlling Interests	1,479						1,479		
Shareholders Equity	26,947						26,947		
Total Liabilities and Equity	188,548			65,747			254,295		

Spread and Net Yield

Edgar Filing: GRUPO FINANCIERO GALICIA SA - Form 20-F

Interest Rate Spread	10.52	2.11	11.39
Cost of Funds Supporting Interest-Earning Assets	10.11	2.08	8.71
Net Yield on Interest-Earning Assets	16.63	1.44	13.98

(*) Rates include the CER/UVA adjustment.

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

Table of Contents

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, 2016.

	Fiscal Year Ended December 31, 2016 (*)								
	Average Balance	Pesos			Foreign Currency			Total Accrued Interest	Average Yield/Rate
Accrued Interest		Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance			
<i>(in millions of Pesos, except rates)</i>									
Assets									
Government Securities	16,110	4,646	28.84	5,410	160	2.96	21,520	4,806	22.33
Loans									
Private Sector	99,817	28,979	29.03	11,282	395	3.50	111,099	29,374	26.44
Public Sector	1						1		
Total Loans ⁽¹⁾	99,818	28,979	29.03	11,282	395	3.50	111,100	29,374	26.44
Other	2,555	827	32.37	111	5	4.50	2,666	832	31.21
Total Interest-Earning Assets	118,483	34,452	29.08	16,803	560	3.33	135,286	35,012	25.88
Cash and Gold	15,854			18,139			33,993		
Equity in Other Companies	3,212			396			3,608		
Other Assets	14,217			1,397			15,614		
Allowances	(3,971)			(135)			(4,106)		
Total Assets	147,795			36,600			184,395		