

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

Note 1 – Basis for Presentation of the Consolidated Financial Statements

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

Banco de la Provincia de Buenos Aires (the Bank) has consolidated on a line-by-line basis its Balance Sheet, the Statements of Income and the Statements of Cash Flows at December 31, 2017 and 2016 with the Financial Statements of those companies in which it has, whether directly or indirectly, the necessary voting power to control corporate decisions.

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

Issuing Company	Grupo Banco Provincia S.A.		Provincia Microempresas S.A.		BA Desarrollo S.A.	
Principal Line of Business	Financial and Investment Transactions		Service-related Transactions		Technical and Financial Assistance to Investors	
Period / Comparative Period	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Number of Shares:	379,875	379,875	172,325,000	22,325,000	4,714,000	10,000,000
Equity Interests and Votes (%):	99.967	99.967	99.32	95.00	50.00	50.00
Book Value Net of Allowances:	1,520,372	173,609	66,465	33,604	4,760	4,714

There follows a summary of the balance sheet and statements of income of the above-mentioned Companies at December 31, 2017 and comparative period:

Issuing Company	Grupo Banco Provincia S.A.		Provincia Microempresas S.A.		BA Desarrollo S.A.	
Period/Comparative Period	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
ASSETS	33,302,692	21,779,281	106,450	59,398	18,535	13,561
LIABILITIES	31,716,279	21,399,676	39,958	24,358	11,789	4,133
STOCKHOLDERS' EQUITY	1,586,413	379,605	66,492	35,040	6,746	9,428
Period/Comparative Period	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
INCOME(LOSS)	1,193,620	62,588	(118,548)	(4,178)	(2,682)	(2,095)

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

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

b) Financial Statements at December 31, 2017 of Grupo Banco Provincia S.A., Provincia Microempresas S.A. and BA Desarrollo S.A. were used for consolidation purposes.

Except as stated in Notes 2 and 3 below, the Financial Statements of these Companies were prepared under similar criteria to those used by the Bank for the appraisal of assets and liabilities, measurement of profits and losses, and restatement procedures, according to the rules of the BCRA and the current Professional Accounting Standards. The Financial Statements for the January 1/December 31, 2017 periods were used in the case of Provincia Leasing S.A., Bapro Mandatos y Negocios S.A., Provincia Bursátil S.A. and Bapro Medios de Pago S.A. The Financial Statements for the periods beginning July 1, 2017 were used for the remaining Companies.

The Statements of Income and Statements of Cash Flows of Provincia Seguros S.A., Provincia Seguros de Vida S.A. and Provincia ART S.A. were specially prepared to include the transactions recorded from January 1 to December 31 of each year.

Information at December 31, 2016 derives from the Financial Statements at that date, issued on February 16, 2017.

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

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

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

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

Issuing Company	Equity Interest and Votes (%)			
	Direct		Indirect	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bapro Mandatos y Negocios S.A.	100.000	97.000	-	2.850
Bapro Medios de Pago S.A.	97.000	97.000	3.000	2.996
Provincia Aseguradora de Riesgos del Trabajo S.A.	97.092	97.092	1.745	1.745
Provincia Bursátil S.A.	95.000	95.000	-	-
Provincia Leasing S.A.	99.710	97.000	0.276	2.981
Provincia Seguros de Vida S.A.	60.000	45.000	-	9.000
Provincia Seguros S.A.	60.000	60.000	-	-

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

Issuing Company	Equity Interest and Votes (%)	
	12/31/2017	12/31/2016

Provincia Seguros S.A. has equity interests in:

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

Provincia Bursátil S.A. has equity interests in (*):

Bapro Mandatos y Negocios S.A.	-	3.000
Provincia Leasing S.A.	0.290	0.290

Bapro Mandatos y Negocios S.A. has equity interests in:

Bapro Medios de Pago S.A.	3.000	3.000
Provincia Leasing S.A.	-	2.710

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

f) Under the provisions of Technical Resolution No. 21 of the Argentine Federation of Professional Councils in Economic Sciences, Mercado Regional de Capitales S.A. and Provincia Servicios de Salud S.A. were excluded from consolidation in the Financial Statements at December 31, 2017 and 2016 since, as stated in Note 18.h.1, such equity holdings of Grupo Banco Provincia S.A. are valued at zero and the Company will no longer finance their activities.

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

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

Likewise, the Capital Stock was increased by \$7,500 without changes in the shareholders' equity holdings, thus totaling \$23,500. The meeting also resolved to increase the Legal Reserve by \$1,500 (amount equivalent to 20% of the increased

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Capital Stock) and the Optional Reserve by \$5,711. On September 16, 2016, such capital stock increase was registered with the Supervisory Board of Companies (*Inspección General de Justicia - IGJ*).

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

The Regular Meeting of Shareholders of Provincia Microempresas S.A. held on April 25, 2017 decided to allocate the optional reserve to offset losses (\$4,178) for the period ended December 31, 2016.

During 2016, BA Desarrollo S.A. restated its organizational strategy focusing again on its founding purpose: "to be an agent for the promotion of investments fostering the provincial and national development through infrastructure investments". Thus, the Company discontinued the commercialization of Grupo Banco Provincia S.A.'s services, with the ensuing significant impact on its own business. At December 31, 2016, the Company fell within the scope of section 206 of the General Companies Law which provided for a capital stock reduction or, otherwise, for a new capitalization to be discussed by the Regular Meeting of Shareholders when analyzing the Financial Statements.

Consequently, on May 11, 2017, the Regular Meeting of Shareholders of BA Desarrollo decided to reduce the capital stock in order to offset all losses recorded at December 31, 2016. Thus, the capital stock was valued at \$9,428, without changes in the shareholders' equity holdings.

h) The Bank and its controlled companies have a significant exposure to the Argentine public sector through government securities, loans and other assets identified in the Financial Statements and annexes for about \$41,327,269 and \$34,257,033 at December 31, 2017 and 2016, respectively. Such exposure mainly resulted from debt restructuring by the Argentine Government, the offset of effects derived from devaluation and asymmetric conversion into pesos, financial assistance to the government of the Province of Buenos Aires in line with the provisions of Sections 9 and 11 of the Bank's Charter, and other facilities granted. At December 31, 2017 and 2016, the Bank's investments in securities issued by the BCRA amount to \$45,318,734 and \$39,142,071, respectively.

Note 2 – Accounting Policies

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

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

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

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

2.a. Valuation of Government and Corporate Securities

In addition to the information provided in Note 2.3 to the Bank's Financial Statements, and as shown in Note 5 to the consolidated Financial Statements, they include:

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

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

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

2.b. Interests in Other Companies

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

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

Grupo Banco Provincia S.A. in:

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

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

Provincia Bursátil S.A. in:

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

2.c. Receivables from Financial Leases

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

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

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

2.d. Investment Properties

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

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

2.e. Intangible Assets

In addition to the information provided in Note 2.11 to the Bank's Financial Statements at December 31, 2017 and 2016, they include software licenses, improvements to third-party real estate, launching expenses, organization and development expenses incurred in the pre-operating stage of business for \$41,480 and \$44,581, respectively, valued at acquisition cost and restated in constant currency at February 28, 2003, net of the accumulated depreciation.

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

2.f. Allowances and Provisions

In addition to the information provided in Note 2.14 and 2.15 to the Bank's Financial Statements at December 31, 2017 and 2016, this caption includes the allowances and provisions of the Companies directly or indirectly controlled by the Bank, as detailed below:

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2.f.1 - ALLOWANCES	12/31/2017	12/31/2016
<u>Other Receivables from Financial Brokerage – For Uncollectibility Risk</u>		
Set up by Provincia Aseguradora de Riesgo de Trabajo S.A., Provincia Seguros de Vida S.A. and Provincia Seguros S.A. on the basis of the analysis of possible loan losses, according to the assessments and procedures established for each subsidiary.	11,340	11,265
<u>Receivables from Financial Leases - For Uncollectibility Risk</u>		
Set up by Provincia Leasing S.A. taking into account the loss risk assessed on the degree of compliance by lessees, their financial and economic position and the assets recoverable value.	15,285	13,640
<u>Interests in Other Companies - For Loss of Value</u>		
Set up on the basis of the recoverable value of the investment of Grupo Banco Provincia S.A.	6,587	6,045
<u>Miscellaneous Receivables – For Uncollectibility Risk</u>		
Set up on the basis of the analysis of possible loan losses, according to the assessments and procedures established for each subsidiary.	291,966	353,595
<u>Miscellaneous Assets – For Depreciation of Assets</u>		
Set up by Provincia Leasing S.A. taking into account any possible depreciation of assets.	187	187

2.f.2 - PROVISIONS	12/31/2017	12/31/2016
This caption mainly includes provisions set up by insurance companies. In the case of Provincia ART S.A., it includes provisions for administrative summary proceedings and claims not accepted.		
Provincia Seguros de Vida S.A. set up provisions for legal proceedings and mediations against the Company claiming the fulfillment of obligations in the original currency of the pertinent contracts that were converted into pesos.	176,370	88,092
At December 31, 2017, this caption includes provisions of Grupo Banco Provincia S.A. for \$16,277 set up on the basis of estimates by the Board of Directors and previous experience in similar circumstances.		

2.g. Miscellaneous Liabilities

Provincia Seguros S.A.

- Provisions for pending claims

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

- a) In cases where a judgment has been entered, whether by a trial or appellate court, or where there has been a settlement prior to trial, the assessment was made based on the amounts mentioned in the relevant instrument, plus litigation costs.
- b) With respect to lawsuits or mediations where claimed amounts are partially or totally undetermined, the assessment derives from the average of liabilities consisting of the remaining lawsuits and mediations of each line of insurance (individually), without any reinsurance deduction.
- c) In lawsuits where no judgment has been rendered, the assessment was made at those dates on the basis of 60% of the amounts claimed, updated following the procedures then in force or in accordance with the Company's liability, whichever is lower, except for Civil Liability policies, which were valued according to Resolution No. 34144.

At December 31, 2017 and 2016, the Company's liabilities include losses incurred but not reported (IBNR) in relation to these policies according to the guidelines established by SSN Resolutions Nos. 37130 and 32201. They amount to \$535,982 and \$417,866, respectively, and have been certified by an independent actuary.

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In line with the provisions of Resolution No. 40512, Provincia Seguros S.A. has decided to defer by 8 quarters the charge to income/(loss) corresponding to the increase in those liabilities resulting from the application of such resolution at June 30, 2017 (civil liability).

Total amount to be amortized - Civil Liability at 6/30/17	\$9,873
Amortization at 12/31/17	(\$2,468)
Total amount to be amortized - Civil Liability at 12/31/17	\$7,405

- Automobile insurance

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

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

In lawsuits where no judgment has been rendered and pursuant to the provisions of SSN Resolution No. 40512, the Company has decided to defer by 8 quarters, as from September 30, 2017, the charge to income/(loss) corresponding to the increase in those liabilities resulting from the application of such resolution at June 30, 2017:

Total amount to be amortized - Automobile Insurance at 6/30/17	\$259,294
Amortization at 12/31/17	(\$64,824)
Total amount to be amortized - Automobile Insurance at 12/31/17	\$194,470

Provincia Seguros S.A. has determined liabilities for losses incurred but not reported (IBNR) for personal liability and death insurance on the basis of an alternative calculation method associated with the new management of claims detailed in the integral strategic plan submitted to the SSN. The basis of such method is to avoid the distortion that, in the last two development years of the occurrence periods (from July 1, 2010 to June 30, 2016), is suffered as the result of the mentioned change in the management of insurance claims.

At December 31, 2017 and 2016 and according to the guidelines of SSN Resolutions Nos. 37130 and 32201, the Company's liabilities include losses incurred but not reported (IBNR) in relation to automobile policies for \$764,736 and \$803,241, respectively. At December 31, 2017 and 2016, Provincia Seguros S.A. recorded \$231,476 and \$101,865, respectively, on account of losses incurred but not reported (IBNR), and \$533,260 and \$701,376 on account of losses incurred but not enough reported (IBNER).

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

Provincia ART. S.A.

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

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

The Company has decided to defer the charge to income/(loss) for \$693,804, determined at June 30, 2015, corresponding to the increase in liabilities arising from losses related to lawsuits or mediations resulting from application of paragraph 33.4.1.6 of the General Rules for Insurance Activity, as provided in section 4 of the SSN Resolution No. 39214. Consequently, such charge would be amortized in 14 quarters as of September 30, 2015, inclusive. However, under SSN Resolution No. 39909, the balance amount pending amortization, determined at June 30, 2016, will be amortized in nine quarters as from September 30, 2016, inclusive, together with the amortization derived from any excess, if any, in minimum capital in each quarter. At December 31, 2017 and 2016, the balance amount pending amortization totals \$ 215,792 and \$503,515, respectively.

As required by item 33.4.1.6.1.6 of the General Rules for Insurance Activity (*Reglamento General de la Actividad Aseguradora – RGAA*), there follows information regarding the assessment of the Company's liabilities arising from judicial claims at December 31, 2017 and 2016:

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	12/31/17	12/31/16
Judicial claims according to procedure	\$10,499,244	\$7,654,368
Total liabilities on account of judicial claims	\$7,363,378	\$5,150,390
Number of pending lawsuits without partial payments	8,182	7,699
Number of pending lawsuits with partial payments	58,886	45,170
Total partial payments on account of pending lawsuits	\$3,947,495	\$1,519,725

At the reporting date of the Financial Statements of Provincia Aseguradora de Riesgos de Trabajo S.A., the SSN has not issued valuation rules including the provisions of National Executive Order No. 54/17 and Law No. 27348. However, the Company has valued its liabilities according to the guidelines therein stated.

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

Provincia Seguros de Vida S.A.

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

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

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

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

2.h. Other Liabilities

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

Provincia Seguros S.A.:

Mathematical Reserve:

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

Unearned Premium Reserve and Technical Reserve for Premiums Shortage:

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

Provincia Aseguradora de Riesgos del Trabajo S.A.:

Reserve for Contingencies and Loss Ratio Variances:

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

Reserve for losses:

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

Provincia Seguros de Vida S.A.:

Mathematical Reserves:

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

Policies originally taken out in US dollars effective at December 31, 2017 and 2016 are affected by the provisions of Executive Order No. 214/02. Consequently, the Fund for the Valuation of Reserves-Executive Order No. 214/02 was created, the

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amount of which is equivalent to the fiscal year-end valuation of the US dollar amount of such policies at the exchange rate informed by Banco de la Nación Argentina.

2.i. Statement of Cash Flows

The criterion for the preparation of this Statement identifies as cash and its equivalents the "Cash and Due from Banks" caption as well as high-liquidity and short-term investments.

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

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

3.1. Valuation of Secured Loans and Promissory Notes of the Argentine Republic in Pesos (2014 and 2016)

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

At December 31, 2017, Promissory Notes 2019 received in exchange for Secured Loans and Promissory Notes according to Joint Resolution of the Treasury Secretariat (35/13) and Finance Secretariat (11/13), have been valued at their nominal value plus accrued and non-collected interest at the end of year, net of the balance of the adjustment account called "Valuation Difference of Government Securities to be Settled" set up for the difference between the face value of the promissory note received and the book value of Secured Loans and Promissory Notes 2014 and 2016 delivered, and accruable on a straight-line basis over the life of the promissory note, according to the provisions set forth in Communication No. 3517 of the SSN.

According to the Professional Accounting Standards, Secured Loans and Promissory Notes are valued at the value of the initial appraisal, plus accrued portion of the internal rate of return, as determined at initial appraisal, net of any collections. At December 31, 2017, the Bank decided to record the differences between the BCRA and the SSN rules as follows:

- In Provincia Seguros S.A., \$2,166

At December 31, 2016, Provincia ART S.A. decided to defer the charge for the increase in liabilities derived from losses related to legal proceedings and mediations. The Bank resolved to record the charge according to the BCRA rules. Therefore, the charge to be allocated to the net income/loss for the year ended December 31, 2017 amounted to \$215.792.

3.2. Valuation difference of delinquent loans to be recovered

The Professional Accounting Standards require the analysis of delinquent loans to be recovered, based on the assessment of the pertinent cash flows. The Bank adjusted the credit balance with the Government of the Province of Buenos Aires at December 31, 2017, as follows:

- In Provincia ART S.A., \$10,300
- In Provincia Seguros S.A., \$18,250

3.3. Provisioning Criteria

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

3.4. Reversal of Reserves for Contingencies

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

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

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

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

Note 4 – Minority Interest

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

Company	Minority Interest - %
Bapro Mandatos y Negocios S.A.	-
Bapro Medios de Pago S.A.	-
Grupo Banco Provincia S.A.	0.033
Provincia Aseguradora de Riesgos del Trabajo S.A.	1.163
Provincia Bursátil S.A.	5.000
Provincia Leasing S.A.	0.014
Provincia Servicios de Salud S.A. (Liquidated) (*)	-
Provincia Seguros de Vida S.A.	40.000
Provincia Seguros S.A.	40.000

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

Note 5 - Government and Corporate Securities

At December 31, 2017 and 2016, the breakdown of this caption, classified according to the line of business of the consolidated companies, is the following:

Line of Business	Description	Book Value		Net Realizable Value	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Insurance					
	- Holdings booked at market value	2,944,446	3,462,437	2,994,446	3,462,437
	- Holdings booked at cost plus yield	1,162,057	1,204,237	1,162,057	1,204,237
	- Securities issued by the BCRA	8,291,904	3,430,495	8,291,904	3,430,495
	- Investments in listed corporate securities	5,689,037	4,914,106	5,689,037	4,914,106
	Subtotal	18,137,444	13,011,275	18,137,444	13,011,275
Banking and other Financial Services					
	- Holdings booked at market value	898,391	1,472,231	898,391	1,472,231
	- Holdings booked at cost plus yield	13,684,231	5,175,740	11,841,329	4,721,026
	- Securities issued by the BCRA	37,026,830	35,711,576	37,026,830	35,625,966
	- Investments in listed corporate securities	630,488	555,747	630,488	555,747
	- Allowances	(308)	(1,601)	(308)	(1,601)
	Subtotal	52,239,632	42,913,693	50,396,730	42,373,369
Brokerage					
	- Holdings booked at market value	-	2,068	-	2,068
	- Investments in listed corporate securities	185,377	60,389	185,377	60,389
	Subtotal	185,377	62,457	185,377	62,457
Services					
	- Investments in listed corporate securities	130,131	22,948	130,131	22,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

Line of Business	Description	Book Value		Net Realizable Value	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
	Subtotal	130,131	22,948	130,131	22,948
		70,692,584	56,010,373	68,849,682	55,470,049
Total					
	- Holdings booked at market value	3,892,837	4,936,736	3,892,837	4,936,736
	- Holdings booked at cost plus yield	14,846,288	6,379,977	13,003,386	5,925,263
	- Securities issued by the BCRA	45,318,734	39,142,071	45,318,734	39,056,461
	- Investments in listed corporate securities	6,635,033	5,553,190	6,635,033	5,553,190
	- Allowances	(308)	(1,601)	(308)	(1,601)
		70,692,584	56,010,373	68,849,682	55,470,049

Note 6 - Other Receivables from Financial Brokerage

At December 31, 2017 and 2016, the breakdown of this caption, classified according to the line of business of the consolidated companies, is the following:

Line of Business	Description	Amounts	
		12/31/2017	12/31/2016
Insurance			
	- Other receivables not included in the Debtors' Classification Rules	1,233,478	717,150
	- Accrued interest and adjustments receivable not included in the Debtors' Classification Rules	41,604	24,292
	- Unlisted negotiable bonds	3,925,143	2,014,064
	- Allowances	(11,340)	(11,265)
	Subtotal	5,188,885	2,744,241
Banking and other Financial Services			
	- Argentine Central Bank	4,207,930	2,944,267
	- Amounts receivable for spot and forward sales to be settled	11,534,708	7,650,365
	- Securities to be received under spot and forward purchases to be settled	299,810	80,284
	- Other receivables not included in the Debtors' Classification Rules	371,720	100,985
	- Unlisted negotiable bonds	63,182	90,027
	- Balances pending settlement of forward transactions without delivery of the underlying asset	-	311
	- Other receivables included in the Debtors' Classification Rules	8,779,641	7,934,599
	- Accrued interest and adjustments receivable included in the Debtors' Classification Rules	418	555
	- Allowances	(9,285)	(10,586)
	Subtotal	25,248,124	18,790,807
Brokerage			
	- Other receivables not included in the Debtors' Classification Rules	2,177	2,677
	Subtotal	2,177	2,677
Services			
	- Other receivables not included in the Debtors' Classification Rules	13,059	162
	Subtotal	13,059	162
		30,452,245	21,537,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

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(In thousands of pesos)

Note 7 - Interests in Other Companies

At December 31, 2017 and 2016, the breakdown of this caption for each non-consolidated company is the following:

Issuing Company	Number of Shares		Equity Interest and Votes (%)		Book Value Net of Allowances	
	2017	2016	2017	2016	2017	2016
IN OTHER NON-CONTROLLED COMPANIES						
- Argentina						
Banco de la Provincia de Buenos Aires in:					12,815	12,816
Provincanaje S.A.	600,000	600,000	8.33	8.33	600	600
Prisma Medios de Pago S.A.	1,364,994	1,364,994	9.10	9.10	3,409	3,409
Mercado Abierto Electrónico S.A.	1	1	0.45	0.45	4	4
CADIPSA S.A.	9,176	9,176	1.72	1.72	1	1
Argencontrol S.A.	70,000	70,000	10.00	10.00	70	70
Red Link S.A.	15,168,361	15,168,361	12.85	12.85	7,028	7,028
Massuh S.A.	163,791	163,791	0.16	0.16	164	164
Garbin S.A.	1,441,605	1,441,605	4.31	4.31	1,442	1,442
Emde S.A.	7,140	7,140	0.92	0.92	71	71
In public utility companies (Cooperatives)	-	-	-	-	26	27
Grupo Banco Provincia S.A. in:					40,944	51,403
Internacional Cía. de Seguros de Vida S.A.	23,440,312	21,709,977	40.78	37.77	40,944	51,403
Provincia Bursátil Sociedad de Bolsa S.A. in:					20,536	3,439
Mercado de Valores de Buenos Aires S.A.	-	2	-	-	-	3,414
Mercado a Término de Valores de Bs. As. S.A.	1	1	-	-	25	25
Grupo Financiero Valores S.A.	9,382,000	-	-	-	1,479	-
Bolsas y Mercados Argentinos S.A.	500,000	-	-	-	1,936	-
Affidavit SGR	15,000,000	-	-	-	15,000	-
Avaluar SGR	2,096,049	-	-	-	2,096	-
Provincia Seguros S.A. in:					657	5,548
Fogaba S.A.	10,000	10,000	0.24	0.24	657	1,622
Internacional Cía. de Seguros de Vida S.A.	-	1,730,335	-	3.01	-	3,926
TOTAL IN ARGENTINA					74,952	73,206
- Abroad						
Banco de la Provincia de Buenos Aires in:					151,050	127,520
BLADEX S.A.	884,461	884,461	2.43	2.43	150,776	127,293
Swift S.A.	8	8	0.01	0.01	23	17
Bolsa Electrónica de Val. del Uruguay S.A.	1	1	3.84	3.84	175	145
Telebrás	217,928	217,928	0.01	0.01	44	38
Finor S.A.	5,213	5,213	-	-	31	26
Embraer S.A.	3,638	3,638	-	-	1	1
TOTAL ABROAD					151,050	127,520
					226,002	200,726

Note 8 – Receivables from Financial Leases

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

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(In thousands of pesos)

Line of Business	Description	Amounts	
		12/31/2017	12/31/2016
Banking and other Financial Services			
	- Machinery and equipment under financial lease	793,700	539,411
	- Matured charges receivable	47,636	24,618
	- Premises under financial lease	1,257	1,382
	- Machinery and equipment to be recovered	4,209	5,746
	- Other	81,620	32,495
	- Accrued interest and adjustments receivable	22,498	15,431
	- (Allowances)	(18,034)	(16,086)
		932,886	602,997

Note 9 - Miscellaneous Receivables

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		31/12/2017	31/12/2016
Insurance			
	- Minimum notional income tax	104,062	109,854
	- Premiums receivable	2,593,468	2,001,606
	- Expense Advances	864	192
	- Other	1,900,174	1,343,126
	- (Allowances)	(278,012)	(341,581)
	Subtotal	4,320,556	3,113,197
Banking and other Financial Services			
	- Debtors for sale of assets	10,037	34
	- Minimum notional income tax	1,415	20,421
	- Debtors for services	126,460	114,107
	- Deferred tax	2,218	1,761
	- Other accrued interest receivable	7,126	7,649
	- Other	5,977,123	7,151,386
	- (Allowances)	(308,573)	289,455
	Subtotal	5,815,806	7,005,903
Brokerage			
	- Minimum notional income tax	-	2,809
	- Debtors for brokerage transactions	329	4,496
	- Other	32,353	23,407
	- (Allowances)	(56)	(56)
	Subtotal	32,626	30,656
Services			
	- Minimum notional income tax	12,634	14,205
	- Deferred tax	5,883	10,770
	- Other	32,996	22,034
	Subtotal	51,513	47,009
TOTAL		10,220,501	10,196,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

Total

- Minimum notional income tax	118,111	147,289
- Debtors for sales of assets	10,037	34
- Other	10,671,868	10,672,885
- Expense Advances	864	192
- Deferred tax	8,101	12,531
- Debtors for services	126,460	114,107
- Debtors for brokerage transactions	329	4,496
- Premiums receivable	2,593,468	2,001,606
- Other	7,942,646	8,539,953
- Other accrued interest receivable	7,126	7,649
- (Allowances)	(586,641)	(631,092)
	10,220,501	10,196,765

Note 10 – Miscellaneous Liabilities

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2017	12/31/2016
Insurance			
	- Fees	7,286	12,681
	- Debts with insureds, reinsurers and co-insurers	23,259,921	15,426,803
	- Debts with brokers	383,208	278,831
	- Other	1,803,511	1,188,687
	Subtotal	25,453,926	16,907,002
Banking and other Financial Services			
	- Fees	15,102	17,461
	- Suppliers	183,772	106,964
	- Advances from customers	25,918	25,644
	- Other	1,657,385	1,194,869
	Subtotal	1,882,177	1,344,938
Brokerage			
	- Fees	4,708	8,776
	- Suppliers	6,044	1,689
	- Other	54,611	21,621
	Subtotal	65,363	32,086
Services			
	- Fees	23,600	15,415
	- Suppliers	394	351
	- Other	65,462	55,115
	Subtotal	89,456	70,881
		27,490,922	18,354,907

Note 11 - Provisions

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2017	12/31/2016
Insurance			
	- For other contingencies	150,431	67,093
	Subtotal	150,431	67,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

Brokerage

- For other contingencies	-	200
Subtotal	-	200

Banking and other Financial Services

- For other contingencies with the BCRA	1,017,724	
- For contingent liabilities	-	216
- For other contingencies	9,662	804,225
Subtotal	1,027,386	804,441

Services

- For other contingencies	18,696	15,672
Subtotal	18,696	15,672

	1,196,513	887,406
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Note 12 – Other Liabilities

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/2017	12/31/2016
Insurance			
	- Contingencies and loss ratio variance	1,199,356	792,508
	- Mathematical reserves	8,939	4,739
	- Mathematical reserves for individual lifetime annuities	601,572	410,461
	- Current risk and unearned premiums and charges	998,020	756,613
	- Other	232,563	517,086
	Subtotal	3,040,450	2,481,407

Banking and Other Financial Services

- Other	20,268	44,655
Subtotal	20,268	44,655

	3,060,718	2,526,062
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Note 13 – Income from Services and Expenditure for Services - Other

At December 31, 2017 and 2016, the breakdown of these captions according to the line of business of the consolidated companies is the following:

Income from Services – Other

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/17	12/31/16
Insurance			
	- Premiums and surcharges for insurance policies	24,080,874	16,895,381
	- Income from technical structure	51,714	4,899
	Subtotal	24,132,588	16,900,280
Banking and other Financial Services			
	- Income from services	9,208,995	7,510,497
	- Trust administration	53,798	46,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

	Subtotal	9,262,793	7,556,498
Brokerage			
- Income from services		200,336	18,491
- Income from brokerage transactions		30,424	65,576
	Subtotal	230,760	84,067
		33,626,141	24,540,845

Expenditure for Services – Other

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/17	12/31/16
Insurance			
- Accrued claims		20,193,375	14,942,176
- Insurance policy surrenders and accrued temporary annuities		16,959	20,599
- Expenditure for technical structure		1,378,767	834,621
- Other		-	22,774
	Subtotal	21,589,101	15,820,170
Banking and other Financial Services			
- Other		6,177,019	2,655,140
	Subtotal	6,177,019	2,655,140
		27,766,120	18,475,310

Note 14 – Administrative Expenses

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/17	12/31/16
Insurance			
- Personnel expenses		1,419,119	990,863
- Directors' and syndics' fees		18,858	28,568
- Other fees		98,974	84,264
- Advertising and publicity		179,586	112,498
- Taxes		848,492	627,216
- Depreciation of bank premises and equipment		9,151	7,946
- Amortization of organization and development expenses		21,479	19,883
- Other operating expenses		1,249,353	1,010,693
- Other		75,324	65,789
	Subtotal	3,920,336	2,947,720
Banking and other Financial Services			
- Personnel expenses		14,509,693	11,977,568
- Directors' and syndics' fees		70,222	56,800
- Other fees		310,110	157,662
- Advertising and publicity		746,303	219,189
- Taxes		80,813	69,423
- Depreciation of bank premises and equipment		279,633	246,827
- Amortization of organization and development expenses		60,461	61,126
- Other operating expenses		2,046,045	1,708,179
- Other		733,698	471,396
	Subtotal	18,836,978	14,968,170
Brokerage			
- Personnel expenses		34,037	33,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

	- Directors' and syndics' fees	16,397	9,628
	- Other fees	2,632	2,529
	- Advertising and publicity	1,289	179
	- Taxes	13,375	1,517
	- Depreciation of bank premises and equipment	754	681
	- Amortization of organization and development expenses	1,336	395
	- Other operating expenses	24,162	16,996
	Subtotal	93,982	65,609
Services			
	- Personnel expenses	459,089	301,543
	- Directors' and syndics' fees	31,516	15,120
	- Other fees	6,349	8,675
	- Advertising and publicity	25,263	10,880
	- Taxes	32,685	26,145
	- Depreciation of bank premises and equipment	2,014	2,337
	- Amortization of organization and development expenses	6,691	111
	- Other operating expenses	18,518	11,423
	- Other	12,748	32,265
	Subtotal	594,873	408,499
		23,446,169	18,389,998

Note 15 - Miscellaneous Income

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

Line of Business	Description	Amounts	
		12/31/17	12/31/16
Insurance			
	- Net income from long-term investments	(836)	2,284
	- Other	196,081	189,853
	Subtotal	195,245	192,137
Banking and other Financial Services			
	- Net income from long-term investments	103,862	46,530
	- Penalty interest	60,080	52,593
	- Adjustment from application of the CER index	1,182	5
	- Receivables recovered and allowances reversed	417,853	251,973
	- Other	2,130,930	244,621
	Subtotal	2,713,907	595,722
Brokerage			
	- Net income from long-term investments	1,620	2,195
	- Other	2,954	2,715
	Subtotal	4,574	4,910
Services			
	- Net income from long-term investments	36,265	13,708
	- Other	469	162
	Subtotal	36,734	13,870
		2,950,460	806,639

Note 16 - Miscellaneous Losses

At December 31, 2017 and 2016, the breakdown of this caption according to the line of business of the consolidated companies is the following:

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Line of Business	Description	Amounts	
		12/31/17	12/31/16
Insurance			
	- Charges for miscellaneous receivables and other items written-off	148	20,081
	- Other	249,582	403,512
	Subtotal	249,730	423,593
Banking and other Financial Services			
	- Charges for miscellaneous receivables and other items written-off	437,510	299,899
	- Amortization of differences from court orders	18,548	18,800
	- Penalty interest and charges in favor of the BCRA	90	280
	- Depreciation and losses for miscellaneous assets	848	1,002
	- Other	2,617,660	1,730,617
	Subtotal	3,074,656	2,050,598
Brokerage			
	- Other	1,758	731
	Subtotal	1,758	731
		3,326,144	2,474,922

Note 17 – Restricted Assets

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

Company	12/31/17	12/31/16
<u>Provincia Bursátil S.A.</u>		
Shares of Mercado de Valores de Buenos Aires S.A. delivered to such company as collateral, in line with the provisions applicable in general to stockbrokers and brokerage houses.	-	3,414
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	208	63
At December 31, 2017, \$2,843 was registered under the "Cash and Due from Banks" caption. The "Investment" caption included: a) \$49,085 accounting for quota shares of the "1822 Raíces Valores Fiduciarios" mutual fund, and b) at December 31, 2016, \$1,500 representing the share of Mercado de Valores de Buenos Aires in compliance with the requirement of General Resolution No. 622 issued by the CNV.	2,843	318
<u>Provincia Leasing S.A.</u>		
Contracts pledged as collateral of the obligations assumed with Banco de Inversión y Comercio Exterior (BICE) S.A.	-	1,483
<u>Provincia Seguros S.A.</u>		
Court deposits levied under legal proceedings, included in the Provision for Pending Claims or claims not related to insurance activities.	192,592	132,617
At December 31, 2017 and 2016, 2,595 quota shares of "Fima Ahorro Pesos" mutual fund; 175,448 quota shares of "Fima Ahorro Plus" mutual fund, levied for the same reasons; 320,003 quota shares of "Fima Capital Plus" mutual fund; 12,103 quota shares of "FBA Ahorro Pesos" mutual fund and 103,212 quota shares of "Superfondo Renta Variable" mutual fund.	9,324	5,387
Term deposits in Banco de la Provincia de Buenos Aires to guarantee the payment of amounts owed to the Bank. At December 31, 2017 and 2016, fixed term deposits levied for \$143 and \$685, respectively.	258	1,412
<u>Bapro Mandatos y Negocios S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia	69	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

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Company	12/31/17	12/31/16
de Buenos Aires.		
At December 31, 2017 and 2016, the "Investment" caption included \$3,000 on account of quota shares of "1822 Raíces Valores Fiduciarios" mutual fund in compliance with the requirement of General Resolution No. 622 issued by the CNV for managers of collective investment products - trustees.	3,000	3,000
<u>Bapro Medios de Pago S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	374	402
At December 31, 2017 and 2016, deposits to guarantee rental payments are recorded under the "Other Receivables" caption.	407	370
<u>BA Desarrollo S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	56	56
<u>Provincia Microempresas S.A.</u>		
Fixed term deposit to guarantee the payment of amounts owed to Banco de la Provincia de Buenos Aires.	693	503

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

Significant developments in relation to subsidiaries and other non-controlled companies, including events subsequent to the Financial Statements of Grupo Banco Provincia S.A. at December 31, 2017, which were used for the consolidation of these Consolidated Financial Statements, are detailed below:

a. Provincia ART S.A.

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

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

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

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

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

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Since January 1, 2007, the above balance in favor of the Government of the Province of Buenos Aires was allocated to the payment of those claims. Once such balance was exhausted, the obligations were cancelled through a fund specifically created for such purposes according to the terms of section 59 of the Accounting Law of the Province of Buenos Aires. The responsibility of Provincia ART S.A. was to calculate, settle and pay such obligations in due time. At December 31, 2017 and 2016, \$188,766 and \$70,775, respectively, were recorded by the Company under the "Other Receivables" caption.

At December 31, 2017 and 2016, the self-insurance management fees to be collected amounted to \$22,540 and \$24,917, respectively.

At December 31, 2017 and 2016, the balance not yet due and payable to be collected by the Company on account of advances in checking accounts for claim payments amounted to \$889 and \$1,378, respectively, and self-insurance management fees totaled \$12,635 and \$9,614, respectively, as disclosed under the "Other Receivables" caption of the Consolidated Financial Statements of Grupo Banco Provincia S.A.

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

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

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

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

Likewise, on October 7, November 4 and 8 and December 29, 2016, the Company received payments for \$35,279, \$75,674 \$37,860 and \$36,155, respectively, to cancel the amounts owed for claim payments made between June and September 2016.

Likewise, on May 2, 2017, the Company received payments for \$64,090 to cancel the amounts owed for claim payments made between November and December 2016.

On June 29, 2017, the Company received payments for \$6,947, \$8,132 and \$9,838 on account of amounts owed for self-insurance management fees and expenses incurred in the first three quarters of 2016, respectively.

On June 30, 2017, the Company received payments for \$42,147 and \$30,040 on account of amounts owed for self-insurance management fees and expenses incurred in January and February 2017, respectively.

On September 29, 2017, Provincia ART S.A. received payments for \$9,429 on account of management fees incurred in January 2017 and \$38,183 for the cancellation of amounts owed for claim payments made during March 2017.

On November 14, 2017, the Company received payments for \$26,586 and \$41,660 on account of claim payments made during April and May 2017, respectively. Likewise, it received payments for \$9,183 for management fees incurred in April 2016.

On December 29, 2017, Provincia ART S.A. received payments for \$41,393, \$43,354 and \$46,002 on account of claim payments for July, August and September 2017.

On January 15 and 19, 2018, the Company collected \$36,366 and \$45,187 on account of claim payments for June and October 2017. Moreover, on January 19, 2018, the Company collected \$9,650 for management fees and expenses incurred in February 2017.

a.2. Trust Fund for Occupational Diseases

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

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At December 30, 2017 and 2016, the Company deducted expenditures under the Fund for an amount computed according to section 19, subsections a) and b) of the above resolution. At such dates, the Company had used all funds under section 19, subsection a).

The remaining amount of the fund is under trust administration of Provincia ART S.A. Funds held in trust and the pertinent income and expenditure are subject to a specific accounting record, separate from the other transactions. At December 31, 2017 and 2016, cash and due from banks and investments of such fund amounted to \$305,010 and \$241,587, respectively.

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

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

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

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

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

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

- Issuance of National Executive Order No. 1694

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

- Increase over 50% in the additional lump-sum monetary compensation for partial permanent disability declared to be definite. The additional lump-sum compensations to be paid in case of total permanent disability declared to be definite and the worker's death were also increased.
- Elimination of the maximum cap on the monetary compensation for permanent disability.
- Determination of a minimum amount applicable to the monetary compensation for permanent disability.
- Increase in the monthly amount to be paid in case of severe disability.
- Determination of the monetary compensation for provisional or permanent labor disability declared to be temporary according to the provisions of Law No. 20744, section 208.
- Creation of a registry of medical services providers.

- Enactment of Law No. 26773

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

- Introduction of an "either/or" option under which an injured employee will have to choose between, either receiving the statutory compensation amount, or filing an action before the civil courts claiming for compensation.
- Establishment of a lump-sum payment as compensation to be paid within 15 days after notice of the worker's death, or the approval or determination of the percentage of disability.

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- If the injury occurs at the workplace or during working hours, the injured employee shall receive an additional lump-sum compensation equal to 20% of the compensation amounts offered under the system. A minimum compensation amount is also established in the case of death or total disability.

- If compensation is determined by reference to other liability systems (judgment, pretrial conference or settlement), the insurer must deposit, the amount that would have been payable according to law plus interest and legal fees. This amount shall be deducted from the settled amount or the amount determined by court. If the amount of the judicial decision is lower than the amount deposited, the excess shall be deposited in the guarantee fund.

- Compensation amounts will be updated semiannually in accordance with the worker's average taxable remuneration (RIPE) index.

- The SSN and the SRT shall decide the indicators to be used by insurers to state their rates systems. They shall include risk level and expected and actual loss experience.

Insurers shall limit their administrative expenditure and other non-benefit expenses budget to the percentage to be established by the SSN and the SRT, which shall not exceed 20% of income. Out of the resulting amount, 5% may be allocated to marketing or intermediation expenses. Additionally, caps are set for legal fees, eliminating the possibility of cuota litis agreements.

- Issuance of National Executive Order No. 472

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

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

- Judgment rendered by the Argentine Supreme Court of Justice on June 7, 2016

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

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

- Issuance of National Executive Order No. 54/17

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

- The intervention of jurisdictional medical commissions shall be a mandatory, prior and exclusive administrative instance to determine a worker's compensation in case of disease or inability. They shall have a maximum 60 business day term to issue their decision on each case. Said term may be extended for duly grounded reasons related to the proof of the occupational accident or professional illness. Once this instance is exhausted, the parties may request a review of the relevant resolutions by the central medical commission. The central medical commission's resolution may be appealed by any of the parties by filing an action before the appellate courts in labor matters, or if they do not exist, before the single instance courts with authority to hear these cases and jurisdiction over the intervening medical commission's domicile. The resolutions of the

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jurisdictional or central medical commissions not appealed by any of the parties, as well as the approving resolutions, shall be considered administrative *res judicata*.

- Official medical experts who intervene in judicial controversies shall be members of the pertinent Medical Forensic Body and their professional fees shall neither be variable nor based on the amounts sought in the lawsuits.
- The Order disposes the creation of a provincial public self-insurance whose purpose is to enable provinces, municipalities and the Autonomous City of Buenos Aires to self-insure the labor risks with respect to their public employment regime in accordance with the SRT's guidelines.
- Changes are introduced in the compensation calculation ratios since the remunerations to be taken into account to assess the pertinent amounts shall be adjusted according to the RIPT index. Moreover, from the date of the first manifestation of disability to the payment of the relevant compensation upon determination or approval of the worker's permanent labor disability or death, the base income amount will accrue interest equivalent to the average annual nominal lending rate of Banco de la Nación Argentina at 30 days in arrears. Failure to pay compensation on time shall turn section 770 of the National Civil and Commercial Code applicable, that is to say, interest shall be accumulated to principal. The proceeds shall accrue interest equivalent to the average annual nominal lending rate of the mentioned bank at 30 days in arrears until effective payment.
- *Enactment of Law No. 27348*

On February 24, 2017, Law No. 27348, which includes the amendments introduced to the worker's compensation system by Executive Order No. 54/17, was published in the Official Gazette. This law states that the Workers' Compensation Insurers, the provincial public self-insured employers and the self-insured employers shall bear the expenses of the supervising and control authorities and that, in the case of the Workers' Compensation Insurers, this contribution shall not exceed 1.4% of the total amount collected on account of membership fees. Moreover, through Resolution No. 298/17, the SRT has issued performance standards to be observed in proceedings before the jurisdictional and central medical commissions.

At the date of these Financial Statements, some first instance courts in labor matters either declared certain sections of this law and Executive Order No. 54/17 to be unconstitutional, or applied the new rules, thus tacitly acknowledging their constitutional status. The Argentine Supreme Court has not rendered judgment on these matters yet.

The authorities of Provincia ART S.A. understand that the Company's reserves at December 31, 2016 and 2017 include all significant known effects derived from the regulatory changes described above as well as the different application methods under each jurisdiction. However, at the reporting date of the Financial Statements of Provincia ART S.A., the final effect of these changes on the loss ratio estimated by the Company could not be determined.

a.4. Claim against the National Government

On November 21, 2000, the Argentine Supreme Court of Justice upheld the extraordinary appeal filed by Provincia ART S.A., thus confirming the judgment rendered by the Court of Appeals which ruled on the unconstitutionality of Executive Order No. 863/98, in the case entitled "Provincia ART S.A. c/ Estado Nacional – Decreto N° 863/98 s/Amparo – Incidente de ejecución de sentencia". In this case, the Company claimed \$1,289 on account of the recovery of fees withheld for the workers' compensation insurers' collection service by application of the above mentioned executive order. It also claimed the refund of \$1,062 corresponding to fees for the period preceding such executive order.

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

At December 31, 2017 and 2016, the Company recorded \$1,946 under the "Other Receivables" caption for the amounts pending collection. At December 31, 2016, the Company decided to set up provisions for the total amount above mentioned.

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

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At December 31, 2017 and 2016, Provincia ART S.A. recorded \$1,565,686 and \$1,408,943 deficits in minimum capital requirements, respectively, and a surplus of \$932,800 and a deficit of \$194,613 in the calculation of coverage of debts to insureds, respectively.

On December 4, 2013, the SSN, by virtue of the assessment of the Company's technical ratios as of September 30, 2013, required such Company to submit a regularization and reorganization plan related to coverage and minimum capital requirements. The plan had to include, without limitation, administrative, economic, financial, commercial and other measures for the regularization of such deficits, a capitalization program stating the dates and amounts of contributions to be made, and future actions aimed at securing surpluses in both technical ratios. Likewise, the Company was required to comply with the prevailing regulations on coverage and minimum capital requirements, disregarding the alternative criteria that it had adopted until September 30, 2013. On December 19, 2013, the Company submitted the required information to the control authority.

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

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

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

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

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

On November 10, 2016, the Company submitted a new proposal for the regularization plan, which envisages a surplus in coverage of debts to insureds for the first half of 2017 and in its minimum capital as from the second half of 2019. For this purpose, the Company forecasts to compute the securities received from the Province of Mendoza and the Government of the Province of Buenos Aires, as well as the loss reserve balance at each closing date, and to take different measures to diminish the loss ratio and operating costs. Likewise, the Company undertakes to report, on a quarterly basis, certain management indicators to the control authority. Provincia ART S.A. submitted a copy of the minutes of the Regular Meeting of Shareholders held on November 9, 2016, stating its commitment to implement control and management mechanisms so as to ensure the effective compliance with the plan. The Company shall keep the shareholders informed about possible deviations and the pertinent solutions.

On January 16, 2017, the SSN approved the regularization plan of Provincia ART S.A. and authorized the Company to compute in its technical ratios the above mentioned securities and the loss reserve balance.

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

At the date of the Financial Statements of Provincia ART S.A., if computing payments made by the Government of the Province of Buenos Aires after the closing date, the Company complied with the projected evolution of its technical ratios as stated in the plan approved on January 16, 2017.

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

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Mention should be made that, according to the General Rules for the Insurance Activity, Provincia ART S.A. shall not be able to distribute dividends as long as the deficit in minimum capital requirements is not regularized.

b. Provincia Leasing S.A.

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

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

At December 31, 2017 and 2016, contracts managed by the Company amounted to \$63,101 and \$22,753, respectively.

b.2. *Legal actions against the Company*

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

b.3. *Trust Securities Global Program*

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

Through Resolution No. 18285, dated October 20, 2016, the National Securities Commission (*Comisión Nacional de Valores - CNV*) authorized the Public Tender Offer of this Program. On October 27, 2016 and July 17, 2017, it also authorized the Public Tender Offer of the "PROVINCIA LEASING I", "PROVINCIA LEASING II" and "PROVINCIA LEASING III" Financial Trusts (Series I, II and III, respectively) for a maximum face value of \$164,834, \$197,279 and \$216,602, respectively, with respect to which Banco de Valores S.A. acts as Arranger, Trustor and Issuer.

At December 31, 2017 and 2016, the Company manages, as collection and administration agent, contracts for \$424,781 and \$151,502, respectively, as follows:

	12/31/17	12/31/16
Fideicomiso Financiero Provincia Leasing I	\$ 55,194	\$ 151,502
Fideicomiso Financiero Provincia Leasing II	\$ 158,444	-
Fideicomiso Financiero Provincia Leasing III	\$ 211,143	-
Total	\$ 424,781	\$ 151,502

c. Provincia Seguros de Vida S.A.

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

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

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

c.2. *Distribution of Profits*

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The Regular Meeting of Shareholders of Provincia Seguros de Vida S.A. held on September 22, 2016 considered and approved the balance sheet for the period ended June 30, 2016. Such meeting resolved to allocate the profits as follows: a) \$2,319 to increase the Legal Reserve account; b) \$18,720 to distribute cash dividends payable to shareholders according to their equity holdings; and c) \$28,080 to increase the "Reserve for Expected Increase in Production and Claim Contingencies". On October 12, 2016, Grupo Banco Provincia S.A. collected the full amount receivable on account of distribution of dividends.

The Regular Meeting of Shareholders of Provincia Seguros de Vida S.A. held on September 14, 2017 considered and approved the balance sheet for the period ended June 30, 2017, and decided to allocate profits as follows: a) \$43,769 to distribute cash dividends, and b) \$32,513 to increase the "Reserve for Expected Increase in Production and Claim Contingencies", included in "Other Reserves". On October 5, 2017, Grupo Banco Provincia S.A. collected \$29,261 corresponding to the mentioned distribution of dividends.

d. Bapro Mandatos y Negocios S.A.

d.1. Judicial orders related to the Company

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

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

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

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

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

Upon filing an answer to the case regarding Art. 280 brought by the Receiver, and taking into account that the payments made after November 9, 2009 were declared invalid, the Social Welfare Entity for Bank Employees requested that the Company be compelled to reimburse the amounts paid under penalty of law. The Company resorted to the Court of Appeals, which on March 6, 2012, resolved to dismiss the appeal without costs. The Court of Appeals answered that "the order which includes a warning subject to penalty (in this case, a general penalty of law) does not imply any damage under the terms of Art. 242 of the Code of Procedure (CPR 242), since it requires that the compliance of the order be subject to specific penalty and the effective enforcement of such penalty". Therefore, it was considered that "....up to date there is no irreparable damage supporting the appeal...."

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

The Court ordered to serve notice upon the insolvent party on the “lack of standing to sue” defense filed by Bapro Mandatos y Negocios S.A. It was grounded on the fact that the ruling on invalid payments has no consequence for Bapro Mandatos y Negocios S.A. (Trustee) since it acted as Trustee and not as Creditor of the Solidaridad Trust, and that it did not collect any payment on account of previous claims.

In line with the opinion of the company’s legal advisors, acting on behalf of the Company in all cases related to the Solidaridad Trust, the detailed actions would not result in any liability to Bapro Mandatos y Negocios S.A. enforceable against its shareholders’ equity, that, at the date of issuance of the Financial Statements of Bapro Mandatos y Negocios S.A., would require the setting up of any provision whatsoever.

On August 23, 2013, the Company was notified of a complaint for dismissal filed by the former Administration Manager. The amount claimed under Section 245 of the Labor Contract Law on account of severance pay plus incidental costs totals \$1,291 plus interest. The legal action has been filed with the National Court of First Instance in Labor Matters No. 79. On September 6, 2013, the Company answered the complaint. On September 15, 2017, the complaint filed by the plaintiff was sustained, and then appealed by the Company. At December 31, 2017 and 2016, the provision amounted to \$3,437 and \$2,038, respectively.

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

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

Based on the information available at the date of issuance of these Financial Statements and taking in account the legal advisors’ opinion, the management of Bapro Mandatos y Negocios S.A. considers that the expected resolution of these actions will not significantly affect the Company’s results or financial position.

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

On February 18, 2013, Bapro Mandatos y Negocios S.A. was notified of a similar complaint brought against it by a former beneficiary of the Sucre Trust whose sales contract was also terminated due to the non-fulfillment of payment obligations. The case entitled “Eumann, Guillermo José C/ Bapro Mandatos y Negocios S.A. y otros s/daños y perjuicios” is pending before the National Court of First Instance in Civil and Commercial Matters No. 5, San Isidro Legal Department. Moreover, on June 14, 2013, the Company was served notice of a third complaint against it entitled “Gabella Guillermo Enrique y otros c/ Bapro Mandatos y Negocios S.A. y otros s/daños y perjuicios” pending before the Court of First Instance in Civil and Commercial Matters No. 5, San Isidro Legal Department. In the last two proceedings, plaintiffs filed several claims applying for an injunction against the trust, which was issued by the first instance court, appealed by the Company and ratified by the pertinent court of appeals. Said injunction will affect the execution of the pertinent title deeds. Such deeds may not be granted until the Internal Condominium Property Regulations have been filed with the Provincial Directorate of the Real Property Registry. This will happen once the construction completion certificate has been obtained from the Municipality of San Isidro.

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In the three cases mentioned above, complaints were also filed against Desarrollo San Isidro (developer).

Based on the information available on the mentioned legal actions, and taking in account the legal advisors' opinion, the management of Bapro Mandatos y Negocios S.A. considers that there is a low likelihood that these actions will affect the Company's financial position.

With regard to the "Samaagro" Administration and Guarantee Trust, in September 2014, the Company was served notice of an action brought against it before the Buenos Aires Stock Exchange Arbitration Tribunal in the case entitled "Reich, Rolando Martín c/Bapro Mandatos y Negocios s/daños y perjuicios" requesting the reimbursement of the invested amount (US\$30,000) plus other items for undetermined amounts. The Company answered the complaint, alleging that, according to the agreement terms, the investment was risky due to the ups and downs of the agricultural market and that Mr. Reich neither consider the net results of the last campaign, including the multi-risk insurance, nor the operator's responsibility, against whom the Trustee had filed a claim and a criminal complaint as well as actions aimed at recovering the equity held in trust. In June 2016, such Tribunal decided to partially sustain the complaint and ordered payment on the basis of the net results of the last campaign including the multi-risk insurance. This award was appealed by Bapro Mandatos y Negocios S.A. The appeal was approved by the Tribunal and confirmed to the same extent by the Court of Appeal in Commercial Matters, except for the punitive damages amount, which has been fully revoked, and the monthly interest capitalization, as requested by the appellant. Based on the decision of the appellate court, the Company and Samaagro S.A. were concurrently ordered to pay the settlement amount. For provisioning purposes, the following issues should be considered: a) under the legal representation of Borelli law firm, the Company filed an extraordinary appeal; no judgment from the appellate court regarding its admissibility has been rendered up to now; b) final settlement shall include the charges stipulated in the agreement; and c) there is no evidence to determine that Samaagro S.A. is insolvent, and therefore it can afford payment of the judgment amount in the pertinent proportion.

The Company has also answered complaints in similar terms to those of the "Reich" case, filed before the Buenos Aires Stock Exchange Arbitration Tribunal related to the following proceedings: a) "Noceti, Héctor Antonio c/ Bapro Mandatos y Negocios S.A. s/daños y perjuicios" requesting the reimbursement of the invested amount (US\$22,000) plus other undetermined amounts; b) "Romero, Emilio y otros c/Bapro Mandatos y Negocios S.A. s/daños y perjuicios" claiming for US\$40 plus another item for an undetermined amount. In these actions, the arbitration awards were appealed by the Company, and after the pertinent approval the proceedings are now pending before the Appellate Court in Commercial Matters; c) "Gasparutti, Gustavo Germán c/Bapro Mandatos y Negocios s/daños y perjuicios" claiming for US\$67 plus \$200 and other undetermined amounts; d) "Pereira, Jorge A. c/Bapro Mandatos y Negocios S.A. s/daños y perjuicios", claiming for US\$60, plus costs; e) Klar, Juana Mercedes c/Bapro Mandatos y Negocios S.A. y otros (Saamagro) s/daños y perjuicios" for US\$46 plus costs; f) "Mercado Mariano c/Bapro Mandatos y Negocios S.A. s/incumplimiento contractual y daños y perjuicios" for US\$15 plus costs; and g) "Marabolli Héctor Daniel c/Bapro Mandatos y Negocios S.A. s/daños y perjuicios" for US\$40 plus costs.

Therefore, and on the basis of the legal advisors' opinion, the Company has set up a provision for \$785.

On February 23, 2017, Bapro Mandatos y Negocios S.A. was served notice of an action filed before the Buenos Aires Stock Exchange Arbitration Tribunal under the case entitled "Acerra Nicolas Ruben y otros s/Bapro Mandatos y Negocios S.A. y otras s/daños y perjuicios" claiming for the return of the invested amount (US\$ 6,916) plus other undetermined amounts. The "Llerena & Asociados Abogados" law firm answered the complaint on March 20, 2017, and the trial of the case is still pending.

Finally, on November 13, 2017, Bapro Mandatos y Negocios S.A. was served notice of an action filed before the Buenos Aires Stock Exchange Arbitration Tribunal under the case entitled "Escobar, Aníbal Oscar c/Bapro Mandatos y Negocios S.A. y otra s/incumplimiento Contractual" File No. 1191/17, claiming for the return of the invested amount (US\$ 7) plus other undetermined amounts. The "Llerena & Asociados Abogados" law firm, answered the complaint on November 29, 2017, and the trial of the case is still pending.

Taking in account the legal advisors' opinion, the management of Bapro Mandatos y Negocios S.A. considers that there is a low likelihood that these actions will affect the Company's financial position.

With regard to the "Estrella del Sur" Trust, 15 out of 800 beneficiaries have filed an action for damages. These lawsuits have just been filed or are going to trial.

Bapro Mandatos y Negocios S.A. held six meetings. The Company's management and the continuity of the trust were ratified by the majority in every meeting where the issues were dealt with. The meeting held on July 2, 2016 decided to remove and temporarily replace CIESA (developer) by an Executive Committee composed by Beneficiaries. On December 17, 2016, the Meeting analyzed the alternatives to be followed taking into account the current situation of the Trust. Beneficiaries were again informed about the different proposals and approved the guidelines for the new Works and Marketing Plan. They

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also decided that the Executive Committee would negotiate such proposals which, after approval, would be submitted to the Meeting for consideration. Moreover, the Executive Committee would be in charge of conducting out-of-court negotiations with CIESA and BAINTER in relation to any controversial matters and probable responsibility of original beneficiaries for the current situation. It was approved the continuity and new composition of the Executive Committee, which would select a Substitute Developer. Such selection should be ratified by the Meeting according to the terms stipulated in the Trust Agreement.

On June 3, 2017, a new meeting approved the "T4 Plan" to complete the construction of Tower 4. Likewise, it approved the composition of the Executive Committee for two years and its role as Substitute Developer, the management of the mentioned committee and of Bapro Mandatos y Negocios S.A.

On October 28, 2017, a new Beneficiaries' Meeting was held which was adjourned till March 9, 2018 so as to elaborate a new works and marketing plan. Likewise, the payment of installments by investors was suspended. The approval of the above mentioned "T4 Plan" was not ratified and paid amounts had to be returned. Finally, the resignation of the Executive Committee was accepted, without approving its administration. The composition of a new Executive Committee was decided. It will be in charge of obtaining the necessary resources to ensure the project continuity and preparing a new works and marketing plan.

In view of the critical situation of the trust, the Trustee requested the legal/technical opinion of Rivera & Asociados Law Firm. After a detailed analysis of the situation and based on the circumstances that "the allegation of fact provided in section 1687 of the Argentine Civil and Commercial Code as regards the lack of trust property to comply with the obligations derived from the trust, they concluded that the Trustee must request the judicial liquidation of the Trust. Such legal opinion also states that the search for external financing decided in the last meeting" does not conflict with the judicial liquidation, since, if effectively obtained, it may be channeled through any of the alternatives allowed by the Bankruptcy Proceedings Law". Therefore, through the Board of Directors' Resolution dated November 22, 2017, the Trustee approved to request the judicial liquidation of the Trust. Then, through Resolution dated November 24, 2017, the Court in Commercial Matters No. 12, Clerk's Office No. 24, decided to proceed with the judicial liquidation of the "Estrella del Sur" Trust.

In accordance with the legal opinion of the Company's advisors, at the date of issuance of these financial statements, no tangible contingencies are expected against Bapro Mandatos y Negocios S.A. resulting from the mentioned proceeding.

The decision of the cases brought by Beneficiaries is linked to the progress and completion of the works under the Trust. Therefore, pursuant to the opinion of the Company's legal advisors, the judicial liquidation of the Trust resulted in a greater contingency, which up to date cannot be assessed.

d.2. Equity holdings in Provincia Leasing

On October 20, 2017, the Board of Directors of Grupo Banco Provincia S.A. approved the acquisition of the equity holdings that Bapro Mandatos y Negocios S.A. had in Provincia Leasing S.A., considering the proportional equity value at June 30, 2017 as its price. On October 25, 2017, the Board of Directors of Bapro Mandatos y Negocios S.A. approved the sale of the above mentioned capital stock. Such transaction was paid on November 14, 2017, when the Board of Directors of Provincia Leasing S.A. approved the transfer of such shares in favor of Grupo Banco Provincia S.A.

e Bapro Medios de Pago S.A.

e.1. Penalty imposed by AFIP

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

e.2. Increase in Capital Stock and distribution of Profits

The Special Meeting of Shareholders of Bapro Medios de Pago S.A., held on March 12, 2015, approved an increase of \$10,000 in capital stock in order to improve its working capital and make the relevant investments to:

i) complete the Data Center capacity, expanding its structure to carry out the business plan of the IT unit; ii) develop and implement the Company's internationalization project; iii) consolidate the brand positioning; and iv) open new Service Centers, as required by Banco de la Provincia de Buenos Aires, in strategic locations previously defined according to the needs of branches, as well as new customer service agencies in small and sparsely populated towns. On June 8 and 15,

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2015, Grupo Banco Provincia S.A. and Bapro Mandatos y Negocios S.A. paid in \$4,850 and \$300, respectively, in proportion to their equity interests in the Company. On November 13, 2015, this capital stock increase was registered with the Supervisory Board of Companies. At December 31, 2016, Grupo Banco Provincia S.A. recorded a liability of \$4,850 on account of the contribution to be paid-in.

On April 11, 2017, the Company approved to allocate results for the year ended December 31, 2016 as follows: i) 5% to the Legal Reserve account for the amount of \$1,498; ii) 5,000 to distribute cash dividends among shareholders in proportion to their equity holdings, and iii) \$23,470 to the Optional Reserve account. Likewise, such dividend was offset with the contribution to be paid-in detailed in the above paragraph.

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

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

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

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

On December 9, 2015, the Company submitted to the IPLyC for consideration a specific memorandum project grounded on the Provincial Executive Order No. 682/15. This project provides for the terms and conditions for reimbursing the pertinent amounts.

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

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

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

2 – signed a transition agreement with BoldtGaming S.A. whereby the parties agreed to take all necessary steps to ensure training and gradual transfer of all know-how in favor of Bapro Medios de Pago S.A. so as to allow the Company, upon conclusion of the current contract and any possible renewal, to manage, integrate and operate on a stand-alone basis the data capture system whether online and in real-time or offline, and either through fixed or mobile computer terminals. This will permit the processing and administration of betting information regarding all gaming activities under provincial control and/or carried out in other jurisdictions approved by the IPLyC through its network of authorized lottery agents. It was also agreed that Boldt Gaming S.A. will provide and/or operate the service of bet capture and processing through computer terminals on line and in real time or off-line in favor of Bapro Medios de Pago S.A. according to the terms set forth in the mentioned contract. In September 2013, 10 months after the execution of the agreement, the Company decided to extend the agreement for 3 additional years pursuant to the guidelines detailed therein, thus expiring on September 30, 2016.

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On September 9, 2016, the Company signed a new agreement for an additional 74-month period as from termination of the previous agreement. It may be renewed semiannually for a maximum 24-month term under the same terms and conditions agreed.

The Company's pending claims corresponding to labor lawsuits (\$2,318) are included in the "Provisions for other contingencies" caption.

f. Provincia Bursátil S.A.

f.1. *Capital Markets Law*

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

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

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

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

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

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

During the fiscal year ended December 31, 2016, a labor complaint for \$1,500 was filed against Provincia Bursátil S.A., which has not been resolved yet. The Company rejected the complaint on the grounds that the services rendered by the claimant were not salaried tasks but services provided by an autonomous professional. In line with the opinion of the Company's legal advisors, a \$200 provision was set up at December 31, 2016. On September 4, 2017, a settlement agreement for \$550 plus costs was reached. Consequently, at December 31, 2017, the Company paid the amount stated in such agreement out of the mentioned provision.

During the year ended December 31, 2017 as a consequence of the corporate reorganization of Mercado de Valores de Buenos Aires, Provincia Bursátil S.A. received 500,000 shares of Bolsas y Mercados Argentinos S.A. and 9,382,000 shares of Grupo Financiero Valores S.A.

f.2. *Distribution of Profits*

On April 11, 2017, the Regular Meeting of Shareholders of Provincia Bursátil S.A., based on the result of the year ended at December 31, 2016, resolved to allocate: i) \$579 to Legal Reserve, ii) \$18,061 to Optional Reserve and iii) \$10,530 to cash dividends. On May 10, 2017, Grupo Banco Provincia S.A. collected \$10,004 on such account.

f.3. *Bapro Mandatos y Negocios S.A. Equity Holdings*

On December 20, 2017, the Board of Directors of Grupo Banco Provincia S.A. approved the purchase of 3% of the capital stock of Provincia Bursátil S.A. in Bapro Mandatos y Negocios S.A., considering the proportional equity value at June 30, 2017. Such transaction was paid on December 21, 2017.

g Provincia Seguros S.A.

g.1. *Minimum Capital Requirements*

At December 31, 2017 and 2016, Provincia Seguros S.A. recorded deficits in its minimum capital for \$330,218 and \$514,490, respectively, calculated according to the SSN rules and considering the inclusion of securities not listed in

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secondary markets for \$35,374 and \$265,958, respectively, as additional criteria to determine the assessable capital stock. The calculation of such assets as at December 31, 2016 had been approved by the control authority pursuant to the terms and conditions of file No. 63,325 dated May 20, 2015. Together with the Financial Statements as at March 31, 2017, Provincia Seguros S.A. will submit to the SSN a request to extend the effective date of the mentioned authorization; no comments were received yet.

g.2. Deficit in claims coverage

At December 31, 2017 and 2016, Provincia Seguros S.A. had surplus and deficits in the coverage of debts to insureds for \$436,440 and \$22,937, respectively, calculated according to the provisions of section 35 of the General Rules for Insurance Activity.

On August 16, 2016, the Company submitted to the SSN an integral strategic plan for the 2016-2019 period, together with an adjustment plan. Under this plan, Provincia Seguros S.A. will improve the technical ratios required by the prevailing regulatory rules in accordance with the following scheme:

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

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

At December 31, 2017 and 2016, the Company recorded credits for premiums owed by the Government of the Province of Buenos Aires for \$164,054 and \$252,430, respectively. In 2013, the loss ratio of the above mentioned insured increased as a consequence of the extraordinary weather event occurred in April 2012, causing an extension in the collection terms of those credits. The Company, in its capacity as sole insurer of the properties owned by the Province of Buenos Aires, accepted the rescheduling of past-due claims.

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

In 2017 and 2016, the Provincial Government made cash payments for \$ 652,746 and \$ 291,634, respectively to partially settle said debts.

h. Grupo Banco Provincia S.A.

h.1. Liquidated Company

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

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

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

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

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Since a \$105,779 loss was recorded in 2016 from its equity holding in related companies, the Regular Meeting of Shareholders of Grupo Banco Provincia S.A. held on April 19, 2017 decided to release the Optional Reserve by the mentioned amount so as to absorb the negative economic result; thus the Optional Reserve amounted to \$479,671.

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

The Board of Directors of Grupo Banco Provincia S.A. has been duly informed of legal and other actions taken against the Company and Provincia Servicios de Salud S.A. (liquidated), regarding controversies over the rendering of health services, derived from the framework agreement entered into with the French charitable and philanthropic association (Hospital Francés). On February 8, 2012, the Board of Directors of the Company consented to subrogation proceedings with respect to all claims involving Provincia Servicios de Salud S.A. (liquidated), entrusting the Legal Affairs Management with the completion of all necessary formalities to such effect.

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

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

At December 31, 2017 and 2016, the "Other Reserves" caption disclosed under the Stockholders' Equity heading in the Financial Statements of Grupo Banco Provincia S.A. amounted to \$2,629 and accounted for the proportional amount of Grupo Banco Provincia S.A. in the release of the reserve for contingencies and loss ratio variances with a contra entry in the Stockholders' Equity booked by Provincia ART S.A.

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

At December 31, 2017 and 2016, the "Deferred Results" caption disclosed under the Stockholders' Equity heading amounted to \$ 100,822 and \$ 87,336, respectively, in line with the proportional amount of Grupo Banco Provincia S.A. in the real estate revaluation with a contra entry in Stockholder's Equity booked by Provincia ART S.A. and Provincia Seguros S.A., resulting from the application of the revaluation method net of proportional amortizations and the Income Tax.

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

i. Other Subsidiaries

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

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

On October 20, 2017, the Regular Meeting of Shareholders approved the distribution of cash dividends, based on the profits recorded during the period ended June 30, 2017. On that same date, Grupo Banco Provincia S.A. received Argentine Central Bank Bills for \$53,422 on account of such distribution of dividends.

i.2. Exchange of National Public Debt - Subsidiaries

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

	12/31/2017			
	Secured Loans		Promissory Note of the Argentine Republic 2019	
Subsidiary	\$	Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company	\$	Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company
Provincia Seguros S.A.	29,251	17,551	207,418	124,451
Provincia ART. S.A.	-	-	108,350	107,090
Provincia Seguros de Vida S.A.	-	-	5,067	3,040
Internacional Cía. Seguros	n/a	n/a	n/a	n/a

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(In thousands of pesos)

12/31/2017				
	Secured Loans		Promissory Note of the Argentine Republic 2019	
Subsidiary	Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company		Proportional share according to Grupo Banco Provincia S.A.'s interest in the Company	
	\$		\$	
de Vida S.A. (*)				
	29,251	17,551	320,835	234,581

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

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

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

Line of Business	Companies
- Insurance	Provincia Seguros S.A. Provincia Seguros de Vida S.A. Provincia ART. S.A.
- Banking and Other Financial Services	Banco de la Provincia de Buenos Aires Provincia Leasing S.A. Bapro Medios de Pago S.A. Bapro Mandatos y Negocios S.A. BA Desarrollo S.A.
- Brokerage	Provincia Bursátil S.A.
- Services	Grupo Banco Provincia S.A. Provincia Microempresas S.A. Provincia Servicios de Salud S.A. (*)

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

ACTIVITY-BASED CLASSIFICATION OF INCOME/(LOSS)							
Captions	Insurance	Banking and other Financial Services	Services	Brokerage	Subtotal	Eliminations	Consolidated
Financial Income							
	4,972,100	38,253,846	18,037	48,521	43,292,504	(233,836)	43,058,668
Financial Expenditure							
	(105)	(15,516,655)	512	(99)	(15,516,347)	215,542	(15,300,805)
Charge on Bad Loans							
	-	(2,120,241)	-	-	(2,120,241)	-	(2,120,241)
Income from Services							
	24,220,283	11,753,345	493,245	232,053	36,698,926	(1,300,945)	35,397,981
Expenditure for Services							
	(23,302,857)	(7,204,253)	-	-	(30,507,110)	1,022,500	(29,484,610)
Administrative Expenses							
	(4,174,640)	(19,091,877)	(602,226)	(100,629)	(23,969,372)	523,203	(23,446,169)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS WITH CONTROLLED COMPANIES (GENERAL COMPANIES LAW - SECTION 33)

AT DECEMBER 31, 2017 AND COMPARATIVE PERIODS

(In thousands of pesos)

Minority Interest							
	-	-	-	(10,740)	(10,740)	(193,208)	(203,948)
Miscellaneous Income							
	222,551	3,958,111	907,078	4,498	5,092,238	(2,141,778)	2,950,460
Miscellaneous Losses							
	(248,350)	(3,024,382)	-	(1,758)	(3,274,490)	(51,654)	(3,326,144)
Income Tax							
	(478,072)	(17,018)	(11,003)	(57,225)	(563,318)	-	(563,318)
Net Income/ (Loss)							
	1,210,910.	6,990,876	805,643	114,621	9,122,050	(2,160,176)	6,961,874

Note 20 – Income Tax and Notional Minimum Income Tax

As mentioned in Note 2.16 to the Bank's Financial Statements, the Bank, its assets, acts and doings, agreements, contracts and transactions, as well as any rights arising therefrom in its favor, are exempt from all liens, taxes, charges or contributions of any nature whatsoever, and no provision is required to be made for income tax on the businesses transacted by the Bank's Home Office or its domestic branches.

As of December 31, 2017 and 2016, no taxes are due by Grupo Banco Provincia S.A. under the applicable law, considering the pertinent advances and positive tax balances.

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

At December 31, 2017 and 2016, the "Miscellaneous Receivables" caption included \$107,099 and \$131,123 respectively, which stand for the payments made on account of the minimum notional income tax.

Note 21 – Restrictions on the Distribution of Profits

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

Note 22 – Trust Agreements

At December 31, 2017 Bapro Mandatos y Negocios S.A. entered into the following Trust Agreements:

Guarantee Trusts: Trust agreements whereby the assets held in trust guarantee beneficiaries a credit transaction or the fulfillment of an obligation and/or agreement. At December 31, 2017, Bapro Mandatos y Negocios S.A. acted as Trustee for 29 Guarantee Trusts.

Management Trust: Trust agreements whereby trustees manage assets held in trust in favor of beneficiaries. At December 31, 2017, Bapro Mandatos y Negocios S.A. acted as Trustee for 27 Management Trusts; total equity held in trust amounted to \$7,902,230.

Financial Trust: Trust agreements whereby the trustee is entrusted with the administration of the trust property for the benefit of holders of participation certificates in the assets transferred or holders of debt certificates. At December 31, 2017, Bapro Mandatos y Negocios S.A. acted as Trustee for 2 Financial Trusts; total asset held in trust amounted to \$54,272.

Financial Trusts publicly offered: Trust agreements whereby the trustee is entrusted with the administration of the trust property for the benefit of holders of participation certificates in the assets transferred or holders of debt certificates publicly offered, the beneficiaries of which are the holders of Debt Instruments and/or Participation Certificates. At December 31, 2017, Bapro Mandatos y Negocios S.A. acted as Trustee for 5 Financial Trusts; total asset held in trust amounted to \$726,050.