

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH
CONTROLLED COMPANIES (LAW NO. 19550 - SECTION 33)**

AT DECEMBER 31, 2016 AND COMPARATIVE PERIODS
(In thousands of pesos)

Note 1 – Basis for Presentation of the Consolidated Financial Statements

These Consolidated Financial Statements are provided as supplementary information and have been prepared in accordance with the provisions of the Technical Resolution issued by the Argentine Federation of Professional Councils in Economic Sciences (*Federación Argentina de Consejos Profesionales de Ciencias Económicas - FACPCE*) and the standards laid down by the Argentine Central Bank (BCRA).

Banco de la Provincia de Buenos Aires (the Bank) has consolidated on a line-by-line basis its Balance Sheet, the Statements of Income and the Statements of Cash Flows at December 31, 2016 and 2015 with the Financial Statements of those companies in which it has, whether directly or indirectly, the necessary voting power to control corporate decisions.

On July 17, 2007, the Bank replied to Memorandum No. 17 of the BCRA dated June 25, 2007, and decided to change the consolidation criteria from September 30, 2009. Therefore, the Financial Statements of the Bank were consolidated with those of Grupo Banco Provincia S.A. at the same date, in order to regularize the situation mentioned by the BCRA.

There follows a detail of the companies directly consolidated at the end of the period:

Issuing Company	Grupo Banco Provincia S.A.		ProvinciaMicroempresas S.A.		BA Desarrollo S.A.	
Principal Line of Business	Financial and Investment Transactions		Management of Microcredit		Financial and Technical Assistance to Investors	
Period / Comparative Period	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Number of Shares:	379,875	379,875	22,325,000	15,200,000	10,000,000	10,000,000
Equity Interests and Votes (%):	99.967	99.967	95.00	95.00	50.00	50.00
Book Value Net of Allowances:	173,609	291,974	33,604	55,695	4,714	6,306

There follows a summary of the balance sheet and statements of income of the above-mentioned Companies at December 31, 2016 and comparative period:

Issuing Company	Grupo Banco Provincia S.A.		ProvinciaMicroempresas S.A.		BA Desarrollo S.A.	
Period / Comparative Period	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
ASSETS	21,779,281	14,153,109	59,398	70,349	13,561	23,977
LIABILITIES	21,399,676	13,836,092	24,358	16,131	4,133	12,454
STOCKHOLDERS' EQUITY	379,605	317,017	35,040	54,218	9,428	11,523
Period / Comparative Period	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
INCOME(LOSS)	62,588	(477,757)	(4,178)	29,711	(2,095)	379

The procedure to include the accounts of controlled Companies has been as follows:

a) The Consolidated Financial Statements of the Companies were adjusted to the Accounting Disclosure Standards required by the BCRA, which were applied by Banco de la Provincia de Buenos Aires to prepare its own Financial Statements.

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b) Financial Statements at December 31, 2016 of Grupo Banco Provincia S.A., ProvinciaMicroempresas S.A. and BA Desarrollo S.A. were used for consolidation purposes.

Except as stated in Notes 2 and 3 below, the Financial Statements of these Companies were prepared under similar criteria to those used by the Bank for the appraisal of assets and liabilities, measurement of profits and losses, and restatement procedures, according to the rules of the BCRA and the current Professional Accounting Standards. The Financial Statements for the periods from January 1 to December 31, 2016 were used in the case of Provincia Leasing S.A., BaproMandatos y Negocios S.A., ProvinciaBursátil S.A. and BaproMedios de Pago S.A. The Financial Statements for the periods beginning July 1, 2016 were used for the remaining Companies.

With respect to ProvinciaSeguros S.A., ProvinciaSeguros de Vida S.A. and Provincia ART S.A., their Statements of Income and Cash Flows include the transactions recorded from January 1 to December 31 of each year.

Information at December 31, 2015 derives from the Financial Statements at that date, issued on February 18, 2016.

c) Items arising from inter-company transactions not involving third parties were removed from the Balance Sheet, the Statement of Income and the Statement of Cash Flows.

d) The portion of the Stockholders' Equity of the controlled company owned by third parties is disclosed in the Balance Sheet under the "Minority Interest" caption.

e) The net income/(loss) of the minority interest is disclosed in the Statement of Income under the "Minority Interest" caption.

The Consolidated Financial Statements of Grupo Banco Provincia S.A. include the items of its Balance Sheet, Statement of Income and Statement of Cash Flows consolidated on a line-by-line basis with the Financial Statements of those Companies in which it has, whether directly or indirectly, the necessary voting power to control corporate decisions. They are described below:

Issuing Company	Equity Interest and Votes (%)			
	Direct		Indirect	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Bapro Mandatos y Negocios S.A.	97.000	97.000	2.850	2.850
Bapro Medios de Pago S.A.	97.000	97.000	2.996	2.996
Provincia Aseguradora de Riesgos del Trabajo S.A.	97.092	97.092	1.745	1.745
ProvinciaBursátil S.A.	95.000	95.000	-	-
Provincia Leasing S.A.	97.000	97.000	2.981	2.981
Provincia Seguros de Vida S.A.	45.000	45.000	9.000	9.000
ProvinciaSeguros S.A.	60.000	60.000	-	-

Indirect interests derive mainly from shareholdings owned by Grupo Banco Provincia S.A.'s subsidiaries, as follows:

Issuing Company	Equity Interest and Votes (%)	
	12/31/2016	12/31/2015

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Issuing Company	Equity Interest and Votes (%)	
	12/31/2016	12/31/2015

ProvinciaSeguros S.A. has equity interests in:

Provincia Aseguradora de Riesgos del Trabajo S.A.	2.908	2.908
Provincia Seguros de Vida S.A.	15.000	15.000

ProvinciaBursátil S.A. has equity interests in (*):

Bapro Mandatos y Negocios S.A.	3.000	3.000
Provincia Leasing S.A.	0.294	0.294

Bapro Mandatos y Negocios S.A. has equityinterests in:

Bapro Medios de Pago S.A.	3.000	3.000
Provincia Leasing S.A.	2.706	2.706

(*) They include balances consolidated with the Financial Statements of Provinfondos S.A., a mutual fund managing company, because it has a controlling interest in this Company (3,600,000 shares) which represents 90% of the stockholders' equity and votes.

f) Under the provisions of Technical Resolution No. 21 of the Argentine Federation of Professional Councils of Economic Sciences, Mercado Regional de Capitales S.A. and ProvinciaServicios de Salud S.A. were excluded from consolidation in the Financial Statements at December 31, 2016 and 2015 since, as stated in Note 18.h.1, such equity holdings of Grupo Banco Provincia S.A. are valued at zero and the Company will no longer finance their activities.

g) Based on the result of the year ended December 31, 2015, on April 25, 2016, the Regular Meeting of Shareholders of ProvinciaMicroempresas S.A. resolved to distribute profits in cash for \$15,000 among shareholders, in accordance with their equity holding. Therefore, Banco de la Provincia de Buenos Aires received \$14,250 and Grupo Banco Provincia S.A. \$750.

Consequently, on May 30, June 30, July 22, August 25, September 27 and October 31, 2016, Banco de la Provincia de Buenos Aires and Grupo Banco Provincia S.A. received \$14,250 and \$750, respectively, on account of distribution of cash dividends.

Likewise, Capital Stock was increased by \$7,500, without changes in the shareholders' equity holdings and amounted to \$23,500. It was also resolved to increase the Legal Reserve by \$1,500 (amount equivalent to 20% of increased Capital Stock) and the Optional Reserve by \$5,711.

On January 5, 2017, the Regular Meeting of Shareholders of ProvinciaMicroempresas S.A. approved an increase in capital stock for \$150,000. Grupo Banco Provincia S.A. has decided not to participate in such increase. Consequently, Banco de la Provincia de Buenos Aires shall make the whole contribution, thus increasing its equity holdings. Therefore, the new equity holdings of Banco de la Provincia de Buenos Aires and Grupo Banco Provincia S.A. are 99.32% and 0.68%, respectively.

h) The Bank and controlled companies have a significant exposure to the Argentine public sector through government securities, loans and other assets identified in the Financial Statements and annexes for about \$34,257,033 and \$33,282,672 at December 31, 2016 and 2015, respectively. Such exposure mainly resulted from debt

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restructuring by the Argentine Government, the offset of effects derived from devaluation and asymmetric conversion into pesos, and financial assistance to the government of the Province of Buenos Aires, in line with the provisions of Sections 9 and 11 of the Bank's Charter and other facilities granted. At December 31, 2016 and 2015, the Bank's investments in securities issued by the BCRA amount to \$39,142,071 and \$10,317,878, respectively.

Note 2 – Accounting Policies

The Financial Statements of ProvinciaMicroempresas S.A., BA Desarrollo S.A., Grupo Banco Provincia S.A. and related and controlled companies have been prepared on the basis of valuation criteria consistent with those used by Banco de la Provincia de Buenos Aires to prepare its Financial Statements.

Note 3 below describes the main differences between the current Professional Accounting Standards and the accounting standards of the BCRA, and the rules issued by the regulatory authorities of related and controlled companies (National Insurance Superintendency (*Superintendencia de Seguros de la Nación – SSN*)).

The principal valuation and disclosure criteria followed by Banco de la Provincia de Buenos Aires are described in Note 2 to its Financial Statements, of which this supplementary information forms part.

The main accounting policies used by controlled companies and not mentioned in that Note are described below, according to the Financial Statements of consolidated subsidiaries.

2.a. Valuation of Government and Corporate Securities

In addition to the information provided in Note 3.3 to the Bank's Financial Statements, and as shown in Note 5 to the consolidated financial statements, they include:

2.a.1. Government Securities for Trading and Investments in Listed Corporate Securities

Investments in Fixed-Income Government Securities and National Government Bonds; ProvinciaSeguros de Vida S.A. measured at their technical value the government securities held in its portfolio until maturity.

Mutual Funds have been valued at their quota share price prevailing at the end of the fiscal year.

2.b. Interests in Other Companies

As stated in Note 7, the valuation of this caption for each non-consolidated company is as follows:

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Name	Valuation Method
<i>In non-controlled companies – Unlisted</i>	

Grupo Banco Provincia S.A. in:

- Internacional Compañía de Seguros de Vida S.A.	Valued at their proportional equity value according to unaudited balances of financial statements.
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Provincia Seguros S.A. in:

- FOGABA S.A. - Internacional Compañía de Seguros de Vida S.A.	Valued at their proportional equity value.
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ProvinciaBursátil S.A. in:

- Mercado de Valores de Buenos Aires S.A. - Mercado a Término Buenos Aires S.A.	Valued at their acquisition cost, as restated for inflation, without exceeding their proportional equity value.
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2.c. Receivables from Financial Leases

In Provincia Leasing S.A.: As stated in Note 8, these are receivables from financial leases.

They are valued at the discounted value of payments required to be made by the lessee under the leasing transaction, excluding additional services and taxes, and the payment required from the lessee to exercise the option to purchase.

The value of these assets, taken as a whole, does not exceed their recoverable value.

2.d. Investment Properties

Provincia Leasing S.A. and Provincia Seguros S.A. include investments in real property for rent, which have been valued at acquisition cost, as restated for inflation at the end of the fiscal period, net of accumulated depreciation.

Depreciation is calculated by the straight-line method on the basis of the estimated useful life of the assets. The value of these assets, taken as a whole, does not exceed their recoverable value.

2.e. Intangible Assets

In addition to Note 3.11 to the Bank's Financial Statements at December 31, 2016 and 2015, they include software licenses, improvements to third-party real estate, launching expenses, organization and development expenses incurred in the pre-operating stage of business for the amount of \$44,581 and \$32,796, respectively, valued at acquisition cost as restated in constant currency at February 28, 2003, net of accumulated depreciation.

Depreciation has been calculated by the straight-line method on the basis of the estimated useful life according to the term of the pertinent agreement. The value of these assets, taken as a whole, does not exceed their recoverable value.

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2.f. Allowances and Provisions

In addition to the information provided in Note 3.14 to the Bank's Financial Statements at December 31, 2016 and 2015, this caption includes the allowances and provisions of the Companies directly or indirectly controlled by the Bank, as detailed below:

2.f.1 - ALLOWANCES	12/31/2016	12/31/2015
<u>Investments – For Loss of Value</u> This allowance is set up by Provincia ART S.A. at December 31, 2015 to reflect loss of value of investments.	-	3,000
<u>Other Receivables from Financial Brokerage – For Uncollectibility Risk</u> This allowance is set up by ProvinciaAseguradora de Riesgo de Trabajo S.A., ProvinciaSeguros de Vida S.A. and ProvinciaSeguros S.A. on the basis of the analysis of possible loan losses, according to the assessments and procedures established for each subsidiary.	11,265	2,107
<u>Receivables from Financial Leases - For Uncollectibility Risk</u> This allowance includes the amount by which the residual value and the charges to be collected on receivables from financial lease of Provincia Leasing S.A. has to be adjusted, considering the loss risk assessed on the degree of compliance by lessees, their financial and economic position and the assets recoverable value.	13,640	12,559
<u>Interests in Other Companies - For Loss of Value</u> It is set up on the basis of the recoverable value of the investment of Grupo Banco Provincia S.A.	6,045	4,238
<u>Miscellaneous Receivables – For Uncollectibility Risk</u> This allowance is set up on the basis of the analysis of possible loan losses, according to the assessments and procedures established for each subsidiary.	353,595	277,075
<u>Miscellaneous Assets – For Depreciation of Assets</u> This allowance is set up by Provincia Leasing S.A. taking into account any possible depreciation of assets.	187	187
2.f.2 - PROVISIONS	12/31/2016	12/31/2015

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This caption mainly includes provisions set up by insurance companies. In the case of Provincia ART S.A., it includes provisions for administrative summary proceedings and claims not accepted.

ProvinciaSeguros de Vida S.A. set up provisions for legal proceedings and mediations against the Company claiming the fulfillment of obligations in the original currency of the pertinent contracts that were converted into pesos.	88,092	55,521
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At December 31 2016, this caption includes provisions of Grupo Banco Provincia S.A. for \$15,672 set up on the basis of estimates by the Board of Directors and previous experience in similar circumstances.

2.g. Miscellaneous Liabilities

ProvinciaSeguros S.A.

- Provisions for pending claims

Debts with insureds on account of pending claims under lawsuits and mediations have been determined on the basis of the following criteria, except for the automobile sector:

a) In cases where a judgment has been entered, whether by a trial or appellate court, or where there has been a settlement prior to trial, the assessment was made on the basis of the amounts mentioned in the relevant instrument, plus litigation costs.

b) With respect to lawsuits or mediations where claimed amounts are partially or totally undetermined, the assessment derives from the average of liabilities consisting of the remaining lawsuits and mediations of each line of insurance (individually), without any reinsurance deduction.

c) Lawsuits where no judgment has been rendered have been assessed at those dates on the basis of 60% of the amounts claimed, and updated following the procedures then in force or in accordance with the Company's liability, whichever is lower, except for Civil Liability policies, which are valued according to Resolution No. 34144. At December 31, 2016 and 2015, the Company's liabilities include losses incurred but not reported (IBNR) in relation to these policies according to the guidelines established by Resolutions Nos. 37130 and 32201 issued by the SSN amounting to \$417,866 and \$277,647, respectively. Such amount has been certified by an independent actuary.

On January 13, 2017, the SSN issued Resolution No. 40273 amending paragraphs 33.3.3.3 and 33.3.5.1 of the General Rules for Insurance Activity. These paragraphs specify the valuation criteria for lawsuits with determined amounts associated with civil liability and the amount to set up according to the updated claim effective as from Financial Statements at June 30, 2017.

-Automobile insurance

Automobile pending claims in administrative proceedings are valued pursuant to loss claims with possible responsibility of the insured persons, according to the average cost paid, determined by each situation and the respective policy, considering the claims effectively paid against those reported, until the pertinent technical report including the final valuation is obtained. With regard to third parties administrative claims, their assessment takes into account the amount claimed and the pertinent technical reports.

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The Company has calculated provisions for automobile pending claims under lawsuits and mediations in accordance with Resolution No. 31144 issued by the SSN.

On August 16, 2016, the Company submitted to the SSN the alternative method to be applied to exceptional claims in order to assess the liabilities for losses incurred but not reported (IBNR) for personal liability insurance. Such method was authorized on January 16, 2017.

On December 31, 2016, ProvinciaSeguros S.A. determined liabilities for losses incurred but not reported (IBNR) for personal liability and death insurance on the basis of an alternative calculation method associated with the new management of claims detailed in the integral strategic plan submitted to the SSN. This method is based on the recalculation of the last development year of the occurrence periods from July 1, 2010 to June 30, 2015.

At December 31, 2016 and 2015, the Company's liabilities include losses incurred but not reported (IBNR) in relation to automobile policies, according to the guidelines of Resolutions Nos. 37130 and 32201 of the SSN, amounting to \$803,241 and \$417,413, respectively. At December 31, 2016, ProvinciaSeguros S.A. recorded \$101,865 and \$701,376 on account of losses incurred but not reported (IBNR) and losses incurred but not enough reported (IBNER).

The reserve for losses incurred but not reported is certified by an independent actuary.

In all cases, provisions were set up netting, if applicable, the reinsurers' share.

Provincia ART. S.A.

Reserves for settled losses to be paid, losses in liquidation process, losses incurred but not reported (IBNR) and losses incurred but not enough reported (IBNER), set up according to Resolution No. 29972 issued by the SSN, as amended by Resolutions Nos. 30733, 34642 and 35652, are included.

Claims under litigation and mediation are also included. Lawsuits are assessed according to the information provided by legal counsel and the guidelines of Resolution No. 30733 issued by the SSN.

At December 31, 2016, liabilities arising from losses related to lawsuits or mediations according to the provisions of paragraph 33.4.1.6 of the General Rules for Insurance Activity are higher than global liabilities calculated according to the provisions of the SSN Resolution No. 39909. Therefore, Provincia ArtSA did not use the option stated in such resolution to differ the charge against income for the increase in the balance of the mentioned liabilities.

As at June 30, 2015, the Company decided to differ the charge against income for the increase in liabilities arising from losses related to lawsuits or mediations according to the requirements of paragraph 33.4.1.6 of the General Rules for Insurance Activity, pursuant to the provisions of section 4 of the SSN Resolution No. 39214. Therefore, such charge would be amortized in 14 quarters as of September 30, 2015, inclusive. At December 31, 2015, the balance to be amortized on such account amounted to \$671,886. However, under SSN Resolution No. 39909, the balance amount pending amortization at June 30, 2016 on this account amounted to \$647,376 and would be amortized in nine quarters from September 30, 2016, inclusive, together with any amortization derived from the excess in minimum capital every quarter. At December 31, 2016, the balance amount pending amortization amounts to \$503,515.

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According to the requirements of item 33.4.1.6.1.6 of the General Rules for Insurance Activity (*Reglamento General de la Actividad Aseguradora – RGAA*), there follows the information regarding the assessment of the Company's liabilities arising from lawsuits at December 31, 2016 and 2015:

	12/31/2016	12/31/2015
Judicial claims according to procedure	\$7,654,368	\$3,941,270
Total liabilities on account of judicial claims	\$5,150,390	\$2,873,957
Number of pending lawsuits without partial payments	7,699	5,103
Number of pending lawsuits with partial payments	45,170	36,609
Total partial payments on account of pending lawsuits	\$1,519,725	\$1,449,691

Reserves for temporary labor disability and benefits in kind payable are included, determined in accordance with Resolutions Nos. 31731 and 35652 of the SSN. The Company has adopted the general criterion defined therein to establish the provisions for benefits in kind.

Debts with insureds, except for premiums charged in advance, have been certified by an independent actuary.

Provincia Seguros de Vida S.A.

Pending claims at year-end are included. They are valued at the capital sum assured plus yield, deductions and reimbursements, if any, according to paragraph No. 39.6 of the RGAA.

Likewise, claims under litigation and mediation are included. They are assessed according to the information given by legal counsel and the guidelines stated in the above mentioned paragraph.

This caption also includes surrenders payable, the amounts of which have been settled but not yet paid at the closing date of the period.

Commitments for policies under plans envisaging settlement at the expiration of the contract are included, provided the insured is alive at such date. They are valued according to the capital sum assured in the case of survivorship plus yield.

2.h. Other Liabilities

This caption includes technical commitments by Insurance Companies, as stated in Note 12, valued according to the following detail:

Provincia Seguros S.A.:

Mathematical Reserve:

It is calculated according to the technical rules approved by the SSN under the regulations of Law No. 20091.

Unearned Premium Reserve and Technical Reserve for Premiums Shortage:

It is computed according to the guidelines of Resolutions Nos. 29053 and 34717 of the SSN, respectively.

Provincia Aseguradora de Riesgos del Trabajo S.A.

Reserve for Contingencies and Loss Ratio Variances:

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This provision is set up according to Resolution No. 29972 issued by the SSN, as amended by Resolution No. 31731.

Reserve for losses:

This provision is set up according to Resolution No. 29972 issued by the SSN, as amended by Resolution No. 31731.

Provincia Seguros de Vida S.A.:

Mathematical Reserves:

It is calculated according to the regulations of Law No. 20091 of the SSN.

Policies originally taken out in US dollars effective at September 30, 2016 and December 31, 2015 are affected by the provisions of Executive Order No. 214/02. Consequently, the Fund for the Valuation of Reserves-Executive Order No. 214/02 was created, the amount of which is equivalent to the end-of-period/fiscal year (as appropriate) valuation of the US dollar amount of such policies at the exchange rate informed by Banco de la Nación Argentina.

2.i. Statement of Cash Flows

The criterion for the preparation of this Statement identifies as cash and its equivalents the "Cash and Due from Banks" caption.

Note 3 – Differences between the current Professional Accounting Standards and the Accounting Standards of the BCRA and Rules issued by the Regulatory Authorities of Related and Controlled Companies (SSN)

The accounting practices established by the SSN are aimed at strengthening the capacity of insurance companies to meet their commitments and obligations to the insured. These practices differ in certain aspects from the Professional Accounting Standards and the accounting standards of the BCRA. The regularization made by the Bank included:

3.1. Valuation of Secured Loans and Promissory Notes of the Argentine Republic in Pesos (2014 and 2015)

Secured Loans received in exchange for public debt securities according to National Executive Order No. 1387/01 have been valued at the lower of the notional value (nominal value plus interest accrued at the end of the financial statements, converted at the rate of exchange determined by National Executive Order No. 471/02, net of the contra-asset accounts) and the present value fixed in accordance with Resolution No. 29248 of the SSN. If the technical value exceeds the present value, a provision called "Unearned profits for purchase of Secured Loans" is set up for the difference. Secured Loans acquired after the mentioned exchange are valued in line with the provisions of Resolution No. 29248, section 7, of the SSN.

At December 31, 2016, Promissory Notes 2019 received in exchange for Secured Loans and Promissory Notes according to Joint Resolution of the Treasury Secretariat (35/13) and Finance Secretariat (11/13), have been valued at their nominal value plus accrued and non-collected interest at the end of year, net of the balance of the contra-asset account called "Valuation Difference of Government Securities to be Settled" set up for the difference between the face value of the promissory note received and the book value of Secured Loans and Promissory Notes 2014 and 2015 delivered, and accruable on a straight-line basis over the life of the promissory note, according to the provisions set forth in Communication No. 3517 of the S.S.N.

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(Partner)

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According to the Professional Accounting Standards, Secured Loans and Promissory Notes are valued at the value of the initial appraisal, plus accrued portion of the internal rate of return, as determined at initial appraisal, net of any collections. At December 31, 2016, the Bank decided to record the differences between the BCRA and the SSN rules as follows:

- In Provincia ART S.A., \$94
- In Provincia Seguros S.A., \$960

At December 31, 2016, Provincia ART S.A. decided to defer the charge for the increase in liabilities derived from losses related to legal proceedings and mediations. The Bank resolved to record the charge according to the BCRA rules. Therefore, the charge to be allocated to the net income/loss for the year ended September 30, 2016 amounted to \$503,515.

3.2. Valuation difference of delinquent loans to be recovered:

The Professional Accounting Standards require the analysis of delinquent loans to be recovered, based on the assessment of the pertinent cash flows. The Bank adjusted the credit balance with the Government of the Province of Buenos Aires at December 31, 2016, as follows:

- In Provincia ART S.A., \$3,206
- In Provincia Seguros S.A., \$44,713

3.3. Provisioning Criteria

Reserves for uncollectibility of premiums are calculated mathematically by insurance companies, notwithstanding the actual probabilities of collecting on the accounts.

3.4. Reversal of Reserves for Contingencies

In the case of Provincia ART S.A., the reversal of the Reserve for Contingencies and Loss Ratio Variances should have been recorded, according to the Professional Accounting Standards, under the "Technical Commitments" caption.

3.5. Accounting for Income Tax through the application of the Deferred Tax Method

According to Note 2.16 to the Stand-alone Financial Statements, the Bank is exempted from any liens, taxes, charges or duties of any nature whatsoever. Nevertheless, Controlled Companies have recognized Income Tax charge by the Deferred Tax Method. This method is not admitted by the BCRA Accounting Standards.

Pursuant to the current Professional Accounting Standards of the Province of Buenos Aires, the Income Tax charge must be recognized using such method. Therefore, the pertinent assets and liabilities must be calculated considering the applicable temporary differences. Tax losses and unused tax credits deductible from future taxable profits, if probable, should be recognized as deferred assets.

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Note 4 – Minority Interest

The breakdown of the supplementary interests included in the "Minority Interest" caption is the following:

Company	Minority Interest - %
Bapro Mandatos y Negocios S.A.	0.150
Bapro Medios de Pago S.A.	0.004
Grupo Banco Provincia S.A.	0.033
Provincia Aseguradora de Riesgos del Trabajo S.A.	1.163
Provincia Bursátil S.A. Sociedad de Bolsa	5.000
Provincia Leasing S.A.	0.019
Provincia Servicios de Salud S.A. (In Liquidation) (*)	-
Provincia Seguros de Vida S.A.	46.000
ProvinciaSeguros S.A.	40.000

(*) See Note 18.h.1 to these Financial Statements.

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AT DECEMBER 31, 2016 AND COMPARATIVE PERIODS

(In thousands of pesos)

Note 5 - Government and Corporate Securities

At December 31, 2016 and 2015, the breakdown of this caption, classified according to the line of business of the consolidated companies, is the following:

Line of Business	Description	Book Value		Net Realizable Value	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
Insurance					
	- Holdings booked at market value	3,462,437	1,143,628	3,462,437	1,143,628
	- Holdings booked at cost plus yield	1,204,237	794,544	1,204,237	794,544
	- Securities issued by the BCRA	3,430,495	1,423,892	3,430,495	1,423,892
	- Investments in listed corporate securities	4,914,106	2,989,118	4,914,106	2,989,118
	- Allowances	-	(3,000)	-	(3,000)
	Subtotal	13,011,275	6,348,182	13,011,275	6,348,182
Banking and other Financial Services					
	- Holdings booked at market value	1,472,231	1,016,960	1,472,231	1,016,960
	- Holdings booked at cost plus yield	5,175,740	6,984,308	4,721,026	6,700,255
	- Securities issued by the BCRA	35,711,576	8,893,986	35,625,966	8,893,986
	- Investments in listed corporate securities	555,747	404,923	555,747	404,923
	- Allowances	(1,601)	(179)	(1,601)	(179)
	Subtotal	42,913,693	17,299,998	42,373,369	17,015,945
Brokerage					
	- Holdings booked at market value	2,068	3,266	2,068	3,266
	-Holdings booked at cost plus yield	-	3,341	-	3,341
	- Investments in listed corporate securities	60,389	26,236	60,389	26,236
	Subtotal	62,457	32,843	62,457	32,843
Services					
	- Investments in listed corporate securities	22,948	7,371	22,948	7,371
	Subtotal	22,948	7,371	22,948	7,371
		56,010,373	23,688,394	55,470,049	23,404,341
Total					
	- Holdings booked at market value	4,936,736	2,163,854	4,936,736	2,163,854
	- Holdings booked at cost plus yield	6,379,977	7,782,193	5,925,263	7,498,140
	- Securities issued by the BCRA	39,142,071	10,317,878	39,056,461	10,317,878
	- Investments in listed corporate securities	5,553,190	3,427,648	5,553,190	3,427,648
	- Allowances	(1,601)	(3,179)	(1,601)	(3,179)
		56,010,373	23,688,394	55,470,049	23,404,341

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(In thousands of pesos)

Note 6 - Other Receivables from Financial Brokerage

At December 31, 2016 and 2015, the breakdown of this caption, classified according to the line of business of the consolidated companies, is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Other receivables not included in the Debtors' Classification Rules	717,150	1,906,635
	- Accrued interest and adjustments receivable not included in the Debtors' Classification Rules	24,292	97,391
	- Unlisted negotiable bonds	2,014,064	-
	- Allowances	(11,265)	(2,108)
	Subtotal	2,744,241	2,001,918
Banking and other Financial Services			
	- Argentine Central Bank	2,944,267	1,470,159
	- Amounts receivable for spot and forward sales to be settled	7,650,365	673,924
	- Securities to be received under spot and forward purchases to be settled	80,284	2,244
	- Other receivables not included in the Debtors' Classification Rules	100,985	389,748
	- Unlisted negotiable bonds	90,027	105,278
	-Balances pending settlement of forward transactions without delivery of the underlying asset	311	8,481
	- Other receivables included in the Debtors' Classification Rules	7,934,599	7,685,129
	- Accrued interest and adjustments receivable included in the Debtors' Classification Rules	555	493
	- Allowances	(10,586)	(13,646)
	Subtotal	18,790,807	10,321,810
Brokerage			
	- Other receivables not included in the Debtors' Classification Rules	2,677	2,885
	Subtotal	2,677	2,885
Services			
	- Other receivables not included in the Debtors' Classification Rules	162	477
	Subtotal	162	477
		21,537,887	12,327,090

Note 7 - Interests in Other Companies

At December 31, 2016 and 2015, the breakdown of this caption for each non-consolidated company is the following:

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AT DECEMBER 31, 2016 AND COMPARATIVE PERIODS

(In thousands of pesos)

Issuing Company	Number of Shares		Equity Interest and Votes (%)		Book Value Net of Allowances	
	2016	2015	2016	2015	2016	2015

IN OTHER NON-CONTROLLED COMPANIES

- Argentina

Banco de la Provincia de Buenos Aires in:

					12,718	12,726
Provincanaje S.A.	600,000	600,000	8.33	8.33	600	600
Prisma Medios de Pago S.A.	1,364,994	1,364,994	9.10	9.93	3,409	3,409
Mercado Abierto Electrónico S.A.	1	1	0.45	0.45	4	4
CADIPSA S.A.	9,176	9,176	1.72	1.72	-	-
Argencontrol S.A.	70,000	70,000	10.00	10.00	70	70
Red Link S.A.	15,168,361	15,168,361	12.85	12.75	7,028	7,028
Massuh S.A.	163,791	163,791	0.16	0.16	138	138
Garbin S.A.	1,441,605	1,441,605	4.31	4.31	1,442	1,442
Emde S.A.	7,140	7,140	0.92	0.92	-	-
In public utility companies (Cooperatives)	-	-	-	-	27	35

Grupo Banco Provincia S.A. in:

					51,403	38,678
Internacional Cía. de Seguros de Vida S.A.	21,709,977	21,709,977	37.77	37.77	51,403	38,678

Provincia Bursátil Sociedad de Bolsa S.A. in:

					3,439	3,439
Mercado de Valores de Buenos Aires S.A.	2	2	-	-	3,414	3,414
Mercado a Término de Buenos Aires S.A.	1	1	-	-	25	25

Provincia Seguros S.A. in:

					5,548	3,427
Fogaba S.A.	10,000	10,000	0.24	0.24	1,622	1,422
Internacional Cía. de Seguros de Vida S.A.	1,730,335	1,730,335	3.01	3.01	3,926	2,005

TOTAL IN ARGENTINA

73,108	58,270
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- Abroad

Banco de la Provincia de Buenos Aires in:

					127,493	104,598
BLADDEX S.A.	884,461	884,461	2.43	2.43	127,293	104,443
Swift S.A.	8	8	0.01	0.01	17	14
Bolsa Electrónica de Val. del Uruguay S.A.	1	1	3.84	3.84	145	116
Telebrás	217,928	217,928	0.01	0.01	38	25

TOTAL ABROAD

127,493	104,598
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200,601	162,868
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Note 8 – Receivables from Financial Leases

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(In thousands of pesos)

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Banking and other Financial Services			
	- Machinery and equipment under financial lease	539,411	661,266
	- Matured charges receivable	24,618	21,726
	- Premises under financial lease	1,382	1,471
	- Machinery and equipment to be recovered	5,746	1,182
	- Other	32,495	55,282
	- Accrued interest and adjustments receivable	15,431	19,203
	- (Allowances)	(16,086)	(14,985)
		602,997	745,145

Note 9 - Miscellaneous Receivables

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		31/12/2016	31/12/2015
Insurance			
	- Minimum notional income tax	109,854	32,730
	- Premiums receivable	2,001,606	1,476,948
	- Expense Advances	192	178
	- Other	1,343,126	1,767,040
	- (Allowances)	(341,581)	(267,593)
	Subtotal	3,113,197	3,009,303
Banking and other Financial Services			
	- Debtors for sale of assets	34	46
	- Minimum notional income tax	20,421	14,042
	- Debtors for services	114,107	79,397
	- Deferred tax	1,761	1,562
	- Other accrued interest receivable	7,649	8,571
	- Other	7,151,386	3,708,940
	- (Allowances)	289,455	(140,466)
	Subtotal	7,005,903	3,672,092
Brokerage			
	- Minimum notional income tax	2,809	2,816
	- Debtors for brokerage transactions	4,496	318

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- Other	23,407	15,398
- (Allowances)	(56)	(56)
Subtotal	30,656	18,476

Services

- Minimum notional income tax	14,205	8,021
- Deferred tax	10,770	20,927
- Other	22,034	7,048
Subtotal	47,009	35,996

TOTAL	10,196,765	6,735,867
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Total

- Minimum notional income tax	147,289	57,609
- Debtors for sales of assets	34	46
- Other	10,672,885	7,077,756
- Expense Advances	192	178
- Deferred tax	12,531	22,489
- Debtors for services	114,107	79,397
- Debtors for brokerage transactions	4,496	318
- Premiums receivable	2,001,606	1,476,948
- Other	8,539,953	5,498,426
- Other accrued interest receivable	7,649	8,571
- (Allowances)	(631,092)	(408,115)
	10,196,765	6,735,867

Note 10 – Miscellaneous Liabilities

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Fees	12,681	5,192
	- Debts with insureds, reinsurers and co-insurers	15,426,803	9,078,251
	- Debts with brokers	278,831	245,984
	- Other	1,188,687	1,012,145
	Subtotal	16,907,002	10,341,572

Banking and other Financial Services

- Fees	17,461	20,791
- Suppliers	106,964	87,716

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	- Advances from customers	25,644	26,380
	- Other	1,194,869	1,065,143
	Subtotal	1,344,938	1,200,030
Brokerage			
	- Fees	8,776	8,261
	- Suppliers	1,689	724
	- Other	21,621	10,238
	Subtotal	32,086	19,223
Services			
	- Fees	15,415	323
	- Suppliers	351	159
	- Other	55,115	36,098
	Subtotal	70,881	36,580
		18,354,907	11,597,405

Note 11 - Provisions

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- For other contingencies	67,093	31,794
	Subtotal	67,093	31,794
Brokerage			
	- For other contingencies	200	-
	Subtotal	200	-
Banking and other Financial Services			
	- For contingent liabilities	216	211
	- For other contingencies	804,225	690,780
	Subtotal	804,441	690,991
Services			
	- For other contingencies	15,672	19,198
	Subtotal	15,672	19,198
		887,406	741,983

Note 12 – Other Liabilities

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

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Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Contingencies and loss ratio variance	792,508	540,236
	- Mathematical reserves	4,739	3,277
	- Mathematical reserves for individual lifetime annuities	410,461	271,452
	- Current risk and unearned premiums and charges	756,613	375,090
	- Other	517,086	692,994
	Subtotal	2,481,407	1,883,049
Banking and Other Financial Services			
	- Other	44,655	(27,415)
	Subtotal	44,655	(27,415)
		2,526,062	1,855,634

Note 13 – Income from Services and Expenditure for Services - Other

At December 31, 2016 and 2015, the breakdown of these captions according to the line of business of the consolidated companies is the following:

Income from Services – Other

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Premiums and surcharges for insurance policies	16,895,381	12,328,935
	- Income from technical structure	4,899	87,297
	Subtotal	16,900,280	12,416,232
Banking and Other Financial Services			
	- Income from services	7,510,497	5,719,624
	- Trust administration	46,001	42,360
	Subtotal	7,556,498	5,761,984
Brokerage			
	- Income from services	18,491	32,662
	- Income from brokerage transactions	65,576	13,045
	Subtotal	84,067	45,707
		24,540,845	18,223,923

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(In thousands of pesos)

Expenditure for Services – Other

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
<i>Insurance</i>			
	- Accrued claims	14,942,176	9,373,642
	- Insurance policy surrenders and accrued temporary annuities	20,599	27,451
	- Expenditure for technical structure	834,621	836,656
	- Other	22,774	-
	Subtotal	15,820,170	10,237,749
<i>Banking and Other Financial Services</i>			
	- Other	2,655,140	2,161,661
	Subtotal	2,655,140	2,161,661
		18,475,310	12,399,410

Note 14 – Administrative Expenses

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Personnel expenses	990,863	729,643
	- Directors' and syndics' fees	28,568	23,938
	- Other fees	84,264	134,786
	- Advertising and publicity	112,498	313,009
	- Taxes	627,216	473,343
	- Depreciation of bank premises and equipment	7,946	6,609
	- Amortization of organization and development expenses	19,883	14,705
	- Other operating expenses	1,010,693	1,017,998
	- Other	65,789	46,293
	Subtotal	2,947,720	2,760,324
Banking and Other Financial Services			
	- Personnel expenses	11,977,568	8,982,780
	- Directors' and syndics' fees	56,800	48,242
	- Other fees	157,662	158,618
	- Advertising and publicity	219,189	223,270
	- Taxes	69,423	86,439
	- Depreciation of bank premises and equipment	246,827	242,082
	- Amortization of organization and development expenses	61,126	60,618

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	- Other operating expenses	1,708,179	1,167,550
	- Other	471,396	308,633
	Subtotal	14,968,170	11,278,232
Brokerage			
	- Personnel expenses	33,684	22,453
	- Directors' and syndics' fees	9,628	8,261
	- Other fees	2,529	2,384
	- Advertising and publicity	179	115
	- Taxes	1,517	195
	- Depreciation of bank premises and equipment	681	160
	- Amortization of organization and development expenses	395	200
	- Other operating expenses	16,996	10,394
	Subtotal	65,609	44,162
Services			
	- Personnel expenses	301,543	220,204
	- Directors' and syndics' fees	15,120	16,208
	- Other fees	8,675	9,417
	- Advertising and publicity	10,880	5,419
	- Taxes	26,145	19,006
	- Depreciation of bank premises and equipment	2,337	1,254
	- Amortization of organization and development expenses	111	78
	- Other operating expenses	11,423	16,107
	- Other	32,265	26,789
	Subtotal	408,499	314,482
		18,389,998	14,397,200

Note 15 - Miscellaneous Income

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Net income from long-term investments	2,284	187
	- Other	189,853	430,514
	Subtotal	192,137	430,701
Banking and Other Financial Services			
	- Net income from long-term investments	46,530	33,531
	- Penalty interest	52,593	48,104
	- Adjustment from application of the CER index	5	8
	- Receivables recovered and allowances reversed	251,973	897,164
	- Other	244,621	33,180

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	Subtotal	595,722	1,011,987
Brokerage			
- Net income from long-term investments		2,195	181
- Other		2,715	3,665
	Subtotal	4,910	3,846
Services			
- Net income from long-term investments		13,708	17,282
- Other		162	-
	Subtotal	13,870	17,862
		806,639	1,463,816

Note 16 - Miscellaneous Losses

At December 31, 2016 and 2015, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2016	12/31/2015
Insurance			
	- Charges for miscellaneous receivables and other items written-off	20,081	936,720
	- Other	403,512	309,599
	Subtotal	423,593	1,246,319
Banking and Other Financial Services			
	- Charges for miscellaneous receivables and other items written-off	299,899	351,316
	- Amortization of differences from court orders	18,800	18,159
	- Penalty interest and charges in favor of the BCRA	280	21
	- Depreciation and losses for miscellaneous assets	1,002	1,755
	- Other	1,730,617	244,229
	Subtotal	2,050,598	615,480
Brokerage			
	- Charge on bad loans	-	28
	- Other	731	265
	Subtotal	731	293
		2,474,922	1,862,092

Note 17 – Restricted Assets

In addition to the contents of Note 6 to the Bank's Financial Statements, the Consolidated Balance Sheet includes the following restricted assets:

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Company	12/31/2016	12/31/2015
<u>ProvinciaBursátil S.A.</u>		
Shares of Mercado de Valores de Buenos Aires S.A. delivered to such company as collateral, in line with the provisions applicable in general to stockbrokers and brokerage houses.	3,414	3,414
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	63	31
At December 31, 2016, \$12,069 was registered under the "Cash and Due from Banks" caption. The "Investment" caption included: a) \$30,162 accounting for quota shares of the "1822 Raíces Pesos FondoComún de Dinero" mutual fund, and b) \$1,500 representing the share of Mercado de Valores de Buenos Aires in compliance with the requirement of General Resolution No. 622 issued by the CNV.	318,036	346
<u>Provincia Leasing S.A.</u>		
Contracts pledged as collateral of the obligations assumed with Banco de Inversión y Comercio Exterior (BICE) S.A.	1,483	4,047
<u>Grupo Banco Provincia S.A.</u>		
Fixed term deposits to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires and the opening of import letters of credit and amortization loans granted to Provincia Leasing S.A. to be applied to new transactions.	-	308
<u>ProvinciaSeguros S.A.</u>		
At December 31, 2016 and 2015, court deposits levied under legal proceedings, included in the Provision for Pending Claims or claims not related to insurance activities.	120,156	104,594
At December 31, 2016 and 2015, 2,595 and 100,000 quota shares of "Firma Ahorro Pesos Clase C" mutual fund, respectively; 175,448 and 82,405 quota shares of "Firma Ahorro Plus" mutual fund, respectively, levied for the same reason; and 12,103 and 83,328 quota shares of "FBA Ahorro Pesos" mutual fund, respectively. Likewise, at December 31, 320,003 and 103,212 quota shares of "Firma Capital Plus" and "SuperfondoRenta Variable" mutual funds, respectively.	5,387	1,732
Term deposits in Banco de la Provincia de Buenos Aires to guarantee the payment of amounts owed to the Bank. At December 31, 2016 and 2015, fixed term deposits levied for \$685 and \$552, respectively.	1,412	1,421
<u>Bapro Mandatos y Negocios S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	93	92

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Company	12/31/2016	12/31/2015
At December 31, 2016, the "Investment" caption included \$3,000 on account of quota shares of "1822 RaícesValoresFiduciarios" mutual fund in compliance with the requirement of General Resolution No. 622 issued by the CNV for managers of collective investment products - trustees. At December 31, 2015, it also included a fixed term deposit for \$3,192.	3,000	3,192
<u>Bapro Medios de Pago S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	402	1,441
At December 31, 2015, the "Investment" caption included a fixed term deposit to guarantee the payment of amounts owed to Banco Industrial y Comercial de China (ICBC)	-	527

Note 18 – Significant Developments regarding Subsidiaries and Other Non-Controlled Companies

Significant developments in relation to subsidiaries and other non-controlled companies, including events subsequent to the Financial Statements of Grupo Banco Provincia S.A. at December 31, 2016, which were used for the consolidation of these Consolidated Financial Statements, are detailed below:

a. **Provincia ART S.A.**

a.1. - Fund for Specific Purposes - Executive Order No. 590/97

With respect to the claim filed by Provincia ART S.A. against the National Government regarding the need to set up the Fund for Specific Purposes established by Executive Order No. 590/97, corresponding to the participation agreement between the Company and the Province of Buenos Aires, on June 30, 2009, the Government of the Province of Buenos Aires notified its legal and affirmative defenses: a) lack of court jurisdiction, since as the Province is a party to the process, the original jurisdiction lies in the Argentine Supreme Court, and b) no grounds for a case, by virtue of the inclusion in the pertinent file of an opinion issued by the SSN's Legal and Control Departments ratifying the decision of the Company not to record the contribution to be made by the provincial government as a liability since the latter had expressly waived all rights arising from such contribution. On August 4, 2009, the Company answered the defenses filed by the Government of the Province of Buenos Aires, acknowledging the allegation of lack of jurisdiction. On September 15, 2009, such defense was sustained and the proceedings were referred to the Argentine Supreme Court.

On June 8, 2015, the original court rendered judgment declaring the issue to be without reason. Said judgment was grounded in the opinion rendered by the Legal and Control Departments applicable to all financial statements of the Company prepared after such date as well as in the analysis of the financial statements which revealed no uncertainty about the substantive issue. Therefore, the Company doesn't need to set up the Trust Fund for Occupational Diseases corresponding to the Government of the Province of Buenos Aires (as insured) as regards the coverage granted until December 31, 2006.

On May 22, 2008, through joint Resolution No. 33034, the SSN and the Workers' Compensation Insurance Superintendence (Superintendencia de Riesgos del Trabajo - SRT) authorized the Government of the Province of Buenos Aires to carry its own workers' compensation insurance coverage and provided its registration in the registry of self-insured employers.

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Pursuant to the terms of the agreement between both parties, contracts executed between January 1, 1998 and December 31, 2006 were subject to financial analysis. Such analysis produced a \$28,424 balance in favor of the Government of the Province of Buenos Aires at December 31, 2006, which mainly accounted for the difference between the premiums charged by Provincia ART S.A. and the claims settled in such period, as well as taxes, commissions and related operating expenses. At December 31, 2006, termination date of the agreement, the fund amounted to \$21,585 approximately.

Since January 1, 2007, the above balance in favor of the Government of the Province of Buenos Aires was allocated to the payment of those claims. Once such balance was exhausted, the obligations were cancelled through a fund specifically created for such purposes according to the terms of section 59 of the Accounting Law of the Province of Buenos Aires. The responsibility of Provincia ART S.A. was to calculate, settle and pay such obligations in due time. At December 31, 2016 and 2015, \$70,775 and \$598,534, respectively, were recorded by the Company under the "Other Receivables" caption.

At December 31, 2016 and 2015, the self-insurance management fees to be collected amounted to \$24,917 and \$91,372, respectively.

At December 31, 2016 and 2015, the balance not yet due and payable to be collected by the Company on account of advances in checking accounts for claim payments amounted to \$1,378 and \$547, respectively, and self-insurance management fees totaled \$9,614 and \$6,496, respectively, as disclosed under the "Other Receivables" caption of the Consolidated Financial Statements of Grupo Banco Provincia S.A.

On January 9 and 14, April 27 and August 31, 2015, the Government of the Province of Buenos Aires made partial payments for \$80,240, \$198,365, \$235,756 and \$73,988, respectively, on account of partial settlement of debt.

On March 7, 2016, the Company and the Government of the Province of Buenos Aires executed agreements for the consolidation of debts at December 31, 2015, including total claims by the Company, according to the following detail:

- The consolidated debt of the Government of the Province of Buenos Aires at December 31, 2015 on account of benefits in kind, monetary and additional compensations for the self- insurance management agreement was fixed at \$598,544.
- The consolidated debt of the Government of the Province of Buenos Aires at such date on account of self-insurance fees and expenses was fixed at \$35,949, acknowledging a \$61,919 debt reduction.

On April 7, 2016, the Company received "Bonds for the settlement of provincial debts" for an amount of \$634,493 for the cancellation of the above mentioned consolidated debt.

On September 16, 19, 20 and 26, 2016, through the General Provincial Treasury, the Company received payments for a total of \$140,277 to cancel the checking account debt arising from claim payments at May 31, 2016.

Likewise, on October 7 and November 4 and 8, 2016, the Company received payments for \$35,279, \$75,674 and \$37,860, respectively, to cancel the balances owed for claim payments made between June and September 2016.

a.2. Trust Fund for Occupational Diseases

The SSN's resolution No. 29323 of June 27, 2003 set out the rules for the accounting of the income, expenditure and investments of the Trust Fund for Occupational Diseases created by Executive Order No. 1278/00. At the closing date of the Financial Statements, Provincia ART S.A. recorded the balance corresponding to this fund in compliance with the

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provisions of the abovementioned resolution. Likewise, the investment portfolio complies with such provisions.

At December 31, 2016 and 2015, the Company deducted expenditures under the Fund for an amount computed according to section 19, subsections a) and b) of the above resolution. At such dates, the Company had used all funds under section 19, subsection a).

The remaining amount of the fund is under trust administration of Provincia ART S.A. Funds held in trust and the pertinent income and expenditure are subject to a specific accounting record, separate from the other transactions. At December 31, 2016 and 2015, cash and due from banks and investments of such fund amounted to \$241,587 and \$181,002, respectively.

a.3. Amendments to the Workers' Compensation Insurance System

- Declaration of unconstitutionality of certain sections of Law No. 24557

On rendering judgment in the case entitled "Castillo Ángel Santos c/ Cerámica Alberdi S.A.", on September 7, 2004, the Argentine Supreme Court of Justice declared Section 46, subsection 1, of Labor Risk Law No. 24557 to be unconstitutional. As a consequence, workers affected by occupational accidents will be able to express their disagreement with the enforcement of the above law before the labor courts in each province. Prior to this ruling, the procedure only consisted of examinations by medical commissions, which decisions could only be appealed to the federal courts.

Furthermore, on September 21, 2004, the Supreme Court rendered judgment in the case entitled "Aquino Isacio c/Cargos Servicios Industriales S.A." confirming the judgment entered by the National Court of Appeals in Labor Matters, Division VI, that had ruled on the unconstitutionality of Section 39, subsection 1 of Law No. 24557, which exempted employers from civil liability to injured employees, except in cases of willful misconduct.

On October, 26, 2004, the Argentine Supreme Court of Justice declared the unconstitutionality of Section 14, subsection 2 b) of the labor risk law, which provided for the compensation of partial permanent disabilities in monthly payments; compensation must now be paid in a lump-sum amount (known as the "Milone Case").

Finally, on September 12, 2007, the above court ruled in the case entitled "Llosco c/Irmi" revoking the judgment of the Superior Court of the Province of Jujuy that had dismissed the right of an injured worker to claim damages in civil proceedings because he had already received compensation under Law No. 24557.

Although the above-mentioned rulings apply to the cases specifically heard by court, they had a significant impact on the workers' compensation insurance system. The Company prepared a statement of its reserves, technical commitments, cash and due from banks and investments at September 7, 2004 (date of the first declaration of unconstitutionality) and submitted such information to the SSN.

- Issuance of National Executive Order No. 1694

On November 6, 2009, the National Executive Branch issued Order No. 1694 introducing modifications to Law No. 24557, as amended, applicable to contingencies in which the first manifestation of disability occurs from such date. These modifications included:

- Increase over 50% in the additional lump-sum monetary compensation for partial permanent disability declared to be definite. The additional lump-sum compensations to be paid in case of total permanent disability declared to be definite and the worker's death were also increased.

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- Elimination of the maximum cap on the monetary compensation for permanent disability.
- Determination of a minimum amount applicable to the monetary compensation for permanent disability.
- Determination of the monetary compensation for provisional or permanent labor disability declared to be temporary according to the provisions of Law No. 20744, section 208.
- Creation of a registry of medical services providers.
- Increase in the monthly amount to be paid in case of severe disability.

- Enactment of Law No. 26773

On October 26, 2012, the Official Gazette published Law No. 26773 (rules on injuries derived from accidents at work and occupational diseases), which introduced significant modifications to labor risk regulations in order to reduce the litigation rate in the system. The most important changes were:

- Introduction of an "either/or" option under which an injured employee will have to choose between, either receiving the statutory compensation amount, or filing an action before the civil courts claiming for compensation.
- Establishment of a lump-sum payment as compensation to be paid within 15 days after notice of the worker's death, or the approval or determination of the percentage of disability.
- If the injury occurs at the workplace or during working hours, the injured employee shall receive an additional lump-sum compensation equal to 20% of the compensation amounts offered under the system. A minimum compensation amount is also established in the case of death or total disability.
- If compensation is determined by reference to other liability systems (judgment, pretrial conference or settlement), the insurer must deposit the amount that would have been payable according to law plus interest and legal fees. This amount shall be deducted from the settled amount or the amount determined by court. If the amount of the judicial decision is lower than the amount deposited, any excess shall be deposited in the guarantee fund.
- Compensation amounts will be updated semiannually in accordance with the worker's average taxable remuneration (RIPE) index.
- The SSN and the SRT shall decide the indicators to be used by insurers to state their rates systems. They shall include risk level and expected and actual loss experience.
Insurers shall limit their administrative expenditure and other non-benefit expenses budget to the percentage to be established by the SSN and the SRT, which shall not exceed 20% of income. Out of the resulting amount, 5% may be allocated to marketing or intermediation expenses. Additionally, caps are set for legal fees, eliminating the possibility of cotualitis agreements.

- Issuance of National Executive Order No. 472

On April 1, 2014, the National Executive Branch issued Order No. 472, which regulated Law No. 26773, authorizing the SSN to lay down supplementary rules, if necessary. The regulatory decree included provisions to:

- Regulate the extension of the temporary labor disability period.

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- Determine the calculation basis for ascertaining some compensation amounts.
 - Establish operative criteria on the obligation and terms of payment related to monetary compensations.
 - Authorize competent agencies to set technical parameters for adjusting the benefits and amounts included in the compensation scheme.
 - Confirm that the marketing or intermediation expenses of any nature whatsoever shall not exceed 5% of the participation fee. This percentage does not include the value added tax. Moreover, as prevention costs are considered benefit expenses, they are not included in administrative expenditures and other non-benefit expenses.
- Judgment rendered by the Argentine Supreme Court of Justice on June 7, 2016*

On June 7, 2016, the Supreme Court rendered judgment in the case entitled "Espósito, Dardo Luis c/Provincia ART s/accidente - Ley especial" and confirmed that the adjustment on occupational accident compensations determined by the latest workers' compensation reform (Law No. 26773) may not be applied to compensate for damages suffered before the enactment of the law.

Under said judgment, the plaintiff's proposal to update the statutory compensation for an accident occurred in March 2009 based on the RIPTÉ index was not in line with the provisions of Law No. 26773. It also determined that the payment of the additional 20% benefit established by section 3 of the mentioned reform for "real injury or occupational disease" events was not applicable to an "in itinere" accident.

- Issuance of National Executive Order No. 54/2017

National Executive Order No. 54, published in the Official Gazette on January 23, 2017, introduced amendments to the legislation in force in order to reduce the litigation rate in the workers' compensation system. The Order's most relevant provisions are the following:

- The intervention of jurisdictional medical commissions shall be a mandatory, prior and exclusive administrative instance to determine a worker's compensation in case of disease or inability. They shall have a maximum 60 business day term to issue their decision on each case. Said term may be extended for duly grounded reasons related to the proof of the occupational accident or professional illness. Once this instance is exhausted, the parties may request a revision of the relevant resolutions by the central medical commission. The central medical commission's resolution may be appealed by any of the parties by filing an action before the appellate courts in labor matters, or if they do not exist, before the single instance courts with authority to hear these cases and jurisdiction over the intervening medical commission's domicile. The resolutions of the jurisdictional or central medical commissions not appealed by any of the parties, as well as the approving resolutions, shall be considered administrative res judicata.
- Official medical experts who intervene in judicial controversies shall be members of the pertinent Medical Forensic Body and their professional fees shall neither be variable nor based on the amounts sought in the lawsuits.
- The Order disposes the creation of a provincial public self-insurance whose purpose is to enable provinces, municipalities and the Autonomous City of Buenos Aires to self-insure the labor risks with respect to their public employment regime in accordance with the SRT's guidelines.
- Changes are introduced in the compensation calculation ratios since the remunerations to be taken into account to assess the pertinent amounts shall be adjusted according to the RIPTÉ index. Moreover, from the date of the first manifestation of disability to the payment of the relevant compensation upon determination or approval of the worker's permanent labor disability or death, the base income amount will accrue interest equivalent to the average annual

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nominal lending rate of Banco de la Nación Argentina at 30 days in arrears. Failure to pay compensation on time shall turn section 770 of the National Civil and Commercial Code applicable, that is to say, interest shall be accumulated to principal. The proceeds shall accrue interest equivalent to the average annual nominal lending rate of the mentioned bank at 30 days in arrears until effective payment.

The authorities of Provincia ART S.A. understand that the Company's reserves at December 31, 2016 include all significant known effects derived from the regulatory changes described above as well as the different application methods under each jurisdiction. However, at the reporting date of the Financial Statements of Provincia ART S.A., the final effect of these changes on the loss ratio estimated by the Company could not be determined.

a.4. *Claim against the National Government*

On November 21, 2000, the Argentine Supreme Court of Justice upheld the extraordinary appeal filed by Provincia ART S.A., thus confirming the judgment rendered by the Court of Appeals which ruled on the unconstitutionality of Executive Order No. 863/98, in the case entitled "Provincia ART S.A. c/ Estado Nacional – Decreto N° 863/98 s/Amparo – Incidente de ejecución de sentencia".

In this case, the Company claimed \$1,289 on account of the recovery of fees withheld for the workers' compensation insurers' collection service by application of the above mentioned executive order. It also claimed the refund of \$1,062 corresponding to fees for the period preceding such executive order.

On March 19, 2009, the Federal Court ruled in favor of the Company and ordered the refund of the amounts illegitimately withheld. The appeal submitted by the National Government regarding such ruling was dismissed by the Court of Appeals on August 27, 2009, thus confirming the judgment. The case was remanded to the lower court, which approved the payment of \$1,787. Later, the Argentine Internal Revenue Service (*Administración Federal de Ingresos Públicos – AFIP*) challenged the judgment amount. On March 22, 2011, the Court served notice upon each of the attorneys involved in the case. On August 30, 2011, the Court of Appeals rejected the excuse requested by the Judge on July 5, 2011 and decided to refer the case to the Clerk's Office No. 2 of Court No. 1. Once the case was remanded and notice to the Parties was duly served upon, it was sent to the above mentioned Clerk's Office, which decided to reject the challenge requested by the AFIP on March 8, 2012. The fiscal authority filed a claim against such resolution, which was answered on June 26, 2012. As instructed, the case was sent to the Court of Appeals on December 13, 2012. At the date of the Financial Statements of Provincia ART S.A., the parties have been duly notified and all claims have been answered.

At December 31, 2016 and 2015, the Company recorded \$1,946 under the "Other Receivables" caption for the amounts pending collection, and it expects to recover the remaining amount upon execution of the judgment rendered by the Argentine Supreme Court. At December 31, 2016, the Company decided to set up provisions for the total amount above mentioned.

a.5. *Minimum capital and coverage of debts to insureds*

At December 31, 2016 and 2015, Provincia ART S.A. recorded \$1,408,943 and \$2,033,665 deficits in minimum capital requirements, respectively, and \$194,613 and \$860,167 deficits in the calculation of coverage of debts to insureds, respectively.

On December 4, 2013, the SSN, by virtue of the assessment of the Company's technical ratios as of September 30, 2013, required such Company to submit a regularization and reorganization plan related to coverage and minimum capital requirements. The plan had to include, without limitation, administrative, economic, financial, commercial and other measures for the regularization of such deficits, a capitalization program stating the dates and amounts of contributions to be made, and future actions aimed at securing surpluses in both technical ratios. Likewise, the Company

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was required to comply with the prevailing regulations on coverage and minimum capital requirements, disregarding the alternative criteria that it had adopted until September 30, 2013. On December 19, 2013, the Company submitted the required information to the control authority.

On April 22, 2014, the Company submitted to the SSN a regularization and reorganization plan related to its coverage and minimum capital requirement deficits. It included economic and financial projections derived from a set of operative, administrative and financial measures, and was intended to be implemented before December 31, 2015.

On May 22, 2014, the SSN approved the mentioned plan and further instructed the Company to: a) comply with the gradual reduction of its minimum capital requirement deficit, b) reduce, semi-annually, its coverage deficit according to section 35 in the same proportion as the Company projects to reduce its minimum capital requirement deficit, and c) make capital contributions, if technical ratio deficits (coverage and minimum capital requirements) higher than those disclosed in the regularization and reorganization plan be recorded at the closing of any fiscal year.

Such plan envisaged the partial collection in kind of the amounts owed to the Company as a result of self-insurance transactions with the Government of the Province of Buenos Aires through the receipt of debt settlement bonds.

Therefore, the Company required the SSN's special authorization to compute in its technical ratios the unlisted securities issued by the Government of the Province of Buenos Aires for a total of \$850,000. On June 5, 2015, the SSN rendered a favorable decision on the above request.

The implementation of SSN Resolution No. 39214 affected the fulfillment of the goals set in the Regularization and Reorganization Plan related to coverage and capital requirement deficits. Therefore, Provincia ART S.A. requested an amendment to the above plan on October 27, 2015. The Company was notified by the SSN of the approval timely requested. Thus, the compliance term was extended until December 31, 2016, inclusive, and semiannual deficit reduction goals were set. Since it was unable to fulfill the plan, on June 22 and August 19, 2016, the Company submitted to the SSN an amendment to this plan, which forecasts a surplus in coverage of debts to insureds for the second half of 2017 and in its minimum capital as from the second half of 2019.

On November 10, 2016, the Company submitted a new proposal for the regularization plan, which envisages a surplus in coverage of debts to insureds for the first half of 2017 and in its minimum capital as from the second half of 2019. For this purpose, the Company forecasts to compute the securities received from the Province of Mendoza and the Government of the Province of Buenos Aires, as well as the loss reserve balance at each closing date, and to take different measures to diminish the loss ratio and operating costs. Likewise, the Company undertakes to report, on a quarterly basis, certain management indicators to the control authority. Provincia ART S.A. submitted a copy of the minutes of the Regular Meeting

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of Shareholders held on November 9, 2016, stating its commitment to implement control and management mechanisms so as to ensure the effective compliance with the plan. The Company shall keep the shareholders informed about possible deviations and the pertinent solutions.

On January 16, 2017, the SSN approved the regularization plan of Provincia ART S.A. and authorized the Company to compute in its technical ratios the above mentioned securities and the loss reserve balance. The securities issued by the Government of the Province of Buenos Aires and the previous partial settlements of debt exceed the threshold amount of \$850,000 authorized by the SSN on June 5, 2015.

Moreover, the SSN requires the Company to semiannually submit an independent auditor's report containing their opinion on its premiums adequacy, as well as the corrective measures to be implemented in case of deviations from the approved plan.

At the date of the Financial Statements of Provincia ART S.A., the Company complies with the projected evolution of its technical ratios as stated in the plan approved on January 16, 2017.

The Company's authorities are continuously monitoring any deviations from the mentioned deficit regularization and reorganization plan .

a.6. *Distribution of Profits*

On December 19, 2013, and in order to comply with the SSN's regulations in force, the Special Meeting of Shareholders of Provincia ART S.A. approved a \$95,000 capital increase to cover the Company's deficit in minimum capital requirements as of September 30, 2013, as detailed in Note 18.a.5 to these Financial Statements.

On September 14, 2015, the Special Meeting of Shareholders decided to cancel such capital increase since the integration of that capital contribution was not included in the Regularization and Reorganization Plan timely approved by the SSN.

b. Provincia Leasing S.A.

b.1. *Agreement between Banco de la Provincia de Buenos Aires and Provincia Leasing S.A.*

On July 23, 2008, the Board of Directors of Provincia Leasing S.A. approved the Loan Origination and Assignment Framework Agreement between Banco de la Provincia de Buenos Aires and Provincia Leasing S.A. Under such agreement, the Company will transfer credits without recourse to the Bank and will act as custodian, collection and administration agent.

At December 31, 2016 and 2015, contracts managed by the Company amounted to \$22,753 and \$48,712, respectively.

b.2. *Legal actions against the Company*

Provincia Leasing S.A. was sued by The Standard Saving Corp. S.A. for differences in the conversion into pesos of dollar denominated negotiable obligations included under the Public Tender Offer regulations.

On April 22, 2008, the judge rendered judgment sustaining the plaintiff's claim and the Company was held liable to pay up to \$312 plus interest and legal costs in accordance with the debt equitable readjustment criterion. Both parties resorted to the National Court of Appeals in Commercial Matters, Division B, which ratified the first instance resolution and served pertinent notice on August 10, 2009. Within the stipulated period, Provincia Leasing S.A. filed an extraordinary appeal against the appellate court decision. On March 9, 2011, the Supreme Court ruled inadmissible the remedy filed by Provincia Leasing S.A. and confirmed the judgment rendered by the lower court. On July 16, 2015, after confirmation of the settlement amount claimed by the plaintiff, the Company paid the judgment amount plus legal fees, out of the

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previously attached amount and reversed the relevant provisions.

GNC Las Flores S.A. brought a claim against the Company and, for the year ended December 31, 2015, Provincia Leasing S.A. was notified of the lower court judgment instructing payment of consequential damages. Both parties resorted to the Court of Appeals. In April 2016, the Court upheld the first instance ruling and ordered Provincia Leasing S.A. to pay the pertinent consequential damages plus interest and all resulting costs and expenses. The claim for loss of profits was sustained, thus overruling the first instance decision on this matter. Since the Company had to pay the judgment amount in a lump sum, both parties agreed that the plaintiff's lawyer's fees would be paid in three equal installments, and the remaining items plus interest in five installments. Notwithstanding, experts' and mediator's fees were appealed; the appellate court decision was confirmed on September 13, 2016. On September 28, 2016, such fees were paid. In light of these facts, at December 31, 2016, the Company recorded \$5,694 for all these items under the "Other Expenditure" caption.

b.3. *Trust Securities Global Program*

On May 31, 2016, and in order to increase the financing capacity of Provincia Leasing's transactions, its Board of Directors unanimously approved the creation of a global program for the issuance of trust securities, under which the Company acts as trustor and Banco de Valores S.A. as trustee (the "Trustee"). This financing, called "PROVINCIA LEASING Trust Securities Global Program" (the "Program"), is created for a maximum outstanding amount of up to \$750,000 (pesos seven hundred fifty million [sic]) or its equivalent in other currencies. At the same time, the creation of the first financial trust, "Provincia Leasing I", was approved.

Through Resolution No. 18285, dated October 20, 2016, the National Securities Commission authorized the Public Tender Offer of this Program. On October 27, 2016, it also authorized the Public Tender Offer of the "PROVINCIA LEASING I" Financial Trust (Series I) for a maximum face value of up to \$164,834, with respect to which Banco de Valores S.A. acts as Arranger, Trustor and Issuer.

On November 1, 2016, the Company transferred the following property in trust: receivables on account of charges to be collected and its Purchase Option values as stated in the Furniture and Fittings Financial Leasing Agreements subscribed with provincial municipalities, companies and individuals for a total amount of \$164,834, broken down as follows: Trust Debt Securities - Class A (VDFA) for \$128,571; Class B (VDFB) for \$19,780; and Participation Certificate for \$16,483. As a result, on November 25, 2016, \$130,275 and \$19,187 were received from VDFA and VDFB, respectively. The Company has maintained participation certificates for \$16,483 and, at December 31, 2016, they amounted to \$16,700. The difference was allocated to the income/(loss) of the fiscal year.

BaproMandatos y Negocios S.A. acts as co-arranger of the above mentioned trust and Provincia Leasing S.A. is responsible for the management and collection of the assets held in trust. The trust will terminate upon the full payment of obligations arising from the Leasing contracts.

At December 31, 2016, the Company manages as collection and administration agent the contracts for \$151,502.

c. *Provincia Seguros de Vida S.A.*

c.1. *Mechanism to be applied to the policies taken in dollars before January 6, 2002*

On December 10, 2002, ProvinciaSeguros de Vida S.A. submitted to the SSN the different alternatives offered as of such date to policies taken in US dollars by insureds before January 6, 2002 in relation to the payment of surrenders, claims or expiration of contracts.

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In line with the provisions included in Executive Orders Nos. 214/02 and 905/02 and in Resolution No. 28905 of the SSN and in order to honor the Boden 2012 final amortization occurred in August 2012, the Company pays in Argentine Pesos valued at the exchange rate informed by Banco de la Nación Argentina the residual amounts denominated in US Dollars.

c.2. Distribution of Profits

The Regular Meeting of Shareholders of ProvinciaSeguros de Vida S.A. held on September 22, 2016 considered and approved the balance sheet for the period ended June 30, 2016. Such meeting resolved to allocate the profits as follows: a) \$2,319 to increase the Legal Reserve account; b) \$18,720 to distribute cash dividends payable to shareholders according to their equity holdings; and c) \$28,080 to increase the "Reserve for Expected Increase in Production and Claim Contingencies".

d. Bapro Mandatos y Negocios S.A.

d.1. Distribution of Profits

On December 23, 2014, the Special Meeting of Shareholders approved an increase of \$5,670 in capital stock, through the issuance of 5,670 non endorsable registered common shares with a nominal value of one Peso, entitled to cast one vote each. Such increase is aimed at partially financing the purchase of Unit No. 10 (Floor 8) of the Corporate Building of Grupo Banco Provincia S.A.

On January 6 and 14, 2015, Grupo Banco Provincia S.A. and ProvinciaBursátil S.A. paid \$5,500 and \$170, respectively, totaling their capital contribution according to their equity holdings. On September 26, 2015, such increase was registered with the Supervisory Board of Companies.

On December 4, 2015, the General Meeting of Shareholders approved the capitalization of irrevocable contributions to increase its capital stock by \$1,900 to settle the amount owed for the purchase of the Floor 8 of the Corporate Building. On November 13 and 30, 2015, Grupo Banco Provincia S.A. and ProvinciaBursátil S.A. paid in \$1,843 and \$57, respectively. At the date of issuance of the Financial Statements of BaproMandatos y Negocios S.A., such increase is under registration process with the Supervisory Board of Companies.

d.2. Judicial orders related to the Company

In its capacity as trustee of the Solidaridad Trust, Bapro Mandatos y Negocios S.A. received judicial orders which have been duly fulfilled by submitting original documents and/or copies of the trust operations.

With respect to this trust, on November 25, 2009, the Court No. 11, Clerk's Office No. 21 declared the opening of the reorganization proceedings of the Social Welfare Entity for Bank Employees (*Obra Social Bancaria Argentina - OSBA*) recorded in the National Registry of Social Welfare Entities on January 8, 1997 under No. 1-2630-4, the bylaws of which are registered in Volume I, Folio 77 of the Bylaws Book of the National Registry of Social Welfare Entities. OSBA is the trustor of the Solidaridad Trust. On November 25, 2009, the Judge hearing the case, in charge of the National Court of First Instance in Commercial Matters No. 11, issued an injunction on the Solidaridad Trust. She ordered to suspend the payment of claims mentioned in the irrevocable payment orders (OPIGs), issued by the insolvent party on account of obligations prior to the date of petition for reorganization (September 9, 2009), until creditors' claims be proved. Therefore, the holders of OPIGs -issued according to the terms of such trust agreement prior to the date of petition for OSBA reorganization- submitted their complaints to the Company through registered letters.

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On April 8, 2010, in its capacity as trustee of the Solidaridad Trust, Bapro Mandatos y Negocios S.A., in charge of the trust property, was served notice of the legal action brought against it by OSBA in the case entitled "Obra Social Bancaria Argentina contra Bapro Mandatos y Negocios s/Concurso Preventivo" before the National Court of First Instance in Commercial Matters No.11, Clerk's Office No. 21, requesting the annulment of the Solidaridad Trust agreement entered into on August 13, 2008, as amended, on the grounds stated in the complaint. On April 30, 2010, the Company answered the complaint within the legal time limits.

On December 15, 2011, the Court decided to sustain the injunction filed by the plaintiff, thus ordering the suspension of the trust business until judgment be pronounced. Such decision was appealed by BaproMandatos y Negocios S.A., but such appeal was dismissed by the Court hearing the case on July 30, 2012. Therefore, the injunction is still in force. On May 5, 2015, the Court resolved to stay the judgment until a criminal court renders its final decision in the cases entitled "Lorenzo, Nestor Osvaldo y otros s/ tráfico de mercaderías peligrosas para la salud" and "Zanola, Juan José y otros s/ asociación ilícita".

The Company duly brought an action for refunding those cash flows corresponding to contributions collected by the Argentine Internal Revenue Service (*Administración Federal de Ingresos Públicos – AFIP*) and the National Social Security Administration (*Administración Nacional de Seguridad Social - ANSES*). On February 22, 2011, the First Instance Judge decided to accept the request. The measure was appealed by OSBA by means of a motion for revocation of judgment with supplementary appeal. The revocation was rejected and, on October 13, 2011, the National Court of Appeals in Commercial Matters, Division D remanded the case to obtain a new first instance resolution considering the effects of termination of the Solidaridad Trust agreement by OSBA Temporary Trustee.

After the case was remanded to the lower court, the Company submitted again the reimbursement request on November 9, 2011. However, the injunction approved by the First Instance Judge on December 15, 2011 related to the above mentioned case has become inappropriate. On September 15, 2011, OSBA notified the Company (by registered letter) its decision to unilaterally terminate the Solidaridad Trust agreement, making reservation of rights related to the annulment request, ratified by Registered Letter dated October 19, 2011, which quotes the Resolution No. 615 of the Health Services Superintendence of July 5, 2011. The Company answered the first Registered Letter on September 28, 2011, requiring the application of Article 9, paragraph 9.01 of the Trust agreement, which provides for the early termination by decision of any of the parties. It also stated that it acted in good faith and in a diligent way during the life of such trust, thus avoiding any type of responsibility derived from possible illegal acts directly or indirectly related to the trust, and made the express reservation to demand OSBA for damages. By Registered Letter of November 11, 2011, the Company ratified before the Trustor the application of said clause to terminate the Trust agreement.

With regard to the case entitled "Obra Social Bancaria s/Incidente de Apelación por Art. 250 CPCCC", on October 28, 2010, the National Court of Appeals in Commercial Matters of the City of Buenos Aires, Division D, declared invalid all payments made after November 9, 2009 by BaproMandatos y Negocios with relation to the OPIGs issued under obligations prior to that date. The Company filed an appeal in the above case which was dismissed by the Court. BaproMandatos y Negocios S.A. was then instructed to pay the ensuing costs in its capacity as losing appellant. Such dismissal is not likely to result in a liability enforceable against the Company's shareholders' equity since it involved an act derived from its compliance with the terms of the Solidaridad Trust Agreement. Therefore, such costs shall be borne with funds from the Fiduciary Account since they are deductible charges.

Upon filing an answer to the case regarding Art. 280 brought by the Receiver, and taking into account that the payments made after November 9, 2009 were declared invalid, the Social Welfare Entity for Bank Employees requested that the Company be compelled to reimburse the amounts paid under penalty of law. The Company resorted to the Court of Appeals, which on March 6, 2012, resolved to dismiss the appeal without costs. The Court of Appeals answered that "the order which includes a warning subject to penalty (in this case, a general penalty of law) does not imply any damage under the terms of Art. 242 of the Code of Procedure (CPR 242), since it requires that the compliance of the order be

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subject to specific penalty and the effective enforcement of such penalty". Therefore, it was considered that "....up to date there is no irreparable damage supporting the appeal....."

After the case was remanded to the lower court, the Social Welfare Entity for Bank Employees claimed the payment of \$3,027 to Bapro Mandatos y Negocios S.A. and the OPIG holders who had collected claims after the date of petition for reorganization. On October 23, 2012, the lower court ordered to serve notice of the proceedings filed by the insolvent entity upon the interested parties and the auditing receiver. Bapro Mandatos y Negocios S.A. was notified on November 13, 2012 and it duly answered the service of process. The mentioned proceedings were also notified to the Receiver who postponed his opinion until all defendants were notified of the reimbursement request made by the insolvent party.

The Court ordered to serve notice upon the insolvent party on the "lack of standing to sue" defense filed by Bapro Mandatos y Negocios S.A. It was grounded on the fact that the ruling on invalid payments has no consequence for Bapro Mandatos y Negocios S.A. (Trustee) since it acted as Trustee and not as Creditor of the Solidaridad Trust, and that it did not collect any payment on account of previous claims. At the date of the Financial Statements of Bapro Mandatos y Negocios S.A., OPIG holders have not yet been served notice of the claim made by OSBA.

According to the legal opinions of the Murray/Anguillesi/Guyot/Rossi & Sirito of Zavalía Abogados law firm, acting on behalf of the Company in all cases related to the Solidaridad Trust, the detailed actions would not result in any liability to Bapro Mandatos y Negocios S.A. enforceable against its shareholders' equity, that, at the date of issuance of the Financial Statements of Bapro Mandatos y Negocios S.A., would require the setting up of any provision whatsoever.

On August 23, 2013, the Company was notified of a complaint for dismissal filed by the former Administration Manager. The amount claimed under Section 245 of the Labor Contract Law on account of severance pay plus incidental costs totals \$1,291 plus interest. The legal action has been filed with the National Court of First Instance in Labor Matters No. 79. On September 6, 2013, the Company answered the complaint. The proceedings are in the trial of the case.

Likewise, on September 16, 2014, the Company was notified of a complaint for dismissal filed by the former Commercial Manager, Rafael Torres Vidal, for the amount of \$1,198 plus interest on account of differences in the severance pay already paid. The legal action has been filed with the National Court of First Instance in Labor Matters No. 4. The proceedings are in the trial of the case. Mention should be made that the Company is co-defendant with Provincia Leasing S.A., since the plaintiff was the Commercial Manager of such company for 30 months and of Bapro Mandatos y Negocios S.A. for 7 months. The differences claimed are based on an alleged previous labor relationship with Banco de la Provincia de Buenos Aires.

On October 28, 2015, the Company was notified of a labor complaint filed with the National Court of First Instance in Labor Matters No. 42, by Victoria Angeles Facio, former Chief Department of Legal Affairs, for an amount of \$721 plus interest. On November 11, 2015, the Company answered the complaint. On February 24, 2016, a settlement conference was held but the parties did not reach an agreement. The proceedings are in the trial of the case.

With regard to the Sucre Trust, on November 21, 2012, Bapro Mandatos was served notice of an action brought against it by one of the former beneficiaries of the Trust in the case entitled "Biercampo Martín Todolfo c/Bapro Mandatos y Negocios S.A. y otros s/Cumplimiento de contrato" pending before the National Court in Civil and Commercial Matters No. 8, San Isidro Legal Department seeking to obtain the deed for the dwelling unit purchased under the trust, the sales contract of which had been terminated due to the non-fulfillment of the pertinent payment obligations. Should the plaintiff fail to obtain the sought deed, he will claim for damages derived from breach of contract. The Company answered the complaint on December 6, 2012.

On February 18, 2013, Bapro Mandatos y Negocios S.A. was notified of a similar complaint brought against it by a former beneficiary of the Sucre Trust whose sales contract was also terminated due to the non-fulfillment of payment obligations.

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The case entitled "Eumann, Guillermo José C/ BaproMandatos y Negocios S.A. y otros s/ daños y perjuicios" is pending before the National Court of First Instance in Civil and Commercial Matters No. 5, San Isidro Legal Department. Moreover, on June 14, 2013, the Company was served notice of a third complaint against it entitled "Gabella Guillermo Enrique y otros c/ BaproMandatos y Negocios S.A. y otros s/ daños y perjuicios" pending before the Court of First Instance in Civil and Commercial Matters No. 5, San Isidro Legal Department. In the last two proceedings, plaintiffs filed several claims applying for an injunction against the trust, which was issued by the first instance court, appealed by the Company and ratified by the pertinent court of appeals. Said injunction will affect the execution of the pertinent title deeds. However, there is no need to set up a provision at the current stage of the proceedings.

In the three cases mentioned above, complaints were also filed against Desarrollo San Isidro (developer). The proceedings are in the trial of the case.

With regard to the "Samaagro" Administration and Guarantee Trust, in September 2014, the Company was served notice of an action brought against it before the Buenos Aires Stock Exchange Arbitration Tribunal in the case entitled "Reich, Rolando Martín c/BaproMandatos y Negocios s/daños y perjuicios" requesting the reimbursement of the invested amount (US\$30,000) plus other items for undetermined amounts. The Company answered the complaint, alleging that, according to the agreement terms, the investment was risky due to the ups and downs of the agricultural market and that Mr. Reich neither consider the net results of the last campaign, including the multi-risk insurance for \$33,790, nor the operator's responsibility, against whom the Trustee had filed a claim and a criminal complaint as well as actions aimed at recovering the equity held in trust. In June 2016, such Tribunal decided to partially sustain the complaint and ordered payment on the basis of the net results of the last campaign including the multi-risk insurance. This award was appealed by BaproMandatos y Negocios S.A. Having the appeal been approved by the Tribunal, the case will be brought before the Court of Appeal in Commercial Matters.

The Company has also answered complaints in similar terms to those of the "Reich" case, filed before the Buenos Aires Stock Exchange Arbitration Tribunal related to the following proceedings: a) "Noceti, Héctor Antonio c/ BaproMandatos y Negocios S.A. s/ daños y perjuicios" requesting the reimbursement of the invested amount (US\$22,000) plus other items for undetermined amounts; b) "Romero, Emilio y otros c BaproMandatos y Negocios S.A. s/Daños y perjuicios" claiming for US\$40 plus another item for an undetermined amount; c) "Gasparutti, Gustavo Germán c/BaproMandatos y Negocios S/daños y perjuicios" claiming for US\$67 plus \$200 and other items for undetermined amounts; and d) "Pereira, Jorge A. c/ BaproMandatos y Negocios S.A. s/ daños y perjuicios", claiming for US\$60, plus costs. These proceedings are in the trial of the case.

On January 5, 2017, the Company was served notice of the complaints filed before the Buenos Aires Stock Exchange Arbitration Tribunal by the following beneficiaries: Mercado Mariano, Klar Juana Mercedes, Monteverde Carlos Roberto, and Maraboli Héctor Daniel claiming for US\$15, US\$46, US\$50, and US\$40 plus costs, respectively. The law firm in charge of the cases will answer the pertinent complaints.

In accordance with the legal opinion of the Savransky, Manes & Vibes law firm, acting on behalf of the Company in all cases related to the Samaagro Trust, the legal actions have reasonable prospects of success. The judicial sentence would be imposed on the Company if BaproMandatos y Negocios S.A. acted with gross negligence in the management of funds contributed by beneficiaries and in the proper control of Samaagro's performance.

Two other cases have been brought before National Courts in Commercial Matters: 1) "Klar, Juana Mercedes c/ BaproMandatos y Negocios S.A. y otros (Samaagro) s/ Daños y perjuicios" (Court No. 16 – Clerk's Office No. 31) with a judgment favorable to the motion to dismiss for lack of jurisdiction filed by the Company; currently an appeal was submitted by the plaintiff which is pending resolution; and 2) "Barocchi, Miguel Angel c/ Mandatos y Negocios S.A. s/Medidasprecautorias" (Court No. 7 – Clerk's Office No. 14), in which a group of beneficiaries requested information related to the trust. The Company filed such motion relying upon the arbitration clause of the Trust Agreement. This was

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accepted by the Judge hearing the case. This group of beneficiaries filed a claim before the Buenos Aires Stock Exchange Arbitration Tribunal under the case entitled "Fideicomiso Agrícola de Administracion y garantíasSamaagro c/ BaproMandatos y Negocios S.A. s/ Convocatoriaaasamblea". On November 17, 2015 a Shareholders' Meeting was held and a new meeting was scheduled for December 15, 2015, when such meeting was considered closed.

Only 5 out of 738 investors have brought an action for damages before the Buenos Aires Stock Exchange Arbitration Tribunal. Provisions were set up according to the Tribunal's award.

With regard to the "Estrella del Sur" Trust, 8 out of 800 beneficiaries have filed an action for damages. At the date of issuance of the Financial Statements of BaproMandatos y Negocios S.A., 4 meetings were held, where the Company's management and role as trustee were approved. The last meeting held on July 2, 2016, decided to remove and temporarily replace CIESA (developer) by an Executive Committee composed by Beneficiaries.

On December 17, 2016, the Meeting analyzed the alternatives to be followed taking into account the current situation of the Trust. Beneficiaries were informed about the different proposals and approved the guidelines for the new Works and Marketing Plan. They also decided that the Executive Committee would negotiate such proposals which, after approval, would be submitted to the Meeting for consideration. Moreover, the Executive Committee would be in charge of conducting out-of-court negotiations with CIESA and BAINTER in relation to any controversial matters and probable responsibility of original beneficiaries for the current situation. It was approved the continuity and new composition of the Executive Committee, which would select a Substitute Developer. Such selection should be ratified by the Meeting according to the terms stipulated in the Trust Agreement.

Mention should be made that such cases have been recently brought in court or are in the trial stage.

The decision of the cases described above is linked to the progress and completion of the works under the Trust. Though the works are being carried out regularly, their certification and working pace is slower than projected in the Works Plan approved by the Meeting.

eBapro Medios de Pago S.A.

e.1. Penalty imposed by AFIP

Bapro Medios de Pagos S.A. filed a claim on the penalty of \$1,336, imposed by the AFIP for interruption of services during an employee's meeting held in October, 2009. On August 31, 2010, the Company requested the AFIP to review the measure on the grounds of the legal rights of the Company. On February 24, 2011, Resolution No. 53/11 rejected the claim filed by the Company. On April 4, 2011, Bapro Medios de Pago S.A. filed a claim before the National Ministry of Economy. On October 18, 2012, a resolution was adopted and notice was duly served on the AFIP. On August 28, 2013, Bapro Medios de Pagos S.A. was notified of the dismissal of such claim and the confirmation of the resolution issued by the AFIP. Consequently, the Company has fully set up the provisions for the amount so claimed.

e.2. Increase in Capital Stock

The Special Meeting of Shareholders of Bapro Medios de Pago S.A., held on March 12, 2015, approved an increase of \$10,000 in capital stock in order to improve its working capital and make the relevant investments to: i) complete the Data Center capacity, expanding its structure to carry out the business plan of the IT unit; ii) develop and implement the Company's internationalization project; iii) consolidate the brand positioning; and iv) open new Service Centers, as required by Banco de la Provincia de Buenos Aires, in strategic locations previously defined according to the needs of branches, as well as new customer service agencies in small and sparsely populated towns .

On June 8 and 15, 2015, Grupo Banco Provincia S.A. and Bapro Mandatos y Negocios S.A. paid in \$4,850 and \$300, respectively, in proportion to their equity interests in the Company.

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Accordingly, at December 31, 2016 and 2015, the Company recorded a liability for \$4,850 on account of the contribution to be paid in. On November 13, 2015, this capital stock increase was registered with the Supervisory Board of Companies.

e.3. Agreement with the Provincial Institute of Lotteries and Casinos

Bapro Medios de Pago S.A. entered into a cooperation agreement with the Provincial Institute of Lotteries and Casinos (IPLyC) providing for the rendering of integration management, administration and operational services in support of a transactional system for online, real-time data capture available either through fixed and/or mobile computer terminals. Such system allows the processing and administration of betting information and the management of networks involving gaming activities under control of the IPLyC and/or carried out in other jurisdictions approved by such provincial institute. The provision of such service started on November 30, 2012. The agreement will be in force for 10 years and is renewable for an additional 2-year period.

Such agreement also states that the IPLyC shall pay to Bapro Medios de Pago S.A. a total amount of \$51,000 as follows: A first installment of \$11,000 and four equal installments of \$10,000 during the first five months of the agreement's life as partial payment of the price, to be reimbursed in 5 annual installments of 0.15% of the annual total sale of gaming activities captured through this system, as from the sixth year of the agreement. Upon payment of the last installment, Bapro Medios de Pago S.A. shall cancel the aggregate amount paid by IPLyC. If total installments paid exceed the amount given by IPLyC., the remaining balance will be for such entity.

On February 14 and May 3, 2013, the IPLyC paid in cash \$11,000 and \$10,000, respectively, corresponding to the first and second installments pursuant to the above mentioned agreement. However, upon the IPLyC's failure to pay the remaining installments, the Company's Board of Directors decided to renegotiate with the Institute the Clause 19, subparagraph c) of the agreement and the method to reimburse the amounts already received.

On December 9, 2015, the Company submitted to IPLyC for consideration a specific memorandum project grounded on the Provincial Executive Order No. 682/15. This project provides for terms and conditions in order to determine the reimbursement method and term.

According to the provisions mentioned in the first paragraph, the Company arranged with the current providers (BoldtGaming S.A. and Servicio para el Transporte de Información S.A.) the terms applicable during the transition period. To such effect, on November 29, 2012, the Company:

1- signed an agreement with Servicio para el Transporte de Información S.A. whereby this company shall provide a data transmission service through a communication network with resources exclusively allocated to the capture of betting information in real time through the different computer terminals of the agents approved by the IPLyC. The company shall also be in charge of providing maintenance services to those bet capture terminals. The contract will be in force for 18 months and is renewable for additional periods of one year.

In September 2013, the Company decided to extend the term of the agreement for 3 years according to the conditions set forth therein, thus expiring on September 30, 2016. On September 9, 2016, the Company signed a new agreement for an additional 74-month period as from termination of the previous agreement. It may be renewed semiannually for a maximum 24-month term under the same terms and conditions agreed.

2 – signed a transition agreement with BoldtGaming S.A. whereby the parties agreed to take all necessary steps to ensure training and gradual transfer of all know-how in favor of Bapro Medios de Pago S.A. so as to allow the Company, upon conclusion of the current contract and any possible renewal, to manage, integrate and operate on a stand-alone basis the data capture system whether online and in real-time or offline, and either through fixed or mobile computer terminals. This will permit the processing and administration of betting information regarding all gaming activities under provincial control and/or carried out in other jurisdictions approved by the IPLyC through its network of authorized

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lottery agents. Its was also agreed that Boldt Gaming S.A. will provide and/or operate the service of bet capture and processing through computer terminals on line and in real time or off-line in favor of Bapro Medios de Pago S.A. according to the terms set forth in the mentioned contract. In September 2013, 10 months after the execution of the agreement, the Company decided to extend the agreement for 3 additional years pursuant to the guidelines detailed thereintherein, thus expiring on September 30, 2016. On September 9, 2016, the Company signed a new agreement for an additional 74-month period as from termination of the previous agreement. It may be renewed semiannually for a maximum 24-month term under the same terms and conditions agreed.

f. Provincia Bursátil S.A.

- Capital Markets Law

The Capital Markets Law No. 26831, enacted on December 27, 2012 and implemented by Executive Order No. 1023 dated July 29, 2013, provides for an integral reform of the public offering regime created by Law No. 17811.

Through General Resolution No. 622/13 dated September 9, 2013 and subsequent interpretative criteria, the CNV made adjustments to fit its rules with the new demands. This way, it ensured the performance of the different trading agents engaged in the capital markets activity with a view to complying with the provisions of the new law on Capital Markets.

On September 19, 2014, the CNV approved the registration of ProvinciaBursátil S.A. to act as Settlement and Clearing Agent and Integral Trading Agent.

By such rules, the powers conferred on settlement, clearing and integral trading agents to carry out transactions involving the free availability and use of their principal's balances were restricted. They are banned from using said funds or negotiable securities without prior authorization of their clients. Any liquid balances available at the end of the day shall only be invested in assets as instructed by clients, with income always accruing in their favor. Therefore, the custody of third-party funds was booked in memorandum accounts.

On January 12, 2017, the National Securities Commission, through resolution No. 3220, approved to register ProvinciaBursátil S.A. with the Registry of Underwriters and Distributors of Mutual Funds under No.18.

At December 31, 2016, an agreement was reached with an employee who claimed that his/her job position was different from the one stated in pay slips and labor books, refused to perform tasks and considered himself dismissed. The amount agreed totaled \$900 and was fully paid.

In 2016, a \$1,500 labor complaint was filed against ProvinciaBursátil S.A., which has not been resolved yet. The Company rejected the complaint on the grounds that the services rendered by the claimant were not salaried tasks but services provided by an autonomous professional. In line with the opinion of the Company's legal advisors, a \$200 provision was set up to meet eventual legal fees and costs.

g. Provincia Seguros S.A.

g.1. *Minimum Capital Requirements*

At December 31, 2016 and 2015, ProvinciaSeguros S.A. recorded a \$514,490 deficit and a \$54,005 surplus, respectively, in its minim capital, calculated according to the provisions of section 30 of the General Rules for Insurance Activity. For the purpose of computing the assessable capital stock, at December 31, 2016 and 2015, the Company included securities not listed in secondary markets, with the SSN approval, for \$265,958 and \$121,425, respectively.

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g.2. Deficit in claims coverage

At December 31, 2016 and 2015, ProvinciaSeguros S.A. had deficits in the coverage of debts to insureds for \$22,937 and \$98,572, respectively, calculated according to the SSN rules. Therefore, the Company was in compliance with the provisions stipulated in paragraph 35.12.1 of the General Rules for Insurance Activity.

The new authorities of ProvinciaSeguros S.A., who took office on January 27, 2016, redefined the general corporate strategy and performed a detailed analysis of its accounting processes. They made adjustments, such as the cancellation of debit notes issued to the Government of the Province of Buenos Aires and other provincial agencies since they were considered uncollectible, and conducted a special review of its provisions for pending claims.

With regard to the above, on August 16, 2016, the Company submitted to the SSN an integral strategic plan for the 2016-2019 period, together with an adjustment plan. Under this plan, ProvinciaSeguros S.A. will improve in the medium term the technical ratios required by the prevailing regulatory rules in accordance with the following scheme:

Closing date	(Deficit) / Surplus	
	Minimum Capital	Coverage
6/30/2016	(589,000)	(358,000)
12/31/2016	(568,000)	(371,000)
6/30/2017	(541,000)	(315,000)
12/31/2017	(496,000)	(252,000)
6/30/2018	(451,000)	(172,000)
12/31/2018	(354,000)	(60,000)
6/30/2019	(172,000)	167,000
12/31/2019	30,000	398,000

On January 16, 2017, the SSN approved the mentioned plan.

At December 31, 2016 and 2015, the Company recorded credits for premiums owed by the Government of the Province of Buenos Aires for \$252,430 and \$369,800, respectively. In 2013, the loss ratio of the above mentioned insured increased as a consequence of the weather event specified in Note 18.g.1) to these Financial Statements. The Company, in its capacity as sole insurer of the properties owned by the Province of Buenos Aires, accepted the rescheduling of past-due claims.

In the six-month period ended June 30, 2016 and during 2015, the Company adjusted the rates of the insurance policies taken out by the Provincial Government and other agencies of the Province of Buenos Aires for \$255,296 and \$249,276, respectively, and sent the pertinent debit notes. At June 30, 2016, the Company decided to cancel such notes since they were considered uncollectible.

By Executive Order No.62, dated February 05, 2016, the Government of the Province of Buenos Aires provided for the issuance of "Bonds for the Settlement of Provincial Debts", with maturity date February 05, 2018. The amount of \$163,994 was allocated to partially settle such debts.

In 2016 and 2015, the Provincial Government made cash payments for \$ 291.634 y \$ 347.046, respectively to partially settle said debts.

h. Grupo Banco Provincia S.A.

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h.1. *Companies under liquidation proceedings*

On May 11, 2015, the Regular Meeting of Shareholders of Mercado Regional de Capitales S.A. was held as required by the Provincial Directorate of Artificial Persons (Dirección de Personas Jurídicas de la Provincia de Buenos Aires) to conclude the Company's winding up, liquidation and closing process.

On July 22, 2015, through Resolution No 5128, the Provincial Director of the Provincial Directorate of Artificial Persons approved the Company's dissolution. On July 23, 2015, such dissolution was recorded in folio No.117446.

ProvinciaServicios de Salud (in liquidation), controlled by Grupo Banco Provincia S.A., has losses that exceed the book value of Grupo Banco Provincia S.A.'s investment. It has zero value because the controlling Company will no longer finance its activities and is not bound to provide such financing. The net and accumulated losses of ProvinciaServicios de Salud S.A. (in liquidation) in proportion to Grupo Banco Provincia S.A.'s equity holding, and not recognized by the Company at December 31, 2016 and 2015, amounted to \$413 and \$2,31respectively.

The values so obtained, net of related provisions, do not exceed their pertinent recoverable values estimated at the end of the year.

h.2. *Distribution of cash dividends by Grupo Banco Provincia S.A.*

The Regular Meeting of Shareholders held on April 14, 2016 resolved to allocate the profits for the year ended December 31, 2015 as follows: 1) allocate \$8,612, equal to 5% of results, to the Legal Reserve, 2) allocate \$163,625, equal to 95% of results, to the Optional Reserve for the financing of the Company's investment activities.

h.3. *Legal Contingencies of Grupo Banco Provincia S.A.*

The Board of Directors of Grupo Banco Provincia S.A. has knowledge of legal and other actions taken against the Company and its subsidiary, ProvinciaServicios de Salud S.A. (in liquidation), regarding controversies over the rendering of health services duly transferred to CEFRA. On February 8, 2012, the Board of Directors of the Company consented to subrogation proceedings with respect to all claims involving ProvinciaServicios de Salud S.A. (in liquidation), entrusting the Legal Affairs Management with the completion of all necessary formalities to such effect. At the date of these Financial Statements, all documents supporting the subrogation request have been duly filed.

The Board of Directors understands that the resolution of these contingencies will not significantly affect the Company's operations or financial condition.

h.4. *Release of Reserves from the Subsidiaries' Liabilities*

At December 31, 2016 and 2015, the "Other Reserves" caption disclosed under the Stockholders' Equity heading in the Financial Statements of Grupo Banco Provincia S.A. amounted to \$2,629 and accounted for the proportional amount of Grupo Banco Provincia S.A. in the release of the reserve for contingencies and loss ratio variances with a contra entry in the Stockholders' Equity booked by Provincia ART SA

The amounts released by Provincia A.R.T. S.A. were credited to the Reserved Profits – Other Reserves account according to Section 3 of Resolution No. 26793 issued by the SSN.

At December 31, 2016, the "Deferred Results" caption disclosed under the Stockholders' Equity heading amounted to \$87,336 and accounted for the proportional amount of Grupo Banco Provincia S.A. in the real estate revaluation with a contra entry in the Stockholder's Equity booked by Provincia A.R.T. S.A. andProvinciaSeguros S.A., resulting from the

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application of the revaluation method net of proportional amortizations and the Income Tax.

The balance of such reserve shall not be distributed, capitalized or allocated to absorb accumulated losses.

i. OtherSubsidiaries

i.1. Internacional Compañía de Seguros de Vida S.A.

On November 8, 2016, the Regular Meeting of Shareholders resolved i) to distribute cash dividends for \$5,400 and ii) increase the Optional Reserve for \$49,301, based on the profits recorded during the period ended June 30, 2016. On November 10, 2016, Grupo Banco Provincia S.A. collected \$2,040 on such account.

i.2. Exchange of National Public Debt - Subsidiaries

There follows a breakdown of the holding of Secured Loans acquired under Executive Order No. 1387/01 and thereafter and of the Promissory Notes of the Argentine Republic, maturing in 2019, received in exchange for defaulted debt in compliance with a Joint Resolution of the Treasury Secretariat and Finance Secretariat:

12/31/2016				
Subsidiary	Secured Loans		Promissory Note of the Argentine Republic 2019	
	\$	Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company	\$	Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company
ProvinciaSeguros S.A.	131,209	78,726	206,267	123,760
Provincia ART. S.A.	108,438	107,177	107,807	106,553
Provincia Seguros de Vida S.A.	-	-	5,038	2,721
Internacional Cía. Seguros de Vida S.A. (*)	n/a	n/a	n/a	n/a
	239,647	185,903	314,074	230,313

(*) At the date of these Financial Statements, the appropriate information is not available.

Note 19 – Supplementary Information on the Various Activities Carried out by the Controlled Companies

The table below shows an activity-based classification of the consolidated income/(loss) of Banco de la Provincia de Buenos Aires and its subsidiaries:

Line of Business	Companies
- Insurance	ProvinciaSeguros S.A. Provincia Seguros de Vida S.A. Provincia ART. S.A.

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- Banking and other Financial Services	Banco de la Provincia de Buenos Aires
	Provincia Leasing S.A.
	Bapro Medios de Pago S.A.
	Bapro Mandatos y Negocios S.A.
	BA Desarrollo S.A.
- Brokerage	ProvinciaBursátil S.A.
- Services	Grupo Banco Provincia S.A.
	ProvinciaMicroempresas S.A.
	Provincia Servicios de Salud S.A. (*)

(*) See Note 18.h.1 to these Financial Statements.

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<i>Activity-based classification of income/(loss)</i>							
Captions	Insurance	Banking and other Financial Services	Services	Brokerage	Subtotal	Eliminations	Consolidated
Financial Income							
	3,538,751	31,496,005	14,171	26,710	35,075,637	(247,388)	34,828,249
Financial Expenditure							
	-	(16,500,118)	(38)	-	(16,500,156)	246,546	(16,253,610)
Charge on Bad Loans							
	-	(1,320,158)	-	-	(1,320,158)	-	(1,320,158)
Income from Services							
	16,971,440	9,406,481	408,459	87,178	26,873,558	(889,744)	25,983,814
Expenditure for Services							
	(17,112,234)	(3,450,267)	-	-	(20,562,501)	652,124	(19,910,377)
Administrative Expenses							
	(3,149,981)	(15,145,779)	(412,327)	(70,712)	(18,778,799)	388,801	(18,389,998)
Minority Interest							
	-	-	-	(2,339)	(2,339)	49,841	47,502

<i>Activity-based classification of income/(loss)</i>							
Captions	Insurance	Banking and other Financial Services	Services	Brokerage	Subtotal	Eliminations	Consolidated
Miscellaneous Income							
	216,160	562,052	162	4,939	783,313	23,326	806,639
Miscellaneous Losses							
	(423,593)	(1,824,495)	(110,226)	(731)	(2,359,045)	(115,877)	(2,474,922)
Income Tax							
	(96,382)	(24,229)	(10,157)	(15,846)	(146,614)	-	(146,614)
Net Income/ (Loss)							
	(55,839)	3,199,492	(109,956)	29,199	3,062,896	107,629	3,170,525

Note 20 – Income Tax and Notional Minimum Income Tax

As mentioned in Note 3.16 to the Bank's Financial Statements, the Bank, its assets, acts and doings, agreements, contracts and transactions, as well as any rights arising therefrom in its favor, are exempt from all liens, taxes, charges or contributions of any nature whatsoever, and no provision is required to be made for income tax on the businesses transacted by the Bank's Home Office or its domestic branches.

See our report dated
February 16, 2017
PRICE WATERHOUSE & CO. S.R.L.

Fernando L. Arriola
General Accountant

Daniel H. Alonso
General Manager

Juan E. Curutchet
President

(Partner)
C.P.C.E.P.B.A. Vº 1 Fº 33 Folder 33
Alejandro P. Frechou
Public Accountant (UBA)
C.P.C.E.B.A -Volume 154 – Folio 165
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Taxpayer registration code:
20135650111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (LAW NO. 19550 - SECTION 33)

AT DECEMBER 31, 2016 AND COMPARATIVE PERIODS
(In thousands of pesos)

As of December 31, 2016 and 2015, no taxes are due by Grupo Banco Provincia S.A. under the applicable law.

The minimum notional income tax, created by Law No. 25063, is levied at a 1% rate on the potential income from certain profitable assets. This tax is supplementary to the Income tax, so that the tax liability will coincide with the higher of the two taxes. However, if in a given year, the minimum notional income tax exceeds the income tax; such excess may be computed as prepayment of the income tax that may be generated in the next ten years.

At December 31, 2016 and 2015, the "Miscellaneous Receivables" caption included \$131,123 and \$45,348, respectively, which stand for the payments made on account of the minimum notional income tax due for such years.

Note 21 – Restrictions on the Distribution of Profits

According to the Companies' Law of Argentina (Law No. 19550), each of the Bank's subsidiaries shall allocate at least 5% of each fiscal year profits, up to 20 % of the share capital, to the setting up of a Legal Reserve Fund.

Note 22 – Trust Agreements

At December 31, 2016 BaproMandatos y Negocios SA entered into the following Trust Agreements:

Guarantee Trusts: Trust agreements whereby the assets held in trust guarantee beneficiaries a credit transaction or the fulfillment of an obligation and/or agreement with the assets held in trust. At December 31, 2016, BaproMandatos y Negocios S.A. acted as Trustee for 30 Guarantee Trusts.

Management Trust: Trust agreements whereby trustees manage assets held in trust in favor of beneficiaries. At Saturday, December 31, 2016, BaproMandatos y Negocios S.A. acted as Trustee for 25 Management Trusts; total equity held in trust amounted to \$5,491,324.

Financial Trust: Trust agreements whereby the trustee is entrusted with the administration of the trust property for the benefit of holders of participation certificates in the assets transferred or holders of debt certificates. At December 31, 2016, BaproMandatos y Negocios S.A. acted as Trustee for 4 Financial Trusts; total asset held in trust amounted to \$54,622.

Financial Trusts publicly offered: Trust agreements whereby the trustee is entrusted with the administration of the trust

property for the benefit of holders of participation certificates in the assets transferred or holders of debt certificates publicly offered, the beneficiaries of which are the holders of Debt Instruments and/or Participation Certificates. At December 31, 2016, BaproMandatos y Negocios S.A. acted as Trustee for 5 Financial Trusts; total asset held in trust amounted to \$1,130,856.

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