

GRUPO FINANCIERO GALICIA SA

Form 20-F

April 29, 2016

Table of Contents

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 29, 2016

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, 2015

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	1,019,042,947

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP  International Financial Reporting Standards  Other

As issued by the International Accounting Standards Board

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

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

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
<b><u>Item 1. Identity of Directors, Senior Management and Advisers</u></b>	<b>4</b>
<b><u>Item 2. Offer Statistics and Expected Timetable</u></b>	<b>4</b>
<b><u>Item 3. Key Information</u></b>	<b>4</b>
<b><u>Item 3.A. Selected Financial Data</u></b>	<b>4</b>
<u>Exchange Rate Information</u>	7
<b><u>Item 3.B. Capitalization and Indebtedness</u></b>	<b>8</b>
<b><u>Item 3.C. Reasons for the Offer and Use of Proceeds</u></b>	<b>8</b>
<b><u>Item 3.D. Risk Factors</u></b>	<b>8</b>
<b><u>Item 4. Information on the Company</u></b>	<b>18</b>
<u>History and Development of the Company</u>	18
<u>Organizational Structure</u>	18
<u>History</u>	20
<u>Business</u>	28
<u>Competition</u>	37
<u>Sales and Marketing</u>	39
<u>Property</u>	41
<u>Capital Investments and Divestitures</u>	42
<u>Selected Statistical Information</u>	43
<u>Government Regulation</u>	73
<u>Argentine Banking Regulation</u>	76
<u>Credit Cards Regulation</u>	86
<u>Concealment and Laundering of Assets of a Criminal Origin</u>	87
<b><u>Item 4.A. Unresolved Staff Comments</u></b>	<b>88</b>
<b><u>Item 5. Operating and Financial Review and Prospects</u></b>	<b>88</b>
<b><u>Item 5.A. Operating Results</u></b>	<b>88</b>
<u>Overview</u>	88
<u>The Argentine Economy</u>	89
<u>The Argentine Financial System</u>	91
<u>The Argentine Insurance Industry</u>	92
<u>Inflation</u>	92
<u>Currency Composition of Our Balance Sheet</u>	93
<u>Results of Operations for the Fiscal Years Ended December 31, 2015, December 31, 2014 and December 31, 2013</u>	94
<u>U.S. GAAP and Argentine Banking GAAP Reconciliation</u>	108
<u>Results by Segments</u>	114
<u>Consolidated Assets</u>	122
<u>Exposure to the Argentine Public Sector</u>	124
<u>Funding</u>	124
<u>Contractual Obligations</u>	129
<u>Off-Balance Sheet Arrangements</u>	131
<u>Critical Accounting Policies</u>	132
<u>U.S. GAAP Critical Accounting Policies</u>	133
<u>Principal Trends</u>	138

<b><u>Item 5.B. Liquidity and Capital Resources</u></b>	<b>139</b>
<u>Liquidity - Holding Company on an Individual Basis</u>	139
<u>Consolidated Cash Flows</u>	140
<u>Banco Galicia's Liquidity Management</u>	142
<u>Capital</u>	144
<u>Capital Expenditures</u>	144
<b><u>Item 5.E. Off-Balance Sheet Arrangements</u></b>	<b>144</b>
<b><u>Item 5.F. Contractual Obligations</u></b>	<b>144</b>
<b><u>Item 6. Directors, Senior Management and Employees</u></b>	<b>144</b>

(i)

**Table of Contents**

**TABLE OF CONTENTS**

(continued)

	Page
<u>Our Board of Directors</u>	144
<u>Our Audit Committee</u>	147
<u>Our Supervisory Committee</u>	147
<u>Compensation of Our Directors</u>	148
<u>Management of Grupo Financiero Galicia</u>	149
<u>Board of Directors of Banco Galicia</u>	150
<u>Functions of the Board of Directors of Banco Galicia</u>	151
<u>Banco Galicia's Executive Officers</u>	153
<u>Banco Galicia's Supervisory Committee</u>	156
<u>Compensation of Banco Galicia's Directors and Officers</u>	157
<u>Employees</u>	157
<u>Nasdaq Corporate Governance Standards</u>	158
<u>Share Ownership</u>	160
<b><u>Item 7. Major Shareholders and Related Party Transactions</u></b>	<b>160</b>
<u>Major Shareholders</u>	160
<u>Related Party Transactions</u>	161
<b><u>Item 8. Financial Information</u></b>	<b>163</b>
<u>Legal Proceedings</u>	163
<u>Dividend Policy and Dividends</u>	165
<u>Significant Changes</u>	166
<b><u>Item 9. The Offer and Listing</u></b>	<b>167</b>
<u>Shares and ADSs</u>	167
<u>Argentine Securities Market</u>	169
<u>Market Regulations</u>	170
<b><u>Item 10. Additional Information</u></b>	<b>171</b>
<u>Description of Our Bylaws</u>	171
<u>Exchange Controls</u>	178
<u>Taxation</u>	178
<u>Material Contracts</u>	185
<u>Documents on Display</u>	186
<b><u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>186</b>
<u>General</u>	186
<u>Interest Rate Risk</u>	186
<u>Foreign Exchange Rate Risk</u>	188
<u>Currency Mismatches</u>	190
<u>Market Risk</u>	192
<u>Cross-border Risk</u>	193
<u>Overseas Foreign Currency Transfer Risk</u>	193
<u>Risk Exposures in the Non-financial Public Sector</u>	193
<u>Operational Risk</u>	193
<b><u>Item 12. Description of Securities Other Than Equity Securities</u></b>	<b>195</b>

<b><u>Item 12.D. American Depositary Shares</u></b>	<b>195</b>
<u>Fees and Charges Applicable to ADS Holders</u>	195
<u>Fees and Direct and Indirect Payments Made by the Depositary to Us</u>	196
<b><u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u></b>	<b>197</b>
<b><u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u></b>	<b>197</b>
<b><u>Item 15. Controls and Procedures</u></b>	<b>197</b>
<b><u>Item 16.A. Audit Committee Financial Expert</u></b>	<b>198</b>
<b><u>Item 16.B. Code of Ethics</u></b>	<b>198</b>
<b><u>Item 16.C. Principal Accountants Fees and Services</u></b>	<b>198</b>
<b><u>Item 16.D. Exemptions from the Listing Standards for Audit Committees</u></b>	<b>199</b>
<b><u>Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u></b>	<b>199</b>

(ii)



**Table of Contents**

**TABLE OF CONTENTS**

(continued)

	Page
<b><u>Item 16.H. Mine Safety Disclosure</u></b>	<b>199</b>
<b><u>Item 17. Financial Statements</u></b>	<b>200</b>
<b><u>Item 18. Financial Statements</u></b>	<b>200</b>
<b><u>Item 19. Exhibits</u></b>	<b>200</b>

(iii)

---

**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. (in liquidation) ( Galicia Uruguay ), (ii) Galicia Cayman S.A. ( Galicia Cayman ), only until September 30, 2014 as on October 1, 2014 it was merged into Banco Galicia, (iii) Tarjetas Regionales S.A. ( Tarjetas Regionales ) and its operating subsidiaries, (iv) Tarjetas del Mar S.A. ( Tarjetas del Mar ), (v) Galicia Valores S.A., (vi) Galicia Administradora de Fondos S.A. Sociedad Gerente de Fondos Comunes de Inversión ( Galicia Administradora de Fondos ) but only until March 31, 2014, as on April 1, 2014 it was sold to Grupo Financiero Galicia, (vii) Compañía Financiera Argentina S.A. ( Compañía Financiera Argentina or CFA ) and (viii) Cobranzas y Servicios S.A. (collectively, Banco Galicia or the Bank except where otherwise noted);

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

Galicia Warrants S.A. ( Galicia Warrants );

Net Investment S.A. ( Net Investment );

Galicia Administradora de Fondos (consolidated with Grupo Financiero Galicia since April 2014); and

Galval Agente de Valores S.A. ( Galval ), the results of which were consolidated only during the first half of fiscal year 2012, since on September 4, 2012, the Board of Directors of Grupo Financiero Galicia (the Board of Directors ) approved the sale of 100% of its interest in Galval. Such transaction was approved by the Central Bank of Uruguay in June 2013 and was consummated on June 12, 2013.

We maintain our financial books and records in Argentine Pesos and prepare our financial statements in conformity with the accounting rules of the Argentine Central Bank, which entity prescribes the generally accepted accounting principles for all financial institutions in Argentina. This annual report refers to those accounting principles as

Argentine Banking GAAP . Argentine Banking GAAP differs in certain relevant respects from generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP . Argentine Banking GAAP also differs in certain significant respects from the generally accepted accounting principles in the United States, which we refer to as U.S. GAAP . See Note 33 to our audited consolidated financial statements included in this annual report for a description of the differences between Argentine GAAP and Argentine Banking GAAP, and Note 36 to our audited consolidated financial statements included in this annual report for a discussion of the principal differences between

Argentine Banking GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of our net income for the three fiscal years ended December 31, 2015 and total shareholders' equity as of December 31, 2015 and 2014, 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.13.0050, Ps.8.5520 and Ps.6.5180 per US\$1.00 as of December 31, 2015, December 31, 2014 and December 31, 2013, respectively. The exchange rate translations contained in this annual report should not be construed as representations that the stated Peso amounts actually represent or have been or could be converted into Dollars at the rates indicated or at any other rate.

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

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

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

## **Table of Contents**

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;

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.

**Table of Contents**

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, 2015, and December 31, 2014, and for the three fiscal years ended 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, 2013, December 31, 2012, and December 31, 2011, and for the fiscal years ended December 31, 2012, and December 31, 2011, has been derived from our audited consolidated financial statements not included in this annual report.

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

	<b>Fiscal Year Ended December 31,</b>					
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of Dollars, except as noted)<sup>(1)</sup></i>					
	<i>Unaudited</i>	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>				
<b>Consolidated Income Statement in Accordance with Argentine Banking GAAP</b>						
Financial Income	1,987	25,844	19,860	13,076	9,129	6,018

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

Financial Expenses	1,031	13,402	10,321	6,170	3,941	2,274
Net Financial Income <sup>(2)</sup>	956	12,442	9,539	6,906	5,188	3,744
Provision for Losses on Loans and Other Receivables	170	2,214	2,411	1,776	1,347	843
Income before Taxes	549	7,139	5,330	3,056	2,125	1,861
Income Tax	(215)	(2,801)	(1,992)	(1,232)	(789)	(754)
Net Income / (Loss)	334	4,338	3,338	1,824	1,336	1,107
Basic Earnings / (Loss) per Share (in Pesos)	0.26	3.34	2.57	1.45	1.08	0.89
Diluted Earnings / (Loss) per Share (in Pesos)	0.26	3.34	2.57	1.45	1.08	0.89
Cash Dividends per Share (in Pesos)	0.01	0.12	0.08	0.03	0.02	0.01
Book Value per Share (in Pesos)	0.86	11.14	7.88	5.34	3.92	2.86
<b>Amounts in Accordance with U.S. GAAP</b>						
Net Income / (Loss)	333	4,336	3,504	1,575	1,310	867
Basic and Diluted Earnings / (Losses) per Share (in Pesos)	0.26	3.33	2.70	1.27	1.06	0.70
Book Value / (Deficit) per Share (in Pesos)	0.85	11.06	7.88	5.34	4.12	3.12
Financial Income	1,997	25,978	20,032	13,109	9,187	5,986
Financial Expenses	1,032	13,416	10,343	6,178	3,923	2,241

-4-



**Table of Contents**

Net Financial Income / (Loss)	965	12,562	9,689	6,931	5,264	3,745
Provision for Losses on Loans and Other Receivables	170	2,213	2,400	1,795	1,338	888
Income Tax	203	2,647	1,890	1,176	780	679

**Consolidated Balance Sheet in Accordance with Argentine Banking GAAP**

Cash and Due from Banks	2,371	30,835	16,959	12,560	8,345	6,419
Government Securities, Net	1,194	15,525	10,010	3,987	3,627	5,228
Loans, Net	7,562	98,345	66,608	55,265	42,593	30,905
Total Assets	12,437	161,748	107,314	83,156	63,458	51,193
Deposits	7,692	100,039	64,666	51,395	39,945	30,135
Other Funds <sup>(3)</sup>	3,631	47,224	32,402	24,814	18,643	17,506
Total Shareholders Equity	1,114	14,485	10,246	6,947	4,870	3,552

Average Total Assets <sup>(4)</sup>	9,434	122,684	92,510	69,844	54,416	41,636
-------------------------------------	-------	---------	--------	--------	--------	--------

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

Loans, Net of Allowances	3.26	3.26	4.20	5.27	6.32	13.88
Total Assets	16.88	16.88	12.11	11.74	11.42	15.15
Deposits	14.37	14.37	7.46	7.15	7.84	15.05
Total Liabilities	18.86	18.86	13.61	13.71	14.29	23.57

**Amounts in Accordance with U.S. GAAP**

Trading Securities	1,242	16,148	10,199	3,326	3,450	5,310
Available-for-Sale Securities	337	4,385	4,627	4,819	3,251	2,882
Total Assets	13,852	180,142	120,393	92,729	72,398	55,957
Total Liabilities	12,746	165,759	110,150	85,785	67,290	52,081
Shareholders Equity (Deficit)	1,106	14,383	10,243	6,944	5,108	3,876

**Table of Contents**

	<b>Fiscal Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of Pesos, except as noted)<sup>(1)</sup></i>				
<b>Selected Ratios in Accordance with Argentine Banking GAAP</b>					
<b>Profitability and Efficiency</b>					
Net Yield on Interest Earning Assets <sup>(5)</sup>	14.18%	14.42%	13.77%	14.14%	13.27%
Financial Margin <sup>(6)</sup>	13.12	13.56	12.75	12.11	11.72
Return on Average Assets <sup>(7)</sup>	3.83	3.85	2.91	2.80	3.07
Return on Average Shareholders Equity <sup>(8)</sup>	35.54	39.07	32.47	32.12	37.39
Net Income from Services as a Percentage of Operating Income <sup>(9)</sup>	38.65	37.40	38.03	38.15	39.57
Efficiency ratio <sup>(10)</sup>	63.64	60.51	66.65	68.84	67.88
<b>Capital</b>					
Shareholders Equity as a Percentage of Total Assets	8.96%	9.55%	8.35%	7.67%	6.94%
Total Liabilities as a Multiple of Shareholders Equity	10.17 x	9.47 x	10.97 x	12.03 x	13.41 x
Total Capital Ratio	13.38%	15.91%	14.28%	13.02%	12.63%
<b>Liquidity</b>					
Cash and Due from Banks as a Percentage of Total Deposits	30.82%	26.23%	24.44%	20.89%	21.30%
Loans, Net as a Percentage of Total Assets	60.80	62.07	66.46	67.12	60.37
<b>Credit Quality</b>					
Past Due Loans <sup>(11)</sup> as a Percentage of Total Loans	2.46%	2.61%	2.69%	2.53%	1.82%
Non-Accrual Loans <sup>(12)</sup> as a Percentage of Total Loans	3.11	3.57	3.57	3.37	2.63
Allowance for Loan Losses as a Percentage of Non-accrual Loans <sup>(12)</sup>	112.41	105.78	103.80	115.85	152.01
Net Charge-Offs <sup>(13)</sup> as a Percentage of Average Loans	1.26	2.81	2.33	2.00	1.49
<b>Ratios in Accordance with U.S. GAAP</b>					
<b>Capital</b>					
Shareholders Equity (deficit) as a Percentage of Total Assets	7.98	8.51	7.49	7.06	6.93%
Total Liabilities as a Multiple of Total Shareholders Equity	11.52 x	10.75 x	12.35 x	13.17 x	13.44 x
<b>Liquidity</b>					
Loans, Net as a Percentage of Total Assets	54.55%	55.29%	59.43%	58.74%	55.06%
<b>Credit Quality</b>					
Allowance for Loan Losses as a Percentage of Non-Accrual Loans	135.35	129.78	127.05	138.77	202.23
<b>Inflation and Exchange Rate</b>					
Wholesale Inflation <sup>(14)</sup>	12.65%	28.27%	14.76%	13.13%	12.67%
Consumer Inflation <sup>(15)</sup>	26.90%	23.91%	10.95%	10.84%	9.51%
Exchange Rate Variation <sup>(16)</sup> (%)	52.07	31.21	32.55	14.27	8.23
CER <sup>(17)</sup>	15.05	24.34	10.53	10.55	9.54

*The ratios disclosed above are considered significant by the management of Grupo Financiero Galicia despite of the fact that they are not a specific requirement of any GAAP.*

**Table of Contents**

- (1) *The exchange rate used to convert the December 31, 2015, amounts into Dollars was Ps.13.0050 per US\$1.00. All amounts are stated in millions of Pesos, except inflation and exchange rates, percentages, ratios, multiples and per-share data.*
- (2) *Net financial income primarily represents income from interest on loans and other receivables resulting from financial brokerage plus net income from government and corporate debt securities, including gains and losses, minus interest on deposits and other liabilities from financial intermediation. It also includes the CER adjustment.*
- (3) *Primarily includes debt with merchants and liabilities with other banks and international entities.*
- (4) *The average balances of assets, including the related interest that is due are calculated on a daily basis for Banco Galicia and for Galicia Uruguay, as well as for Tarjetas Regionales consolidated with its operating subsidiaries, and on a monthly basis for Grupo Financiero Galicia and its non-banking subsidiaries.*
- (5) *Net interest earned divided by interest-earning assets. For a description of net interest earned, see Item 4. Information on the Company-Selected Statistical Information-Interest-Earning Assets-Net Yield on Interest-Earning Assets .*
- (6) *Financial margin represents net financial income divided by average interest-earning assets.*
- (7) *Net income excluding minority interest as a percentage of average total assets.*
- (8) *Net income as a percentage of average shareholders' equity.*
- (9) *Operating income is defined as net financial income plus net income from services.*
- (10) *Administrative expenses as a percentage of operating income as defined above.*
- (11) *Past-due loans are defined as the aggregate principal amount of a loan plus any accrued interest that is due and payable for which either the principal or any interest payment is 91 days or more past due.*
- (12) *Non-Accrual loans are defined as those loans in the categories of: (a) Consumer portfolio: Medium Risk , High Risk , Uncollectible , and Uncollectible Due to Technical Reasons , and (b) Commercial portfolio: With problems , High Risk of Insolvency , Uncollectible , and Uncollectible Due to Technical Reasons .*
- (13) *Charge-offs plus direct charge-offs minus bad debts recovered.*
- (14) *As measured by the interannual change between October 2014 and October 2015 Wholesale Price Index ( WPI ), published by INDEC (as defined herein).*
- (15) *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.*
- (16) *Annual change in the end-of-period exchange rate expressed in Pesos per Dollar.*
- (17) *The CER is the Coeficiente de Estabilización de Referencia , an adjustment coefficient based on changes in the CPI.*

**Exchange Rate Information**

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

	High	Exchange Rate <sup>(1)</sup>		Period-End
		Low	Average	
		<i>(in Pesos per Dollar)</i>		
2011	4.3035	3.9715	4.1442	4.3032
2012	4.9173	4.3048	4.5760	4.9173
2013	6.5180	4.9228	5.5442	6.5180
2014	8.5555	6.5430	8.2314	8.5520
2015	13.7633	8.5537	9.4421	13.0050

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

October 2015	9.5460	9.4273	9.4896	9.5460
November 2015	9.6880	9.5540	9.6272	9.6880
December 2015	13.7633	9.6975	11.4278	13.0050
January 2016	13.9413	13.0692	13.6548	13.9040
February 2016	15.5842	14.0883	14.8146	15.5842
March 2016	15.9192	14.2458	14.9615	14.5817

(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 22, 2016, the exchange rate was Ps.14.4558 for US\$1.00.

**Table of Contents**

**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 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 the 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.

After the presidential elections in October 2011 and in light of the foreign exchange imbalance that arose as a result of the increase in the dollarization of the private sector portfolio and the decrease in the balance of payment current account surplus, the Government issued a series of regulations with a view to stabilizing Argentina's stock of international reserves. Since 2012 Argentina went through a period of stagflation. Figures of economic activity reflected a slowdown in the domestic production, together with an increasing inflation rate at a higher pace than that noted in previous years. However, Argentina's macroeconomic situation was under partial control. 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. At the same time, low activity growth levels continued coexisting with a high inflation rate as a result of the above-mentioned accumulated imbalances, the government's regulatory actions and certain deterioration of some international context's variables.

In December 2015, Argentina's new president, Mauricio Macri, took office. Since assuming office, Mr. Macri has implemented several new measures, such as exchange and regulatory measures that reversed policies that had been in place prior to his administration. The impact of these new 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 our operations.

## **Table of Contents**

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.

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

According to the data arising from the Argentine Institute of Statistics and Census ( INDEC , as per its initials in Spanish), after the 9.5% and 8.4% recovery observed in 2010 and 2011, respectively, in 2012 the economy grew only 0.8% as activity suffered a slowdown as a consequence of the negative impact of lower crop yields, Brazil's economic slowdown and the deterioration in the investment climate due to, among other things, heightened regulations and the economy's loss of competitiveness resulting from a level of inflation that exceeded the exchange rate depreciation. The reversal of some of these factors, primarily the improvement recorded in the agricultural sector and the recovery of the automotive sector, as a result of higher Brazilian demand, contributed to the acceleration of the Argentine economy in 2013, recording a 2.9% growth. In 2014, however, the level of economic activity decreased and the GDP only grew by 0.5%. International factors, such as the strengthening of the U.S. Dollar, which impacted commodity price dynamics, particularly soy and oil in the case of Argentina, and the slowdown in the growth of Brazil's economy, contributed to the lower GDP growth rate. During 2015, the rate of GDP growth began to show signs of improvement, growing 2.1% during the year, driven primarily by strong economic performance in the agricultural sector and positive expectations in respect of the new Macri administration.

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

The Argentine economy is subject to certain risks, such as fiscal uncertainty including difficulty in reducing the high spending growth rate, high inflation rates, scarcity of foreign currency which limits economic growth and could lead to additional restrictions on the foreign exchange market, a high level of dependency on positive commodity prices which are volatile and beyond the control of the government, the limited availability of long-term credit, and regulatory uncertainty. In addition, the international context is currently less favorable than in prior years for the economies of emerging market countries, in particular as the stabilization and strengthening of the U.S. economy has resulted in the depreciation of currencies of emerging market countries vis-a-vis the U.S. Dollar, a decreasing trend in commodity prices and the a reversal in capital flows (capital is now flowing out of emerging market economies and into the economics of developed countries).

No assurance can be provided that the growth rate of the Argentine economy will not stagnate or decrease. 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.

***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, above 20% during the following years, reaching a maximum rate of 42.3% in 2014 and decreasing to 27.2% in 2015, mainly due to the slowdown in economic activity and to the overvaluation of the Peso. Recent measures implemented



by the new Macri administration in respect of increases in the rates for public services are expected to have a negative impact on inflation rates during 2016. In the past, inflation has materially undermined the Argentine economy and the government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same may materially and adversely affect the business volume of the financial system and prevent the growth of financial intermediation activity. This, in turn, could adversely affect economic activity and employment.

## **Table of Contents**

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

In addition to the above, the accuracy of INDEC's calculation of the CPI in Greater Buenos Aires (IPC-GBA, as per initials in Spanish), 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 most indicators in order to review the same and, potentially, establish new more accurate and reliable indices. There is currently uncertainty regarding what other future measures such agency may adopt and the impact that the same may have on the relationship between Argentina and the IMF and the results of operations of Grupo Galicia.

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

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

Argentina is currently involved in litigation in U.S. courts with such holdout creditors. A U.S. trial court has held, which holding has been affirmed by the U.S. Supreme Court, that Argentina must make payments to such holdout creditors in respect of their debt.

The new Macri administration has sought to resolve this outstanding dispute. On February 5, 2016, the new administration submitted a proposed solution to the mediator for this matter. On February 12, 2016, such proposed solution was approved by the mediator which confirmed an agreement, in principle between the government and the Montreux Partners and EM Ltd. hedge funds.

On February 19, 2016, Judge Thomas Griesa lifted injunctions that were in place and that had previously prevented Argentina from paying the non-holdout creditors, i.e. those bondholders who accepted had accepted the terms of the proposed swaps in 2005.

Finally, on March 1, 2016, an agreement was reached between the government and the remaining holdout creditors that were not part of the above described solution that was reached in February 2016. This agreement consisted of a payment in cash of US\$ 4,653 million to the NML, Aurelius, Barcebridge and Davidson Kempner funds.

On April 18, 2016, in order to make the payment to said funds and to other bondholders in similar conditions, Argentina issued bonds for USD 16,500 million, with interest rates between 6.25% and 7.62% and maturities of 3, 5, 10 and 30 years. The payment to the bondholders was made on April 22, 2016, thus reaching a final solution to the Argentine debt in default.

The government may still have limited access to financing in order to stimulate growth and implement reforms and/or 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 Grupo Galicia's ability to obtain international financing and adversely affect local credit conditions as well.

## **Table of Contents**

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

Argentina's economic recovery since the 2001-2002 crisis and the subsequent 2011 crisis has taken place within a context for commodities exports, such as soy, which represented approximately 35% of Argentine exports in 2015. High prices for commodities have contributed to the increase in exports by Argentina since the third quarter of 2002, and have contributed to increased tax revenues for the Argentine government, mainly from export taxes (withholdings). However, this reliance on the export of certain commodities, such as soy, has made the country more vulnerable to fluctuations in their prices.

A significant increase in the real appreciation of the Peso could affect Argentina's competitiveness, substantially affecting exports, and this, in turn could prompt new recessionary pressures on the country's economy and a new imbalance in the foreign exchange market, which could lead to a high degree of volatility in the exchange rate. 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.***

After the 2001-2002 financial crisis the Argentine government enacted several laws amending the regulatory framework governing a number of different activities. As an example regarding the financial system, in fiscal year 2012, the Argentine Central Bank passed a number of regulations that require financial entities, including Banco Galicia, to provide loans with interest rates that are below the then prevailing market interest rates and, during the fiscal year 2014, the Argentine Central Bank passed new regulations limiting the interest rates and fees that can be charged by financial entities for certain types of loans to individuals. Although the current administration has eliminated some of this 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 regulations that will potentially be enacted in the future by Argentine authorities, 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.

***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; which impacts were seen in 2015.

---

**Table of Contents**

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 future obligations denominated in a foreign currency which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

At the end of fiscal year 2014 the exchange rate was 8.5520 Pesos per U.S. Dollar, and was relatively stable until the first days after the new administration took office. On December 16, 2015 the relation was 9.8268 \$/USD, and after removing many restrictions regarding the possibility to access the foreign exchange market the Peso devaluated 40%, reaching 13.7633 on December 17, 2015. Since then it has been moving within the range of 13.0 to 16.0 \$/USD, being the exchange rate as of April 22, 2016, of 14.4558 \$/USD.

***The Argentine foreign exchange market is subject to controls, which may adversely affect the ability and the manner in which Grupo Galicia repays its obligations denominated in, indexed 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). At the end of 2015, after the new Macri administration took office, profound changes have been made to the foreign exchange regulatory framework in order to relax such restrictions (for further details on these and other control measures on the foreign exchange market, please refer to Item 10. Additional Information Foreign Exchange Control ).

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 measures, as well as any additional controls and/or restrictions, could materially affect Grupo Galicia's ability to access the international capital markets and, may undermine its ability to make payments of principal and/or interest on its obligations denominated in a foreign currency or transfer funds abroad (in total or in part) to make payments on its obligations (which could affect Grupo Galicia's financial condition and results of operations). Therefore, Argentine resident or non-resident investors should take special notice of these regulations (and their amendments) that limit access to the foreign exchange market. Grupo Galicia may be prevented from making payments in U.S. Dollars and/or making payments outside Argentina due to the restrictions in place at that time in the foreign exchange market and/or due to the restrictions on the ability of companies to transfer funds abroad.

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

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain in the United States. Grupo Galicia and substantially all of its subsidiaries are companies incorporated under the laws of Argentina. Most of their shareholders, directors, members of the Supervisory Syndics Committee, officers, and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina. Although Grupo Galicia has an agent to receive service of process in any action against it in

---

**Table of Contents**

the United States with respect to its ADSs, none of its executive officers or directors has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult to effect service of process against Grupo Galicia's executive officers and directors. Additionally, under Argentine law, the enforcement of foreign judgments will only be allowed if the requirements in sections 517 to 519 of the National Code of Civil and Commercial Procedures are met or, if it is one of the powers governed by provincial law, the requirements in the applicable local code of procedure, and provided that the foreign judgment does not infringe on concepts of public policy in Argentine law, as determined by the competent courts of Argentina. An Argentine court may consider the enforcement of foreign judgments which order payments to be made pursuant to a foreign-currency denominated security, to holders outside Argentina is contrary to the public policy of Argentina if for instance at such time there are legal restrictions in place prohibiting Argentine debtors from transferring foreign currency abroad to pay off debts.

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

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

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

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

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

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

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

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.

---

**Table of Contents**

***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 is 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 16% and 20% of GDP, respectively, at the end of 2015.

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.

Banco Galicia's exposure to the public sector as of December 31, 2015 was Ps. 17,361 million, representing approximately 10.8% of its total consolidated assets and slightly less than 1.3 times its shareholders' equity. Of this total, Ps. 4,742 million corresponded to Argentine government securities, while the remaining Ps. 12,619 million were Argentine Central Bank debt instruments. As a result, Banco Galicia's income-generating capacity may be materially impacted, or may be particularly affected by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia's ability to honor its financial obligations may be adversely affected by the Argentine government's repayment capacity or its failure to

meet its obligations in regard to Argentine government obligations owed to Banco Galicia.

***New limitations on creditors' rights in Argentina and on the possibility of enforcing certain guarantees, which could adversely affect the financial condition of financial institutions, including Banco Galicia, the main subsidiary of Grupo Galicia.***

To protect debtors affected by the 2001-2002 financial crisis, beginning in 2002, the Argentine government passed various laws and regulations that temporarily suspended the ability of creditors to enforce their guarantees and exert their rights under similar instruments established in financing agreements in the event of default by the debtor. Such limitations have, in some cases, prevented Argentine creditors, such as Banco Galicia, from initiating

**Table of Contents**

actions and/or lawsuits to collect and recover on defaulted loans. While these rules have ceased to be applicable, in the event of an adverse economic environment or in other circumstances, the Government could pass new rules and regulations restricting the ability of creditors to enforce their rights pursuant to loan agreements, guarantees and similar instruments or documents, the impact of which may have an adverse effect on the business of financial institutions in Argentina, including those of Banco Galicia.

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

Argentine Law No. 24240 (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. 26361 on March 12, 2008 to expand its applicability and the penalties associated with violations thereof. Additionally, Law No. 25065 (as amended by Law No. 26010 and Law No. 26361, the Credit Card Law ) also sets forth public policy regulations designed to protect credit card holders.

On September 17, 2014, Law No. 26993 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 system and a judicial system.

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

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

Certain public and private organizations have initiated class actions against financial institutions in Argentina. Class actions are contemplated in the Argentine National Constitution and the Consumer Protection Law, 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, the 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.*

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 financial crisis, in particular, the asymmetric pesification. The final decision regarding these proceedings remains uncertain and substantial losses may be sustained by financial institutions, including Banco Galicia.

---

**Table of Contents**

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

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

**Risk Factors Relating to Us**

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

Grupo Galicia, as a holding company, conducts its operations through its subsidiaries. Consequently, it does not operate or hold substantial assets, except for equity investments in its subsidiaries. Except for such assets, Grupo Galicia's ability to invest in its business 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 and agreements, Banco Galicia has restrictions related to dividend distribution. In particular, after the end of 2011, the Argentine Central Bank modified the regulations regarding dividend distribution. The new regulation establishes that after paying dividends, financial institutions must have an excess of computable capital over the minimum requirement of 75%, an increase from the previous requirement of 30%. As a result of these regulations, Banco Galicia was unable to declare dividends for the fiscal year ended December 31, 2015.

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.

A percentage of Banco Galicia's liquidity is derived from local banks and the local capital market. As of December 31, 2015, Banco Galicia's liquidity ratio was 42.9%, as measured by liquid assets as a percentage of total deposits (liquid assets that include cash, bank loans, holdings of securities issued by the Argentine Central Bank ( Lebac and Nobac ), net interbank loans, short-term placements with correspondent banks and repurchase agreement transactions in the local market). Any disruptions in the local capital market or in the local financial market, as have been experienced by Argentina in the past, may result in a reduction in availability and/or increased cost of financing for liquidity obtained from such sources. These conditions may impact Banco Galicia's ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute its growth strategy. Any such event may adversely affect Banco Galicia's financial position and/or results of operations.

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

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

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

***If Grupo Galicia's 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.

**Item 4. Information on the Company**  
**History and Development of the Company**

Our legal name is Grupo Financiero Galicia S.A. We are a financial services holding company that was incorporated on September 14, 1999, as a *sociedad anónima* (which is a stock corporation) under the laws of Argentina. As a holding company we do not have operations of our own and conduct our business through our subsidiaries. Banco Galicia is our main subsidiary and one of Argentina's largest full-service banks. Through the operating subsidiaries of Tarjetas Regionales (of which Banco Galicia owns 77%), a holding company controlled by Banco Galicia, and CFA (of which Banco Galicia owns 97% and Grupo Financiero Galicia owns 3%) we provide proprietary brand credit cards throughout the *Interior* of the country and consumer finance services throughout Argentina. Argentines refer to the *Interior* as all of Argentina except for 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.161,748 million as of December 31, 2015.

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.

Our domicile is 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 offices are located at Teniente General Juan D. Perón 430, Twenty-Fifth floor, (C1038AAJ), Buenos Aires, Argentina. Our telephone number is (54-11) 4343-7528.

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

**Organizational Structure**

The following table illustrates our organizational structure as of December 31, 2015. Percentages indicate the ownership interests held.

**Table of Contents**

All the companies shown in the chart are incorporated in Argentina, except for Galicia Uruguay, which is incorporated in Uruguay and which is currently not an operating financial institution.

## 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 US\$100 million of face value of subordinated notes to be issued by Banco Galicia to its creditors in the restructuring of the foreign debt of its head office in Argentina (the Head Office ) and its Cayman Branch, or cash. This capital increase was carried out in connection with the restructuring of Banco Galicia's foreign debt. On May 13, 2004, we issued 149,000,000 preferred non-voting shares, with preference over the ordinary shares in the event of liquidation, each with a face value of Ps.1. The preferred shares were converted into class B shares on May 13, 2005. With this capital increase, our capital increased to Ps.1,241,407,017.

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

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

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

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

## **Table of Contents**

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

All documentation related to the merger of Lagarcué S.A. and Theseus S.A. into Grupo 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 Lagarcué S.A. and Theseus S.A. into Grupo Galicia was registered in a public deed pursuant to the terms of paragraph 4 of article 83 of the *Ley 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 Lagarcué S.A. and Theseus and S.A. were transferred to Grupo Financiero Galicia. As a result, Grupo Financiero Galicia owns 560,199,603 shares of Banco Galicia, representing 99.621742% of its capital stock and voting rights.

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

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

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

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

### ***Banco Galicia***

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

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

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



## Table of Contents

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.

As part of its growth strategy, in 1995 Banco Galicia began a new expansion phase into the *Interior* of Argentina where high growth potential was believed to exist. Typically the *Interior* is underserved relative to Buenos Aires and its surroundings with respect to access to financial services, and its population tends to use fewer banking services. Between 1995 and 1999, Banco Galicia acquired equity interests in entities 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's situation and the subsequent growth cycle that began in mid-2002, financial activities began to expand at high rates, which translated into high growth for the financial system as a whole, including Banco Galicia. The provision of services continued to develop, even further than prior to the crisis, and financial intermediation resumed progressively.

Beginning in May 2002, Banco Galicia began to implement a series of initiatives to deal with the liquidity shortage caused by the systemic deposit run, the unavailability of funding and other adverse effects of the 2001-2002 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

**Table of Contents**

to restructure the debt of its New York Branch and undertook a share offering to increase its capitalization, in order to be able to support the increase in regulatory capital requirements on a bank's exposure to the public sector and the growth of its business with the private sector.

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

Pursuant to Resolution No. 124, dated June 7, 2010, the Argentine Central Bank authorized the purchase of the shares of the CFA Group by Banco Galicia and Tarjetas Regionales and on August 31, 2010, through Resolution No. 299, the National Commission for the Defense of Competition (*Comisión Nacional de Defensa de la Competencia*) approved the transaction. The purchase of the shares of the CFA Group was completed by Banco Galicia (95%) and Tarjetas Regionales (5%) on June 24, 2010. The price to acquire the shares of these companies was Ps.334 million. This purchase was financed with Banco Galicia's available cash, within its ordinary course of business. During the fiscal year ended December 31, 2011, the 5% interest held by Tarjetas Regionales was acquired by Grupo Financiero Galicia and Banco Galicia, which acquired 3% and 2% of such interest, respectively. Following such acquisition, Banco Galicia held a 97% interest in CFA. See *-Compañía Financiera Argentina* below.

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

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

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

During the third quarter of fiscal year 2014, Banco Galicia sold to VISA Argentina S.A., a company in which the Bank 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.

In a survey conducted in 2015 by Great Place to Work<sup>®</sup>, which involved more than 87,000 employees from 115 different companies, Banco Galicia was ranked fourth 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 US\$1 million.

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

**Table of Contents**

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

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

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

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

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

As of December 31, 2015, the outstanding principal amount of debt resulting from the above-mentioned restructuring amounted to US\$235 million. For more information see Item 5.A. Operating Results-Contractual Obligations and Operating Results-Funding .

Grupo Financiero Galicia holds a credit against Banco Galicia for a face value of US\$10 million, as a result of the acquisition from third parties of subordinated loans maturing in 2019.

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

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

Due to the effects of the 2001-2002 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 US\$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 for a value equal to US\$2.1 million through the voluntary redemption of shares, which was carried out on October 18, 2010. During 2013 and 2014, shareholders decided to carry out two new voluntary share redemptions. These redemptions were carried out for a value equal to US\$2 million and US\$3 million, on November 18, 2013 and September 10, 2014, respectively.

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

Galicia Cayman was established in 1988 in the Cayman Islands as another alternative service location for Banco Galicia's customers. Galicia Uruguay's situation adversely affected its subsidiary Galicia Cayman, which commenced voluntary liquidation and surrendered its banking license effective as of December 31, 2002. In May 2003, Galicia Cayman together with the provisional liquidators designated by the Grand Court of the Cayman

**Table of Contents**

Islands completed a debt restructuring plan and, with the authorization of such Court, presented it to all of its creditors for their consideration. The plan was approved in whole on July 10, 2003 by the vote of 99.7% of its creditors, exceeding the legal majority required, and became effective and mandatory for all creditors. On February 2, 2006, the Grand Court of the Cayman Islands declared the plan as terminated and ended the involvement of any third parties in the company's management beginning on February 23, 2006.

In March 2014, Galicia Cayman shareholders approved the move of the registered office of the company from the Cayman Islands to Argentina. Galicia Cayman was incorporated in Argentina by the Provincial Registry of Corporations of the Province of Mendoza as Galicia Cayman S.A.

In September 2014, the Bank entered into a preliminary agreement to merge Galicia Cayman into the Bank, effective as of October 1, 2014. The Bank controlled 99.989% of the shares of Galicia Cayman and had an option to purchase the remaining 0.011%, which was owned by Cobranzas y Servicios SA. In November 2014, the Bank's shareholders, through an extraordinary shareholders' meeting, exercised the above mentioned option and 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.

***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.



## **Table of Contents**

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%.

As of December 31, 2015, Banco Galicia held 77% of Tarjetas Regionales. In turn, Tarjetas Regionales directly and indirectly held 100% of Tarjeta Naranja and 100% of Tarjetas Cuyanas.

These companies have experienced a significant expansion of their customer bases, in absolute terms and with respect to the range of customers served, number of cards issued, distribution networks and size of operations, as well as a technological upgrade and general modernization. By mid 1995, Tarjeta Naranja had approximately 200,000 cards outstanding. As of December 31, 2014, the Regional Credit Card Companies, on a consolidated basis, had approximately 9.5 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.

In addition, Tarjeta Naranja has exported its business model to the Dominican Republic, where it commenced operations in 2007 through a joint venture with Grupo León, and to Peru, where it commenced operations in 2011 through a joint venture with Banco de Crédito del Perú. As of the end of the second quarter of 2012, Tarjeta Naranja Dominicana S.A.'s shareholders decided to sell to Banco Múltiple León S.A. (holder of the remaining 50% interest in Tarjeta Naranja Dominicana S.A.'s capital stock) Tarjeta Naranja Dominicana S.A.'s rights related to customers and to start the liquidation of the company. Later, on October 14, 2014, Tarjeta Naranja entered into the final agreement to transfer its interest in Tarjeta Naranja Perú (a joint venture, equivalent to 24% of the capital stock of such company, to Grupo Crédito S.A. for US\$900,000. As of the date of this annual report, the shares have been transferred.

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

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

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

## **Table of Contents**

retail merchants for the acquisition of different consumer goods. In 1994, it created *Efectivo Sí*, which is a product aimed at satisfying the financial needs of the non-bankarized population sector, or that segment of the population characterized by limited interaction with traditional banks.

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

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

## ***Sudamericana Holding***

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

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

## ***Galicia Administradora de Fondos***

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

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

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%.

-27-

## **Table of Contents**

### ***Net Investment***

Net Investment was established in February 2000 as a holding company (87.5% owned by Grupo Financiero Galicia and 12.5% owned by Banco Galicia) whose initial purpose was to invest in and develop businesses related to technology, communications, internet connectivity and web contents. Net Investment has performed its activities in the areas of business to business e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

During the 2011 fiscal year, the shareholders decided to amend the corporate purpose of Net Investment to be able to invest in additional companies in related, accessory and/or supplementary activities.

### ***Galicia Warrants***

Galicia Warrants was founded in April 1993, when it obtained the authorization from the relevant authorities to store goods and issue certificates of deposits of goods and warrants under the provisions of Law No. 9,643.

Galicia Warrants is a leading company in the deposit certificates and warrants issuance market and its main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. Its main objective is to enable its customers to access credit and financing, which are secured by the property kept under custody. Its shareholders are Grupo Financiero Galicia, with an 87.5% stake, and Banco Galicia, with the remaining 12.5%.

## **Business**

### ***Banking***

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

Banco Galicia is one of Argentina's largest full-service banks and is a leading provider of financial services in Argentina. According to information published by the Argentine Central Bank, as of December 31, 2015, Banco Galicia ranked second in terms of assets, deposits and loan portfolio within private-sector banks in Argentina. As of the same date, Banco Galicia also ranked first among private-sector domestic banks in terms of assets, loans and deposits. Its market share of private sector deposits and of loans to the private sector was 9.41 % and of 8.89% respectively, as of the end of 2015. On a consolidated basis, as of the end of fiscal year 2015, Banco Galicia had total assets of Ps.160,550 million, total loans of Ps.98,342 million, total deposits of Ps.100,183 million, and its shareholders equity amounted to Ps.13,812 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, 2015, was comprised of 260 full service banking branches, located throughout the country, 1,659 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 million customers, who were comprised of mostly individuals but who also included more than 86,000 companies. Banco Galicia has a strong competitive position in retail banking, both with respect to individuals and small- and medium-sized companies. Specifically, based on internal studies undertaken by Banco Galicia, it is estimated that Banco Galicia is one of the primary providers of financial services to individuals, one of the largest providers of credit cards, one of the primary private-sector institutions serving the small- and medium-sized companies sector, and has traditionally maintained a leading position in the agriculture and

livestock sectors. Banco Galicia's primary clients are classified into two categories, the Wholesale Banking Division and the Retail Banking Division.

For a breakdown of Banco Galicia's revenues by category of activity for the last three financial years, see Item 5.A. Operating Results-Results by Segments-Banking.

## Table of Contents

### *Wholesale Banking*

The Wholesale Banking division manages and builds relationships with companies from all economic sectors and supports its business model by being closely related to its corporate customers, providing dedicated and focused services.

Across Argentina, Banco Galicia has granted multiple credit lines to companies to finance needs ranging from working capital to medium- to long-term investment projects.

Office Banking, Banco Galicia's corporate e-banking service, provides a quick, dynamic and safe channel to manage the online accounts of corporate customers and continues to grow year after year. In this respect, transaction volumes increased by 55% as compared to the fiscal year ended December 31, 2014.

During 2015, more than 20 platform initiatives were carried out, such as giving corporate customers the ability to make payments directly to the Argentine Revenue Service ( AFIP ), providing such customers with the ability to sell to the Bank checks received from suppliers, by providing the order directly through office banking with instant crediting of the money in the companies account, authorizing multiple transactions in only one step and other initiatives designed to improve a customer's experience and optimize the security and use of the platform. In the syndicated survey conducted among several banks, Office Banking achieved first place in customer preference with respect to transactions in the segments analyzed.

In fiscal year 2015, Banco Galicia continued with the optimization of its interbanking clearing house, increasing the size of transactions consummated, as compared to 2014, by 38%. As of the end of fiscal year 2015, Banco Galicia was ranked first by Interbanking in terms of the number of transactions consummated and the size of such transactions in AFIP payments.

Also, in fiscal year 2015, the Bank's goals were focused on increasing the efficiency of its transactional products, providing an excellent experience to customers and developing new products to allow the Bank to distinguish itself from its competitors.

### Corporate Banking

This segment is comprised of companies and/or economic groups with annual sales over Ps.700 million, multinational companies and listed companies. During fiscal year 2015, the Bank maintained its leading position and consolidated its presence in Corporate Banking, positioning itself as one of the best in the market, according to the latest survey conducted by Brain Network. This was attained thanks to effective commercial planning, improvement in the service offering and the implementation of a differentiated advisory model, which allows the Bank to be close to its customers and meet their different needs.

During fiscal year 2015, the customer corporate service department was implemented in order to direct and solve post-sale issues in a faster and more personalized manner thereby providing the customer with a high quality experience.

The performance obtained, together with the constant search for tailor-made solutions, made it possible for the Bank to increase its transactional products volumes by more than 45% as compared to the prior fiscal year.

### Companies

In 2015, the Companies Segment Division was created, the mission of this new division is to develop the business strategy of the Bank based on three objectives: adding value, a service-based model, and acquisition and development.

This segment is comprised of companies whose revenues range from Ps.70 million to Ps.700 million. Among these types of companies, Banco Galicia is the leading bank in the segment, standing out in all business sectors. There are a total of 19 corporate banking centers throughout Argentina.



## Table of Contents

The synergy with the network of branches, supplemented with a team of professionals at each center specialized in foreign trade, treasury solutions, the agricultural sector and companies, is focused on offering a comprehensive service that is tailor-made to each business, with decentralized and regional decision-making and resolution.

During fiscal year 2015, Banco Galicia kept its leading position as principal bank in the segment, primarily standing out in the placement of loans and the purchase of checks of the Credit Line for the Productive Investment, the financing of working capital and the updates of Office Banking, the electronic channel designed to improve the customers' experience.

### Agricultural and Livestock Sector

Tarjeta Galicia Rural holds more than 37% of the market share of credit card-related transactions in this segment, having experienced a 30% increase in sales volumes, as compared to the 2014 fiscal year. More than 95 interest-free agreements were entered into with leading agricultural and livestock sector companies.

Noteworthy among the business activities carried out in the agricultural and livestock sector during fiscal year 2015 were multiple financing offers to finance agricultural campaigns, including the structuring of loans to best suit each producer's needs and the development of capital market transactions for such segment.

During fiscal year 2015, the thirteenth edition of the *Excelencia Agropecuaria La Nación - Banco Galicia* Award (La Nación-Banco Galicia's Agricultural Excellence Award) was achieved and *Banco Galicia - Revista Chacra a la Gestión Solidaria del Campo* Award (Banco Galicia-Chacra Magazine's Rural Solidarity Award), FOCA Award to the sustainable agricultural practices and CAPA-Banco Galicia Award to the agricultural journalism were granted.

As in prior fiscal years, the Bank supported the research and outreach activities of Universidad Austral. The Bank also continued supporting the activities of the *Fundación Producir Conservando*, the Asociación Argentina de Productores en Siembra Directa (Argentine Association of No-till Farming) and the *Liders* (Leaders) training program, as well as different activities promoted by *Consortios Regionales de Experimentación Agrícola* (Agricultural Experimentation Regional Consortiums).

Further developed the loyalty plans that it has in place with the four primary cattle breeding associations in Argentina (i.e. those related to Brangus and Braford breeds) during 2015. These further developments consisted of expanding the terms of their existing collaboration agreements with such associations, thereby providing members of the associations with additional benefits.

### Foreign Trade

During fiscal year 2015, the foreign trade volumes (imports plus exports) amounted to US\$13,268 million, which accounted for 11% of the trade balance. Out of the total foreign trade transactions, 64% were carried out through electronic banking.

Galicia Comex, Banco Galicia's specialized website for conducting foreign trade transactions, continued its growth, becoming a market reference point.

During the second half of 2015, the Bank commenced its Foreign Trade Project. Such project is currently expected to conclude in the first quarter of 2019. Through this world-class project, Banco Galicia is replacing the technological systems that it currently uses to direct, process and manage foreign trade transactions, and is introducing and updating office banking functionalities for customers.

Capital Markets and Investment Banking

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

## Table of Contents

### Non-Financial Public Sector

Services provided to the non-financial public sector include e-collection and payment solutions to various agencies, municipalities and universities, with technology-based, value-added solutions that facilitate and enhance daily operations according to transactional needs.

During 2015, the Bank's business management was focused on maintaining and growing existing clients in this sector by generating an increased number of transactions and increasing the number and/or volume of transactional deposits all without neglecting the provision of advisory services to customers in order to attract additional time deposits.

Through a business campaign targeting companies on the Automotive Property Registry, a 60% market share was achieved at the national level, generating a new source of income and transactional deposits, as well as a source of customers to generate new payroll direct deposit.

Moreover, new non-traditional businesses continued being generated, such as the exchange of physical money of low denomination throughout the country for electronic money.

### *Retail Banking*

The Retail Banking Division manages Banco Galicia's business with individuals from all income brackets, micro and smaller businesses (i.e., those businesses with annual revenues below Ps.70 million) and small retailers and professionals. Retail Banking provides a wide range of financial products and services, encompassing transactions, loans, and investments. On the transactions side, Banco Galicia offers its customers checking and savings accounts, credit and debit cards, and payroll direct deposit, among other services. Banco Galicia's customers have access to its services through its branch network as well as through its electronic distribution channels. See -Sales and Marketing.

The Retail Banking Division is currently focused on (i) developing a customer-oriented culture, (ii) positioning itself as a Leader in the technological transformation of the financial markets, (iii) a multifaceted approach to customer needs in order to create a positive experience for our customers, developing the design of the multichannel strategy creating the customer's best experience, (iv) developing innovative products and services, and improving each segment's strategy in order to maintain a leading position. The Retail Banking Division was redesigned in order to create a marketing department, whose mission is to cultivate new segments, products, advertising and business intelligence and a digital department, whose mission is to improve the Bank's placement in various rankings and to make it the best digital bank in Argentina. The primary goal of the marketing and digital departments is to direct the Bank, either through its technical or its business areas, towards a dynamic that allows the Bank to compete in the retail banking area, accelerating the cycles of design, development and execution of the channels, products and campaigns with a strong customer-oriented approach. The Channels Department's goals are to continue developing indirect sales channels, which include (i) the sellers channel, (ii) the retail sales unit channel and (iii) agreements and payroll channels, while also encouraging synergies with other companies in the corporate group.

The Retail Banking Division's customer base grew 10% during 2015, exceeding 2 million customers.

In particular, the Business and the medium and small business (PyMEs) segment (comprised of self employed individuals and small- and medium-size companies) of the Retail Banking Division was notable, according to studies conducted by private consulting firms, it was ranked as a leader in offering the most frequently chosen portfolio of products, achieving a 29% penetration in this segment. The most important business achievements were the 11% increase in its customer base, the 16% increase in payroll accounts and, at a credit level, the placement of the Credit Line for Productive Investment for over Ps.1,540 million in the Business and PyMEs segment.

The leadership of the Visa Business card is also evidenced in the consumption market share, as per the information furnished by Visa.

## **Table of Contents**

In turn, the Galicia Éminent service, a service aimed at the high-income customer segment, showed an interannual growth of 16%. In a highly competitive environment, as a result of the attractiveness of the segment, Galicia Éminent managed to be ranked first, based on studies conducted by private consulting firms in terms of service, and maintained its leadership position in premium credit card consumption throughout the year, as per the information furnished by Visa, American Express and Mastercard.

Also, as a way to continue improving its customers' experience, it began remotely serving customers who value a remote service, as well as rewarding them for recommending Banco Galicia to their group of friends. These achievements permitted Galicia Éminent to continue being the financial service best remembered and valued among the segment's clientele.

The Move service, an offering for the young people segment, began being marketed during 2014, seeking to attract many new customers at a low cost while also positioning the Bank as a leader in this new segment.

The Bank worked mainly on the acquisition of new customers in the young people segment, not only through the university channel, but also on the online channel. The latter represents 25% of the total additions of Move. In this regard, the use of platforms, such as Facebook, Google, YouTube and Whatsapp, was increased in the customer relation and relationship processes, consolidating the concept of bank without branches, 100% online as a differentiating brand attribute. The Bank currently has over 100,000 Move customers and is present at 17 universities.

Furthermore, the Bank worked on improving its efficiency by reviewing the profitability of channels and moving transactions between channels, always taking into account the customers' preferences or habits.

The Private Banking Division offers professional financial services to individuals with medium- to high- net worth, through the management of their investments and the provision of financial advisory services. Private Banking offers its customers a wide range of domestic financial investment alternatives, such as deposits, FIMA mutual funds, government and corporate securities, as well as trusts and notes where Banco Galicia acts as an arranger.

One of the Private Banking premises, in line with the Bank's strategy to differentiate itself from competitors through service quality, is the preferential treatment of its customers. In this regard, the service has a wide network of highly-trained officers, an investment center that operates from 8 a.m. to 6 p.m. and exclusive spaces for service.

The credit and debit card business continued its strong growth during 2015, with a 46% increase in purchases, as compared to 2014, and over 200 million transactions during the year. The Bank's market share in the banking means of payment (i.e., credit and debit cards business) was 12.1%.

During fiscal year 2015, over 450,000 primary cards and 339,000 additional cards were issued, totaling more than 4 million cards. With approximately 5,600 business agreements, Banco Galicia provides benefits to its customers at approximately 12,000 stores in various industries and throughout the country.

Through the program to encourage consumption and production of goods and services called Ahora 12 (Now 12 Installments), Ps.3,500 million were financed from its beginning in September 2014 to year-end 2015.

Regarding customers' rewards for their relation with the Bank and the use of bank products, customers can take advantage of several benefits through the Quiero! Fidelity Program and plan trips through the QuieroViajes program.

In 2015 the Quiero! Fidelity Program continued to grow and position itself as a value proposition for customers. Through the years, the Bank has managed to make its investment in benefits more efficient by allocating resources to

customers from high priority segments based on income recorded, achieving a lower impact on the Bank's income statement by both increasing the customer's usage of the card and by increasing the number of cardholders.

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

## **Table of Contents**

Apart from its branches, Banco Galicia uses Red Galicia 24 (Banco Galicia's ATM and self-service terminals network), the bancogalicia.com portal, Galicia Servicios Móviles, its Retail Sales Unit, and the Commercial Planning area of its Customer Contact Center, which are service, transactional and sales channels focused on individual and corporate customers.

Banco Galicia's ATMs and self-service terminals provide its customers with a means of solving their transactional needs in a simple, safe and affordable way, on a 24/7 basis. They are distributed all over the country in the branch network and other locations, such as gas stations, supermarkets and shopping malls.

The bancogalicia.com website makes it possible for customers to request products according to their needs with the assistance of an interactive advisor, obtain information on promotions in the innovative benefits catalogue, and get information about all the products and services offered by Banco Galicia. It also facilitates access to Banco Galicia's specific web pages for both individuals (Galicia home banking) and companies (Office Banking), allowing customers to access Banco Galicia's products and services from any location, 365 days a year.

Galicia Servicios Móviles application for smart phones simplifies access to services from cell phones. With the right design to fit the screen of these devices, customers may perform queries, make investments, transfer money and pay bills, including credit card bills.

In 2015, the Indirect Channels Division continued to grow and to pursue its mission to develop internal and external channels to attract new customers and to market consumer banking products. The area is made up of the Retail Sales Unit (focused on cross-selling and attraction of customers that already use the Bank's direct payroll deposit service), the Indirect Sales Channel Unit (focused on attracting new customers through the entrance into new agreements with third parties that have large networks, thereby allowing the Bank to increase its network of points of sale) and the Commercial Planning for Telephone Banking Unit (focused on attracting customers and cross-selling through internal and external call centers).

## *Consumption*

Through its Regional Credit Card Companies and CFA, Banco Galicia offers financing for low- and mid-income consumer segments.

## **Regional Credit Card Companies**

The companies devoted to the issuance of regional credit cards and the provision of financing transactions to consumers are subsidiaries of Banco Galicia through Tarjetas Regionales (Tarjeta Naranja and Tarjetas Cuyanas).

Through the Regional Credit Card Companies, Tarjetas Regionales is the largest non-bank credit card issuer in Argentina and one of the largest in Latin America, in each case, based on the number of credit cards issued. It is also one of the two largest merchant acquirers in Argentina and one of the largest credit card processors in Argentina. As of December 31, 2015, Tarjetas Regionales had more than 3.2 million active accounts, 9.5 million issued credit cards and more than 250,000 affiliated merchants. As of the same date, Tarjetas Regionales estimated that its market share of issued credit cards in Argentina was approximately 19% and of active accounts in Argentina was approximately 21%. As the credit card processor for all of its credit card operations, Tarjetas Regionales processes approximately 151 million transactions per year.

Tarjetas Regionales has a distinctive business model that it believes is well-suited to developing economies in Latin America and to the cultural background of its clients. Its business model of credit card issuance and related credit

services focuses on the specific needs of lower- and lower-middle-income clients through personalized and attentive services using its extensive network of branches. Tarjetas Regionales client base is primarily in the *Interior*, where each of its brands has a leading presence in its coverage area. Its current expansion efforts in Argentina are focused on the Greater Buenos Aires.



## Table of Contents

In addition, through the Regional Credit Card subsidiaries, Tarjetas Regionales issues, operates and processes its own branded credit cards, the Tarjeta Naranja credit card and the Tarjeta Nevada credit card, which allow credit card holders to charge purchases of goods and services in the network of merchants that have agreed to accept these proprietary credit cards. As of December 31, 2015, these proprietary credit cards accounted for, on average, approximately 50% of its issued credit cards and approximately 72% in terms of its average monthly purchase volumes. Tarjetas Regionales also offers its clients international credit card brands such as Visa, MasterCard and American Express that are issued by Banco Galicia on its behalf. In addition to its credit card business, Tarjetas Regionales also extends personal loans, through the Regional Credit Card Companies, to its clients either for the account of the Regional Credit Card Companies or for the account of Banco Galicia at the election of the relevant Regional Credit Card Company. Tarjetas Regionales provides its products and services through an extensive network of 262 branches, client service centers and other points of sale strategically located in most major Argentine cities. Its branch network provides a critical service and payment interface for its clients, which allows it to provide targeted client service and form relationships with its clients and affiliated merchants.

For a breakdown of the Regional Credit Card Companies' revenues for the last three financial years, see Item 5.A. Operating Results-Results by Segments-Regional Credit Cards .

## Compañía Financiera Argentina

CFA is the leading financial company in Argentina in the personal loan business. As of December 31, 2015, CFA's assets were over Ps.3,800 million and its shareholders' equity was Ps.1,324 million. CFA employed 1,158 people. With 58 branches and 36 points of sale throughout Argentina, CFA offers its products to 454,462 customers, who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. Such customers often seek a more simplified and quick processing regime for their loans and other banking products.

Main products:

### *Efectivo Sí - Loans*

*Personal Loans:* Unsecured personal loans payable in installments.

*Consumer Loans:* Product to finance purchases of goods through merchants associated with CFA, without using any cash or credit cards. Such goods include home appliances, household goods and construction materials.

*Payroll Loans:* Granted to affiliates or associate members of mutuals, cooperatives, unions, and to companies' employees.

*Loans to Public Sector Employees:* Loans targeted to public sector employees on the national level, which are deducted directly from their salary.

*Efectivo Sí - Savings*

**Time Deposits:** An investment alternative which allows customers to receive returns over its invested money in a quick and streamlined manner.

**Savings Account and Debit Card:** Mainly aimed at retired individuals who receive their salaries through Efectivo Sí.

*Efectivo Sí - Cards*

**Credit Cards:** CFA is the issuer of Visa and MasterCard, both at domestic and international level.

*Efectivo Sí - Insurance*

**Insurance:** CFA sells different types of insurance policies from leading companies of the market to meet customers' needs.

**Retirement and pension payment - National Social Security Administration:** Aimed at retired individuals and pensioners collecting their payments at CFA.

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

## **Table of Contents**

CFA's net income for fiscal year 2015 amounted to Ps.127 million (including the results of Cobranzas y Servicios in accordance with its 5% equity interest). At year end, its loan portfolio, net of allowances for loan losses, exceeded Ps.2.929 million, representing a 7% increase as compared to fiscal year 2014 and had strong portfolio quality ratios.

CFA's objective is to secure, maintain and expand its leading position in the consumer finance market. During 2016, CFA expects to further grow and consolidate its customer portfolio and boost credit card circulation. With respect to financing, it will seek financing from the domestic capital market by issuing trusts and notes, and it will focus on increasing financing through time deposits at its branches.

For a breakdown of CFA's revenues for the last financial year, see Item 5.A. Operating Results-Results by Segments-CFA.

### *Financial Division*

The Financial Division of Banco Galicia includes the Financial Operations, Banking Relations, and Information Management and Support areas. Additionally, it is part of the FIMA mutual funds business as it is the main distribution channel for FIMA mutual fund products.

The Financial Operations Division is responsible for, among other things, managing liquidity and the different financial risks of Banco Galicia, based on the parameters determined by the board of directors of Banco Galicia. It manages positions in foreign currency and government securities, and it also acts as an intermediary and distributes financial instruments for its own customers (institutional investors) and corporate customers and individuals. It participates in different markets in its capacity as a comprehensive clearing and settlement agent in respect of the *Mercado Abierto Electrónico* ( MAE ), the Rosario Futures Exchange ( ROFEX ) and the *Mercado de Valores de Buenos Aires* ( Merval ).

In 2015, the volume traded in the foreign exchange market decreased as a result of foreign exchange restrictions. Even though in the wholesale market, the total volume traded among banks in the MAE decreased by 4%, as compared to 2014, from US\$49,900 million in 2014 to US\$47,660 million in 2015, the volume traded by the Bank increased by 32%, from US\$4,056 million in 2014 to US\$5,363 million in 2015, resulting in the Bank being ranked fourth in terms of volumes traded in the foreign exchange market according to the MAE.

Regarding the futures market, Banco Galicia's position in the MAE's ranking decreased from third to fourth place, and the Bank was ranked second in ROFEX. In both markets, Banco Galicia traded a total volume of US\$14,995 million, 113% more than the US\$7,026 million traded in 2014. The foreign trade volume transacted amounted to US\$12,632 million, maintaining a similar level to that in 2014. In addition, dollar trading transactions significantly increased as a result of loosening foreign exchange restrictions, from US\$600 million in 2014 to US\$1,006 million in 2015.

The total volume traded in fixed income totaled US\$122,730 million in 2015. Banco Galicia maintained the first place in the annual ranking according to the MAE, with a 29% increase, as compared to the previous year, reaching US\$20,998 million traded and a 17% market share.

The Banking Relations Division is responsible internationally for managing Banco Galicia's business relationships with correspondent banks, international credit agencies, official credit agencies and, domestically, with financial institutions and exchange houses.

### *Insurance*

Galicia Seguros is a provider of a variety of property and casualty and life insurance products. Its most important line of business is group life insurance, including employee benefit plans and credit related insurance. With regard to property and casualty insurance products, it primarily underwrites home and ATM theft insurance. Galicia Retiro provides annuity products, and Galicia Broker is an insurance broker. In the 2012 fiscal year, Galicia Seguros, together with three other insurance companies, created Nova Re Compañía Argentina de Reaseguros S.A., which aims to increase the reinsurance offers in the Argentinean market. These companies operations are all located in Argentina.

## **Table of Contents**

Total insurance production of the aforementioned insurance companies amounted to Ps.2,544 million during 2015, 44% higher than the volume of premiums of the previous year (Ps.1,762 million).

This increase in insurance production was recorded mainly for Galicia Seguros, with Ps.782 million more premiums written than in the same period of the previous fiscal year. As regards Galicia Seguros' business transactions, the focus was placed on continuing to increase the company's turnover and sales, which in 2015 amounted to Ps.709 million of annualized premiums. This represented a 39% growth as compared to the previous year, thus increasing the insurance policy lapse ratio and extending the types of coverage offered by adding insurance policies in new lines of business.

Law No. 26,425 that created the Argentine Social Security Integrated System (*Sistema Integrado Previsional Argentino*) brought an end to pension-linked life annuities, the main product marketed by Galicia Retiro. Consequently, the company's main objective is to efficiently administrate current business and to analyze whether or not to re-launch new voluntary individual and group retirement products.

Within the current economic framework, measures aimed at complying with the goals established in the Business Plan will continue during 2016.

## ***Other Businesses***

**Galicia Administradora de Fondos:** This is the company that manages the FIMA family mutual funds that are distributed by Banco Galicia through its various channels (network of branches, home banking and investment centers, among others). The company's team is comprised of asset management professionals the goal of whom is to manage the FIMA family funds and to meet the demands of the individuals, companies and institutions the company serves.

During fiscal year 2015, the market volume for mutual funds increased 61%, primarily due to bond funds, amounting to Ps.212,529 million as of the end of 2015. The total assets of the FIMA family mutual funds increased 53% from the previous fiscal year, reaching, as of December 31, 2015, a volume of Ps.18,174 million, representing a market share of 9%. This increase in volume mainly took place in the institutional and corporate customers segment, particularly in respect of the FIMA Ahorro Pesos, FIMA Ahorro Plus and Fima Premium products.

The outlook for fiscal year 2016 foresees a continued growth of mutual funds and a development of business activity in the framework of the new Capital Markets Law, such as the provision of investment advice and management services.

**Net Investment:** This company has performed its activities in the areas of intercompany e-commerce, with the purpose of creating and exchanging synergies with Banco Galicia's business activities.

During the 2011 fiscal year, the shareholders of Net Investment decided to amend the corporate purpose in order to be able to invest in additional companies in related, accessory and/or supplementary activities.

For fiscal year 2016, the board of directors of Net Investment is analyzing business alternatives and opportunities.

**Galicia Warrants:** This company is a leading company in the deposit certificates and warrants issuance market. It has been conducting transactions since 1994, supporting medium and large companies with respect to stock custody. Galicia Warrants' main objective is to enable its customers to access credit and financing secured by the property kept under custody. Galicia Warrants' main customers belong to the agricultural, industrial and agro-industrial sectors, as well as exporters and retailers. In fiscal year 2015, Galicia Warrants recorded an income from services of Ps.81

million and a net income of Ps.31 million.

For a breakdown of the other businesses' revenues for the last three financial years, see Item 5.A. Operating Results-Results by Segments-Other Grupo Businesses.

## **Table of Contents**

### **Competition**

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

#### ***Banking***

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

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

Banco Galicia's estimated market share of private-sector deposits in the Argentine financial system was 9.41% as of December 31, 2015, as compared to 8.79% as of December 31, 2014 and 9.20% as of December 31, 2013.

With respect to loans to the private sector, Banco Galicia's Argentine market share was 9.60% as of December 31, 2015, as compared to 8.76% and 8.78% as of December 31, 2014 and December 31, 2013, respectively.

According to the information published by the Argentine Central Bank, as of December 31, 2015, Banco Galicia was the second largest private-sector bank as measured by its assets, its deposits and its loan portfolio and ranked third in terms of net worth.

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

#### ***Argentine Banking System***

As of December 31, 2015, the Argentine financial system consisted of 78 financial institutions, of which 62 were banks and 16 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, 32 were private-sector domestically-owned banks and 17 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks).

As of December 31, 2014, the Argentine financial system consisted of 81 financial institutions, of which 65 were banks and 16 were financial non-bank institutions (including finance companies, credit unions and savings and loans associations). Of the 65 banks, 12 were Argentine national and provincial government-owned or related banks. Of the 53 private-sector banks, 33 were private-sector domestically-owned banks and 20 were foreign-owned banks (i.e., local branches or subsidiaries of foreign banks).

As of December 31, 2015, 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, 2015, private-sector banks accounted for 54.9% of total deposits and 61.3% of total net loans in the Argentine financial system. As of the same date, financial institutions (other than banks) accounted for approximately 0.2% of deposits and 2.1% of net loans in the Argentine financial system.



**Table of Contents**

As of December 31, 2015, the largest Argentine national and provincial government-owned or related banks, in terms of total deposits, were Banco Nación and Banco de la Provincia de Buenos Aires. Under the provisions the Financial Institutions Law, public-sector banks have comparable rights and obligations to private banks, except that public-sector banks are usually chosen as depositaries for public-sector revenues and promote regional development and certain public-sector banks have preferential tax treatment. The bylaws of some public-sector banks provide that the governments that own them (both national and provincial governments) must guarantee their commitments. According to information published by the Argentine Central Bank, as of December 31, 2015, government-owned banks and banks in which the national, provincial and municipal governments had an ownership interest accounted for 44.9% of deposits and 36.5% of loans in the Argentine financial system.

Consolidation has been a dominant theme in the Argentine banking sector since the 1990 s, with the total number of financial institutions declining from 214 in 1991 to 78 as of December 31, 2015, with the ten largest banks holding 76% of the system s deposits from the private sector and 71% of the system s loans to the private sector as of December 31, 2015.

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 17 as of December 2015, 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.

Starting in fiscal year 2013, the Argentine Central Bank took a more active role in the management of financial institutions s business, by means of the establishment of guidelines for granting credit through the Credit Line for Productive Investment (established to finance investment projects and working capital for specific purposes and having certain characteristics), as well as the creation of the requirement to obtain an authorization to increase fees.

In March 2016, the Argentine Central Bank, through its Communication A 5928, authorized an aggregate increase, between January 2016 and September 2016, of up to 20% on fees charged by the retail segment, as long as these increases are notified at least 60 calendar days prior to their effectiveness. In addition, beginning on September 1, 2016, banks can freely increase fees.

***Regional Credit Cards***

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

In order to compete effectively at a national and regional 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 medium- and low-income segments. While other Argentine credit card issuers and consumer loan providers focus on earning interest on outstanding personal loans and credit card balances, they also focus on and have access to additional sources of revenues including merchant fees and commissions, which allow them to offer competitive pricing and financing terms. Furthermore, unlike other credit card issuers in Argentina, approximately 60% of their clients pay their credit card bill through their branch network. The broad geographical reach of their 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.

**Table of Contents*****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, financed through the issuance of financial trusts.

***Insurance***

Sudamericana's subsidiaries face significant competition since, as of December 2015, the Argentine insurance industry was comprised of approximately 184 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 2015, the insurance industry continued growing. Production amounted to Ps.153 billion, 41% higher than the level recorded for the period before.

Out of the total insurance production, 81% relates to property insurance, 17% relates to life and personal insurance, and 2% relates to retirement insurance.

Within the 81% corresponding to property insurance, the automotive insurance segment continues to be the most significant segment, representing 44%, followed by the workers' compensation segment, representing 35%.

Within the life insurance segment, the group life insurance segment is the most significant, representing 68%, followed by individual life insurance, representing 14%, and personal accident insurance, representing 13%.

As of December 2015, based on internal studies undertaken by Galicia Seguros it is estimated that Galicia Seguros ranked fourth in terms of net premiums for life insurance policies underwritten and first in terms of net premiums for home insurance policies underwritten and in terms of net premiums for theft insurance policies underwritten.

**Sales and Marketing**

Banco Galicia's, the Regional Credit Card Companies' and CFA's distribution capabilities are our principal marketing channels. Our distribution network is one of the largest and most flexible distribution platforms in the country and has nationwide coverage. The network of offices of the Regional Credit Card Companies, located in the *Interior* of the country and in Buenos Aires, mainly serves the medium and low income segments of the population, who tend to use fewer banking and financial services. CFA's network serves the low income segment of the population, mainly in Buenos Aires and its outskirts. Through Banco Galicia, we operate a nationwide distribution network, which is one of the most extensive and diversified distribution networks among private-sector financial institutions in Argentina.

	<b>December 2015</b>
<b>Branches (number)</b>	
Bank Branches	260

Regional Credit Card Cos. Branches	207
CFA Branches	58
Business Centers and In-House Facilities	40
Eminent s space with Private-Banking	14
<b>Electronic Banking Terminals (number)</b>	
ATMs	857
Self-Service Terminals	802
<b>Electronic Banking Transactions (thousands per month)</b>	
ATMs + Self-Service Terminals	11,607
Phone-Banking	728
e-banking	42,202

## Table of Contents

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

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

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

Banco Galicia is the leading Argentine bank in terms of relevance on social networks. Customers find social networks a means to talk to Banco Galicia quickly, effectively and frankly. Banco Galicia consistently focuses on adapting to the varying situations that result from the use of social media, using these opportunities as a chance to improve its relationship with its customers. Through its work on the digital platform, Banco Galicia has established an excellent reputation regarding its online services, providing not only traditional services, but also involving the use of social networks, cellular phones and transactional, informative and communicative services, with the purpose of promoting the Bank's business and establishing effective channels of communication with its current and potential customers. Banco Galicia is client service oriented and assigns great importance to its service model and seeks to improve it constantly.

Banco Galicia has a segmented marketing approach and designs marketing campaigns focused on specific segments of Banco Galicia's customer base. Banco Galicia's marketing strategy is also focused on the development of long-term relationships with customers based on a deep and increasing knowledge of those customers. As part of this client-oriented strategy, Banco Galicia implemented a customer relationship management technology.

Banco Galicia considers quality of service and providing differentiating experiences to its clients as 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 Card Companies market their products and services through a network of branches and service centers, the size of which depends on the size of the locations in which they operate. The companies' culture is strongly client service oriented and assigns great importance to quality of service. Sales officials receive intensive training in personalized sale of the companies' products and quality of service, given that the bulk of sales is conducted on a one-on-one basis. Quality of service at the branches is permanently monitored by third parties and availability is enhanced through extended business hours. Each of the companies has a web site through which they conduct sales, receive customers' requests (such as requests for statements, loans or increases in the credit limits assigned and new cards, among others), provide information on and promote products. These sites include a link that allows payments to be made. In addition, Tarjeta Naranja has the website [www.tiendanaranja.com](http://www.tiendanaranja.com) aimed at selling products associated with its primary merchants. Similarly, Tarjetas Cuyanas has the website [www.preciosbajos.com](http://www.preciosbajos.com). Each company has a call center, through which sales, post-sales and collection functions are performed.

CFA markets its products through a network of 58 branches and 36 points of sales, located throughout Argentina. The company leads the personal loan business among financial institutions in Argentina and offers its products to customers who belong, in general, to the low-to-medium income segments, characterized by limited interaction with traditional banks. As such, CFA offers its product *Efectivo Si Consumer Loans* in approximately 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.

**Table of Contents**

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

**Property**

The following are our main property assets, as of December 31, 2015:

Property	Address	Square Meters (approx.)	Main Uses
<b>Grupo Financiero Galicia</b>			
- Rented	-Tte. Gral. Juan D. Perón 430, 25th floor, Buenos Aires, Argentina	89	Administrative activities
<b>Banco de Galicia y Buenos Aires S.A.</b>			
- Owned	-Tte. Gral. Juan D. Perón 407, Buenos Aires, Argentina	18.046	Administrative activities
	-Tte. Gral. Juan D. Perón 430, Buenos Aires, Argentina	41.407	Administrative activities
	-Florida 361, Buenos Aires, Argentina	9.210	Administrative activities
	-Corrientes 6287, Buenos Aires, Argentina	4,800	Land for corporate building
- Rented	-San Martín 178/200, Buenos Aires, Argentina	3.777	Administrative activities
	-Corrientes 411, 3rd and 4th floors, Buenos Aires, Argentina	3.276	Administrative activities
<b>Banco Galicia Uruguay S.A. (in liquidation)</b>			
- Rented	-Bernardina Frago de Rivera 1438, Montevideo, Uruguay	580	Storage
	- Dr. Luis A. de Herrera 1367 - Unit 301, Montevideo, Uruguay	48	Administrative activities
<b>Tarjeta Naranja S.A.</b>			
- Owned	-Sucre 152, 154 and 541, Córdoba, Argentina	6,300	Administrative activities
	-Humberto Primo, 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
<b>Tarjetas Cuyanas S.A.</b>			
- Rented	-Belgrano 1415, Mendoza, Argentina	1,160	Administrative activities
	-Belgrano 1462, Mendoza, Argentina	1,152	Administrative activities and printing center
	-Olascoaga 348, Guaymallén, Mendoza, Argentina	580	Storage
	-Godoy Cruz 670, Guaymallén, Mendoza, Argentina	400	Storage
	-Belgrano 1478, Mendoza, Argentina	350	Administrative activities
<b>Compañía Financiera Argentina</b>			
- Rented	-Paseo Colón 746, 3rd floor, Buenos Aires, Argentina	9,275	Administrative Activities

**Galicia Warrants S.A.**

- Owned	-Tte. Gral. Juan D. Perón 456, 6th floor, Buenos Aires, Argentina	118	Administrative activities
	-Alsina 3396/3510, San Miguel de Tucumán, Tucumán, Argentina	12,800	Storage
- Rented	-Alto Verde, Chicligasta, Tucumán, Argentina	2,000	Storage
	-Santa Marta, Alderete, Tucumán, Argentina	2,100	Storage
	- Las Talitas, Las Talitas, Tucumán, Argentina	2,300	Storage
	- Tafi Viejo, Tafi Viejo, Tucumán, Argentina	8,748	Storage

**Galicia Seguros S.A.**

- Owned	-Maipú 241, Buenos Aires, Argentina	3,261	Administrative activities
---------	-------------------------------------	-------	---------------------------

As of December 31, 2015, our distribution network consisted of:

Banco Galicia: 260 branches located in Argentina, 139 of which were owned and 121 of which were rented by Banco Galicia, located in all of Argentina's 23 provinces.

Tarjeta Naranja: 212 sales points located in 21 of the 23 Argentine provinces, 161 of which were rented by the company.



## **Table of Contents**

Tarjetas Cuyanas: 50 sales points in the provinces of Mendoza, San Juan, San Luis, Santiago del Estero, Chaco, La Pampa, La Rioja, Catamarca, Neuquén, Rio Negro, Salta, Jujuy and Tucumán, all of which were leased.

CFA: 42 branches, 36 mini-branches and 16 payment centers, all of which were leased and with at least one branch located in each of Argentina's provinces.

## **Capital Investments and Divestitures**

During 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.

During 2014, our capital expenditures amounted to Ps.1,170 million, distributed as follows:

Ps.475 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.695 million in organizational and development expenses.

During 2013, our capital expenditures amounted to Ps.990 million, distributed as follows:

Ps.344 million in fixed assets (real estate, machinery and equipment, vehicles, furniture and fittings); and

Ps.646 million in organizational and development expenses.

These capital expenditures were made mainly in Argentina.

During the 2012 fiscal year, Galicia Seguros invested Ps.12 million for the formation of a reinsurance company (Nova Re Compañía Argentina de Reaseguro S.A.), controlling 39% of the capital stock and voting rights of such company.

In October 2013, Galicia Seguros approved the sale of its 4% ownership interest in Nova Re 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 Lagarcu  S.A. and Theseus S.A. into Grupo Financiero Galicia, further increasing its ownership interest in Banco Galicia by 4.5% (which was previously owned by Lagarcu  S.A. and Theseus S.A). As a result of the foregoing transactions, as of the year ended December 31, 2013, Grupo Financiero Galicia controlled 99.6% of the capital stock of Banco Galicia.

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 An nima 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% and Sociedad An nima 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 US\$900,000. As of the date of this annual report, the shares have been sold.

*Investment planning*

We have budgeted capital expenditures for the fiscal year ending December 31, 2016, for the following purposes and amounts:

	<i>(In millions of Pesos)</i>	
Infrastructure of Corporate Buildings, Tower and Branches (construction, furniture, equipment, phones and other fixed assets)	Ps.	1,588
Organizational and IT System Development		1,211
<b>Total</b>	<b>Ps.</b>	<b>2,799</b>

These capital expenditures will be made mainly in Argentina.

Management considers that internal funds will be sufficient to finance fiscal year ended December 31, 2016 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.13.0050, Ps.8.5520 and Ps.6.5180 per US\$1.00 as of December 31, 2015, December 31, 2014 and December 31, 2013, 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, 2015.

	Fiscal Year Ended December 31, 2015 (*)								
	Pesos			Dollars			Total		
	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate	Average Balance	Accrued Interest	Average Yield/Rate
	<i>(in millions of Pesos, except rates)</i>								
<b>Assets</b>									
Government Securities	11,746	3,275	27.88	2,870	243	8.47	14,616	3,518	24.07
<b>Loans</b>									
Private Sector	74,081	20,173	27.23	3,710	155	4.18	77,791	20,328	26.13
Public Sector	16	4	25.00				16	4	25.00
Total Loans <sup>(1)</sup>	74,097	20,177	27.23	3,710	155	4.18	77,807	20,332	26.13
Other	2,264	588	25.97	118	5	4.24	2,382	593	24.90
<b>Total Interest-Earning Assets</b>	<b>88,107</b>	<b>24,040</b>	<b>27.29</b>	<b>6,698</b>	<b>403</b>	<b>6.02</b>	<b>94,805</b>	<b>24,443</b>	<b>25.78</b>
Cash and Gold	10,112			7,272			17,384		
Equity in Other Companies	2,369			392			2,761		
Other Assets	10,057			904			10,961		
Allowances	(3,175)			(52)			(3,227)		
<b>Total Assets</b>	<b>107,470</b>			<b>15,214</b>			<b>122,684</b>		
<b>Liabilities and Equity</b>									
<b>Deposits</b>									
<b>Checking Accounts</b>									
Savings Accounts	11,932	28	0.23	2,496			14,428	28	0.19
Time Deposits	36,198	8,526	23.55	2,335	60	2.57	38,533	8,586	22.28
<b>Total Interest-Bearing Deposits</b>	<b>48,130</b>	<b>8,554</b>	<b>17.77</b>	<b>4,831</b>	<b>60</b>	<b>1.24</b>	<b>52,961</b>	<b>8,614</b>	<b>16.26</b>
Debt Securities	4,248	1,103							