

# 2011 ANNUAL REPORT





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### FISCAL YEAR ENDED DECEMBER 31, 2011

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## 1. Evolution of the macroeconomic context

### 1.1. Real Sector

The global recovery observed since mid-2009 began to worsen by late 2011 partly because of the strained situation in the Eurozone. This resulted from the increased financial volatility and the uncertainty as to losses in the banking sector and the fiscal sustainability which caused the widening of the sovereign debt spreads of almost all participating countries to maximum peaks since the creation of the Monetary Union.

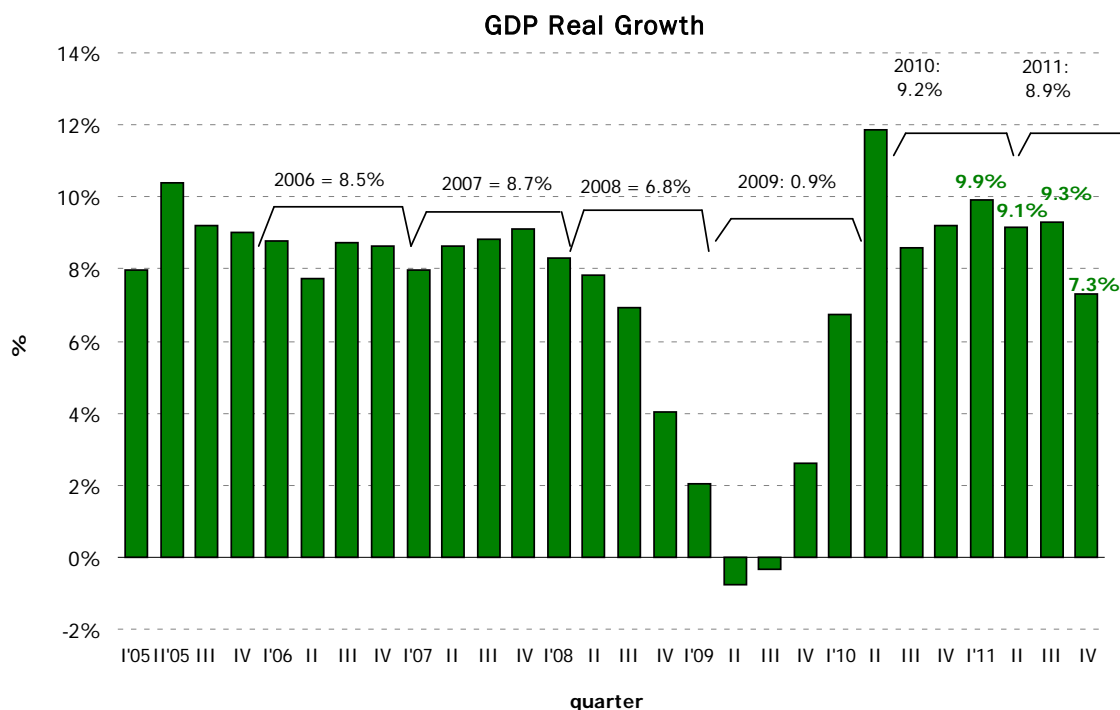
The increased financial volatility harmed the lending capacity of banks in many developed countries, affecting capital flows towards emerging economies which decreased drastically driving to a decline in global activity indicators.

At the same time, the fiscal adjustment processes implemented in developed countries and the anti-cyclical measures adopted by most emerging economies during 2011 led to a stagnation of global demand.

Concurrently, the high volatility in foreign exchange markets caused the yen to appreciate and led to a significant depreciation of the currencies of most emerging markets.

Despite the above scenario, Argentina's performance has been sound throughout 2011, with the greatest economic expansion within the region. Though such improvement slowed down during the last quarter of the year (totaling a 7.3% y/y increase, 2.1% less than in previous quarters, on average), annual figures accounted for 8.9% of the real GDP growth.

**Evolution of Gross Domestic Product (GDP)**  
In millions of \$, at 1993 prices



Source: INDEC



In terms of supply, the growing pace of goods production decelerated to 5.1% during the last quarter of 2011 as the result of reduced improvements in both manufacturing (7.0%) and construction (6.6%) and the steady fall of agricultural production (2.4% per annum) during three consecutive quarters due to lower agricultural volumes, particularly as regards soybean. Mines and quarries also performed contractively in line with the trend observed during 2009 and 2010.

The 9.1% annual increase observed in the service-producing sectors was mainly driven by financial brokerage (21.2%), wholesale and retail trade (14.7%) and transport and communications (9.3%).

In terms of demand, the GDP growth was primarily explained by the performance of investment and public and private consumption.

Gross Domestic Fixed Investment (GDFI) expanded 16.6% annually, recording new historical peaks and surpassing the 24% GDFI/GDP ratio. Despite its moderate expansion rate, the acquisition of production durable equipment stood as the most dynamic component (26.2%). To a lesser extent, investment in construction rose by 8.2% per annum.

With a high 10.7% annual improvement, private consumption continued boosting economy and enlarged its share in GDP (from 71% in 2010 to 78% in 2011). The dynamic of this variable was favored by a strong labor market, better salary conditions and a growth in the size of public transfers that helped increase families' income in a context characterized by greater financing opportunities available from the credit market, installment plans and promotional campaigns launched by stores and banks.

Public consumption evidenced a significant 10.9% y/y expansion (the highest in the historical trend that started in 1993) but, due to its small share in GDP, it only represented 1.4% of the total annual growth.

Employment figures reveal that almost 119,000 new jobs were created on average throughout 2011. As regards wage improvements, since the second half of the year, the "formal" private sector stood as the most dynamic with a 35.8% y/y increase while the "informal" private sector grew by 32.8% y/y. Public sector salaries rose by 9.7% and pension payments increased in March and September (representing an annual increase of 37.06% in the most depressed segments). The adjustable minimum living wage went up from \$1,740 to \$2,300 (an average 32% wage hike).

## **1.2. Public Sector**

During 2011, government income rose significantly pushed by increased economic activity, consumption and employment levels.

Tax revenues amounted to \$540.134 billion, 31.8% over the level attained in 2010. Thus, the ratio of tax collection against the national GDP surged to a new historical record by +29.3%, 0.9% p.p. over 2010 figures.

This situation resulted from the outstanding performance of taxes imposed on domestic activity (Income Tax, Value Added Tax), social security revenues and duties levied on foreign trade transactions.

The collection of the Income Tax grew by 41.7% y/y and amounted to \$108.598 billion due to the reporting of greater income and a wider taxpayer base including both companies and individuals.

The collection of the Value Added Tax (VAT) rose by 31.7%, standing at \$158.066 billion, mainly boosted by families' consumption.

Income from Social Security grew by 34.1%, totaling \$134.220 billion, as the result of the 4.9% annual increase in formal employment and the 31.1% improvement in nominal wages.

With respect to income from foreign trade transactions, import duties jumped 28.6% per annum while export duties grew by 18.9%, bringing the aggregate amount to \$68.543 billion.



In line with the above, the 2011 government primary spending stood at \$563.388 billion. In absolute values, such figure accounted for a y/y increase of \$137.235 billion (+32.2%)

Such higher spending was associated with the performance of social security and public and private transfers which held three-fourths of the total rise.

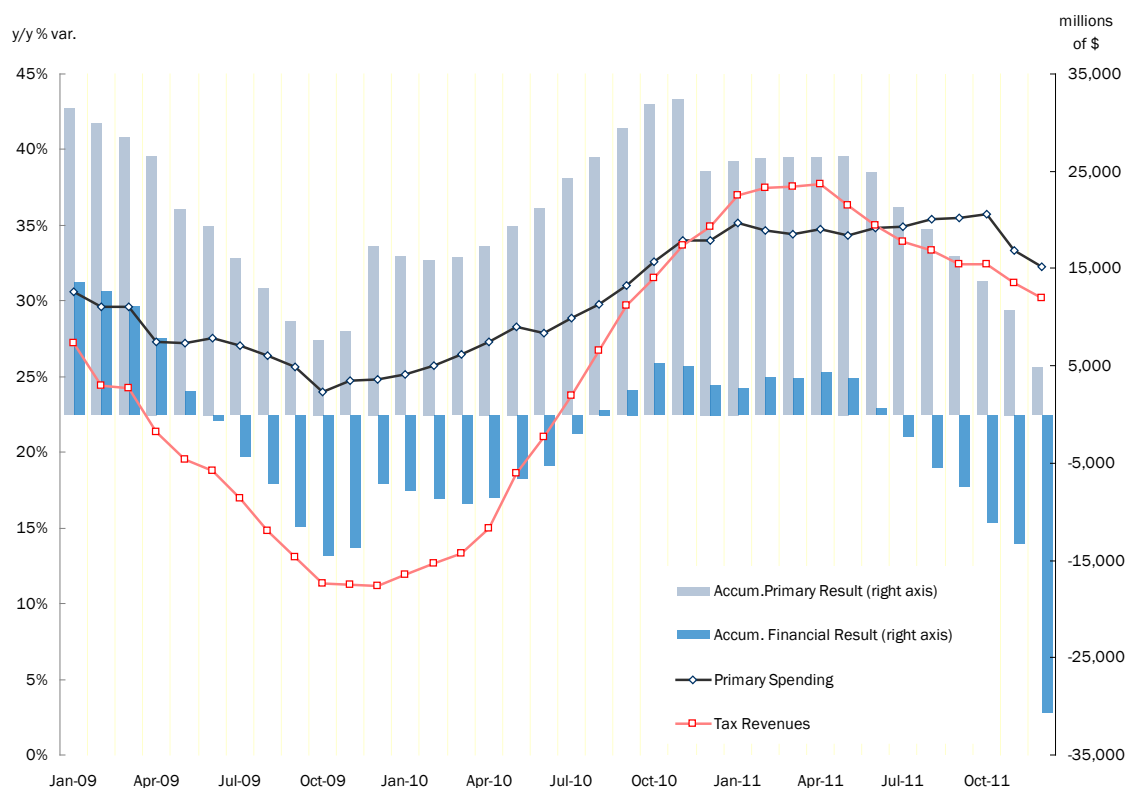
During the year, social security spending rose by 37.4% due to the implementation of the mobility policy on pension payments which represented almost 30% of such enlarged spending.

Current transfers improved 32.1%. Private transfers rose 36.5% in line with the increase in subsidies and social benefits such as the Universal Child Allowance for Social Protection and the Pregnancy Allowance. Public transfers went up 29.1% due to more transfers to provinces (28.7% y/y).

Consumption and operational expenditures, including remunerations, rose 29.1% while other non-current expenditures soared 97.8%.

With respect to capital expenditures, direct real investment showed a noticeably 40.3% improvement as the result of the acquisition of personal computers under the "Conectar Igualdad" program and more highway infrastructure works. Capital transfers to provinces moved up 11.5%.

**Argentine Non-Financial Public Sector**  
12-month accumulated figures, in millions of \$, y/y % variation



Source: Ministry of Economy and Public Finance

In terms of GDP, primary spending rose 1.0 p.p. in 2011 while total income fell 0.4 p.p. due to lower revenues from non-tax sources which declined by 1.0 p.p. of GDP. However, a primary fiscal surplus around 0.3% of GDP could be achieved. The National Treasury continued meeting its financial liabilities; freely available international reserves were used to pay public debt owed to international lending institutions and private creditors.



### 1.3. Monetary System and Money Market

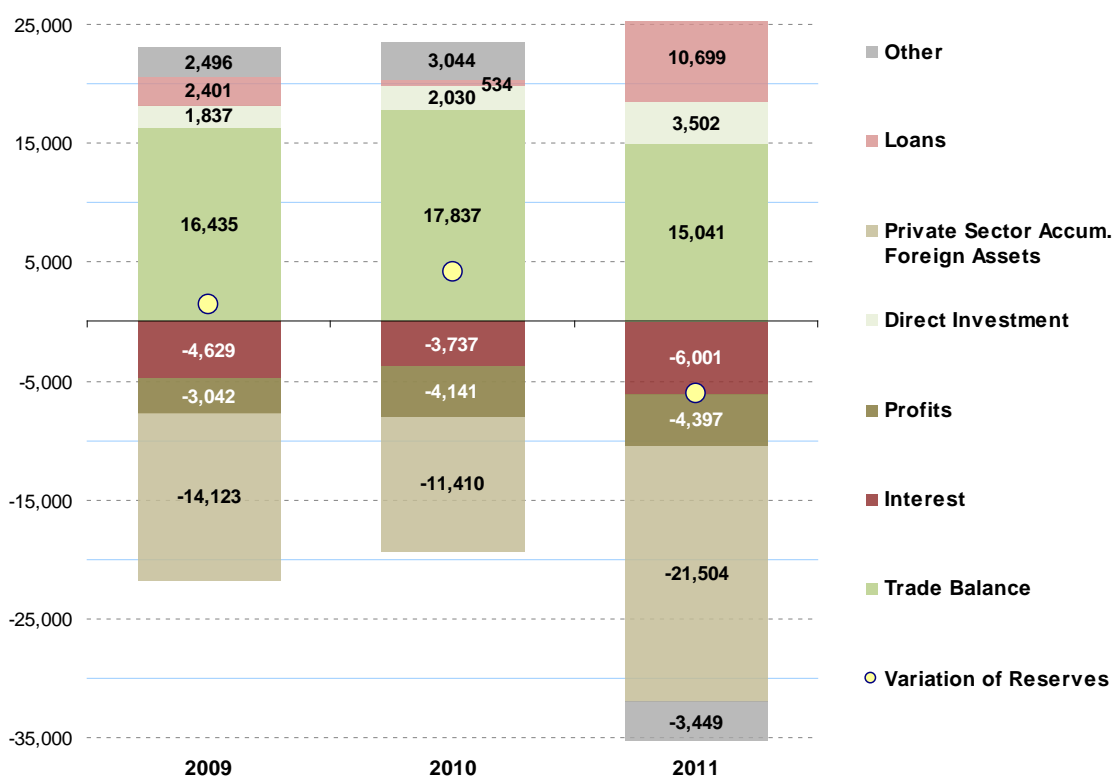
The Bicentennial Fund created during 2011 provided for the use of reserves to pay public debts. This measure led regulatory authorities to implement a strong expansionary monetary policy.

Unlike the previous year, when the BCRA had to adjust the original monetary goals for the second half of the year set in the monetary program, the 2011 projected goals were fulfilled as originally planned.

The Central Bank maintained the managed float regime in order to moderate fluctuations in the exchange rate (\$/US\$) and continue hoarding international reserves.

However, reserves slipped by 11.1% from US\$52.190 billion at December 2010 to US\$46.376 billion at the end of 2011 due to a greater demand but a lower supply of foreign currency. Such performance was also driven by the following factors: the high elasticity of imports in terms of GDP growth more than offset the increase in exports which translated into a reduced balance of trade and a lower supply of foreign currency. Besides, the demand resulting from the accumulation of foreign assets by the non-financial private sector recorded a historic peak of US\$21.504 billion only tempered by the foreign exchange control measures taken in the last quarter of the year.

**Single Free Exchange Market: International Reserves – Variation Factors**  
In millions of US\$



Source: BCRA

In net figures and as the result of the ensuing narrowed gap between the demand and supply of foreign currency, the External Sector had a lower impact on monetary expansion, moving from \$46.285 billion in



2010 to \$13.315 billion in 2011. On the other hand, the Public Sector played a significant role in such expansion and contributed \$32,575 billion. In aggregate, the monetary base rose 38.97%, totaling \$222.922 billion.

M2 indicators (total and private) increased by 29.4% and 30.6% y/y, respectively, 1.2% and 1.6% above original projections but far below the preset maximum levels.

Interest rates applied by the Central Bank to stabilize the money market (LEBAC and NOBAC) moved slightly upwards, accumulating an annual increase of 1.5 p.p. (LEBACs' interest rate at one year rose from 12.8% in December 2010 to 14.3% in the same month a year after).

At year-end, total peso deposits in the financial system grew 29.1% due to increases in both private and public sector placements (28.5% and 29.9% respectively). Private sector fixed-term deposits denominated in pesos swelled by 31.6% mainly fuelled by the performance of the wholesale segment (\$1 million or more) which expanded 45.2% y/y as against the 21.1% expansion in the retail segment. Demand deposits soared 27.2%.

In order to deal with the greater demand for foreign currency, the Badlar (interest rate paid by private banks for fixed-term deposits over 1 million pesos with a maturity of 30 to 59 days), which had provided a yield of 11.1% at the end of 2010, picked up over 20% during a short period of October and closed the year with a 18.7% yield. The interest rate for 30-day deposits up to a maximum amount of \$100,000 increased 5.1 p.p., climbing from 9.6% to 14.7% per annum between December 2010 and the same month of 2011.

The total balance of loans granted to the private sector by the whole financial system improved 49.2% over the year. This evolution reflects in greater financing for working capital (advances 40.4% and discounts of documents 51.5%) and durables and non-durables (consumer loans 47.7% and credit cards 51.5%). To a lesser extent, the balance of pledge and mortgage loans also improved (74.1% and 34.5% respectively). However, due to their minor significance on total figures, they only accounted for 8.7% of the overall annual increase in both peso and dollar-denominated loans.

Lending interest rates performed similarly to borrowing rates: those applicable to the discount of documents and pledge and consumer loans grew over 7 p.p., reaching 22.1%, 24.9% and 36.4% respectively at the end of the year.

In such context, the credit market had performed dynamically till mid-August when it began to decelerate due to heavier foreign exchange burdens and the level attained by lending interest rates. Though foreign exchange and monetary authorities immediately reversed such situation, such trend still persisted at the end of the year as a consequence of the uncertain economic prospects and the worsening of the international crisis.

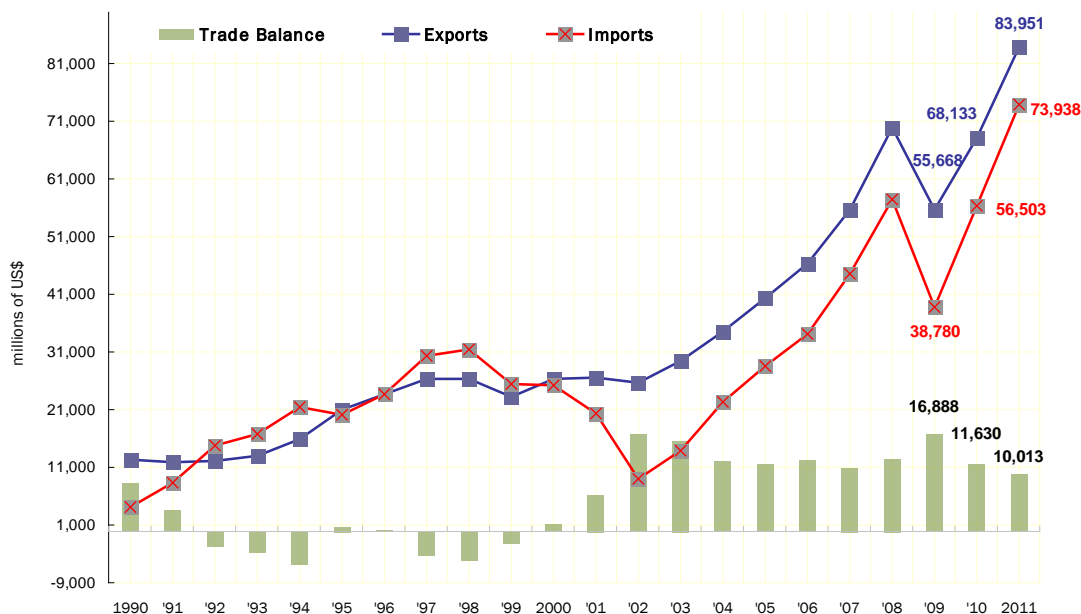
#### **1.4. External sector and foreign exchange market**

In 2011, foreign trade kept on improving significantly on a par with the increased economic activity. Exports rose 23.2% as against the previous year, totaling a record value of US\$83.951 billion. Imports grew 30.9% amounting to US\$73.938 billion.

When measured at current prices, the trade/GDP ratio (value of exports and imports divided by aggregate GDP) reached 41.4%, slightly above the regional average of 40.7% recorded in 2010 according to CEPAL data. The US\$10.013 billion balance of trade accounted for 2.2% of GDP, accumulating twelve consecutive years of positive performance.



### Balance and y/y variation of imports and exports In millions of US\$



Source: INDEC

In view of the accumulated rise in 2011, exports largely recovered from the 2009 drop and set a new historical record. Such expansion was boosted by the 16.7% y/y price increase resulting from the recovery in the price of raw materials and by greater traded quantities (5.9% y/y).

The strong recovery in international prices encouraged the export of primary goods and agricultural manufactures which grew 34.3% and 24.1% y/y, respectively, while the volume of sales abroad improved slightly.

Exports of industrial manufactures went up 22.2% y/y with an outstanding volume of transactions (12.6% y/y) which involved mainly chemicals and transport material. The export of energy-related products remained almost at the same level of 2010.

In 2011, in line with greater investments and enhanced local production, imports also set a maximum peak level not only in terms of total transactions but also of economic use.

Considering the greater demand for energy, the purchase of oils and fuels were the most dynamic during the year and more than doubled 2010 level. As such, they accounted for almost 30% of total import growth.

Purchases related to domestic investment also stood out: the acquisition of spare part and accessories for capital goods hiked 25.4% y/y mainly due to the greater dynamism of electronic inputs, while capital goods improved 24.7% y/y.

Purchases of intermediate goods expanded 23.3% y/y while imports of consumer goods improved by 22.9% y/y mostly on account of the acquisition of automobiles.

The trade balance with Brazil, China and the United States went on worsening causing, in aggregate, a deeper trade deficit of US\$5.023 billion with those countries (such deficit moved from US\$7.887 billion in 2010 to US\$12.238 billion in 2011).





Conversely, the bilateral relation with the European Union was quite different. The total balance amounted to US\$2.147 billion on account of better commercial terms with Spain, Italy, Germany and The Netherlands.

Likewise, trade relations with Chile, Venezuela and the other Mercosur-member partners stood out and accounted for more than three-fourths of the trade surplus.

During 2011, the deficit in the trade of services grew deeper since imports swamped exports.

Particularly, such higher deficit was due to a deterioration in the transportation account driven by tickets and greater freight costs associated with the import of goods. Additionally, the travel account also had a negative balance and the sale of technical, professional and corporate services also diminished.

Though information and IT services enlarged their surplus to US\$1.016 billion, they could not offset the negative performance of the remaining services.

In 2011, the return-on-investment account also plunged US\$10.829 into the red, 9.0% over the deficit recorded in 2010.

The most significant negative variation was observed in the balance of interests due to more interest paid and less interest collected in a context of low international interest rates. The deficit in “profits and dividends” stood at US\$7.331 billion, fairly stable as compared to the previous year.

The Current Account of the Balance of Payments ended the year with a relative equilibrium of US\$17 million, US\$2.802 billion lower than the level attained in 2010. Such amount accounted for the most restricted surplus reported during the last ten years.

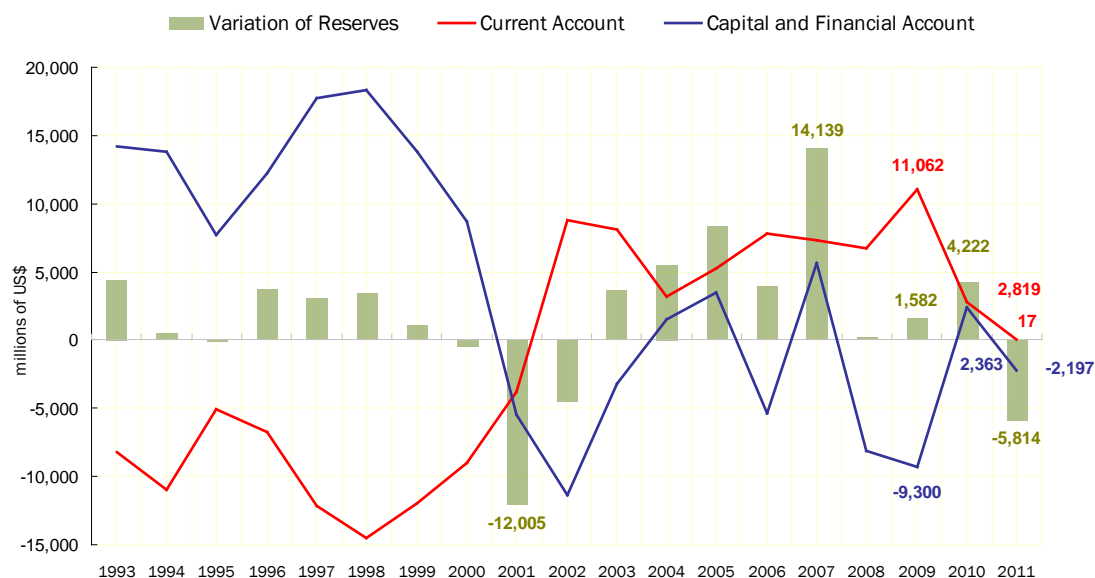
Its 2011 performance was affected by a greater deficit in the investment account and a lower surplus in the balance of trade.

Thus, the surplus in the current account of the balance of payments shrank 0.8 p.p. of GDP as against 2010 and 3.6 p.p. below the average of the 2002/2010 period.

During the year, the capital and financial account suffered a considerable net outflow that reversed the positive performance of 2010. The formation of foreign assets by the non-financial private sector was a key factor in determining the US\$2.197 billion deficit booked at the end of the year (US\$6.125 billion, net errors and omissions included). In the year under analysis, the non-financial public sector run a deficit due to the payment of the GDP-linked coupon (comparatively, with no impact during 2010) which was more than offset by income from the financial sector.



## Current Account of the Balance of Payments In millions of US\$



Source: INDEC

The net effect of both balances (a neutral current account and a negative capital account) showed that the outflow far exceeded the inflow of foreign currency which caused the BCRA to reduce its stock of international reserves by almost US\$5.814 billion.

## 2. Evolution of the microeconomic activity

### 2.1. Management policies

#### 2.1.1. Financial policy

In the context of interest rate variations and reduced liquidity that characterized the market as well as the general expectations that prevailed during most of 2011, the Bank's financial policy was in line with its credit policy and strategies seeking to align the cost of capital with the Bank's objectives and economic situation.

The daily follow-up of the main market variables and trends and the composition of the deposit portfolio were oriented to combine the impact of borrowing interest rates with adequate liquidity levels and to efficiently manage temporary excesses, if any.

#### • Evolution of Deposits

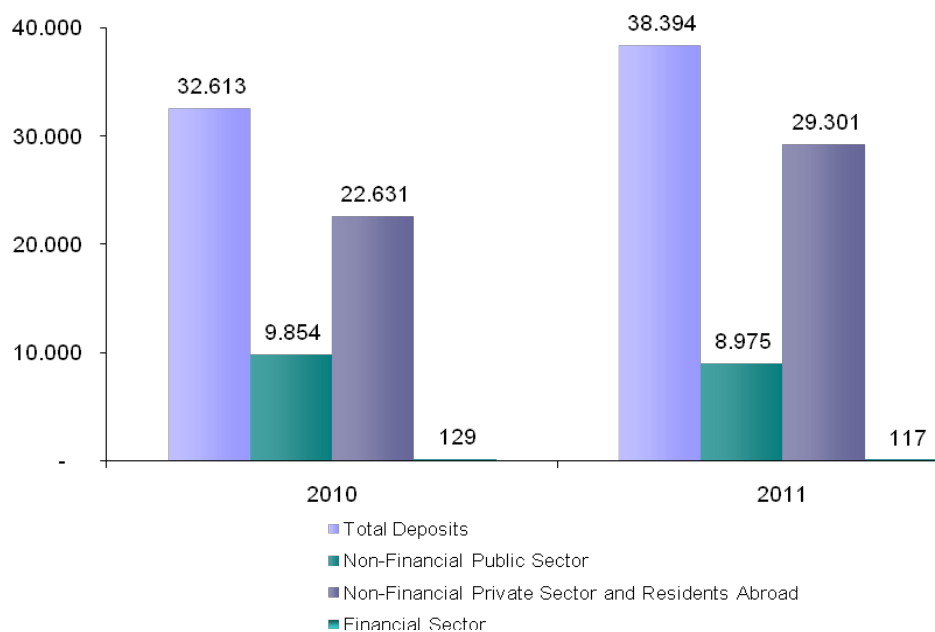
At December 31, 2011, total deposits with the Bank had increased 17.7% with respect to balances at the beginning of the year. Non-financial private sector placements in local currency were the most outstanding.



EVOLUTION OF DEPOSITS				
In millions of \$				
Description	2010	2011	Variation	
			Nominal	%
<b>Total Deposits</b>	<b>32,613</b>	<b>38,394</b>	<b>5,780</b>	<b>17.7%</b>
Non-Financial Public Sector	9,854	8,975	-879	-8.9%
Non-Financial Private Sector and Residents Abroad	22,631	29,301	6,670	29.5%
Checking Accounts	4,569	5,812	1,243	27.2%
Savings Accounts	7,109	9,434	2,325	32.7%
Fixed-Term Deposits	10,336	13,071	2,734	26.5%
Other	618	985	367	59.4%
Financial Sector	129	117	-11	-8.7%

When compared with the System's annual evolution, the Bank surpassed, on average, other financial institutions in terms of private sector deposit-taking, though this is not reflected in its share of total deposits because of the 8.9% reduction in placements from the public sector.

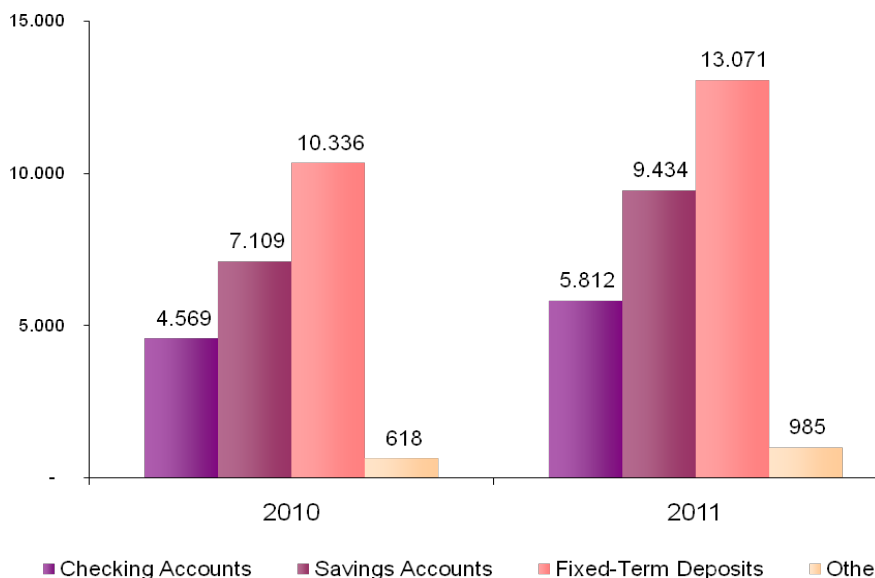
**Consolidated total deposits**  
(In millions of pesos)



The increased percentage of private deposits accounted for a 29.5% growth rate during the year. Private customers of the Bank demonstrated a stronger preference for savings accounts (32.7% y/y), followed by checking accounts (27.2% y/y) and fixed-term deposits (26.5% y/y). The latter were clearly preferred by the wholesale segment.



### Private sector deposits (In millions of pesos)



Since the implementation of restrictions on the purchase of foreign currency in October 2011, banking institutions suffered a significant loss of deposits, which was far less serious in the case of the Bank.

As a corollary of the policies implemented and the actions taken during 2011, the Bank's share in the Financial System in terms of peso and dollar deposits from the private sector grew from 8.7% to 8.9% maintaining its third place in the ranking. With regard to investments and fixed-term deposits, the Bank kept the same market share (9.4%) and its second place among banking institutions.

With respect to the public sector segment, a new decline occurred in the participation in the System. From 10.7% and 8.4% recorded in 2009 and 2010, respectively, the Bank's share shrank to 6.8% but remained second in the ranking.

Thus, in terms of total deposits, the market share declined slightly (8.6% at December 2010 against 8.3% at December 2011), and the Bank maintained its second place in the ranking below Banco de la Nación Argentina.

In December 2011, the Bank was assigned raAA- national scale rating for deposits. A financial institution rated "raAA" slightly differs from those with higher rating and has strong ability to meet its financial obligations compared with other Argentine institutions. The plus and minus signs are used to point out relative strengths within the "raAA" to "raCCC" ratings.

- **Evolution of borrowing interest rates**

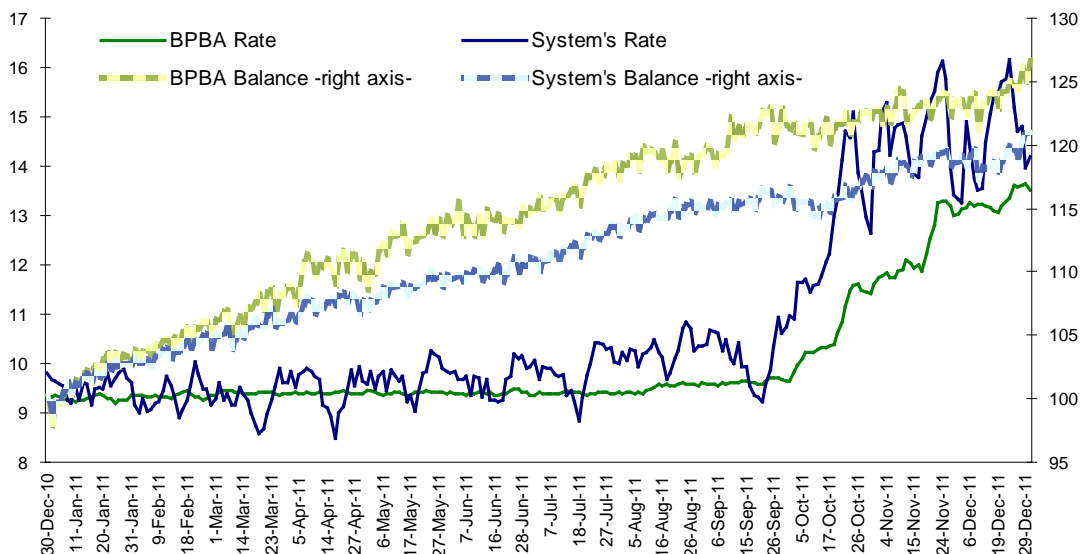
Interest rates on retail and wholesale fixed-term deposits offered by the Bank generally followed market trends. However, except in February and March in the case of the retail segment and December regarding the wholesale segment, their monthly averages were below the rates prevailing in the System.

The evolution of interest rates for the retail segment was relatively stable during the first three quarters of 2011. The marked increase in these rates in the last quarter was also reflected, though more moderately, by the Bank's rates. This implied, in turn, a higher 2 p.p. difference, on average, in the negative spread registered during most of the year.



### Evolution of fixed-term deposits and rates Retail private sector

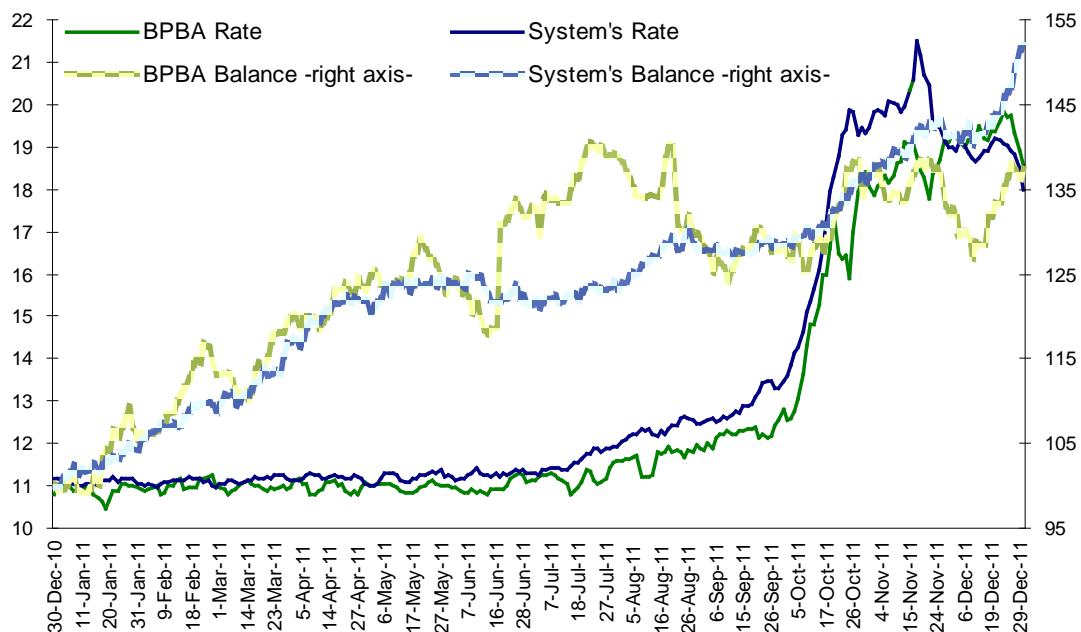
Base Index Dec.30, 2010 = 100. 4-day average mobile rate



With respect to wholesale borrowing rates, the Bank accompanied market trends throughout the year. As these rates started to rise even more sharply than for the retail segment in the second half of 2011, the Bank offered slightly lower rates in October and November but applied rates above the System's average in December.

### Evolution of fixed-term deposits and rates Wholesale private sector

Base Index Dec.30, 2010 = 100. 4-day average mobile rate





- **Compliance with prudential regulations**

In consideration of the 2009-2013 Strategic Plan submitted by the Bank on June 16, 2010 and January 31, 2011, the BCRA issued Resolution No. 92, dated March 4, 2011, within the framework of Section 34 of the Law of Financial Institutions. Under such Resolution the Bank was granted facilities and exemptions for gradually complying with certain prudential regulations on minimum capital, financing to related companies and minimum cash requirements on court-ordered deposits, as well as exemptions on the valuation and holding of certain securities issued by the national and provincial public sectors.

The Bank committed itself to fully comply with minimum capital requirements by January 2014 at the latest. A program was also implemented authorizing the Bank to set up minimum cash on court-ordered deposits based on gradually growing requirements, beginning with 15% in 2011 up to 100% from January 2014.

With respect to Guaranteed Bonds - Executive Order No. 1579/02 (BOGAR 2018), they are valued at their technical value until final amortization, while Bonds 2018, 2028 and 2035 of the Province of Buenos Aires at their listed price at September 30, 2010 plus accrual at the internal rate of return.

### **2.1.2. Commercial policy**

As stated in items 1.3 and 2.1.1 above, commercial actions took into account credit, transactional and market penetration issues resulting in greater volumes and contributions from financial services, which translated into:

- An annual 34.5% increase in income from services generated by products, transaction services and services related to loans, companies, agencies and individuals at the local level for \$1.765 billion. Out of this amount, \$1.62 billion accounted for services to the private sector, accompanied by higher consumption levels, a greater number of loans and alignment of fees and commissions with those prevailing in the market.

Moreover, income from fees charged by the Bank's foreign offices in Sao Paulo and Montevideo contributed US\$86,505 (+ 194%) on account of import and export transactions and US\$383,181 (+ 248%) mainly from securities management, respectively.

- More loans to individuals and private sector companies in the country for about \$20.1 billion, with a capital balance for loans to the non-financial private sector of \$19.2 billion at the end of 2011, i.e \$7.691 billion (+ 66.8%) over the balance at the beginning of the year. As shown in 2.1.2.1. below, corporate loans totaled \$15.35 billion and consumer and mortgage loans to individuals, \$3.88 billion and \$870 million, respectively.

- Balances of the non-financial sector lending portfolio of the Bank's foreign offices in Sao Paulo and Montevideo totaled US\$22.1 million (pre-export financing 80.5%, and invested capital 13.5%) surpassing by 270% the amount recorded at the beginning of the year, and US\$3.4 million (discount of documents 46.2%, invested capital 19.8%, and pre-export financing and financing of exports and imports 34%) representing an annual 68% increase, respectively.

#### **2.1.2.1. Loan Activity**

The Bank promoted innovations and fostered more competitive policies for companies, micro-undertakings and individuals, such as:

- The expansion of the "*Fuerza Productiva*" Program through a third tranche, with rates subsidized by the Ministry of Production of the Province of Buenos Aires, for up to the maximum amount to be granted to each entity.

- The establishment of new Financing Programs for the agricultural sector together with the National Ministry of Agriculture, Livestock and Fisheries and the participation of the Government of the Province of Buenos Aires, offering special terms and interest rates (for Meat and Livestock Production: associated



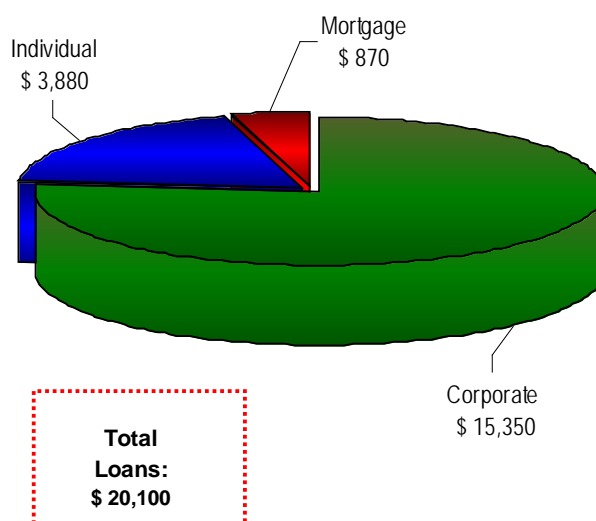
working capital and investment; for the Dairy Sector: working capital and investment; for locally manufactured Machinery and Equipment).

- The execution of new agreements with suppliers of capital goods to be financed under a Pre-Allocation System.
- The implementation of a mortgage loan facility for the purchase of real estate for commercial use destined to natural or artificial persons.
- The extension of financing terms for investment lending facilities destined to SMEs from all sectors.
- The extension of discount terms under the facility for the discount of deferred payment checks to cover SMEs' business development needs.
- The easing of financing terms and variable and fixed interest rates applicable to loan facilities for working capital.
- The "*Adelanto de Haberes*" amortization loan facility aimed at meeting additional liquidity needs of companies at specific dates.
- The adjustment of terms and conditions under facilities destined to Micro-entrepreneurs, increasing the maximum loan amount not requiring a credit file.
- The increase of amounts up to \$150,000 and extension of terms up to 72 months under consumer loan facilities.
- The implementation of personal loans for the acquisition of automobiles requiring no pledge creation.
- The redesign of products and execution of agreements with suppliers of consumer goods to be financed under a Pre-Allocation System.
- An easier access to credit by customers affected by meteorological phenomena in certain regions of the Province of Buenos Aires.
- The promotion of existing mortgage loans for the purchase of a house and other purposes, increasing portfolio balances by 40% as against figures at the beginning of the year.
- The design of the "*Garantía de Alquiler*" product destined to people who, due to their income thresholds, have no access to home mortgage loans.
- The tender of facilities for investment support and strengthening of productive capacity launched by the BCRA within the framework of the Bicentennial Program under which funds awarded enabled the financing of projects previously approved by the Ministry of Industry.

Loans granted in 2011 amounted to approximately \$20.1 billion, broken down by recipient economic sectors as shown below.



### Breakdown of Loans in 2011 Private Sector – In millions of \$



The placement of mortgage loans focused on satisfying housing needs of residents of the Province of Buenos (particularly in certain districts) and the City of Buenos Aires.

Most unsecured loans to individuals were granted under Consumer Loan facilities and abided by the non-prerequisite loan limitations.

Out of total corporate loans, 69% (\$10.6 billion) was granted under existing facilities for business development, 19% (\$2.92 billion) under existing facilities for working capital and 12% through lending programs (\$1.09 billion) and other investment facilities (\$740 million).

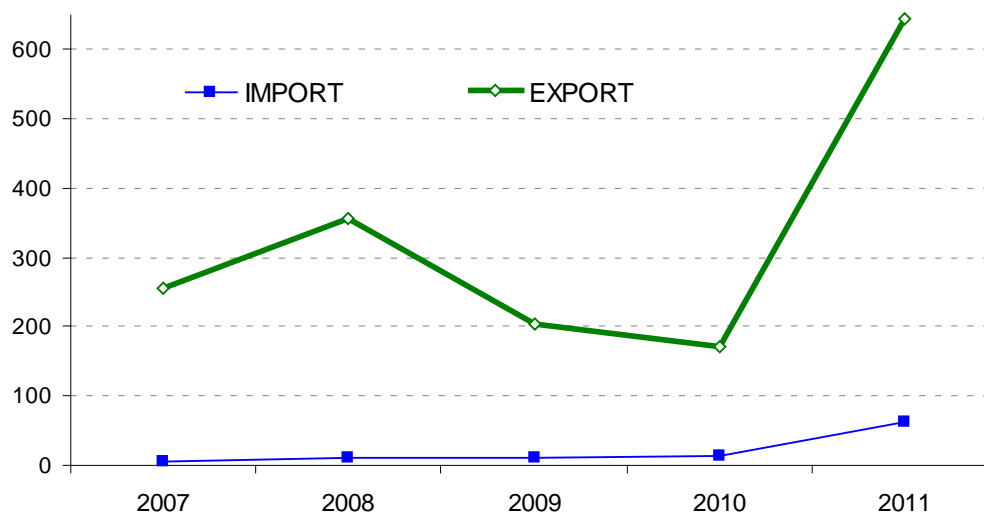
The discount of third party deferred payment checks for \$6.2 billion prevailed among loans for business development, accounting for a 76% increase over 2010.

Mention should also be made of the US\$706 million lent during the year under foreign trade facilities. They comprised 571 Export Credit transactions for US\$643.5 million (out of this amount, US\$637.4 million corresponded to Pre-Export Financing) and 450 Import Financing transactions for US\$62.5 million (US\$58.7 million in dollar bills). This meant an overall 282% rise compared with loans granted in 2010.





**Annual evolution by import and export credit lines**  
In millions of US\$



Additionally, placements by the Bank's foreign offices in Sao Paulo and Montevideo translated into increases in their lending portfolio balances for the non-financial sector in their respective countries.

The Sao Paulo Branch's portfolio balance of loans to the non-financial sector at December 2011 totaled US\$22.1 million, i.e a 270% growth over the previous year, under facilities such as Pre-export financing (US\$17.8 million), Export financing (US\$771,000), Import financing (US\$393,000), Opening of letters of credit (US\$153,000) and Investment capital (US\$3.0 million).

At the Montevideo Branch, it amounted to US\$3.379 million at December 2011, accounting for a 68% rise as against 2010, under the following facilities: Discount of documents (US\$637,000), Pre-export financing (US\$210,000), Export financing (US\$139,000), Import financing (US\$120,000) and Investment capital (US\$2.3 million).

#### **2.1.2.1.1. Loans to Companies**

During 2011, the Bank offered a wide range of credit facilities for business development, working capital and investment and capital goods to all economic sectors.

Business management teams played an active role in approaching existing and new customers and assigning credit ratings to provincial SMEs.

Contacts were established with 1,900 companies from the industrial, commercial and services segments, visits were made to 500 companies and more than 360 new SMEs were assigned a credit rating.

Ratings were also given to 100 new companies from the agricultural sector for an amount equivalent to \$170 million.

Likewise, with the participation of FOGABA SAPEM, the Bank implemented a new parameterized product for the allocation of margins to the Agricultural Sector that enables agricultural producers to have easier and low-cost access to forward contracts discounts.



- **Agricultural Sector**

The Bank continued providing financial assistance to agricultural small and medium size enterprises of the Province of Buenos Aires, through products and services especially developed for the agricultural sector and the combination of actions coordinated by the Provincial Ministry of Agricultural Affairs and the National Ministry of Agriculture, Livestock and Fisheries.

In 2011, loans for \$4.505 billion were granted to companies of the sector, thus surpassing by 47.5% the target for the year and accounting for a 63.8% increase over the previous year.

Out of such amount, about \$1 billion was granted to producers under the following programs and facilities offering reduced and subsidized interest rates:

- "Financing Program for the production of Cattle and Meat (associated working capital and investment), at a rate subsidized by the National Ministry of Agriculture, Livestock and Fisheries: 710 loans for \$243 million.
- "Financing Program for the Dairy Sector (working capital and investment), at a rate subsidized by the National Ministry of Agriculture, Livestock and Fisheries: 128 loans for \$30 million.
- "Livestock Program", destined to producers involved in cattle, pork and sheep raising, at a rate subsidized by the National Ministry of Agriculture, Livestock and Fisheries: 620 loans for \$149 million.
- "Working capital for the production of milk and meat" facility, at an interest rate subsidized by the National Ministry of Agriculture, Livestock and Fisheries: 751 loans for \$80 million;
- "Working capital for the production of wheat, corn and sunflower" facility, at a rate subsidized by the National Ministry of Agriculture, Livestock and Fisheries: 1,251 loans for \$150 million;
- Third tranche of the "*Fuerza Productiva*" Program to finance the acquisition of agricultural machinery manufactured in the Province of Buenos Aires, at a rate subsidized by the Ministry of Production of the Province of Buenos Aires.
- Financing Program for Machinery and Equipment (domestically produced) destined to the Agricultural Sector.

Financial assistance involved other credit instruments developed by the bank for business development, working capital and investment, including:

- Loans destined to Summer Crops, Winter Crops, Retention of Cereals, Working Capital, Third Party Deferred Payment Check Discount, Purchase of Capital Goods and Discount of Forward Contracts.
- Purchases with Procampo Card recorded a 32% y/y increase (financing rose from \$258 million in 2010 to \$339 million in 2011), at fixed nominal annual rates in Pesos ranging from 0% to 9.5% and terms of up to 270 days.

The delinquency rate in loans for the Sector is just 0.3% of current loans.

- **Industrial, commercial and services SMEs and MiSMEs**

In order to offer lower financial costs for loans oriented towards business development, working capital and investment in the SMEs segment, the Bank took part in competitive biddings called by the Secretariat for Small and Medium-sized Enterprises and Regional Development and was awarded the pertinent bid contracts.

Likewise, the Bank continued providing financing assistance destined to investment for SMEs located in the Province of Buenos Aires pursuant to the second tranche of the "*Fuerza Productiva*" Program, at an interest rate subsidized by the Provincial Government. Sixty projects submitted for new investments and enhancement of the installed capacity for an amount of \$96 million were considered, out of which 42 loans for \$63 million were granted and 4 transactions for \$1 million destined to working capital associated with investment were carried out.



- **Corporate Banking**

During 2011, a broad credit demand by the Bank's corporate customers was recorded within a context of competition among banks to place loans. This situation caused a drop in lending interest rates for the segment.

A total amount of \$5.141 billion was loaned to large companies, especially to those closely related to foreign trade, accounting for 78% of such amount.

So, the balance of the financing portfolio including economic groups and large and medium enterprises located in Argentina increased by 157 % as against the figures recorded at the end of 2010.

- **Microbusinesses**

Through the creation of Provincia Microempresas S.A. (PromeSA) in mid 2008, the Bank adhered to a regulation on micro-credits issued by the Central Bank aimed at considering the inclusion of actors of the economy and segments of the society that due to their informal conditions or unfavorable record regarding solvency and/or repayment capacity have restricted access to credit and service banking system.

At the end of the fiscal year, these services are offered in 61 branches of Banco Provincia by 250 specially trained professionals.

In 2011, through the "Microfinanzas" Program (PomeS.A.) a total of 16,122 credits were granted for an amount of \$112.8 million.

From the beginning of 2009, the Bank has granted 27,294 loans for a total amount of \$177.2 million.

#### **2.1.2.1.2. Loans to Individuals/Families**

In this context, the Bank added the offering of new credit facilities and proposals, made financial conditions more flexible and met specific needs in certain regions.

With regard to consumer loans, the amortization period was extended to 72 months in almost every case and the maximum amount was increased up to \$150,000.

The Bank also facilitated access to financing for those people affected by meteorological phenomena in certain regions of the Province of Buenos Aires.

Under the credit facility destined to ANSES (National Social Security Administration) retirees, loans may be granted up to \$10,000 (within the maximum amount allowed for their non-pre requisite lending) at an interest rate equivalent to average interest rates for fixed term deposits multiplied by 1.5.

A loan facility of up to \$150,000 for the purchase of automobiles was implemented. This facility does not require the creation of a pledge and offers a differential interest rate for those borrowers who take out an insurance policy with Provincia Seguros S.A.

The product was redesigned and agreements with suppliers of consumer goods were signed in order to make their financing available through the Pre-allocation System.

For those people who due to their income thresholds have no access to a home mortgage loan, the product "Garantía de Alquiler" was created, enabling the payment of the security fee in a 6-month term with no interest accrual.



Existing mortgage loans were applied to the purchase of a sole family house of permanent occupancy and also to finance second houses, lots, indivisible property, etc.

Together with the provincial Ministry of Economy, a credit facility was launched with the purpose of financing the purchase of houses in 101 districts of the Province of Buenos Aires where the population growth rate was lower than the provincial average.

Credit assistance to families, unsecured and within the amount allowed for their non-pre-requisite lending, amounted to \$3.88 billion, increasing by 61.7% with respect to loans granted the previous year.

At the end of the fiscal year, Consumer Loans, Credit Card and Mortgage Loans amounted to \$5.23 billion, \$2.7888 billion and \$2.2354 billion, with increases of 38.8%, 49.2% and 40.0, respectively, as against the figures prevailing at the beginning of the year.

### 2.1.2.2. Service management and results

- **Income from Services**

In 2011, income from services rendered locally totaled \$1.765 billion, 34.5% over the previous year. Such figure helped increase the annual growth pace observed in 2009 and 2010 (29.1% and 27.4%, respectively).

A 91.8% of such amount derived from the rendering of services to the Private Sector (approximately \$1.62 billion), with a 36.0% annual increase, higher than the 29% y/y rise recorded in the previous two years.

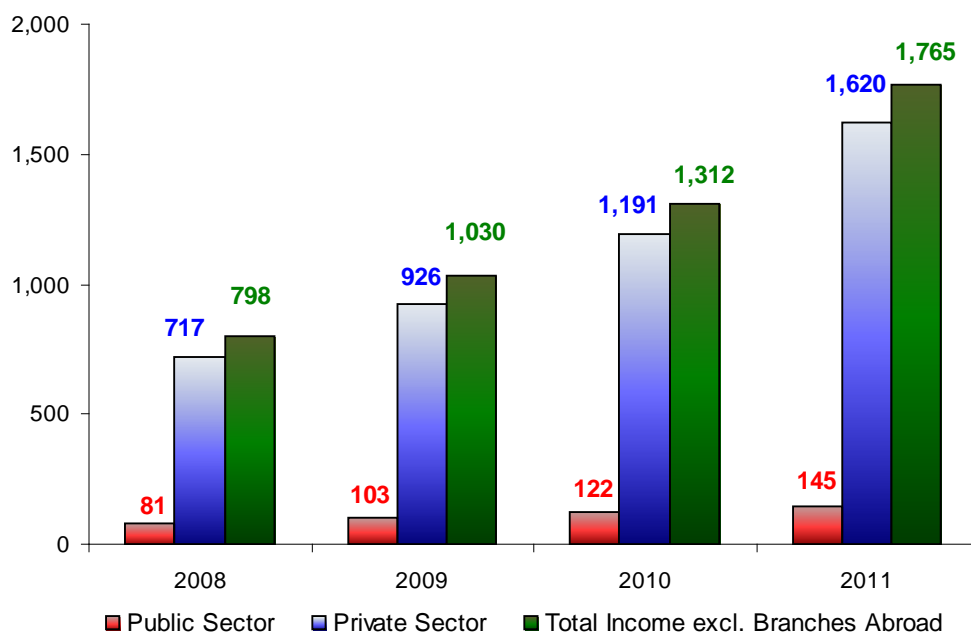
<b>EVOLUTION OF INCOME FROM SERVICES</b>							
In millions of pesos - y/y variations							
	2008	2009	2010	2011	2011 / 2010 Variation		
					\$	%	
<b>Total Income excl. Branches Abroad</b>	<b>798</b>	<b>1,030</b>	<b>1,312</b>	<b>1,765</b>	<b>452</b>	<b>26%</b>	
<b>Public Sector</b>	<b>81</b>	<b>103</b>	<b>122</b>	<b>144</b>	<b>23</b>	<b>16%</b>	
<b>Private Sector excl. Branches Abroad</b>	<b>717</b>	<b>926</b>	<b>1,191</b>	<b>1,620</b>	<b>429</b>	<b>26%</b>	
<b>Total Transactions and Investment</b>	<b>598</b>	<b>788</b>	<b>984</b>	<b>1,301</b>	<b>317</b>	<b>24%</b>	
Credit and Debit Cards	322	447	571	795	224	28%	
Savings and Checking Accounts	120	159	198	255	58	23%	
Drafts, Transf. and Deposits among Banks	54	65	84	97	14	14%	
Collection Services	33	33	41	47	6	13%	
Other Products and Services	69	84	90	107	17	15%	
<b>Total Financing</b>	<b>119</b>	<b>138</b>	<b>207</b>	<b>319</b>	<b>112</b>	<b>35%</b>	

The evolution of this sector was mainly due to the greater number of products and services, higher consumption levels, extensions of new loans and the adjustment of the fee schedule in line with fees and commissions prevailing in the market.

Fifty per cent of income from services derived from the private sector originated in the rendering of means of payment services, followed by income related to the granting of loans (18%), deposit accounts (16%) and collection services and other transaction and investment products (16%).



### Evolution of Income from Services In millions of pesos



With respect to the Bank's total income, during the last four years a moderate upward trend was observed in income from the private sector as against a decrease in income from the public sector.

- **Electronic means of payment**

The use of IT resources was strongly encouraged due to their close link to the development of commercial actions and financial services. To that effect, the offering of alternative channels for companies and individuals was enlarged and more services were provided to the public administration.

By the end of 2011, cards in force issued totaled almost 2 million in debit cards and 1.5 million in credit cards with 1.2 million of cardholders.

To such date, these amounts accounted for 11% of cards of the whole financial system, and almost 20 % of total "active" cards, concentrating the highest participation as issuing entity.

As well as in previous years, through a deeper knowledge of credit card users, the range of services offered was widened, with a focus on those showing the greatest present or future business potential.

In 2011, to attract new customers and build greater fidelity from credit card users of Visa and MasterCard, differential attributes and embossing features, as well as other innovations and launchings were added to the above services.

With respect to the retail segment, 85,000 Visa credit cards and 75,000 MasterCard credit cards were pre-embossed.

Oriented towards high-income cardholders, a new credit card product called Visa Signature was launched. In this segment, formalities were made more flexible to grant courtesy cards, including Visa Platinum and Signature.

A new channel was developed for *Visa Gift* through the Visa web site, easing access to this gift card.



With respect to companies, courtesy *Business* credit cards were given and Reloadable-Petty Cash *Visa Purchasing* cards were launched. The latter may be used for the payment of small amounts instead of using cash, thus simplifying their allocation and accounting.

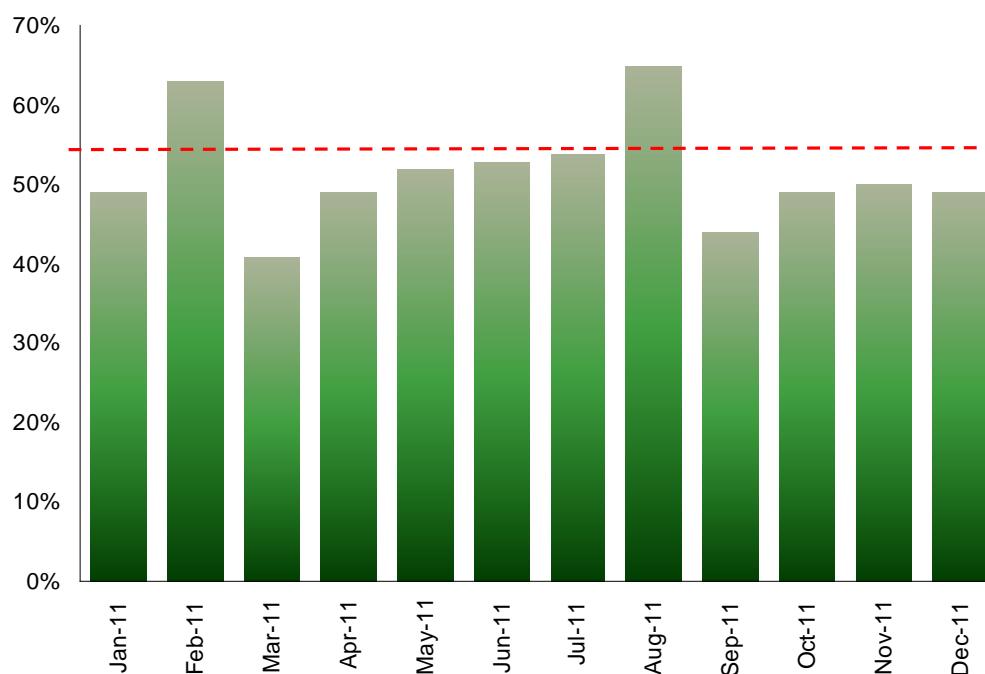
Actions taken to add new users and to increase the use of credit and debit cards included incentives to encourage consumption; maintaining the Benefit Program through agreements which relate the use of those cards to purchases and services in different sectors.

Therefore, in 2011 the volume of transactions with debit cards surpassed \$860 million, and in the case of credit cards it amounted to almost \$690 million.

Total purchases with credit cards grew approximately 50% with respect to those recorded the previous year. Additionally, during every month of 2011 the pace of the positive y/y variation surpassed 40%, influenced not only by increase in prices but also by the growth in total purchases.

Therefore, the above mentioned total amount of purchases made with credit cards issued by the Bank in 2011 accounted for 7% of total purchases channeled through credit cards within the Financial System. The Bank had an almost 40% share in purchases made in the interior of the Province of Buenos Aires.

**Total purchases with credit cards**  
Y/y % variation



- **Channels**

During 2011, more alternative channels were introduced to serve the needs of the public administration and, by extension, of its related individuals and companies.

Family allowances and social plans were paid through electronic means. During the year accounts were opened and debit cards were granted to more than 21,000 beneficiaries of the Barrios Bonaerenses program. These transactions, previously settled at cash desks, are now channeled through ATMs. Regarding the Visa COPRES system, adhesion contracts were entered into with some national, provincial and municipal entities.



Agreements were executed so that collection services may be rendered through electronic means (Home Banking, ATMs and Direct Debit).

- **Foreign Trade**

In 2011, the IT system was enhanced and the digitalization of transactions was implemented. The Web Platform was also developed.

Significant progress has been made in the consolidation of a commercial team composed of Regional Units and the main commercial officers of the City of Buenos Aires and the Greater Buenos Aires. This helped provide assistance and advice to both external and internal customers.

### **2.1.3. Credit risk policy**

Credit management was based on pre-evaluation processes carried out by integrated credit sectors using the electronic environment. This helped speed up the response-time of the overall credit process as well as the constant identification and monitoring of the loan portfolio quality, taking into account not only the commercial strategy but also the risk levels accepted by the Bank.

In 2011, 11,883 applications were assessed by the credit risk control unit and \$12.028 billion were approved.

The support to investment projects carried out in the Province of Buenos Aires amounted to \$223.7 million during the fiscal year, 46% over the previous year for 73 transactions.

### **2.1.4. Loan Recovery Policy**

In 2011, out-of-court loan recovery programs kept on active for loans that exceeded the early delinquency period. These programs were supported by greater and updated information on the economic and financial condition of each debtor in terms of the amount claimed.

A general loan recovery program remained in force. Debts were recalculated at lower interest rates; priority was given to one-time settlements in exchange for discounts on interest payments. Such program also provided for the refinancing of debts at a maximum 48-month payment term at a reduced variable interest rate not below a preset minimum percentage.

Several plans implemented from the end of 2009 continued in force. Specific programs were launched for situations of highly delinquency resulting from credits granted up to December 31, 2003 and including the following debtors: those with obligations of up to \$2 million who, at December 31, 2008, had been classified as uncollectible and removed from assets by application of allowances as laid down by the BCRA's accounting standards and those with potential risk who, at that date, had been classified as having a high risk of insolvency and uncollectible.

Special settlement plans were offered to debtors under the above categories which provided for the recalculation of their liabilities at lower interest rates and at a discount (7.5% annual nominal rate) by application of the straight-line method. In the case of credits of up to \$10 million granted after March 31, 1991 and removed from the Bank's portfolio by application of allowances, a special plan was implemented for settling balance amounts at book value, except for mortgage loans.

Alternative refinancing plans were offered to uncollectible debtors removed from assets by application of allowances which were unable to settle their situation as described above. Under those plans, the debt to be consolidated could be determined at lower interest rates (10% annual nominal rate) using the



straight-line method, and also at a maximum 48-month payment term and a variable interest rate reduced by 20% within a preset annual nominal minimum rate of 10%.

During 2011, out-of-court recoveries on loans that exceeded the early delinquency period enabled the settlement of 6,862 cases for a total amount of \$119.0 million. This included the full settlement of 4,395 accounts for a total of \$66.8 million and of 2,467 accounts by means of advance payments (\$12.4 million) and refinancing of balances (\$39.8 million).

In the case of mortgage debtors, the procedure was in line with provincial legislation which provided for the suspension of foreclosures on debts related to sole family houses. Without overlooking the Bank's privileges and legally enforceable rights, the repayment conditions (terms, interest rates and fees) for highly delinquent loans were eased with the purpose of avoiding foreclosure sales.

#### **2.1.5. Relationship with the Public Sector Policy**

As a Provincial Bank, its administration kept on addressing and meeting the operational needs of the Buenos Aires Public Administration.

- **Administration of Deposits and Transactions**

As Financial Agent of the Government of the Province of Buenos Aires, the Bank has channeled the available balances in sight accounts of the Province and its municipalities, mainly derived from collection services and the intermediation in the receipt of federal funds and funds from abroad, etc.

In order to optimize the management of such sight accounts, a "Unique Registry of Official Accounts" (*Registro Único de Cuentas Oficiales*) was created and a product known as Single Treasury Account (*Cuenta Única del Tesoro*) was designed to facilitate control and follow up of the Provincial Public Sector checking accounts, without overlooking the payment of salaries and payments to suppliers.

The Bank has not only succeeded in consolidating the "Copres" card designed for making purchases of fuel and managing the pertinent resources but it has also commercialized the product in numerous national, provincial and municipal entities, with a high level of acceptance.

By late 2011, the Bank launched the petty cash Visa card, a product designed to meet the needs of the General Treasury of the Province of Buenos Aires.

- **Collection services**

A considerable impetus has been given to certain products, mainly to those related to electronic collection services (Home Banking, ATMs and Direct Debit).

Together with Provincia Pagos, the Bank has worked out many solutions to recurrent problems with taxpayers in some municipalities. For example, in the Municipalities of Quilmes, Lomas de Zamora and Hurlingham, Provincia Pagos has installed cash desks for collection of taxes and the Bank supplemented such service through the installation of ATMs.

- **Payment of Social Plans**

In order to offer improved services to beneficiaries of social plans, the Bank has developed a bancarization strategy that includes the opening of bank accounts, the issuance of Visa debit cards and/or the withdrawal of cash from ATMs.

In 2011, more than 21,000 beneficiaries of the *Barrios Bonaerenses* social plan were incorporated into the banking system. This, together with the steps taken by the National Labor Ministry to reduce by





66,000 payments related to the *Jefes y Jefas de Hogar* welfare plan, accounted for a significant decline in plans paid at cash desks (about 87,000 out of total plans).

These measures, and the payment and collection services through alternative channels, are aimed at streamlining treasury services and reducing transactions in Business Units, thus promoting a better customer service.

- **Credit Assistance**

In 2011, the Bank's Board of Directors by Resolution No.102/11 approved a \$500 million loan to finance investment and related needs of the municipalities of the Province of Buenos Aires.

This facility was developed to meet investment needs such as the acquisition of capital goods, public works, urban infrastructure works, public buildings, purchase and repair of machine and equipment of public utility companies and works entailing a general and social interest.

During the second half of the year, 31 municipalities requested the above mentioned financing for an amount over \$400 million.

This gave rise to different requests for services and portfolio products and enabled development and consolidation of commercial transactions among the Bank, the companies of Grupo Banco Provincia and municipalities of the Province of Buenos Aires.

- **Fiduciary Activities**

The Bank and its controlled company Bapro Mandatos y Negocios S.A. are the Trustee and Administrative Agent, respectively, of two Trusts concerning the Provincial Government:

The "Trust Fund for the Development of the Provincial Infrastructure Plan", created in February 2001 for a 30-year term, whereby the Province of Buenos Aires acts as Trustor and the successful bidders of public works are the beneficiaries. Its purpose is to pledge assets as collateral and/or apply them to the payment of the obligations incurred by the Province according to Law No. 12511. Total assets held in trust amount to \$354.9 million

- The "CAINBA" Trust, created in March 2007 whereby the Social Security Fund for Surveyors, Architects, Engineers and Technician of the Province of Buenos Aires (*Caja de Previsión Social para Agrimensores, Arquitectos, Ingenieros y Técnicos de la Provincia de Buenos Aires* - CAAITBA - Law No. 12490) acts both as trustor and beneficiary for the administration and investment of trust property included in its Capitalization Fund. Total assets held in trust amount to \$271.0 million.

Likewise, the controlled company Bapro Mandatos y Negocios S.A. of Grupo Banco Provincia performs trust activities concerning the following Management Trust:

- The "Fuerza Solidaria" Trust Fund, whereby the Government of the Province of Buenos Aires, the Provincial Institute of Lotteries and Casinos (and the Bank act both as Trustors and Beneficiaries (according to their trust interest). It was set up with the purpose of creating and consolidating micro enterprises and projects related to social economy in the Province of Buenos Aires. Total assets held in trust amount to \$39,1 million.

- The "Trust for Financial Assistance to Recovered Companies - FAFERBA", whereby the Government of the Province of Buenos Aires and Banco Credicoop Cooperativo Limitado act as Trustors and Beneficiaries. It was created in September 2007 for a 10 year term, with the purpose of providing financial assistance to recovered companies. Total assets held in trust amount \$1.7 million.

- The "BA -INNOVA Trust", whereby the Ministry of Production of the Province of Buenos Aires acts both as Trustor and Beneficiary. It was created in March 2009 for a 20 year term with the purpose of providing financial assistance to micro, small and medium size enterprises such as business companies, cooperatives, single ownership companies and de facto business associations, joint ventures and/or business cooperation agreements and/or consortiums, provided that they operate within the Province of Buenos Aires. Total assets held in trust amount to \$0.7 million.



## 2.1.6. Budgetary Policy

The Bank's Expenditure and Revenue Budget for the 2011 fiscal year, included in the Provincial General Budget Law No. 14199, was fixed at \$3.7792 billion. It contemplates a balanced amount of budgeted expenses and the required resources to meet them.

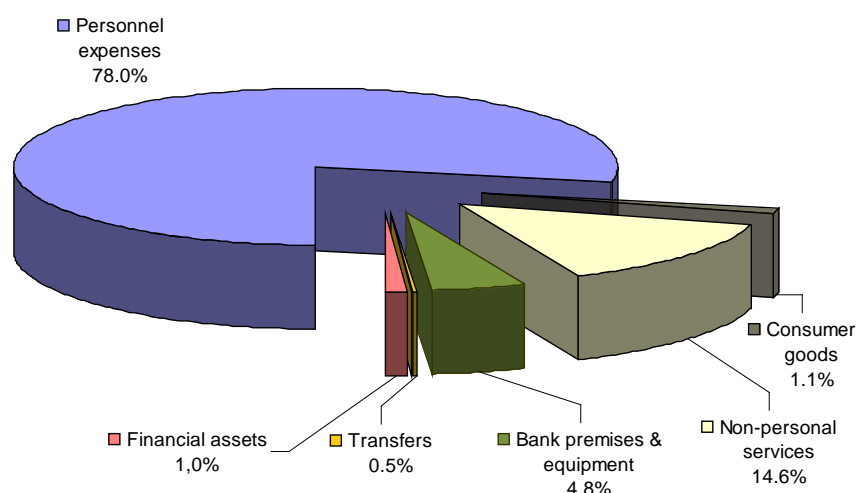
Revenue estimates were calculated on the (net) Income from Financial, Services and Foreign Branches Transactions, which amounted to \$3.7792 billion.

Expenditure estimates were budgeted ensuring the Bank's self financing and capitalization on the basis of 9,664 permanent employees and 983 temporary staff.

Notwithstanding the above mentioned provisions and the total amount budgeted, during budget management, adjustments to the distribution of expenditures were made for optimization purposes, thus streamlining the allocation of resources

Expenditures totaled \$3.482 billion, \$297.2 million less than the budgeted amount broken down as follows:

**Breakdown of Expenditures – Year 2011**



## 2.1.7. Human Resources Policy

In 2011, the Bank kept on organizing training courses and fostering the development of staff potential.

In preparation for higher job positions, 154 officers obtained postgraduate university degrees and/or certifications. Out of this amount, 21 officers have been appointed into leadership positions in branches and central areas.

A total of 1,875 employees from central areas attended the courses on the Integrated Management Model and other 132 employees participated in the Staff Development Model workshop.

In 2011, the Bank developed courses on marketing, money laundering, customer attraction, operational risk, applications software and subjects specific to the internal banking career, among others. A total of 10,422 members of staff attended such courses.



The survey conducted to fill higher responsibility supervision positions led to evaluate more than 350 employees. As a result, 40 potential branch managers with higher education or university degrees were identified and trained.

Since 2010, more than 40 employees have been appointed to hold management positions. In the last four years the number of branch managers with university degrees doubled and in 2011 they accounted for 36% of the surveyed positions.

At the same time, progress was made in analyzing the positions to be filled in branches and the post of Commercial Head of Regional Centers in charge of supervising branches. By the end of 2011, the Bank approved a new classification of branches (Large, Medium, Small and Micro) in terms of their net income from services, deposits, loans, financial income and total transactions.

The performance of 9,500 employees was evaluated under a new system in October 2011.

Through the “*Consolidar el negocio*” program, incentives were granted to Business Units that achieved the fixed goals.

The Bank formulated an effective communications policy aimed at consolidating the institutional image, motivating employees and reducing the effects of informal contact. It included 152 intranet announcements, 367 e-mails and 11 issues of the “El Pulso del Provincia” electronic institutional report.

In pursuance of the pertinent policies, in 2011, the Bank hired 822 new employees and other 737 were included as permanent staff.

Under the Labor Inclusion Program, 29 employees were hired in accordance with the legal regulations for people with disabilities (Law No.10592).

Moreover, 618 members of permanent staff retired during 2011. More than 180 employees took part in 12 workshops organized for staff members who were close to retiring.

In the health area, preventive programs were developed for chauffeurs (97 employees were examined) and risk factors were assessed in different offices (246 employees were analyzed).

In that regard, an active program was implemented to reduce employee absence in the workplace.

#### **2.1.8. IT Policy**

In order to streamline the allocation of resources so as to render enhanced customer services and make transactions more secure, new developments, implementations and improvements were made in 2011 through a set of IT tools, among which the following can be mentioned:

- Implementation of the Bank’s own Internet Banking System with new features, based on a multi-channel architecture.
- Development of a new institutional and services web page, with new functionalities and image
- Introduction of new ATM capabilities (intelligent and check deposits).
- Design and implementation of new systems and operations that support business needs
  - Immediate on line transfers
  - Data transmission through the COELSA electronic clearing house.
  - Sight court-ordered deposit accounts.
  - Mortgage loans at subsidized interest rate.
  - Guarantees Management Services.
  - Tax rebates under the Banking Credit Control and Collection System. It allows compliance with the Gross Income Tax collection procedures for taxpayers subject to the Multilateral Agreement with respect to the amounts credited to accounts with financial institutions.
  - Value date for application systems.



- Auditing system.
- Staff training platform.
- Individual on-line salary statements.
- Introduction of mobile devices (IPAD) with applications to visualize internal information.
- Updating of the back-up information systems for compliance with reporting procedures.
- Technological update of back-up and processing platforms:
  - Increase of virtualized processing capacity of departmental systems.
  - Enhancement of data storage capacity through the operation of high-performance equipment.
- Improvements in IT asset risk management and assessment of technological risk developing of new tools for the centralized monitoring of the platform and the operation of the new Technological Monitoring Center.

### 2.1.9. Grupo Banco Provincia

The Bank kept its exclusive interest and majority share in Grupo Banco Provincia S.A., the institution in charge of the strategic management and administration alignment through companies and service providers in a coordinated relationship of commercial synergy.

Grupo Banco Provincia S.A. has permanent equity interests in the following controlled and related companies:

Company's Name	Equity Interests		Total Share
	Direct	Indirect	
	%		
<b>Insurance</b>			
Provincia Seguros S.A.	60.000		60.000
Provincia Aseguradora de Riesgos del Trabajo S.A.	97.090	1.746	98.836
Provincia Seguros de Vida S.A.	45.000	9.000	54.000
Internacional Cía. De Seguros de Vida S.A.	37.769	1.806	39.575
<b>Finance</b>			
Provincia Leasing S.A.	97.000	2.981	99.981
Bapro Medios de Pago S.A.	97.000	2.996	99.996
Bapro Mandatos y Negocios S.A.	97.000	2.850	99.850
<b>Brokerage</b>			
Provincia Bursátil S.A. – Brokerage House	95.000		95.000
Provinfondos S.A. Sociedad Gerente de FCI		85.500	85.500
<b>Services</b>			
Provincia Microempresas S.A.	5.000		5.000
Agencia Invierta Buenos Aires S.A.	50.000		50.000

Investments, self funding-sources and activities of the above mentioned companies are in line with the rules of the pertinent regulatory bodies.

- **Provincia Seguros S.A. – Property Insurance**

Created in 1993, Provincia Seguros S.A. operates in the market of General Insurance (property and group life insurance), going on with the activities started in 1961 by the Insurance Area of the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel (*Caja de Jubilaciones, Subsidios y Pensiones del Banco de la Provincia de Buenos Aires*), which currently has a 40% interest in the capital stock of Provincia Seguros S.A..

In 2011, the company recorded operations for \$1.175 billion, out of which \$1.058 billion was accrued during the year, showing a 28.7% increase with respect to 2010.



With the purpose of improving the technical result, it took actions related to the selection of the risks to be assumed.

The company developed a new institutional web site incorporating new features oriented to offer integral services to customers and intermediaries.

It launched a business strengthening plan for intermediaries in the delegations of the City of Buenos Aires, the Province of Buenos Aires and the interior of the country.

It worked together with the Bank in the estimation of insurance coverage for car loans.

- **Provincia ART S.A. – Workers Compensation Insurance**

Since 1996, Provincia ART S.A. participates in the workers compensation insurance market under Law No.24557 of 1995.

In 2011, it issued premiums and surcharges for \$950 million, a 54% increase over the \$617 million amount of the previous year. This was mainly due to the greater number of insured.

By the end of the year, it recorded 819,000 policyholders, 35% over 2010.

Accumulated profits for the January/December 2011 period amounted to \$26.9 million as a result of the issue of a larger amount of premiums, a favorable financial result and the lowest per capita claim cost of the market.

In 2011, as a consequence of the incorporation of the Government of the City of Buenos Aires (117,000 insured) as customer, Provincia ART S.A. ranked 4<sup>th</sup> in the market and placed itself among the first 20 companies with the largest turnover in the insurance market.

- **Provincia Seguros de Vida S.A. – Life Insurance**

Created in 1997, it is devoted to the production of individual life insurance and covers an area of middle income consumers prone to protection and saving.

Besides Provincia Seguros S.A. with a 15% share, CNP Assurances Brasil Holding Ltda., is a retail shareholder participating with the remaining 40% of the capital stock.

The company operates under the “insurance banking” marketing model in synergy with the Bank.

In 2011, its total production amounted to \$49.3 million, 39% over 2010. Policyholders totaled 196,000, 34% as against the previous year, and it remained positioned as the leading insurance company in terms of insured.

In September 2011, it ranked 4<sup>th</sup>. on the basis of individual life insurance policies and its share in the general life insurance market rose from 2.96% to 3.25%, placing itself 9<sup>th</sup>. in the ranking.

- **Internacional Seguros de Vida Previsional S.A. – Life and Disability Insurance**

Due to the enactment of Law No. 26222 and its related regulations abolishing the obligation of the Retirement and Pension Fund Administrators (*Administradoras de Fondos de Jubilaciones y Pensiones – AFJP*) to contract a life and disability insurance, from January 1, 2008, the Company had to discontinue its production and its operations became limited to the collection of premiums of those insurance policies effective at June 30, 2007 and to the payment of the relevant claims. This significantly reduced the Company’s insurance portfolio.



After adjusting the management structure to a better combination of expenses and income, in 2011 it recorded profits for \$22.9 million, supported by a diversified investment policy and taking into account the risk/return ratio.

Out of retained earnings, dividends were distributed to shareholders and Grupo Banco Provincia S.A. was paid \$15.1 million.

- **Provincia Leasing S.A. – Leasing Transactions**

Since November 1996, it has provided personal or real property leases with purchase option to private and public sectors.

The different marketing initiatives developed in 2011 were based on the combined functioning of the Bank and the provincial and municipal governments.

It is worth mentioning that the launch of “Leasing Personal” enabled to attract and provide assistance to a new market segment.

- **Bapro Mandatos y Negocios S.A. – Fiduciary Activities**

In full synergy with the Bank, Bapro Mandatos y Negocios S.A., created in November 1997, manages the fiduciary structure destined to finance the various activities performed by the national, provincial and municipal public sectors and also by the private sector (families, individuals and small/large companies).

The Company is registered with the Financial Trustees Registry and the Public Ordinary Trustees Registry since November 22, 2000 and January 11, 2001, respectively, and meets the minimum liquid assets requirements necessary to perform that role.

In 2011, it entered into 41 trust agreements, out of which 31 were publicly offered financial trusts, 9 were guarantee trusts and 1 was an administration trust. By the end of the year its portfolio amounted to 141 agreements.

It operates with its own funds and the investment of financial surpluses constitutes an additional funding source that in 2011 accounted for 8% of its total income.

- **Bapro Medios de Pago S.A. - Collection Services and Call Center**

Since mid-2001, it manages the "Provincia Pagos" rapid payment system, an extra-banking network that renders collection services on behalf of institutions and companies through a vast number of widespread branches in the Province of Buenos Aires and other provinces of the country, offering long business hours and immediate electronic transfer of data. In 2010, this network also provided new services such as cash withdrawals and debit card payments, remittances to and from foreign countries, payments without bills, refilling of ATMs and recharge of cell phones.

Customized according to each user's needs and ISO certified, services provided since 2002 through its Call Center attracted new customers and expanded teleoperation services as regards sales during the year.

Since 2010, the company has also distributed cards to Social Plans' beneficiaries and serviced their payments in specific centers. Moreover, it has been acting as a Centralized Collection Entity for the Office of Vital Records (*Registro Nacional de las Personas* - RENAPER), including processing, centralization, reconciliation and distribution of funds at the national level.

During the year, 12 Service Centers were inaugurated, covering the full range of services.

In 2011, 73.3 million of transactions were carried out through the Provincia Pagos Network, 11% over the previous year, adhering new companies, agents and users.



With respect to existing collection agreements with more than 100 municipalities of the Province of Buenos Aires, progress was made on the systematization of tax collection. Agreements were signed for the provision of Integral Treasury services to the municipality of La Plata (13 terminals) and Quilmes (7 terminals).

The Call Center not only offered teleoperation services but also rendered services based on IT platforms to public and private entities. Likewise, an SMS service was implemented in order to satisfy customers' needs.

In March 2011, it started to offer teleoperation services to the Registry of Bouncers and Security Companies.

A total of 142,564 social plans were paid in 11 specific Centers (ISO certified) during the year.

In March 2011, the company began to offer a new service to RENAPER: the collection and centralized clearing of passport fees. Almost 6,250,000 transactions were channeled for a total amount of \$253 million.

- **Provincia Bursátil S.A. Sociedad de Bolsa**

After 19 fiscal years as brokerage house registered with *Mercado de Valores de Buenos Aires S.A.*, and 17 years as parent company of *Provinfondos S.A., Gerente de Fondos Comunes de Inversión*.

In 2011, it carried out traditional brokerage transactions and attracted institutional customers, particularly the Social Security Fund for Professionals of the Province of Buenos Aires and other provinces of the country.

Moreover, the company continued dealing with alternative segments, mainly the primary placement of financial trusts, either exclusively or as under-placement agent of other financial agents.

It actively participated in the launching of the program on Treasury Bills of the Province of Buenos Aires together with the Bank and the Ministry of Economy of the Province of Buenos Aires.

It created the Cereal Division to act as intermediary in cereal forward contracts, but not in the *Mercado a Término de Buenos Aires S.A.*

- **Provinfondos S.A. Gerente de Fondos Comunes de Inversión**

It has been doing business for 17 years as a mutual fund managing company, according to the provisions of Law No.24083.

Its portfolio, composed of six Mutual Funds, of Argentine stock, government securities, trusts and money, reached \$313.7 million equity at year-end, a 22.2% increase with respect to the end of 2010.

Likewise, it attracted customers together with the Bank's Investment Center, offering useful investment tools for large companies.

In 2011, new customers were twice the number of those attracted in 2010, accounting for an average investment balance of \$77.7 million that tripled the performance of the previous year.

- **Agencia Invierta Buenos Aires S.A.**

It was created on March 29, 2011 with the participation of the Bank (50%) and Grupo Banco Provincia S.A (50%) for the purpose of advising SMEs of the Province of Buenos Aires on various investment projects such as improvement and relocation of their production plants in the provincial territory; purchase of capital goods, compliance with the environmental laws and technological innovation projects that may enhance their productivity.



In consolidated figures, the total billing of the companies reached \$2.4 billion in 2011, a 36% growth with respect to last year.

Additionally, the Bank received compensation from the companies for offering their products and services for over \$35 million.

#### 2.1.10. Institutional presence

The Bank had continued presence in 16 important exhibitions organized by sectors representative of different activities and held in the Province of Buenos Aires during the year.

EXHIBITIONS	
Expoagro	Baradero, PBA
FISA	Bahía Blanca, PBA
Expo Rural Necochea	Necochea, PBA
Expo Regional del Trabajo y la Producción	Avellaneda, PBA
Expo Lanús 2011	Lanús, PBA
125° Rural Palermo	CABA
39° Exposición Rural Chacabuco	Chacabuco, PBA
Expo Pergamino	Pergamino, PBA
Expo Avellaneda	Avellaneda, PBA
Expo Hurlingham	Hurlingham, PBA
Expo Bavio	General Bavio, PBA
Expo Almirante Brown	Adrogué, PBA
4° Expo de la Producción y el Trabajo	Exaltación de la Cruz, PBA
Expo Lomas 2011	Lomas de Zamora, PBA
Expo Brandsen	Brandsen, PBA
Expo Monte 2011	San Miguel del Monte, PBA

Moreover, the Bank ratified its continuing presence and participated in 92 conferences, festivals and fairs, in 35 sports and cultural events and anniversary celebrations and in different activities involving the handing out of 48 "Banco Provincia" awards within the Province of Buenos Aires.

With respect to the coordination of communication policies, the Bank has created a Corporate Communication Unit aimed at advertising, marketing and disseminating a unique institutional message, enhancing brand image and maintaining the Bank's tradition.

## 2.2. Financial Statements

### 2.2.1. Balance Sheet

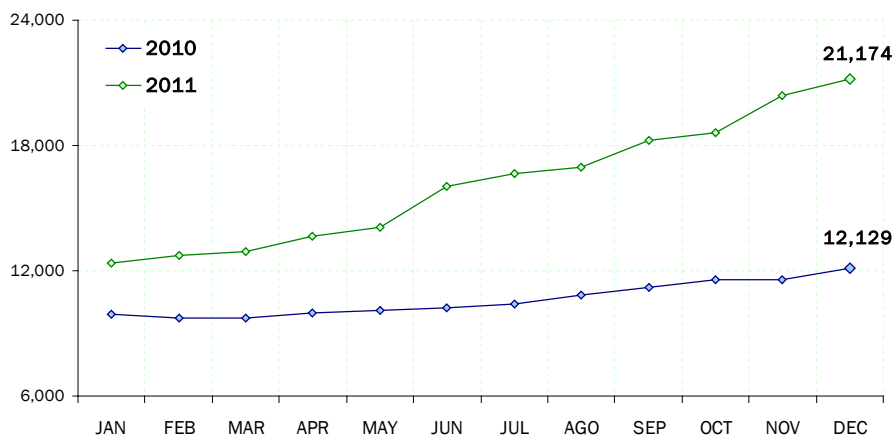
- **Assets**

Consolidated figures with the Bank's foreign branches showed a 15.14% y/y increase in Assets, amounting to \$5.896 billion. This was mainly due to increases in Cash and Due from Banks, \$1.352 billion (20.58%), boosted by a growth in cash holdings and to the positive variation in principal and accrued interest receivable under Loans, including a rise of \$1.388 billion (176.7%) in assistance to the public sector and of \$7.786 billion (64.6%) in loans destined to the private sector, particularly Notes \$3.731 billion (108.2%), Consumer Loans \$1.462 billion (38.8%) and Credit Cards \$920 million (49.2%).





## Domestic Loan Evolution In millions of pesos



The decrease of Government and Corporate Securities was due to the decline in holdings of instruments issued by the BCRA for \$1.747 billion; repo transactions with the BCRA \$1.597 billion and the amortization of securities occurred in 2011 (Bogar 2018) for \$1.217 billion, causing a reduction of 30.72% and a drop of 18.65% in Other Receivables from Financial Brokerage accounting for \$632 million, mainly due to reverse repo transactions with the BCRA.

Moreover, Miscellaneous Receivables increased by \$249 million (33.48%) resulting from the dynamism in Deposits held as Collateral and the rise of Loans under Financial Leases for \$107 million (939%) as a result of credit assignments from Provincia Leasing S.A.

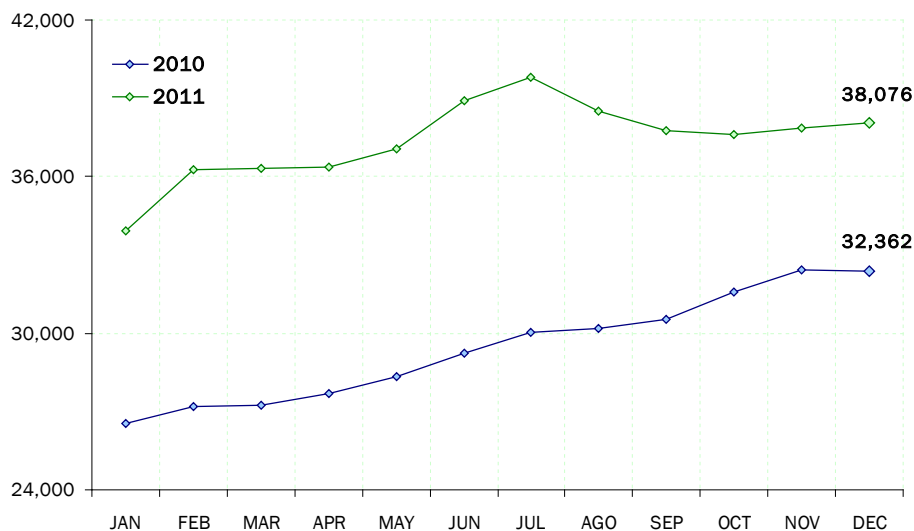
Net figures of the other items of assets do not show significant variations, neither in absolute nor in relative values with respect to the previous year.

### • Liabilities

Consolidated figures with the Bank's foreign branches, showed an increase of 14.4% in Liabilities equivalent to \$5.293 billion. Deposits, its main item, rose by \$5.781 billion, due to the expansion of private sector placements for \$6.670 billion (checking accounts, savings accounts and term deposits stood out) while public sector deposits decreased by \$879 million.



### Domestic Deposit Evolution In millions of pesos



Other Liabilities from Financial Brokerage fell by 13.82%, accounting for \$511 million. This result was due to the settlement of reverse repo transactions with the BCRA (\$1.597 billion), repo transactions for Bogar 2018 with Banco Nación for \$647 million and ATM transactions for \$338 million.

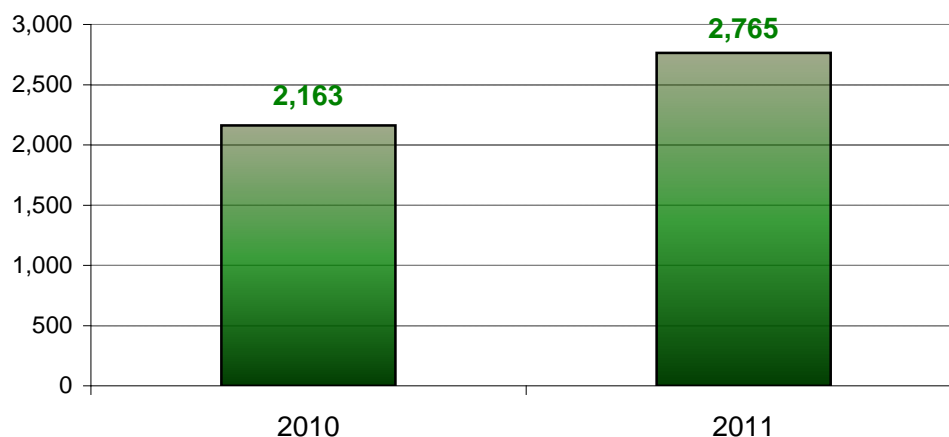
Moreover, Provisions increased by \$57 million (22.85%), because of a rise in provisions for other possible contingencies.

Net figures for the other items of liabilities have increased in both absolute and relative values with respect to the previous year.

- **Net Worth**

The net worth grew by 27.83% (\$602 million) due to the \$600 million positive result, the breakdown of which is shown below in the Statement of Income, and an increase of \$2 million in Prior Year Adjustments.

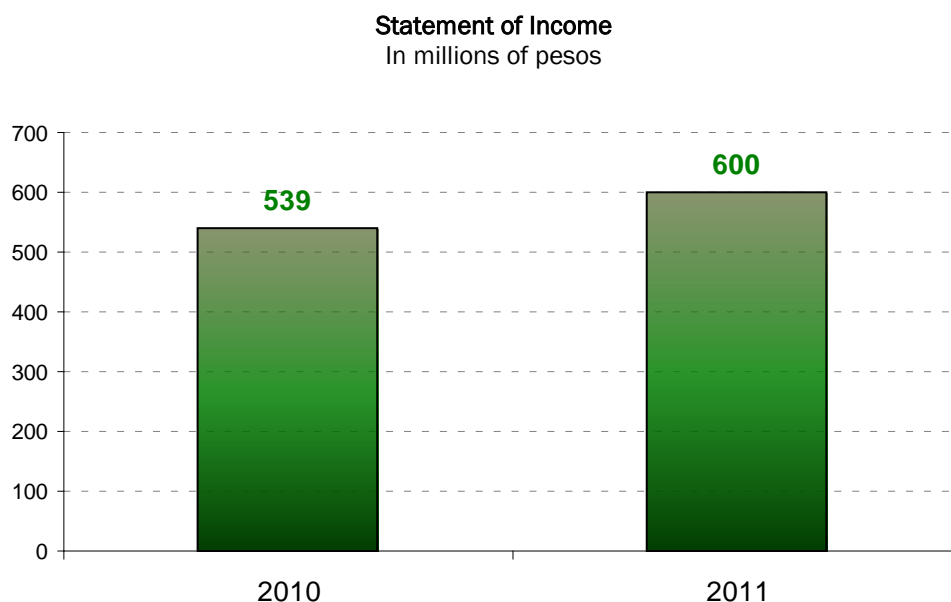
### Changes in Net Worth In millions of pesos





## 2.2.2. Statement of Income

Total income reached \$600 million, accounting for \$61 million over last year (11.29%).



The Net Income from Financial Brokerage totaled \$591.0 million, surpassing by 110% the results recorded in the previous year.

The Gross Financial Brokerage Margin of \$2.6324 billion was \$571.7 million (27.7%) higher than the previous year. This result was due to a greater comparative contribution of \$886.4 (54.1%) from interest on loans on account of the significant growth in private sector lending.

Likewise, the net contribution of income/expenditures related to services amounted to \$1.4038 billion, a 35.6% rise over last year.

Moreover, Administrative Expenses totaled \$3.2438 billion, a 25.5% increase over 2010.

Net income on long-term investments, receivables recovered and allowances reversed, charges for other provisions and other miscellaneous income and losses, contributed \$8.7 million during the year. In 2010, they accounted for \$257.1 million, as a result of the significant performance of long-term investments (+\$52.4 million) and the release of allowances after valuation of provincial securities.

## 3. Projections

### 3.1. Medium-term Scenario

In the medium term, the Argentine economy faces a moderate growth pace in the global context. Developed economies have structural problems that increased during the international crisis and, according to their projections, they will have a slight expansion accompanied by sudden and unpredictable events, while emerging economies are expected to show a slowdown.



A sharp reversal of the deceleration tendency is unlikely to occur since the growth of Eurozone countries remains at a very low level as from the fourth quarter of 2011, and most of their economies aim at adopting fiscal adjustment policies.

The main indicators of the U.S. economy are rising moderately.

Industrial production in emerging economies is decelerating. Brazil's industrial growth has slipped into a negative zone since mid-2011 and this situation highly impacts on the Argentine economy.

The global economy's lower growth level, the euro depreciation against the dollar, and quality preferences in asset markets will negatively affect the price of certain commodities, such as metals and minerals, excluding the soy price which might remain at 2011 values or exceed them due to a possible reduction in global grain supplies caused by unfavorable weather conditions in the northern hemisphere.

The external sector will play a prominent role in the Argentine economy which is expected to slow down with respect to 2011 (8.9%) because of the deceleration of its main trading partners, the decline in agricultural production and the weaker fiscal stimulus.

The greater uncertainty faced by global capital markets would not directly affect the Argentine financial system as a consequence of its limited financial integration with the rest of the world.

However, the economic slowdown scenario suggests that the financial sector would show a less favorable trend as against 2011. A possible 50% reduction in loans granted to the private sector is not dismissed and this situation could persist beyond 2012.

A lower relative increase in total deposits over loans might put pressure on interest rates that would show, on average, a moderate upward trend.

### **3.2. Actions for 2012**

- **Budgetary goals**

The Bank's Expenditure and Revenue Budget for the 2012 fiscal year, included in the Provincial General Budget Law No. 14331, was fixed at \$4.9594 billion. It contemplates a balanced amount of budgeted expenses and the required resources to meet them.

Revenue estimates were calculated on the (net) income from Financial, Services and Foreign Branches Transactions, which amounted to \$4.9594 billion.

Expenditure estimates were budgeted according to the established policies on the rendering of services and incorporation of assets that ensure the Bank's self-financing and capitalization assuming a permanent staff of 9,913 and 684 temporary employees.

- **Actions**

Actions to be taken are in line with the policies defined by each management area.

#### **3.2.1. Financing Activity**

The goal for 2012 is to increase the Bank's share of total deposits held in the financial system, maintaining its level at about 8.3% by increasing the share of private deposits from 8.9% to 9.2%, and expecting a reduction in public sector deposits from 6.8% to 6.0%.

The level and trend evidenced by borrowing interest rates in early 2012 suggest averages slightly higher than those of the previous year. This situation may imply a 3 p.p. increase in the average retail rate with



respect to a year earlier (from 10.5% to 13.5 % per annum), and an almost 2 p.p. increase in the wholesale rate (from 13.55% to 15.5% per annum).

Within this framework, the Bank's total deposits (mainly in local currency and excluding the financial sector) are expected to grow by 25.5% annually. This growth would be based on boosting private deposit-taking in order to achieve sufficient funding to meet the goals related to loan placements, increasing financial brokerage volumes.

### **3.2.2. Commercial Activity**

#### 3.2.2.1. Loan Activity

##### 3.2.2.1.1 Corporate Loans

The credit strategy will involve loans and services oriented to finance business development, increase and improvement of working capital, and investments. Specific lending programs will be included in order to meet the needs of micro, small and medium enterprises (MiSMEs).

Through credit lines for financing "business development", a financial assistance for almost \$11.3 billion has been planned, standing out the discount of third party deferred payment checks as well as pre-export and export financing.

Loan facilities for almost \$2.605 billion will be granted to create, increase and improve working capital.

Investment assistance will be channeled through credit subprograms, the "Fuerza Productiva" Program (about \$500 million), "Ganadero" Program (\$400 million), loans destined to microentrepreneurs – Prome S.A. (\$300 million), and through other specific investment facilities for an estimated global amount of \$715 million.

The resolution to increase the initial amounts of specific investment facilities was adopted in order to comply with Communication "A" 5319 of the BCRA.

Provincia Leasing S.A. will go on offering leasing as a financial instrument for technological updating and upgrading. Transactions for a total of \$435 million are expected to be approved.

This strategy will apply to all productive sectors:

- Agricultural Sector

During 2011, loans were granted for \$4.505 billion and this amount is planned to be maintained or exceeded through credit facilities destined to development and/or working capital, considering that they will be the most demanded by this sector.

Progress was made in the execution of addenda to the Agreement entered into among the Bank, the Province of Buenos Aires and the National Ministry of Agriculture, Livestock and Fisheries. The interest rate would be subsidized by the Ministry and the financing amount would total \$800 million, which would be allocated as follows: \$350 million to agriculture (wheat, corn, sunflower), \$300 million to livestock, \$100 million to financing the acquisition of locally produced agricultural machinery, and \$50 million to the dairy sector.

- Industrial, commercial and services SMEs and MiSMEs

Commercial actions for 2012 include the contact with 2,300 companies, the visit of 1,200 enterprises and the credit rating of 400 new companies.

The volume of different credit facilities destined to these sectors is expected to grow by 15%.



According to the scope and application of Communication "A" 5319 issued by the BCRA, higher financial assistance for productive investment has been decided. At least 50% of total assistance will be destined to companies in the micro and SME segments for the acquisition of capital goods and the building of premises required for the production of goods and services.

- Corporate Banking

The plan is to generate an increase in this portfolio, which currently includes 141 qualified companies with a balance of \$3.3 billion and involves other 260 companies pending allocation of credit margins that are linked to the Bank through other services and products

- 3.2.2.1.2 Loans to Individuals

An amount of \$5.655 billion is intended to be loaned during 2012: \$4.8 billion destined to consumer loans and \$855 million to mortgage loans.

In line with family consumption tendency, non-prerequisite consumer loans are intended to be granted for almost \$4 billion to employees of the public sector and beneficiaries of the Social Security Institute (IPS) and the ANSES. An increase of nearly \$800 million in the financed balance of credit cards issued or to be issued is also being considered.

According to projections, mortgage loans for the purchase of a sole family house of permanent occupancy will be granted for \$855 million (similar to \$870 million lent last year) under the program of mortgage loans mainly destined to people living in towns and cities of the 101 municipalities of the province of Buenos Aires.

- 3.2.2.2. Projections and management related to services

Pursuant to the 2008-2011 tendencies, a total income from services for 2012 is estimated at \$2.3 billion (30% over the previous year) and \$2.13 billion corresponds to the rendering of services to customers of the private sector.

Goals referred to the development of products and services destined to individuals and companies have been established.

- Debit and credit cards

Individual segment

- To issue 60,000 Mastercard credit cards and 240,000 VISA credit cards, increasing the number of active accounts up to 900,000 (+25%).
- To launch a VISA card together with a package of services including specific benefits targeted at young users (between 18 and 29 years old).
- To foster 30% and 25% increases in average purchases with credit and debit cards, respectively.

Corporate segment

- To redesign and launch a new business card targeted at industrial and commercial sectors.
- To launch Reloadable Visa Business Card to settle small amounts, replacing payments in cash and simplifying its allocations and accounting.
- To establish a new promotion system related to the Procampo card, which will include the option to get cash advances and a financing scheme.
- To implement a software application in business units to load a significant volume of Visa Gift cards.



- Electronic means of payments

The existing capacity of alternative channels on the internet destined to customer service will be increased in order to improve electronic banking services.

The new BANCA INTERNET PROVINCIA (BIP) home banking platform and new functions to be used by individuals and companies will be implemented. They will allow remote access to traditional channels offered by the Red Link platform and will integrate the Bank's IT system into a multichannel platform.

The introduction of this architecture into the Bank's home banking for companies will offer new functions such as: consolidated position, fixed-term deposit, two-factor authentication, on-line transactions and enquiries, and immediate 3rd party funds transfers.

- Foreign Trade

Although a decline in international transactions is evidenced in the current context, the stated goals aim at improving foreign trade services of the province of Buenos Aires and increasing participation in the financial system.

Actions to be carried out will include:

- The implementation of a web module which will improve customer relationship management and communication.
- The automation of La Plata and Bahía Blanca Regional Units' processes, consolidating the regionalization of foreign trade services, speeding up and facilitating transaction processing.
- The increase in transaction volumes based on the potential of related customers who carry out foreign trade transactions with the rest of the Financial System. For this purpose the relationship with Business Units, Branches and other marketing channels (focusing on SMEs) will be consolidated.
- The strengthening of the presence of Sao Paulo and Montevideo branches, located in destination countries for exports from the province of Buenos Aires.

### **3.2.3. Credit risk management**

The development of a web-based credit-score tool and related rating models will be carried out, applicable to on-line credit evaluation and customer assessment, adjusting internal rating systems to the BCRA's recommendations.

### **3.2.4. Loan Recovery Policy**

To continue with out-of-court actions in the debtor's location and maintain management teams in line with the size of the pertinent delinquent portfolio.

To harmonize guidelines for the treatment of the debtor segment that could not be regularized through special recovery plans considering current characteristics and repayment capacity on a case by case basis.

### **3.2.5. Relationship with the Public Sector**

Strengthening the credit relationship with districts of the province of Buenos Aires was planned, so lending facility to municipalities grew by \$200 million.

To satisfy the Provincial Government's and municipalities' demand for financial services with operative resources, encouraging a wider use of collection and payment traditional products and their innovations through alternative channels based on ATMs and Internet banking.



### **3.2.6. Human Resources**

Planned goals include:

- The consolidation of internal communication channels, promoting commitment and contact among all staff members through different means (Intranet, reports, and on-site to business units).
- The continuance of planning personnel distribution in line with business requirements, identifying the needs to fill positions at branches under the new integrated management model.
- The maintenance of training guidelines aimed at achieving the level required by the complexity and dynamism of the current banking business. A tool that represents an incentive for employees during their working life.
- The preservation of psychological and physical welfare of staff members.

### **3.2.7. IT Policy**

The 2012-2015 IT strategic plan will comprise policies related to the updating of the Bank's electronic channels and the creation of new alternative channels oriented to customer service, which may enable the Bank:

- To offer home banking services, and implement mobile channels and channels related to social networking websites.
- To incorporate new products and services through ATMs and self-service terminals.
- To ensure the good working and operational continuity of the infrastructure supporting the Bank's operations, updating and upgrading head office's and branches' equipment as well as the corporate voice and data network.
- To develop and implement new operations, tools and functionalities related to strategic, business, credit and financial management, adjusting existing systems to the customer service model in business units.
- To implement a banking data model and develop new tools that may support business and commercial intelligence and applications associated with reciprocal business relationships.
- To intensify asset risk management according to business requirements, identifying and implementing solutions related to the Bank's integral risk management.
- To incorporate security measures in processes, systems and infrastructure, and guarantee the fulfillment of minimum risk management, implementation and control requirements regarding information technology, information systems and related resources, in compliance with the guidelines laid down by the BCRA in Communication "A" 4609.
- To adjust the IT system structure and seek improvements in the Bank's IT processes, systems and technology to guarantee compliance with reporting procedures and the recommendations from internal and external auditors.
- To improve training and internal communication in all the Bank's operative areas.

### **3.2.8. Grupo Banco Provincia (GBP)**

It is intended to encourage synergic and supplementary actions as regards services rendered by GBP companies, taking into account that, according to projections, their consolidated income will be over \$3.5 billion.

The strategy will be based on the following value propositions on the products and services offered by GBP and its companies:

- To be close to the province of Buenos Aires's people in their consumption, savings and investment activities.





- To focus on national, provincial and municipal governments and associations and their areas of action in order to strengthen the Province – Bank – GBP and Companies synergies.
- To give support to small and medium enterprises regarding their evolution, growth, inclusion and sustainable development.
- To provide dynamic solutions to accelerate the productive growth process in the province of Buenos Aires.
- To support, promote and render accessible and quality services under current and new commercial developments offered by GBP Companies.

### **3.2.9. Institutional presence**

The Bank's traditional presence in different fairs, conferences, festivals, shows and sport events, anniversary celebrations and recitals in the province of Buenos Aires will be strengthened during this year.

Likewise, the Bank will promote events, activities and publications on the occasion of the 190<sup>o</sup> anniversary of its foundation.

The Corporate Communication Unit's 2012 main goal is to deal concomitantly and simultaneously with different communication channels:

- Traditional media
- Online communication and social networking websites
- Direct marketing
- Loyalty campaigns
- Business marketing