

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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 government, may adversely affect our business and prospects.

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

During the course of the last few decades, Argentina's economy has been marked by a high degree of instability and volatility, periods of low or negative economic growth and high, fluctuating levels of inflation and devaluation. Grupo Galicia's results of operations, the rights of holders of securities issued by Grupo Galicia and the value of such securities could be materially and adversely affected by a number of possible factors, some of which include Argentina's inability to resume a sustainable economic growth path, 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.

Since 2012, Argentina has experienced a period of stagflation. Figures of economic activity reflect a slowdown in domestic production, together with an increasing inflation rate at a higher pace than that noted in previous years. In the past decade, the economy has been characterized by a lack of institutional transparency, the absence of long-term economic policies and a systematically expansive fiscal policy, which resulted in a lack of investment and a lax monetary policy. This has, in turn, led to low economic growth and high inflation. At the end of 2015, when the former government took office, it implemented monetary policies that maintained a certain laxity in their fiscal policy while strongly restricting its monetary policy, resulting in high interest rates, a marked growth in public debt and an overvaluation of the Peso. However, at the beginning of 2018, international investors began withdrawing from emerging markets, including Argentina. The country's loss of access to the international debt markets resulted in a considerable devaluation of the Argentine Peso. This resulted in an acceleration of inflation and a new contraction in economic activity during the second half of 2018 and most of 2019. During 2019, the political uncertainty stemming from the presidential election race worsened the economic outlook. The impact of the measures implemented by the previous Administration in order to cope with the situation -such as a devaluation of the Peso with respect to the Dollar- as well as the impact of any measures that the current Government may implement in the future, is unknown and could have a material and adverse impact on the results of Grupo Galicia's operations.

No assurance can be given that additional events in the future, such as the enactment of new regulations by the Argentine government or authorities, will not occur. As a result of the foregoing, the financial position and results of operations of private sector companies in Argentina, including Grupo Galicia, the rights of the holders of securities issued by such institutions and the value thereof may be negatively and adversely impacted.

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

A less favorable international context, a decrease in the competitiveness of the Peso as compared to foreign currencies, the low consumer confidence and low confidence from both local and foreign investors and a higher inflation rate, among other factors, may affect the development and growth of the Argentine economy and cause volatility in the local capital markets. Such events may adversely impact Grupo Galicia's business and financial condition.

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

- volatility in the growth rate of the economy;
- a high rate of government expenditures;
- high inflation rates;
- regulatory uncertainty for certain economic activities and sectors;
- decreases in the prices for commodities as the economic recovery has depended on high prices for commodities, which prices are volatile and beyond the control of the government;
- the effects of a restrictive U.S. monetary policy, which could generate an increase in financial costs for Argentina;
- fluctuations in the Argentine Central Bank's international reserves; and
- uncertainty with respect to exchange and capital controls.

No assurance can be provided that a decline in economic growth or certain economic instability will not occur. In particular, the Argentine economy contracted in 2018 and 2019 and may continue to decrease in the future due to international and domestic conditions. Any such stagnation, 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.

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

As the date of this annual report, the impact that the reforms adopted by the Fernández administration will have on the Argentine economy as a whole, and the financial sector in particular, cannot be predicted. In addition, it is currently unclear what additional measures the Fernández administration may implement in the future and what the effects of the same may be on the Argentine economy.

Since taking office, the Fernández administration has announced and implemented several significant economic measures. In particular, on December 20, 2019, the Argentine National Congress passed Law No. 27,541 aimed at Social Solidarity and Productive Reactivation. Such law declared a public emergency in economic, financial, fiscal, administrative, pension, energy, health and social matters. It also delegated to the National Executive Branch, broad authority and power to take actions designed to, among other things, ensure the sustainability of the level of public debt, restructure the rate the energy system through a renegotiation of the current comprehensive tariff regime and restructure the regulatory entities for the energy system. In addition, the Fernández administration is beginning a debt restructuring process. The FX market restrictions imposed by the Fernández administration, in combination with a relatively moderate monetary and fiscal policy, additional restrictions on foreign trade and the impacts of changes to the social security policy could result in lower economic growth rates in Argentina for the coming years. An adverse result in the debt restructuring that the Government is carrying out could affect access to the capital market, and may affect the growth of the country, provinces and private companies. It is impossible to predict the impact of these measures, as well as any future measures that may be adopted, on the Argentine economy overall and the financial sector in particular.

In particular, economic intervention by current measures or future measures may be disruptive to the economy and may fail to benefit, or may harm, our business. In particular, Grupo Galicia has no control over the implementation of the reforms to the regulatory framework that governs its operations and cannot guarantee that these reforms will be implemented or that they will be implemented in a manner that will benefit its business. The failure of these measures to achieve their intended goals could adversely affect the Argentine economy and Grupo Galicia's business, financial position and results of operations and the trading price for its ADSs.

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

Since 2007, the Argentine economy has experienced high levels of inflation. According to private estimates, since 2007: inflation in Argentina has been systematically above 20% and reached a maximum of 53.8 % in 2019. Moreover, between 2007 and 2015 official figures became unreliable and private estimates of inflation had to be used (as further described below). Combined with such high inflation rates, Argentina has also displayed high volatility in its prices during the same period, as a consequence of alternating periods in which inflation was controlled by pegging the Peso to other currencies in combination with expansive monetary and fiscal policies—which lead to an over appreciation of the peso—and periods in which the Peso appreciation was adjusted, leading to the consequent acceleration of inflation.

As noted above, between 2007 and 2015, official inflation figures became unreliable. Specifically, INDEC (*Indice Nacional de Estadísticas y Censos* "INDEC" for its acronym in Spanish), is the only institution in Argentina with legal power to produce official national statistics. During such time period, INDEC, went through a process of major institutional and methodological reforms that led to controversies related to the reliability of the information it produces. In the month of January 2016, the Government of Mauricio Macri declared an administrative emergency regarding the national statistical system and INDEC that lasted, until December 31, 2016. During such emergency time, period INDEC stopped publishing certain statistical data until it had completed a reorganization of its technical and administrative structure to recover its ability to produce relevant and sufficient information.

Despite the fact that, due to the reforms implemented in recent years, the inflation rates calculated by INDEC are generally accepted, the possibility that they may be manipulated in the future cannot be ruled out. Any such future manipulation could affect the Argentine economy in general and the financial sector in particular.

In the past, inflation has materially undermined the Argentine economy and the Argentine government's ability to generate conditions that fostered economic growth. In addition, high inflation or a high level of volatility with respect to the same may materially and adversely affect the business volume of the financial system and prevent the growth of financial intermediation activity. This, in turn, could adversely affect economic activity and employment.

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

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

Argentina and Argentine companies have had limited access to foreign financing in recent years, primarily as a result of a default in December 2001 by Argentina on its debt to foreign bondholders, multilateral financial institutions and other financial institutions. Argentina settled all of its outstanding debt with the IMF in 2006, carried out a variety of debt swaps with certain bondholders between 2004 and 2010, and reached an agreement with the Paris Club in 2014. After several years of litigation, on March 1, 2016, an agreement was reached between the Argentine government and certain creditors to which the Argentine government was previously in default.

On April 18, 2016, in order to make the payment to bondholders in similar conditions, Argentina issued bonds in an amount of US\$16.5 billion, with interest rates between 6.25% and 8% and maturities of three, five, ten and thirty years. The payment of approximately US\$9.3 billion to the bondholders was made on April 22, 2016, thus reaching a final solution to the Argentine debt in default.

During the remainder of 2016, 2017 and the first four months of 2018, the Argentine government continued to seek financing from international markets. Following the exchange rate crisis beginning in April 2018, however, Argentina has not been able to access the international capital markets, resulting in the Argentine government requesting a loan from the IMF (pursuant to a Stand-By Agreement for a total of US\$57 billion).

In the short term, Argentina must restructure its debt with its current bondholders and the IMF, which may require a commitment to implement restrictive monetary and fiscal policies, which could have a significant adverse effect on Argentina's economy and on Argentine companies or Grupo Galicia's ability to obtain international financing, and could also adversely affect local credit conditions. If Argentina is not able to reach an agreement with its bondholders or the IMF Argentina may default on such debt and would likely again lose access to the international financial markets. This would also have an adverse effect on the Argentine economy, including Grupo Galicia-, and would likely negative impact the ability of companies, including Grupo Galicia, to obtain foreign financing.

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

The reliance on the export of certain commodities, (particularly soybeans and its by products, corn and wheat), has made the country more vulnerable to fluctuations in their prices. A decrease in commodity prices may adversely affect the Argentine government's fiscal revenues and the Argentine economy as a whole. Given its reliance on such agricultural commodities, the country is also vulnerable to weather events—such as 2018's drought—that may negatively affect the production of such commodities, reducing fiscal revenues and the inflow of US dollars.

In order to counterbalance and diversify its reliance on the above noted agricultural commodities as well as to add an additional source of revenue, Argentina has been focused on increasing its oil and gas exports. A long-term decrease in the international price of oil would negatively impact such oil and gas prospects and result in a decrease in foreign investment in such sectors.

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 Argentina's economy and a new imbalance in the foreign exchange market, which could exacerbate exchange rate volatility. Given the strong reliance on revenues from taxes on exports, a significant appreciation of the real exchange rate could substantially reduce Argentine public sector's tax revenues in real terms. The occurrence of the foregoing could exacerbate the existing inflationary environment and potentially materially and adversely affect the Argentine economy, as well as Grupo Galicia's financial condition and operating results and, thus, the trading prices for its ADSs.

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

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

No assurance can be provided that future regulations, and especially those related to the financial system, will not materially and adversely affect the assets, revenues and operating income of private sector companies, including Grupo Galicia, the rights of holders of securities issued by those entities, or the value of those securities.

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

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 stock 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 countries, resulting from a combination of factors such as low growth, fiscal woes and financial pressures, were particularly acute. Reestablishing financial and fiscal stability to offset such 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 2018, the U.S. Federal Reserve increased the Federal Funds rate by 100 basis points and continued to cut its asset purchase and its monetary easing programs. Such changes continued to strengthen the Dollar globally, affecting commodity prices and reducing the inflow of capital to emerging market countries, including Argentina. However, during 2019 the U.S. Federal Reserve implemented several haircuts on the Federal Funds rate (1.75%-1.50% range), a preemptive measure amidst a trade war with China and the European Union, even though the U.S. economy displayed strong fundamentals—record-high employment levels, a strong economy and low inflation rates. During March 2020, the U.S. Federal Reserve decide to implement two aggressive interest-rate cuts during two unscheduled meetings: a 0.5 percentage point cut on March 3rd and a 1 percentage point cut on March 15th. This decision was made in order to help mitigate the economic consequences from the COVID-19 pandemic.

Brazil, Argentina's main trade partner, has experienced a slight increase in GDP in recent years, increasing 1.3% in 2017 and 2018 and 1.1% in 2019. Although Brazil's economic outlook may be improving, a further deterioration of activity, a delay in Brazil's expected economic recovery or a slower pace of economic improvement in Brazil may have a negative impact on Argentine exports and on the overall level of economic and industrial activity in Argentina, particularly with respect to the automotive industry. In addition, the inauguration of Jair Bolsonaro as the president of Brazil has contributed to geopolitical volatility in this region as a result of his polarizing ideologies.

China, which is the main importer of Argentine raw materials, experienced an economic slowdown in 2018 and 2019 when compared to recent years. The prices for Argentine commodities, in particular oilseeds, have displayed a falling trend in recent years. If this trend continues, it could affect the inflow of foreign currency into Argentina from exports. The slowdown of the Chinese economy and increased volatility of its financial markets could impact financial markets worldwide, which, in turn, could increase the cost and availability of financing both domestically and internationally for Argentine companies.

The international financial environment may also result in a devaluation of regional currencies and exchange rates, including the Peso, which would likely also cause volatility in Argentina. A new global economic and/or financial crisis or the effects of deterioration in the current international context, could affect the Argentine economy and, consequently, Grupo Galicia's results of operations, financial condition and the trading price for its ADSs.

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

The Argentine Peso depreciated 15.6% as compared to the U.S. Dollar in 2017, 50.3% in 2018 and 36.9% in 2019 according to the official quotation of the Central Bank. If the Peso further depreciates against the U.S. Dollar, as has recently occurred and which could occur again in the future, this could have an adverse effect on the ability of Argentine companies to make timely payments on their debts denominated in or indexed or otherwise connected to a foreign currency, generate very high inflation rates, reduce real salaries significantly, and have an adverse effect on companies focused on the domestic market, such as public utilities and the financial industry. Such a potential devaluation could also adversely affect the Argentine government's capacity to honor its foreign debt, with adverse consequences for Grupo Galicia's and Banco Galicia's businesses, which could affect Grupo Galicia's capacity to meet obligations denominated in a foreign currency which, in turn, could have a material adverse effect on the trading prices for Grupo Galicia's ADSs.

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

In order to control the depreciation of the Peso, on September 1, 2019 the Executive Branch introduced capital controls through decree No. 609/2019, whose validity was extended indefinitely by the government of Fernández through Decree No. 91/2019 and Communication "A" 6854 and 6856 of the Central Bank. These controls include the need to obtain authorization from the Central Bank to purchase foreign currency in excess of US\$200 per month per person, and the mandatory liquidation of exporters' foreign exchange earnings in the local market within five days, among other measures. This allows the Central Bank to exercise control over the Peso and therefore to prevent the Argentine currency from depreciating.

A depreciation of the Peso could adversely affect the Argentine economy and Grupo Financiero Galicia's financial condition, its business and its ability to service its existing debt obligations. Moreover, an acceleration of inflation caused by an exchange rate crisis would raise the costs associated with Grupo Galicia's subsidiaries servicing their foreign currency-denominated, which could increase Grupo Galicia's costs and therefore have a material adverse effect on Grupo Galicia's financial condition and results of operations.

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

Since December 2001, different government administrations have established and implemented various restrictions on foreign currency transfers (both in respect of transfer into and out of Argentina). Such is the case of the current measures that limit the ability of residents to purchase foreign currency for saving purposes and by capping the amount that can be purchased by the general public at US\$200 per month and imposing a 30% tax on all such foreign currency purchases, as well as on any purchases in foreign currency made with debit or credit cards and on the purchase of international flights, hotels or tourism packages.

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

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

Service of process upon individuals or entities which are not resident in the United States may be difficult to obtain in the United States. Grupo Galicia and its subsidiaries are companies incorporated under the laws of Argentina. Most of their shareholders, directors, members of the Supervisory Syndics' Committee, officers, and some specialists named herein are domiciled in Argentina and the most significant part of their assets is located in Argentina. Although Grupo Galicia has an agent to receive service of process in any action against it in the United States with respect to its ADSs, none of its executive officers or directors has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult to effect service of process against Grupo Galicia's executive officers and directors. Additionally, under Argentine law, the enforcement of foreign judgments will only be allowed if the requirements in sections 517 to 519 of the National Code of Civil and Commercial Procedures or the applicable local code of procedures are met, 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. As such, an Argentine court may find that the enforcement in Argentina of a foreign judgment (including a U.S. court) that requires payment be made by an Argentine individual to holders of its foreign currency-denominated securities outside of Argentina is contrary to the public policy if, for instance, there are legal restrictions in place prohibiting Argentine debtors from transferring foreign currency abroad to pay off debts.

The intervention of the Argentine government in the electric power sector could have a material adverse impact on the Argentine economy, which may have a material adverse impact on Grupo Galicia's results of operations.

Historically, the Argentine government has played an active role in the electric power sector through the ownership and management of state-owned companies engaged in the generation, transmission and distribution of electric power. To address the Argentine economic crisis of 2001 and 2002, the Argentine government adopted Law No.25,561 and other regulations, which made a number of material changes to the regulatory framework applicable to the electric power sector and have significantly distorted supply and demand in the sector. These changes included the freezing of distribution margins, the revocation of adjustment and inflation indexation mechanisms for tariffs, a limitation on the ability of electric power distribution companies to pass on to the consumer increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the wholesale electricity market, all of which had a significant impact on electric power generators and caused substantial price differences within the market.

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

On March 31, 2017, the Ministry of Energy and Mining released a new tariff schedule that increased the price consumers pay for electricity and natural gas by 36% with the goal of reducing government subsidies for energy consumption as part of efforts to reduce the Argentine government's fiscal deficit. Following a public hearing, the Minister of Energy and Mining released a revised tariff schedule in December 2017, which further increased rates between 34% and 57% (depending on the province) for natural gas and approximately 34% for other electricity. On December 28, 2018, the government further increased gas and electricity tariffs to 40% and 55%, respectively, which were implemented during 2019.

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

The measures adopted by the Argentine government and the claims filed by workers on an individual basis or as part of a labor union action may lead to pressures to increase salaries or additional benefits, which would increase companies', including Grupo Galicia's, operating costs. Additionally, labor union activity could lead to strikes or work stoppages, which may materially and adversely affect Grupo Galicia's results of operations.

In the past, the Argentine government has passed laws and regulations requiring private sector companies to maintain certain salary levels and provide their employees with additional work-related benefits. Furthermore, employers, both in the public sector and in the private sector, have been experiencing intense pressure from their personnel, or from the labor unions representing such personnel, demanding salary increases and certain benefits for the workers, given the prevailing high inflation rates. Specifically, during the early months of 2019 the Argentine union that represents employees in the banking sector declared general strikes. These strikes did not have a direct effect on banks but did impact the clients of banks who were not able to access to banks' branches. Strikes similar to the one that took place in 2019, however, can deteriorate the perception the public has of banks, which could have a reputational cost for us. Labor pressure is active in Argentina and can potentially lead to further strikes or work stoppages if demands are not satisfied, which could have a material and adverse effect on Grupo Galicia's operations.

There can be no assurance that the Argentine government will not adopt measures in the future mandating salary increases or the provision of additional employee benefits, or that employees or their unions will not exert pressure on companies, such as Grupo Galicia, in demanding the implementation of such measures. The implementation of any such measures could have a material and adverse effect on Grupo Galicia's expenses and business, results of operations and financial condition and, thus, on the trading prices for its ADSs.

High levels of government expenditures in Argentina could generate long lasting adverse consequences for the Argentine economy.

Since 2007, Argentina increased its spending to GDP to reach a maximum of 24% in 2015, quite above the ratio of the rest of the countries in the region. Since then, a decreasing trend in expenditures was observed until the year 2019.

Despite the trend of recent years, if government expenditures increases to an extent that outpaces Argentina's revenues, the country's fiscal deficit is likely to increase, and the Argentine government may be forced to seek assistance from the Central Bank and/or the National Administrator of Pensions.

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

The novel coronavirus could have an adverse effect on our business operations.

In late December 2019 a notice of pneumonia originating from Wuhan, Hubei province (COVID-19, caused by a novel coronavirus) was reported to the World Health Organization, with cases soon confirmed in multiple provinces in China, as well as in other countries. Several measures were undertaken by the Chinese government and other countries to control the coronavirus, including the use of quarantine (with approximately 60 million people affected in China), travel restrictions to and from China by certain air carriers and foreign governments. Since such initial outbreak, COVID-19 has been declared a pandemic and the virus spread and continues to spread globally, as of the date of this annual report, affecting more than 148 countries and territories around the world, including Argentina. To date, COVID-19s has caused significant social and market disruption.

The long-term effects to the global economy and to Grupo Galicia of epidemics, pandemics and other public health crises, such as COVID-19, are difficult to assess or predict, and may include risks to employee's health and safety, and reduce our business operations. Any prolonged restrictive measures put in place to control an outbreak of a contagious disease or virus or other adverse public health development in any of our targeted markets may have a material and adverse effect on our business operations. We may also be affected by a decline in the demand of our services, or the need to implement policies limiting the efficiency and effectiveness of our operations, including the implementation of work from home policies. The impact epidemics, pandemics and other health crises, such as COVID-19 may have on the methods we use to sell and distribute our products and services, on our human capital resources productivity, and on the ability of our suppliers and consultants to provide goods and services and other resources in a timely manner to support our business, are also impossible to assess or predict at this moment.

Furthermore, certain measures imposed by the local administration, such as travel restrictions, border closures and lock-down measures which have forced us to set in place work from home arrangements for our employees, may also have a material impact on our ability to operate and achieve our business goals.

Considering the current health crisis, and the related halt in economy the world is facing, we may also experience higher default rates on the financings granted to our clients, liquidity deficiencies, difficulties in our ability to service our debts and other financial obligations. We may also face difficulties in trying to access to debt and capital markets and be forced to refinance preexisting financing arrangements. Although the actual impact is impossible to assess, the occurrence of any of such events could have a material adverse effect on our operations.

Finally, it is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Neither can we predict how the disease will evolve (and potentially, spread) in Argentina, nor anticipate future restrictions the Argentine government may impose.

The Argentine economy could be negatively affected by external factors that have an impact in the whole world, such as COVID-19's spread and the consequent implementation of measures destined to deal with the mentioned pandemic, and its economic impact both on a local and an international level.

The Argentine economy is vulnerable to external factors. In this sense, most economies in the world (including Argentina and its main trade partners) are being affected by the spread of COVID-19. The virus' progression, which has been declared a pandemic by the World Health Organization, has led to the application of measures that have a severe economic impact.

In Argentina, these measures include the implementation of a generalized quarantine with the intention of hindering the virus' advancement and to avoid the collapse of the local health system. This entails a halt in most economic activities (excluding essential ones, such as healthcare services, manufacturing of food products, medical equipment or pharmaceuticals, supermarkets and pharmacies, security forces) and the suspension of road and air travels, among others. These measures, and any others the Argentine government might implement in the future, have a negative and direct impact on the country's economy, by reducing both aggregate supply and demand.

Additionally, the progression of the virus and the consequent measures destined to fight the virus could entail a reduction in the economic growth in any of Argentina's trade partners (such as Brazil, the European Union, China and the United States). The contraction of the economies of our trade partners could have a sizeable and adverse impact on Argentina's trade balance and economy through a fall in the demand for Argentine exports or a decline in the prices of agricultural commodities.

On the other hand, higher uncertainty levels associated with the progress of a global pandemic implies the strengthening of the U.S. Dollar and the devaluation of the currencies of emerging countries, Argentina's trade partners included. This could increase the financial pressure on the Argentine peso and lead to a devaluation of the local exchange rate, or cause the loss of competitiveness against our trade partners.

Any of these potential risks to the Argentine economy could have a significant and negative effect on the business, financial situation and operational results of the Company.

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

The lack of a solid institutional framework and corruption have been identified as serious problems for Argentina and may continue to be. In the Transparency International's Corruption Perceptions Index 2019, which measures corruption in 180 countries, Argentina ranked No.66. In the World Bank's "Doing Business" report in 2019, Argentina Ranked No.119 out of 190 countries. The failure to address these issues could increase the risk of political instability, distort the decision-making process, adversely affect Argentina's international reputation and its ability and the ability of its companies to attract foreign investment.

A deterioration in the Argentine reputation could have a material and adverse effect on Grupo Galicia's financial condition and results of operations.

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.

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 1999-2002 financial crisis (in which the Argentine economy fell 18.4%), 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 regarding its ability to act as an intermediary between savings and credit. Furthermore, the ratio of the total financial system's private-sector deposits and loans to GDP remains low when compared to international levels and continues to be lower than the periods prior to the crisis, especially in the case of private-sector deposits and loans, which amounted to 12.8% and 8.6% of GDP, respectively, as of December 31, 2019.

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 1999-2002 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, 2019 was Ps.110,957 million, representing approximately 19% of its total assets and 142% of its shareholders' equity. Of this total, Ps.58,141 million were Argentine Central Bank debt instruments, Ps.22,759 million corresponded to Argentine government securities, while the remaining Ps.30,057 million corresponded to other receivables resulting from financial brokerage. As a result, Grupo Galicia's income-generating capacity may be materially impacted or may be particularly affected by the Argentine public sector's repayment capacity and the performance of public sector bonds, which, in turn, is dependent on the factors referred to above. Banco Galicia's ability to honor its financial obligations may be adversely affected by the Argentine government's repayment capacity or its failure to meet its obligations in respect of Argentine government obligations owed to Banco Galicia.

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

Argentine Law No.24,240 (as amended by Law No. 26,361, Law No. 27,250, Law No. 27,265 and Law No. 27,266, the "Consumer Protection Law") sets forth a series of rules and principles designed to protect consumers, which include Banco Galicia's customers. Additionally, Law No.25,065 (as amended by Law No.26,010 and Law No.26,361, the "Credit Card Law") also sets forth public policy regulations designed to protect credit card holders. On October 1, 2014, a new Civil and Commercial Code was sanctioned, which captured the principles of Consumer Protection Law and established their application to banking agreements.

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

The application of both the Consumer Protection Law and the Credit Card Law by administrative authorities and courts at the federal, provincial and municipal levels has increased. This trend has led to an increase in general consumer protection levels. In the event that Grupo Galicia and its subsidiaries are found to be liable for violations of any of the provisions of the Consumer Protection Law or the Credit Card Law, the potential penalties could limit some of Grupo Galicia and its subsidiaries' rights, for example, with respect to their ability to collect payments due from services and financing provided by Grupo Galicia or its subsidiaries, and adversely affect their financial results of operations. There can be no assurance that court and administrative rulings based on the newly enacted regulation or measures adopted by the enforcement authorities will not increase the degree of protection given to its debtors and other customers in the future, or that they will not favor the claims brought by consumer groups or associations.

This may prevent or hinder the collection of payments resulting from services rendered and financing granted by Grupo Galicia's subsidiaries, which may have an adverse effect on their results and operations.

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

Certain public and private organizations have initiated class actions against financial institutions in Argentina, including Banco Galicia. Class actions are contemplated in the Argentine National Constitution and the Consumer Protection Law, but their use is not regulated. The courts, however, have admitted class actions in spite of lacking specific regulations, providing some guidance with respect to the procedures for the same. These courts have admitted several complaints filed against financial institutions to defend collective interests, based on arguments that object to charges applied to certain products, applicable interest rates and the advisory services rendered in the sale of government securities, among others.

Final judgments entered against financial institutions under these class actions may affect the profitability of financial institutions in general and of Banco Galicia specifically in relation to class actions filed against Banco Galicia. For further information regarding class actions brought against Banco Galicia, please refer to the Item 8. "Financial Information"—A. "Consolidated Statements and Other Financial 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.

City of Buenos Aires tax authorities, as well as certain provincial tax authorities, have initiated administrative proceedings against financial institutions in order to collect higher gross income taxes from such financial institutions beginning in 2002 and onward.

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

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

Risk Factors Relating to Us

Grupo Galicia may be unable to repay its financial obligations or dividends 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 Central Bank regulations, Banco Galicia has restrictions relating to dividend distributions.

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

Notwithstanding the foregoing, due to the regulations recently passed by the Argentine Central Bank within the framework of the measures taken by the government to respond to the COVID-19, the capacity of the Argentine financial system to pay cash dividends has been suspended until June 30, 2020.

In the context of the COVID-19 outbreak, the Argentine Central Bank restricted the ability of Argentine financial institutions to distribute dividends

In the context of the ongoing COVID-19 pandemic, the Argentine Central Bank issued on March 19, 2020, Communication “A” 6939, which suspended the ability of Argentine financial institutions to distribute dividends until June 30, 2020, in order to maintain the lending capacity of the financial institutions.

As the measures taken by the administration to control the fallout from COVID-19 are recent, uncertain and changing rapidly, it is difficult to predict the full impact of full measures on Grupo Financiero Galicia and its subsidiaries, nor can we predict whether Grupo Financiero Galicia would be able to make contributions to its subsidiaries as a consequence of this measure. The ongoing evolution of this pandemic could result in a material adverse effect on our business, financial condition and results of operations.

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.

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.

The price of Grupo Financiero Galicia’s ordinary shares may fluctuate significantly, and your investment may decline in value.

The price of Grupo Financiero Galicia’s ordinary shares may fluctuate significantly in response to several factors, many of which are beyond our control, including those described in this annual report under “Risk Factors Relating to Argentina” and “Risk Factors Relating to the Argentine Financial System”.

The stock markets in general, and the shares of emerging market in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies involved. Grupo Financiero cannot assure that any trading price or valuation will be sustained. These factors may materially and adversely affect the market price of our ordinary shares, which may limit or prevent investors from readily selling Grupo Financiero’s ordinary shares and may otherwise affect liquidity, regardless of Grupo Financiero Galicia’s operating performance.

Market fluctuations, as well as general political and economic conditions in the markets in which we operate, such as recessions or currency exchange rate fluctuations, may also adversely affect the market price of Grupo Financiero Galicia's ordinary shares.

Adverse conditions in the credit, capital and foreign exchange markets may have a material adverse effect on Grupo Galicia's business, 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.

The occurrence of an operational risk impacting any of Grupo Galicia's businesses, could disrupt its business functions and have a negative impact on its results of operations.

As with other financial institutions, operational risks could arise in any of Grupo Galicia's businesses. These risks may include losses resulting from inadequate or failed internal and external processes, systems or human error, fraud, the effects of natural or man-made catastrophic events (such as natural disasters or pandemics) or from other external events. Exposure to such events could disrupt Grupo Galicia's systems and operations significantly, which may result in financial losses and reputational damage.

Pandemics and other material public health problems could result in social, economic or labor instability in the world and domestically and disrupt the operations of our business. For example, the COVID-19 pandemic has resulted in travel restrictions and extended shutdowns of certain businesses in many regions.

Mass employee absences and/or absences of certain key personnel could strain our ability to continue to operate seamlessly.

The main risk factors identified in the last risk assessment undertaken by our Risk Management Division were system failures, adverse legal decisions and economic losses generated by fraud. Although we have implemented numerous controls to avoid the occurrence of inefficient or fraudulent operations, errors can occur and compound even before being detected and corrected. In addition, some of our transactions are not fully automatic, which may increase the risk of human error or manipulation, and it may be difficult to detect losses quickly. The occurrence of any one or more of the above events could have a material adverse impact on our business, financial condition and results of operations.

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

The business of many of Grupo Galicia's subsidiaries depends on the efficient and uninterrupted operation of its data processing systems, its platforms for the exchange of information and its digital networks. Many of Grupo Galicia's subsidiaries have access to a large amount of confidential information about their respective clients. Therefore, cybersecurity breaches represent a potential risk for Grupo Galicia.

Cybersecurity breaches can result in, for example, identity fraud, phishing, ransomware, information leaks, APT (Advanced Persistent Threat), DDoS Attacks (Distributed Denial of Service) or the theft of sensitive and confidential information, and may affect negatively the security of information that is stored and transmitted through the information systems and network infrastructure of Grupo Galicia and negatively affect the reputation of Grupo Galicia's brands, thereby causing existing and potential clients to refrain from conducting business with Grupo Galicia's subsidiaries.

In spite of all existing security measures, Grupo Galicia cannot provide any assurance that the systems are invulnerable to cybersecurity breaches or that the mentioned measures will be successful in protecting against any such breach. In addition, any of the aforementioned events could lead to an increase in compliance costs for Grupo Galicia's subsidiaries. If any of the above described events were to occur, it could lead to monetary losses and reputational damage to Grupo Galicia's brands, which could reduce the use and acceptance of its products, greater regulation, and increased compliance costs, therefore adversely affect its business and results of operation and the trading price for its ADSs.

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.

Pursuant to the implementation of IFRS 9, Grupo Galicia's subsidiaries 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 methodology mixing probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), 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 meet regulatory standards or expectations or detect money laundering and other illegal or inappropriate activities in a comprehensive or timely manner. Grupo Financiero Galicia's subsidiaries may incur fines, penalties, reputational harm and other negative consequences.

Grupo Financiero 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. As such, Grupo Galicia's subsidiaries maintain systems and procedures designed to ensure that they comply with applicable laws and regulations. However, Grupo Galicia's subsidiaries are subject to heightened compliance and regulatory oversight and expectations, particularly due to the evolving and increasing regulatory landscape that they operate in. Further, Grupo Galicia's subsidiaries could become subject to future regulatory requirements beyond those currently proposed, adopted or contemplated. The cumulative effect of all of the legislation and regulations on their business, operations and profitability remains uncertain. This uncertainty necessitates that Grupo Galicia's subsidiaries make certain assumptions with respect to the scope and requirements of the proposed rules in their business planning. If these assumptions prove incorrect, Grupo Galicia's subsidiaries could be subject to increased regulatory and compliance risks and costs as well as potential reputational harm.

In addition, a single event or issue may give rise to numerous and overlapping investigations and proceedings in different jurisdictions. Also, the laws and regulations in jurisdictions in which Grupo Galicia's subsidiaries operate may be different or even conflict with each other as to the products and services offered by Grupo Galicia's subsidiaries or other business activities Grupo Galicia's subsidiaries may engage in, which can lead to compliance difficulties or issues. Furthermore, many legal and regulatory regimes require Grupo Galicia's subsidiaries to report transactions and other information to regulators and other governmental authorities' self-regulatory organizations, exchanges, clearing houses and customers. Grupo Financiero Galicia's subsidiaries may be subject to fines, penalties, restrictions on our business, or other negative consequences if they do not timely, completely, or accurately provide regulatory reports, customer notices or disclosures, or make tax-related withholdings or payments, on behalf of themselves or their customers.

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. Moreover, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time, systems and procedures designed to ensure compliance. For example, Grupo Galicia's subsidiaries are subject to regulations issued by the Office of Foreign Assets Control ("OFAC") that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties or restrictions on certain activities for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. Any violation of the applicable laws or regulatory requirements, even if inadvertent or unintentional, or any failure to meet regulatory standards or expectations, including any failure to satisfy the conditions of any consent orders, could result in fees, penalties, restrictions on Grupo Galicia's subsidiaries, ability to engage in certain business activities, reputational harm, loss of customers or other negative consequences.

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 and digital channels. Grupo Galicia's communications, systems or transactions could be harmed or disrupted by power failures, data breach, cyber-attacks, acts of terrorism, physical theft, reputation incidents 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.

As of July 1, 2018, the Peso qualifies as a currency of a hyperinflationary economy, and Grupo Galicia is required to apply inflationary adjustments to its financial statements, which adjustments could adversely affect its financial statements, results of operations and financial condition.

Pursuant to IAS 29 (Financial Reporting in Hyperinflationary Economies), the financial statements of entities whose functional currency is that of a hyperinflationary economy must be restated in a suitable general price index to control for the effects of changes. IAS 29 does not prescribe when hyperinflation arises, but rather provides for several characteristics indicating hyperinflation in an economy. In addition, the IASB does not identify specific hyperinflationary jurisdictions. In June 2018, the International Practices Task Force of the Centre for Quality, which monitors "highly inflationary countries", categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present. Argentine companies applying IFRS are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018. In addition, certain regulatory authorities, such as the Argentine Securities Commission (Comisión Nacional de Valores) ("CNV"), have required that financial statements submitted to the CNV for the periods ended on and after December 31, 2018 to be restated for inflation in accordance with IAS 29.

For purposes of the determination of the indexation for tax purposes, Law No.27,468, enacted on December 4, 2018, substituted the Wholesale Price Index for CPI and modified the standards triggering tax indexation procedures. For the three fiscal years beginning January 1, 2018, such tax indexation will be applicable if the variation of the CPI exceeds 55% in 2018, 30% in 2019 and 15% in 2020. The tax indexation determined during any such year will be allocated as follows: 1/6 in that same year, and the remaining 5/6 in equal parts in the following five years. From January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29.

Grupo Galicia cannot predict the full impact of the application of such tax indexation procedures and the related adjustments on its financial statements or the effects of such tax indexation procedures on its business, results of operations and financial condition.