

PROVINCIA 5 AIRES

Banco Provincia

2017 Annual Report

Banco Provincia

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2017



Annual Report



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Province of Buenos Aires





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Banco de la Provincia de Buenos Aires

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Message from the President

n our role as a public bank, in 2017 we began noticing the results of the joint work aimed at supporting the development of the Province of Buenos true. Aires and its people. In 2016, we set the foundations for the Bank's relaunching. In 2017, on the occasion of its 195th anniversary, such decision enabled us to become a leader in many market segments.

We closed the year beating records in many indicators, including unprecedented profits. These results were achieved focusing on our social commitment and our role as a public bank.

We were pillars in the granting of mortgage loans. With more than 10,000 loans granted for over \$10,000 million, 2017 will probably be the best year in the Bank's history in terms of mortgage lending. The above figure represents an exponential growth

"We were pillars in the granting of mortgage loans. With more than 10,000 loans granted for over \$10,000 million, 2017 will probably be the best year in the Bank's history in terms of mortgage lending."

> if compared with the 400 mortgage loans granted throughout 2016. It also entails a significant advance towards the goal of

transforming the Bank into the point of access to housing, helping each and every family make their housing dreams come

Since the beginning of our administration, we have decided to offer provincial inhabitants the opportunity to purchase their own homes. Today, we can look back with a great sense of accomplishment and satisfaction at what has been achieved in this field.

Such remarkable financing expansion took place within a context of significant improvement in the Bank's solvency. In 2017, as a result of an efficient and balanced management policy, the Bank set a historical peak, recording profits for \$6,962 million (+119.6% over 2016).

At the same time, the Bank started a process intended to make its figures more realistic. It included the reform to the deficitary Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel, a problem that has been hidden for decades.

In 2017, total deposits rose for a second consecutive year, leading the Bank to rank second in the market. During the period under analysis, we have also played a prominent role in capital markets, actively participating in the issuance of debt securities.

The improved funding structure resulted in a better position in terms of Total Loans. This enabled the Bank to move up from rank 4th to rank 3rd within the financial system while

maintaining its absolute leadership in consumer loans.

In 2017, loans were granted for \$178,003 million. Almost 67% of such amount was destined to the financing of companies, out of which 65% were SMEs. Thus, we ratify our commitment to be the Bank that promotes the development of the Province of Buenos Aires.

Banco Provincia maintained its absolute leading role in Consumer Loans, making provincial inhabitants' dreams come true. Loans to individuals reached \$58,538 million, 176.5% over 2016. In this context, the granting of over 80,000 UVA Automobile loans stood out.

We have played the lead in the most important promotional campaign in the financial system, offering a 50% discount in supermarkets to more than 800,000 customers.

We took all the above measures without overlooking our mission of promoting the development of the Province of Buenos Aires through the financing of SMEs and the agroindustrial sector, providing innovative instruments that fit to the needs of each activity.

Looking forward, the 2017 performance set the bar too high, representing an additional indicator of Banco Provincia staff's capacity and



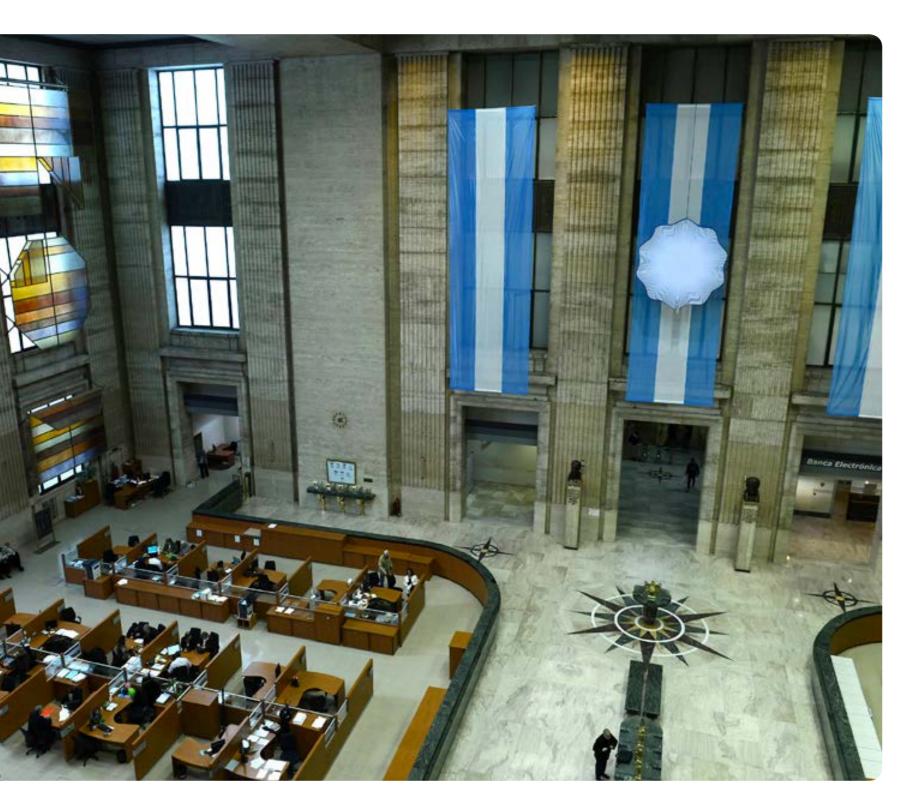
commitment. The attained results proved that it is possible to carry out an efficient management model coupled with a strong social commitment.

The goal of this administration is to promote equal opportunities, financial inclusion, life quality and employment for the people of the province, facilitating credit access oriented to social development and financial assistance for small and medium size enterprises.

With a forward-looking approach, we will face the challenges posed by the new technologies so as to maintain the Bank's leadership position in the market and improve its customer base, bringing provincial inhabitants increasingly closer to the Bank.

We ended 2017 with record figures in many indicators. This behavior urges us to intensify our efforts since, undoubtedly, they are the starting point towards a better future for the Bank, the Province and the Country.

Juan Curutchet



International Context

hroughout 2017, the global economic activity performed dynamically, gradually overcoming the turmoil that had affected financial markets the previous year. International economy grew 3.6%, up from the 3.2% recorded in 2016. According to estimates from the International Monetary Fund (IMF), this growth was the result of a greater dynamism in investments, foreign trade and industrial production in a context of higher investors' confidence. The IMF Japan, China and the United States. Moreover, the large emerging market economies, mainly those of recovery.

In developed economies, domestic product and demand expanded at a greater pace. In the United States, investment kept on consolidating; in the Eurozone and Japan, private consumption, investment and foreign demand grew even further. In the other policy. developed economies, except for the United Kingdom, growth recovered as the result of domestic and foreign demand.

In some of the main developing and emerging markets, a continuous economic recovery was recorded. Mention should be made of the increase in China's domestic demand and the improved external demand observed in other East Asian economies.

In Brazil, buoyant exports and the decelerated Notwithstanding the above, after two consecutive contraction of domestic demand helped overcome the years of low income, emerging market economies recession suffered during eight quarters. In India, the experienced a greater dynamism in investments economic growth lost momentum after the fiscal and during 2017, mainly oriented towards private and monetary measures taken by the Government. public debt markets. Such improvement was due to a greater global risk appetite, which stood close to Commodities' prices performed heterogeneously. As post-crisis maximum levels, and the better growing regards energy products, the increase in oil prices prospects in emerging markets, thus countering the led the gains, mainly as the result of the extension effect of an eventual hike in international interest of the OPEP (Organization of the Petroleum Exporting rates. During 2017, net capital flows recorded their Countries) agreement to reduce oil production. The first positive year since 2014. Argentina was one of geopolitical tensions in the Middle East also affected the main beneficiaries from such change.

such scenario. Higher oil prices boosted the general





level of prices in advanced economies, but salary increases and the underlying inflation remained moderate.

Base metal prices also showed a good performance in 2017, partly due to the increased industrial activity in China. International food prices also grew in 2017, reaching their highest level since 2014. However, in emerging market economies, the underlying inflation indicated that such growth was boosted by Europe, and the general inflation level contracted slightly in 2017.

producing commodities, are showing incipient signs In terms of global liquidity, the U.S. Federal Reserve implemented a balance sheet normalization program in 2017 and raised doubts on the potential impact of this process on capital flows. At the end of the year, it announced an interest rate increase largely expected by the markets as well as its intention to advance gradually with the normalization of its monetary

> For the first time since 2008, the Bank of England increased its monetary policy rate. This was due to the reduction in the economy's idle capacity and the inflation rise above target caused by the devaluation of its currency. By the last guarter of the year, the European Central Bank announced the extension of its bond purchase program but for a lower amount, a clear signal of stimulus withdrawal.

Domestic Context

hroughout 2017, the Argentine economy continued with the recovery that had started in the last quarter of 2016. From the second half of the year onward, the maximum levels attained before the beginning of recession were recovered. The measures implemented by the new Administration, effective as from 2016, had a favorable impact on several economic sectors.

In the period under analysis, the Gross Domestic Product (GDP) grew 2.8% in real terms, largely offsetting the contraction (-2.2%) observed in 2016. This performance was strongly boosted

Imports also performed dynamically in line with the consolidation process of economic growth and investment. Imports grew 19.7% as against 2016, boosted by the expansionary performance in all surveyed sectors.

> by investments and exports -reflecting the better business environment prevailing in Argentinaand, to a lesser extent, by private consumption. In terms of supply,

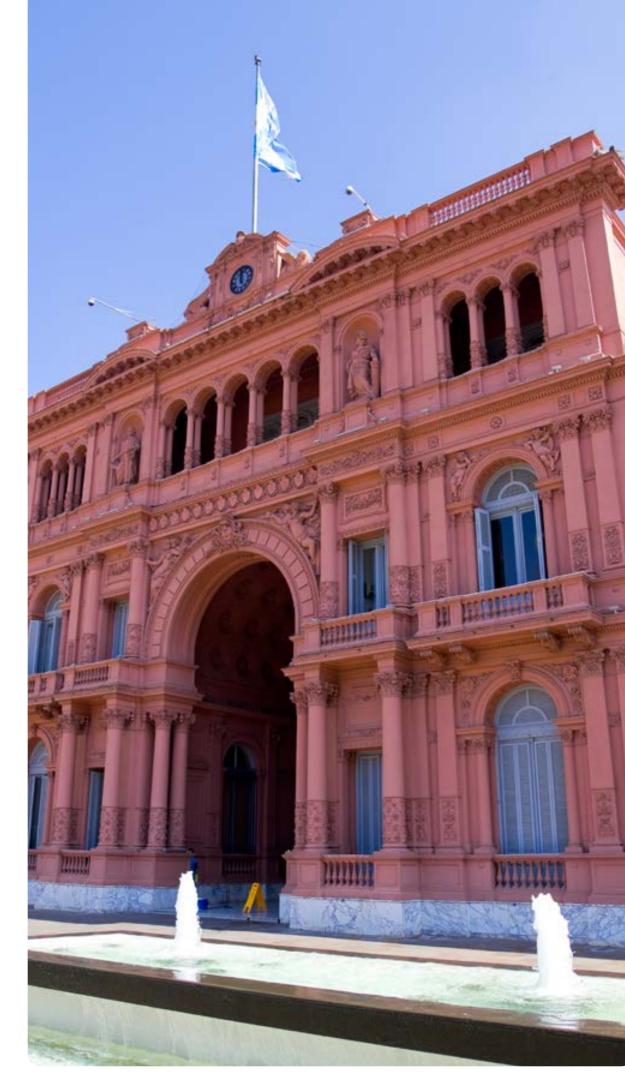
almost all economic sectors had an expansionary behavior.

The economic consolidation impacted on the labor market. An increase was observed in the number of private sector jobs, in a context in which formal employees' nominal wages surpassed inflation levels.

The inflationary deceleration process that had started in the second half of 2016 deepened. The Domestic Consumer Price Index rose 24.8%. Though such variation was significantly lower than the one recorded in 2016, it still stands above the target set by the Argentine Central Bank (BCRA).

Exports grew slightly, thus maintaining the recovery observed throughout 2016. However, they still stand well below the historic peaks of 2011. This performance derived from the dynamism in Manufactures of Industrial Origin (MIO) and Fuels and Energy, which was partially offset by the contraction in Primary Products and Manufactures of Agricultural Origin (MAO).

Imports also performed dynamically in line with the consolidation





process of economic growth and investment. Imports grew 19.7% as against 2016, boosted by the expansionary performance in all surveyed sectors, reversing the contractive trend observed during the last four years. The greater relative increase in imports when compared to exports derived in a significant trade deficit that reverted the 2016 surplus.

In terms of monetary policy, the monetary authority implemented in 2017 the inflation targeting policy, with interest rates as a monetary policy instrument to bring inflation under control. In this framework, the financial system accelerated its expansion rate, with a significant progress in the real volume of financial brokerage. This situation was fostered by the dynamism in private sector lending -since deposits grew at a slower pace- and was mainly supported by the increase in foreign currency placements.

The favorable lending performance was the result of a general increase in all segments, especially mortgage loans due to the implementation of the UVA (acquisition value unit)-indexed loans.

This expansion was achieved in a context in which the National Administration took measures to moderate the high uncertainty levels affecting the market. Those measures helped Argentina to regain access to international markets, which, in turn, resulted in a decline in sovereign yields with the ensuing recovery in debt ratings.

Banco Provincia

Our mission

We are the bank of the people of the Province of Buenos Aires

Our mission is to be the bank that promotes the development of the Province of Buenos Aires and its people. We believe that the progress of each inhabitant contributes to build a stronger Province and this is the starting point to improve the quality of our lives.

Our commitment:

To promote equal opportunities and the financial inclusion of all the provincial people.

To encourage the development of productive sectors of the province of Buenos Aires, offering financial solutions.

To support SMEs as the driving force of the economy, and the agricultural sector as the basis of our production system.

To facilitate the progress of all provincial inhabitants through financial tools to make their dreams come true

To offer again the opportunity to acquire own homes.

To provide financial assistance in our role as a social and public bank to municipalities, social and sport clubs, regional economies and the culture sector of the province of Buenos Aires.

The Bank, with 10,503 employees and 421 branches located within the Province of Buenos Aires and the Autonomous City of Buenos Aires, is close to all provincial inhabitants.

We are close to all provincial inhabitants



Our History

he history of Banco Provincia started together with our identity as country and society. In its role as a public bank, the Institution has adapted and modernized to meet the changing needs. During its existence of almost 2 centuries, the Bank has accompanied the development of the provincial people, building with them a path to prosperity. A history that is written day by day.

The Bank, founded in 1822, was the first financial institution to operate in Argentina and Spanish America. It has a valuable experience of 195 years and a long-term vision based on economic sustainability and innovation, which enable the Bank to improve the quality of products and services.

Banco de la Provincia de Buenos Aires, as a state-owned Bank, is a self-administered public institution, the origin, guaranties and privileges of which are set forth in the Preamble and in Sections 31 and 121 of the National Constitution, in the National

Present in municipalities

branches

10,503 emplovees

Law No. 1029 of 1880, and in the Provincial Constitution and laws. It started operations under the name of Banco de Buenos Aires, and was the first Argentine corporation of its kind with state promotion and private capital.

Throughout its history, the Bank has maintained a strong commitment towards the development of the Province of Buenos Aires and its people. It granted the firstever mortgage loan in the country (1856) and launched the first loan facility for the agro-industrial sector (1941).

Banco Provincia inaugurated its first three branches in 1863 and, afterwards, has consolidated as the financial institution with the greater presence province-wide with more than 421 business units. As part of the commitment to be close to people who need support, the Bank launched its own ATM network in 1989. Nowadays, it is the most extensive network within the provincial territory with over 1,700 terminals operating even in places where other banks are not present.

Current situation of the Bank of the People of the Province of Buenos **Aires**

A bank continuously improving

In 2017, as a result of an efficient and balanced management policy, the Bank set a historical peak, recording profits for \$6,962 million (+119.6% over 2016). Undoubtedly, the continuous improvement in the Bank's funding structure and its liquidity/capitalization levels, enabled us to consolidate as a stronger public bank, more predictable and reliable.

Profitability for the year is equivalent to a ROA (return on assets) of 2.85%, a significant increase when compared to the 1.83% in 2016. Considering these figures, the Bank reached almost the same system's level (3.01%). This improvement in the statement of income was possible without overlooking our social role and the support to SMEs, making such results even more remarkable and meritorious.

Since the launching of UVA loans, we had an active and leading participation in the Household segment, concentrating 30.6% of the total national offer. We played a prominent role in the granting of UVA mortgage loans, offering up to 30-year repayment terms. These actions caused an increase in our share in the Household segment (from 8.8% to 10.5%) evidencing the highly competitive conditions of the products offered. We maintained an active role in the granting of corporate subsidized loans such as the Productive Investment Facility and the Pyme 10 product.

The Bank's liability management policy remained oriented towards a more efficient fund raising structure, recording a 44.2% increase in the volume of total deposits. It meant the continuation of the process that had started



in 2016 which, like in such year, proved to be successful as evidenced by the new reduction in the average funding cost. This had the dual merit of not only improving the results attained a year earlier but also the system's performance, which also reduced its costs, but to a lesser extent.

Such results were mainly due to a more efficient funding structure, deepening the actions taken in 2016, and the following factors:

> **1.** A systemic drop in borrowing interest rates as against 2016 within the framework of the prevailing disinflationary process;

> 2. Lower rates paid by the Bank as against the rest of the system during almost all the current year, thanks to a fair liquidity position and a competitive funding structure;

recorded by the system;

4. A better composition of term deposits when compared to the system, showing a lower incidence of wholesale private placements (30.9% vs. 34.0%), more expensive and volatile, in favor of a greater participation of public sector (21.6% vs. 20.5%) and retail private (47.3% vs. 45.3%) deposits, more economical and stable.

Year 2017 represents the second consecutive year with an improved market share in terms of total deposits, growing from 9.2% in 2016 to 10.6%. This situation led the Bank to rank second in the market with a greater volume of Total Deposits.

Obviously, such improved funding structure resulted in a better position in terms of Total Loans, enabling the Bank to move up from rank 4th to rank 3rd within the financial system while maintaining its absolute leadership in consumer loans, advances and notes.



3. A lower incidence of term deposits in the internal funding structure, which moved from 49.3% in 2016 to 45.9% in 2017. However, they are still above the 44.5%

Corporate Banking

In line with our mission to promote the development of the Province of Buenos Aires and its people, we support productive sectors and regional economies, provide assistance to SMEs as the driving force of economy and encourage the growth of the agricultural sector as the basis of the productive chain.

In 2017, loans were granted for \$178,003 million. Almost 67.1% of such amount was destined to the financing of companies, out of which 65% were SMEs. Likewise, lending in foreign currency increased twofold (over \$28,900 million).

Loans to SMEs



In 2017, \$65 out of every \$100 lent by Banco Provincia were destined to SMEs. Throughout 2017, financing solutions were offered to more than 20,000 small and medium enterprises and \$78,343 million was lent to this segment.

The goals regarding the granting of loans under the Financing Facility for Production and Financial Inclusion were over fulfilled by **50%.** More than \$2,500 million was lent through the Pyme 10 loan facility, which offers a 10% annual interest rate.

The Bank has participated in fund biddings at subsidized rates through agreements signed with the National Ministry of Production and the Fund for the Argentine Economic Development (Fondo para el Desarrollo Económico Argentino - FONDEAR), which resulted in the granting of 100% of the committed funds.

To bring the Bank closer to SMEs, the Espacio Provincia units located at industrial parks were promoted. In 2017, six Espacio Provincia units were inaugurated in the industrial parks located at Chivilcoy, Pergamino, General Savio, 9 de Abril, Ezeiza, and Bahía Blanca, which added to the ones already existing in Tres Arroyos, Junín, Tandil, Cañuelas, Ramallo, General Rodriguez and Moreno.

Besides, we have introduced the Regional Business Officer position, in charge of encouraging commercialization activities and strengthening the direct relationship with the Bank's customers in six municipalities of the Greater Buenos Aires (San Justo, San Martín, San Isidro, La Plata, Berazategui and Lanús) and four districts of the interior of the province (Olavarría, Lincoln, Trenque Lauquen and Coronel Suarez).

Loans to the Agro-industrial Sector



We have provided a \$63,000 million financial assistance to the provincial farming sector, accounting for 52% of total corporate loans.

We remained being the basic pillar for provincial producers. Loans to the agro-industrial sector surpassed by 58% our annual target; the y/yincrease of placements reached 86%.



With 0% rates and up to 360-day repayment terms, our Procampo Card kept on consolidating as the credit card for the provincial agricultural producer. Over 1,700 special agreements were subscribed with 980 input suppliers and almost \$6,000 million were lent. Additionally, the commercial relationship with YPF strengthened through the execution of special promotion agreements for the purchase

of fuels and related products at a 0% rate and a 210-day term.

The Bank had an active presence in the main fairs, exhibitions and cattle auctions where commercial agents played an active role, providing advice to attendants and offering the Bank's products and services.

Several meteorological phenomena affected the provincial productive surface throughout 2017. In such context, the Bank offered several lending tools to affected agricultural producers that included flexibilization of maturities and new loans for improving working capital (\$200 million). Thus, credit assistance was provided to almost 300 customers located in 30 districts.





enterprises located in Argentina increased 74% as against 2016, totaling \$22,960 million at the end of the year (39% of total Corporate Sector).

Loans for the financing of Foreign Trade

In 2017, loans for the financing of foreign trade increased twofold, amounting to \$16,000 million. The Foreign Trade commercial network expanded and web functionalities were enhanced.

With the goal of adding more value and improving the customer service, the Foreign Trade Management expanded its commercial network through the creation of a Foreign Trade Regional Unit in Campana. Its main purpose is to carry out transactions and business activities in the "Paraná River Corridor", giving priority to the Mercosur member countries. Foreign trade



Loans to the Corporate Sector

During 2017, the portfolio balance destined to economic groups, extra-large, large and medium Loans to this sector amounted to \$37,637 million, 55.0% over the previous year (33% of total Corporate Sector). Through its commercial network, the Bank loaned \$2,199 million to the Corporate Sector.

functionalities were improved through the BIP Empresas platform and the Web Module. A new software was implemented to speed up foreign trade transactions.

In this context, the Bank enlarged its share in the financial market and achieved a 35.8% increase in Income from Services related to this sector.

The Bank provided financial assistance in foreign currency for US\$1,742 million, out of which US\$944 million was destined to import and export financing facilities.

A more inclusive Bank

We continue consolidating bancarization and inclusion, expanding the geographical coverage and the Bank's functionalities, to offer people more options, products and services.

Social Microcredits

In order to increase our customer base, we continue working with Provincia Microempresas, a leading national company in this sector. In 2017, 29,005 loans were given for \$1,345 million, a 58.2% y/y rise. Thus, the Bank's active portfolio included 34,631 customers. The 2018 projections are focused on granting 43,775 loans for \$2,985 million, reaching a total portfolio of 50,000 customers.

Social microcredits favor the financial inclusion, development and quality of life of provincial micro-entrepreneurs. Provincia Microempresas provided services in 93 Bank's branches, 19 branches more than in 2016.

During 2017, the Bank focused on the enhancement of the service channels by expanding its business units network, increasing the number of officers and designing new business models, which will be the pillars to reach the 2018 targets.

Since 2009, 176,740 microcredits have been granted to 79,303 provincial inhabitants for \$4,228 million.

Mortgage Loans

Since taking office, the main premise of the Bank's administration was to offer again the opportunity to acquire own homes. In 2017, mortgage loans were granted to 10,902 families, thus beating a historical record.

Every 5 minutes, a family became owner of a new house thanks to our mortgage loans. During the year, the Bank recovered its role as a point of access to housing for all provincial inhabitants.

The demand for mortgage loans grew exponentially due to the implementation of UVA loans, offering up to 30-year repayment terms.





This new system eliminates several requirements and reduces to one third the value of installments.

Mortgage loans amounted to \$12,951 million in 2017 as against \$675 million a year earlier, accounting for a 1,818.7% increase. Portfolio balances grew by 330.5% (\$15,520.9 million).

The UVA Mortgage Loans facility amounted to \$12,300 million, almost 20% share in the whole System and 98% of the total amount lent by the Bank. In 2017, 88,000 enquiries were received and 24,000 applications were entered.

Bancarization

We aim at reinforcing our presence in places where private banks do no offer products and services. To that end, we developed the "Pueblos Inteligentes" Program together with Provincia Net. Under this program, offices for the collection of taxes and services and cash withdrawals using Banco Provincia Debit Card may be established in cooperatives located in very small towns.

More people were included in the formal financial market through the "Billetera Digital" application which allows our customers to pay in stores and make transfers among users.

We give entrepreneurs the possibility to have a credit card. More than 800,000 provincial inhabitants obtained a 50% discount in supermarkets. In the July-November period, our customers saved money buying in 42 supermarkets and 2,520 points of sale located in the Province and the City of Buenos Aires

About 63% of the customers participating in this promotional campaign has low or middle income levels (\$2,000 to \$30,000/month). Half of the beneficiaries were teachers and retirees, but Universal Child Allowance beneficiaries, police officers, health care workers and municipal employees also enjoyed this benefit. People from Greater Buenos Aires, La Plata and its surroundings areas, Mar del Plata and Bahía Blanca took advantage of this discount.

Efficiency and service quality

In order to improve efficiency standards focusing on our customers' experience, the Bank streamlined the management of its business units, consolidating them in a single management environment. To that end, the Commercial Network Department Management was created after the integration of the Branch Network and the Operational Coordination Department Managements.

Personal Banking

Banco Provincia maintains its absolute leading role in Consumer Loans, making provincial inhabitants' dreams come true.

Loans to individuals reached \$58,538 million, 176.5% over 2016. With a 16.1% share in the market, we are leaders in Consumer Loans, totaling \$45,588 million, a historical growth as against 2016 (122.0%). effort, we are proud to say that the dreams of thousands of families came true. In order to offer customers more and better functionalities every day, we have continued

This was the result of the success in UVA loans, specially the TU AUTO facility. During 2017, 79,048 TU AUTO loans were given for \$15,542 million, a 34% share in total consumer loans. The Bank granted 318 automobile loans per day, each loan averaged \$196,000 with monthly installments of \$4,500. Teachers (accounting for 19% of the total portfolio), police officers, municipal employees and private sector workers applied for these loans. Thanks to our effort, we are proud to say that the dreams of thousands of families came true.

In order to offer customers more and better functionalities every day, we have continued migrating our pre-qualified customers from the traditional to the digital channel. As a result of this process, consumer loans taken out through our Banca Internet Provincia (BIP) platform increased threefold over the previous year and reached \$11,900 million.

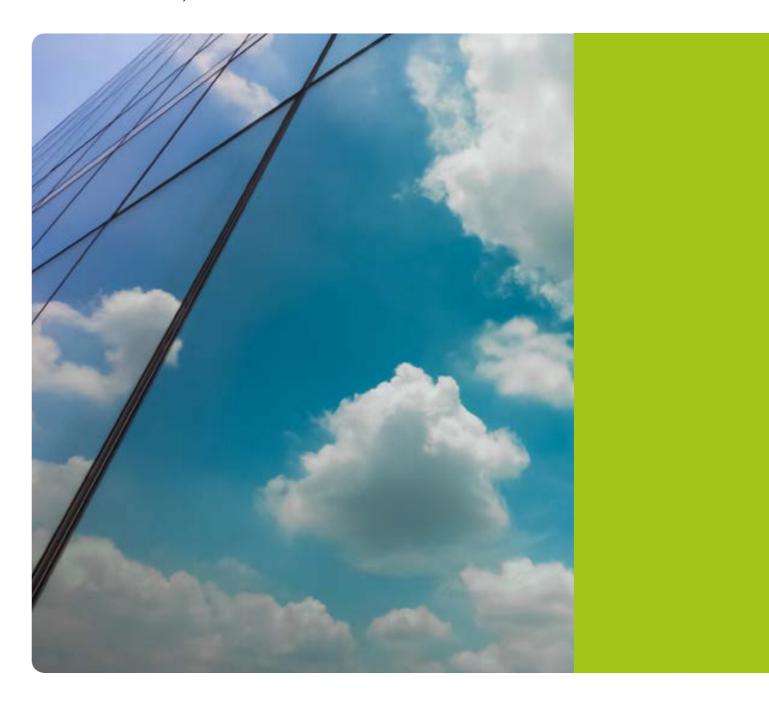
Service Quality

Since the creation of the Works and Infrastructure Management in 2017, the Bank has focused on continuing its most ambitious Work Plan which began in mid-2016 so as to improve service quality. With an investment of \$5,200 million until 2019, the Bank expects to refurbish more than 400 customer service points located throughout the Province of Buenos Aires.

During 2017, 13 business units were totally refurbished: Avellaneda, Castelar, Marcos Paz, Plaza Miserere, Plaza Manuel Belgrano, Campana, Florentino Ameghino, San Miguel del Monte, San Nicolás, Dolores, San Andrés de Giles, Pilar and Verónica. In October, the Bank inaugurated Presidente Derqui branch and carried out remodeling works in 8 business units: Ensenada, Roque Pérez, Lomas del Mirador, Tribunales Mar del Plata, San Vicente, Chivilcoy, Trenque Lauquen and Monte Grande. Such works will end in 2018. The Bank is carrying out an integral reengineering of processes involving customers and products and improvements to optimize customer service.

With the purpose of offering customers more alternative channels, the Bank is enhancing and enlarging the number of self-enquiry terminals, ATMs and self-managed modules at the BIP platform. We manage the largest ATM network in the Province of Buenos Aires, with 1,732 installed terminals in 135 districts: 653 ATMs are located in the Buenos Aires Metropolitan Area, 147 in the City of Buenos Aires, 745 in the interior of the province and 187 in La Plata District.

During 2017, 81 new ATMs were installed, 52 were replaced, thus increasing our ATM network by 29 units.





We created new sales teams for both individuals and companies to reinforce the concept of customized assistance.

The Bank implemented an integral system to manage and administer the number of customers in critical Business Units, setting priorities according to profitability and business potential criteria.



Institutional Banking

Banco Provincia is committed to be a strategic management tool to foster the development of municipalities and enhance the quality of life of provincial people.

Under the Financing Facility for Production and Financial Inclusion destined to the acquisition of road machinery and vehicles, the Bank granted loans for \$526 million to 30 municipalities.

Steps were taken to build new relations through the launching of the Bank's products and services, mainly destined to update processes and increase the use of information and communications technology, enabling the Bank to operate more secure, efficient and transparent systems.

The Bank, the Government Ministry and the General Treasury of the Province of Buenos Aires

have entered into an agreement to expand the collection electronic channels available at the different provincial bodies through the Integrated SIEP System (Sistema Integrado de Emisión y Pagos no Impositivos).

The Bank and the Ministry of Economy have entered into an agreement to centralize the payment of salaries through a process that speeds up tasks and reduces risks and costs.

The bancarization management process of beneficiaries and proxies of the Social Security Institute (Instituto de Previsión Social-IPS) was automated. This allows the Bank to migrate payments at cash desks to credits with bank accounts, fostering the use of ATMs for cash withdrawal and cards in Visa participating merchants.

A more dynamic Bank

Business Development

In order to reinforce market penetration, competing with the other financial entities but without overlooking our social role, the Bank's commercial actions were aligned with the strategic goals mainly oriented to satisfy the needs of the different segments and activities.

We continued working on the Bank's digital transformation. Our business units can digitalize customers' signatures in real time, enabling the rest of branches and central areas to have access to the image instantaneously. It means a long-awaited change, which will speed up administrative tasks.

Since May, the Bank's branches can digitalize customers' files so as to be visualized by the rest of the Bank, avoiding the use of copies and mailing.

Now, the Bank's branches have a new BIP Sucursales system that will enhance mainly operative processes and focus on business activities. This central information system is easier for our personnel and integrates with other systems resulting in a more efficient tool.

We developed a strategy to jointly sell our products and services through packages designed for customers with different income levels. The objective is to encourage customers to acquire our wide range of products and services in a faster and easier way.

The implementation of UVA Savings Accounts mainly for young people was authorized, thus fostering long-term saving.

To enhance the quality of the traditional and digital products and services, significant improvements in the Bank's functionalities



and web page were made during 2017: internal pages were reduced, internal linking was optimized and the browser menu was simplified, in formats supporting different web platforms and mobile applications.

A Centro de Notificaciones communication channel was created to transmit messages to BIP customers about the significant events related to banking products, such as, payment of salaries, loan and fixed-term deposits maturities and other transactions. This channel is aimed at improving home banking services, fostering the use of digital tools and reducing the amount of enquiries in business units and call center.

The Bank's digital transformation will benefit the customer's experience. Digitalization will allow customer information to be available to all business units through the network. This will substantially reduce response time and enhance our service quality. Digital channels allow customers to save time and money and operate virtually from their home. They are useful for the Bank since they reduce customers at bank's desks, diminish operative workload and improve profitability due to lower operative costs.

The BIP platform kept on consolidating as the core of the Bank's business strategy. Thus, we continue adding value to our BIP and BIP mobile platforms, operated by 1,440,044 and 508,438 users, respectively.

We also encouraged integration with products and services offered by Grupo Provincia's companies. Additional commercial options were incorporated enabling customers to carry out transactions and apply for products/services without going to a branch.



Financial Banking

We have played a leading role in this market, actively participating in the issue of debt securities both in the public and private sectors.

During April 2017, the Bank carried out the second debt securities issue in its history, but the first one At international level, it has collaborated with the in UVA in the capital markets. Such issue amounted Province of Buenos Aires, as local co-manager, on to \$1,032 million, at a 36-month term. It also launched the issuances of debt instruments made in February two other issues in pesos, at a variable rate, for an and July for US\$1,500 million and EU500 million. amount of \$464 million, at 18 and 48-month terms, respectively. totaling \$1,496 million.

During October 2017, as a sign of confidence in the Bank's financial instruments, a third issue was launched (\$2,471 million). Through this issue, the largest corporate transaction of the year, the Bank received offers for more than \$3,600 million. It was the first placement to include the TM20 rate, applicable to wholesale deposits exceeding \$20 million.

In 2017, the Bank was awarded the ISO 9001-2015 Certification for the processes related to the custody of 1822 Raíces Mutual Funds. The Argentine Normalization and Certification Institute (Instituto Argentino de Normalización y Certificación-IRAM), This way, the Bank continued diversifying its funding together with IQNet Association, certified that the Bank has complied with the international standards sources, enabling it to extend the average terms for raising funds, achieve a better assets/liabilities requirements. The Bank, as a Custodian of Mutual Funds matching and consolidate its position in the capital Collective Investment Products, was one of the few capital markets members to obtain such award which markets. certifies the fulfilment of the highest quality standards. The applied methods are aimed at optimizing processes and service quality, thus attaining the Bank's goals and satisfying customers' needs. As a result, the Bank may assess, monitor and analyze the regular processes in order to achieve the expected outcome in an ongoing improvement scenario.

Within the local market, the Bank has consolidated its role as the main arranger and manager of debt securities in the provincial public sector. Its participation amounted to \$44,980 million, leading the issuance of Provincial Treasury Bills and Debt Securities, where the Bond of the Province of Buenos Aires 2022 (PBY22) stood out. It is the first financial be offered abroad pursuant to regulation "S" and 144A, for \$15,182 million.

instrument under the Argentine law with the option to The Bank integrally managed the different financial business of corporate customers (companies, mutual funds, insurance companies, municipalities, etc.) with a portfolio composed of 6,500 retail and Furthermore, Banco Provincia has increased its wholesale customers from the public and private participation in the issuance of corporate debts, playing sectors for an amount surpassing \$90,000 million.



a significant role as arranger and manager of Negotiable Obligations and Trusts of Vicentín Exportaciones, Los Grobo Agropecuaria, Grupo CARSA, Banco Hipotecario, BACS, among others.

Funds managed under the "1822 Raíces Mutual Funds" totaled \$11.624 million at December 2017. a 92% annual increase.

Regulatory Compliance

In line with the Bank's vision of independence from other areas, Regulatory Compliance continued reporting directly to the Board of Directors.

Through the Compliance Management Indicator, the Bank monitored the culture of compliance, attaining the targeted objectives.

With respect to the international best practices on Ethics and Compliance, the unit gave training to new employees, candidates applying for the National Securities Commission (Comisión

Nacional de Valores-CNV) certification and, together with the Risks Deputy Management, to Branch Operations Deputy Managers and Managers of Regional Centers under the Compliance and Risk Management Development Program.

Projects for 2018 include generating alliances with different strategic players to develop an Integrity and Regulatory Compliance Program, reinforcing training actions to spread the culture of compliance bank-wide.

Risk Management

The Bank has in place a comprehensive risk management policy and develops new strategies oriented to the identification, measurement, follow-up and mitigation of risks in accordance with the best practices laid down by the Basel Committee and implemented by the BCRA.

The preparation of Contingency Plans, the integration of risks with Grupo Provincia, the presentation of reports to the BCRA, the drafting and submission of a Capital Self-Assessment Report are its most significant tasks.

In 2017, the following goals were attained: the development and improvement of different tools for managing the financial, credit (new tool available from the intranet to business units, Regional Centers and Central Areas) and

operational (operational risk self-assessment, reporting of operational risk loss events, key risk indicators, analysis of scenario, reporting of events) risks.

Other goals achieved include: contributions made toward the IFRS convergence process, analysis and follow-up of risks associated to UVA loans (especially, term and currency mismatching), preparation of a Contingency Plan for Strategic Risks, approval of "Framework for the management of risks associated to the settlement of foreign exchange transactions", improvement in the quality and integrity of datawarehouse information, incorporating historical data and consolidating the risk datamart system.





Institutional Communication

We continued reinforcing the Bank's position as an entity that fosters the development of the Province of Buenos Aires and its people through campaigns based on inclusion, closeness and progress.

In 2017, the advertising strategy was oriented to offer special benefits with debit and credit cards (50% discounts at supermarkets) and UVA loans. The Bank launched "Tu Moto" and "Tu Auto" loans for the purchase of motorbikes and automobiles, respectively. We participated in geolocalized campaigns in social networks and digital media.

In line with the institutional mission, we developed a 360 advertising campaign to launch the Social Mortgage Loan. We attended the most significant real estate events offering our mortgage facilities. This helped the Bank to achieve historical record in the granting of mortgage loans.

In order to be closer to all provincial inhabitants, the Bank consolidated its brand presence through a comprehensive and territorial communication plan covering 135 provincial districts. Through the innovative "Cerca tuyo" policy closer ties were developed and financial inclusion was promoted. Customer service points were opened in parks and shopping centers in



14 districts of the greater Buenos Aires.

Together with other areas, we redesigned the layout protocol of branches and collaborated on the replacement of signaling and furniture. The branches communication plan continued, incorporating information about our main products on glass windows and panels.

During 2017, the Bank was present in more than 300 own and third-party events. Like in previous years, the Bank promoted cultural festivals with high impact on regional micro economies. We were also present at the Expoagro agricultural fair and Palermo Rural Exhibition, the IDEA's (Argentine Institute for Corporate Development) Congress, the Book Fair, the Argentine Institute of Financial Executives (IAEF) Annual Convention, the industrial parks exhibition (EPIBA) and the Economic, Finance and Investment Exhibition (ExpoEFI).

As part of its social role, and with the purpose of assisting the development of provincial children and young people, the Bank designed a program to support neighborhood clubs in the conurbation area and provided sporting equipment to more than 100 clubs located in 22 provincial municipalities.

Human Resources

We understand that the development of our human resources is a major driver for the Bank's growth, with the absolute certainty that the Bank's strategy is based on its people. With respect to labor inclusion for people with

The Bank has 10,503 employees, 43.7% of the staff is composed by women; a higher percentage as against the figures recorded in 2016 and 2015 (42.4% and 42.0%, respectively).

We foster and encourage organizational and individual skills based on a common strategy. To achieve this goal, we work on training programs, staffing management plans, succession planning and talent management, always taking into account the profiles required for each position and the employees' needs.

strategy. During 2017, the Bank created its own training courses. In July, an ongoing staff training program called "Aula Abierta" was implemented. In this way, the Bank intends to provide staff members with tools to face the requirements of an increasingly competitive market.

To be in line with a technological, cultural and productive environment in constant evolution, the Bank created a new organizational structure in business units and regional centers. This will enable the institution to tackle multiple challenges, focusing on business activities.

disabilities, two sign language interpreters were recruited to continue working on the inclusion, training and communication of hearing-impaired employees.

Following our ongoing commitment to improve quality and service standards, we changed the staff performance evaluation process in order to guarantee fairness and transparency. These enhancements were based on suggestions made by our staff that collaborated with the creation of this tool.

We automated the administrative processes Constant training is a key management related to the reporting of charges, extra payments and allowances in order to optimize the quality of the services rendered to the internal customer

> We continued enhancing communication channels in all organizational levels. With a shared vision focused on customers, our main challenge is to continue growing. In order to promote linear and direct communication, breakfast meetings are held with employees from branches, central areas and the General Management.

Institutional Governance

According to the guidelines of Corporate Governance in Financial Institutions, the Bank issued its Institutional Governance Code in 2012, which is periodically analyzed and updated. It describes the way in which the Board of Directors and the General Management direct the Bank's activities and business in order to protect the depositors' interests and ensure that the Bank's activities comply with its security and solvency parameters as required by the current rules.

In this sense, the purpose of the Institutional Governance, Ethics and Compliance Committee is to review and recommend the approval of appropriate policies, ensuring that the Bank has proper tools for adequate decision-making and compliance with regulations.

In the latest updating, both the Committee and the Board of Directors asserted that the Institutional Governance Code implemented by the Bank fits its profile complexity and importance.

Thus, Banco Provincia is in line with good governance practices, and according to its Transparency Policy, the Institutional Governance Code and other codes are publicly available on the Bank's website.

2018 Prospects

In 2018, the Bank will continue fostering the increase in trade volume, focusing on deposit taking activities in order to get greater leverage and an improvement in this segment's share, thus enabling the sustainability of the extra market volume achieved in the loan portfolio during 2017.

It will consolidate 2017 development as regards housing access for families and the sustained leadership in consumer loans, tools that contribute to the progress of the people of the Province of Buenos Aires.

The Bank will maintain its continued commitment to grant financial assistance to SMEs, thus boosting the placement of credits

which dynamize foreign trade, the provincial economic growth and the different pieces of the value chain.

The Bank's commercial strategy for 2018 is intended to strengthen the commercialization and offering of products and services, focusing on the profile of customers in order to provide a wide variety of opportunities according to their different needs.

Process digitalization will continue, supplementing the traditional channels and improving the client's experience through different innovations, thus boosting the transformation of business towards a digital vision.



In accordance with the standards of the BCRA, the Bank has several committees under the supervision of the Board of Directors: Auditing Committee (Communication "A" 5042), IT and Systems Committee (Communication A "4609), Anti-Money Laundering Committee (Communications "A" 4353 and "A" 4459), Risk Committee, Institutional Governance, Ethics and Compliance Committee and the Human Resources Committee (Communication "A" 5218). Likewise, the Bank has created the following additional commissions under the supervision of the Board of Directors:

- Administration Commission
- •Finance Commission
- •Loans Management Commission
- Legal Affairs and Delinguency Commission
- Internal Affairs Commission

 Assets and Liabilities Management Commission • Convergence Plan towards the International Financial Reporting Standards (IFRS) Commission

•Business Development Commission







Financial Statements

Balance Sheet

BALANCE SHEET (in millions of pesos)				
	Dec-16	Dec-17	Absolute Var.	Relative Var.
ASSETS	208,962	307,359	98,397	47.1%
Cash and Due from Banks	36,760	55,977	19,217	52.3%
Government and Corporate Securities	42,586	51,687	9,101	21.4%
Loans	102,312	165,632	63,320	61.9%
Other Receivables from Financial Brokerage	18,748	25,099	6,351	33.9%
Receivables from Financial Leases	21	61	40	192.2%
Interests in Other Companies	354	1,760	1,406	396.8%
Miscellaneous Receivables	6,471	5,069	(1,402)	(21.7%)
Other Assets and PPI	1,710	2,074	364	21.3%
LIABILITIES	196,813	288,263	91,450	46.5%
Deposits	180,325	260,015	79,690	44.2%
Other Liabilities from Financial Brokerage	14,680	25,756	11,076	75.5%
Miscellaneous Liabilities	987	1,382	395	40.0%
Provisions	799	1,018	219	27.3%
Items Pending Allocation	22	92	70	312.0%
NET WORTH	12,149	19,097	6,948	57.2%

Assets

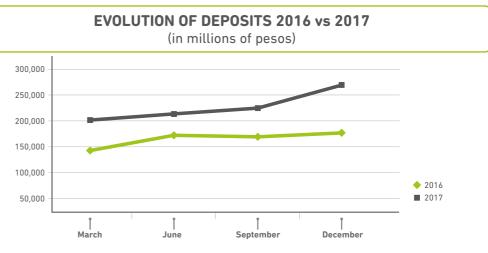
In 2017, the consolidated figures with the Bank's foreign branches recorded a 47.1% interannual rise (\$98,397 million). This was mainly due to the increases in the following captions:

- Cash and Due from Banks, which grew \$19,217 million, a 52.3% interannual rise, as a result of higher Bank's deposits in the BCRA.
- · Government and Corporate Securities, which rose by 21.4% (\$9,101 million). Mention should be made of the incorporation of the Provincial Bond to the Bank's assets to cover advances made to the Retirement and Pension Fund for the years 2015 and 2016 for \$7,855 million and the acquisition of Treasury Bills denominated in US dollars.
- Loans, Net of the Uncollectibility Allowance, the most significant caption, which improved \$63,320 million (61.9%). Such variation mainly derived from loans

Liabilities

The consolidated figures with the Bank's foreign branches showed a 46.5% increase (\$91,450 million), thus totaling \$288,263 million.

Deposits, its major caption, rose by 44.2%, equivalent to \$79,690 million, thus amounting to \$260,015 million. This was caused by the expansion of Non-Financial Private Sector Deposits for \$54,735 million, standing out Sight Account (\$30,960 million) and, to a lesser extent, Fixed Term Deposits (\$16,773 million), and also





to the private sector, particularly UVAadjusted consumer loans with salary payment agreements, UVA-adjusted mortgage loans and notes.

 Other Receivables from Financial Brokerage, which rose by 33.9% due to the increase in repo transactions involving instruments issued by the BCRA and the significant rise in special guarantee accounts denominated in pesos and foreign currency, maintained with the Central Bank

 Interests in Other Companies, which increased \$1,406 million due to the Bank's interest in Grupo Banco Provincia S.A.

• Miscellaneous Receivables, which fell \$1,402 million (-21.7%) due to the registration of Advances in Pension Contributions made to the Retirement and Pension Fund for the year 2017.

• Remaining Assets, which showed a slight comparative change.

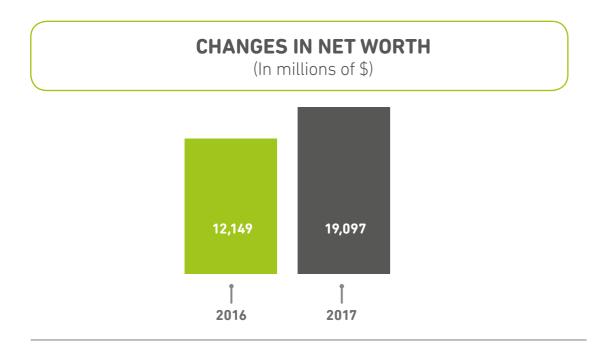
by the improvement in Non-Financial Public Sector Deposits for \$24,912, derived from special Checking Accounts for legal entities and fixed term investments (early settlement).

Other Liabilities from Financial Brokerage grew by 75.5% (\$11,076 million), derived from the increase in Repo Transactions for \$4,329 million and the issuance of debt securities publicly offered for almost \$4,000 million.



Net Worth

In 2017, Net Worth increased \$6,948 million as against the previous year, as a consequence of a \$6,962 million positive result, net of a \$14 million charge for Prior Year Adjustments.



Statement of Income

STATEMENT OF INCOME (in millions of pesos)				
	Dec-16	Dec-17	Absolute Var.	Relative Var.
Financial Income	31,151	37,893	6,742	21.6%
Financial Expenditure	16,368	15,366	(1,002)	(6.1%)
Gross Brokerage Margin	14,783	22,527	7,744	52.4%
Provision for Loan Losses	1,320	2,120	800	60.6%
Income from Services	7,550	9,359	1,809	24.0%
Expenditure for Services	2,014	5,347	3,333	165.4%
Administrative Expenses	14,541	18,368	3,827	26.3%
Net Income from Financial Brokerage	4,458	6,051	1,593	35.7%
Miscellaneous Income	516	3,918	3,402	660.0%
Miscellaneous Losses	1,803	3,007	1,204	66.8%
NET INCOME FOR THE YEAR	3,171	6,962	3,791	119.6%

Total income amounted to \$6,962 million, accounting for a 119.6% rise, equivalent to \$3,791 million over the previous year.

The Gross Financial Brokerage Margin totaled

\$22,527 million, a 52.4% increase with respect to 2016. Such increase mainly derived from interest on consumer loans and premiums on repos, and also from a reduction in financial expenditure as a consequence of the drop in the rate of deposits as against the previous year.

The net contribution of Income from Services grew by \$4,012 million, showing a \$1,524 million reduction with respect to 2016. This was mainly due to the increase in Expenditure for Services related to direct marketing actions, which was partially offset by the higher commissions on Visa, Mastercard and Procampo cards.

3,171 2016



Administrative Expenses totaled \$18,368 million accounting for a 26.3% growth, mainly due to higher personnel expenses resulting from the collective bargaining negotiations, advertising and maintenance fees.

Miscellaneous Income/Miscellaneous Losses posted a \$911 million profit derived from the result in longterm investments achieved by Grupo Provincia's companies during the fiscal year.

INCOME FOR THE YEAR

(In millions of \$)



2017



4 Banco Provincia Museum



Banco Provincia Museum

n September 22, 1903, Banco Provincia, the first Argentine bank, founded the first Argentine banking museum: "Dr. Arturo Jauretche" Historical Archives and Museum of Banco de la Provincia de Buenos Aires.

Its main purpose is not only to keep and preserve goods, but also to promote cultural acquisitions, researches and dissemination activities.

During 2017, more than 3,000 students (12-18 years old) from different schools of the city and the province of Buenos Aires visited the museum within the framework of the "Banco y Niñez" Program, which fosters the Bank's role in the Argentine history and provide information about the most usual financial transactions, through guided visits to the Museum, the banking city and the Bank's Head Office.

2017 Banco Provincia Grand Prize - Painting. 195th anniversary of the first Argentine Bank. Banco Provincia, as the bank that promotes the development of the Province of Buenos Aires and its people, is intended to boost and spread the works of our artists. Therefore, as part of the celebration of its 195th anniversary, a painting competition was announced, awarding a Grand Prize and an Incentive Award in Painting. The winning works were incorporated in the Bank's Art Collection.

• Historical Archives/Library: During 2017, in addition to the daily classification activities and internal inquiries, a book delivery service was offered and the inquiries of external researchers were handled, both in person and through electronic channels. The development of the "300 Años de Documentación" Program continued, aimed at the digitalization of the Board of Directors' Minutes.

• Auditorium/ Multipurpose room: A total of 88 activities were held in the meeting rooms properly equipped for conferences, seminars, working meetings and other events. They were organized by the Bank's offices, companies of Grupo Provincia, national and provincial public entities, educational and cultural institutions, private entities and non-governmental organizations (NGOs).

During the induction courses organized by Human Resources, the Bank's new employees visited the Museum and the Head Office and learnt about the landmarks in the Bank's history and tradition.

Likewise, the "Provincia de Buenos Aires Prize" was announced, destined to artists born or residing in the province. The winning work was incorporated in the collection of the Provincial Museum of Fine Arts "Emilio Pettoruti".

In 2017, temporary exhibitions on craftwork. engraving, drawing, painting, architecture and multimedia art were organized at the Museum. The works of 46 artists were displayed, either individually or collectively.

Mention should be made of the "6 de Septiembre de 1822" exhibition, which traced the Bank's foundation, its organization and the inauguration day through documents and objects.

Once more, and as from 2005, Banco Provincia Museum took part in "La Noche de los Museos" (November 4, from 8 pm to 3 am). On this occasion, the Ministry of Cultural Management of the Province of Buenos Aires was invited to participate in the event through the performance of artisans from the School of Artisans, Likewise, under the "Teatro, Historia v Mitos" Cycle, works of the Teatro de la Comedia repertory were also presented, thus showing the cultural richness of our province in a context of the City of Buenos Aires.







Banco Provincia Foundation

We work together with social referents in 95 community projects to strengthen community spaces: 43 refurbishment/improvement works, provision of 41 equipment for workshops on skill development, 10 recreational experiences and 1 project for the improvement of individual capacities.

uring 2017, the Foundation encouraged the development of 126 new projects enabling improvementsin146 educational and supportive centers in 35 municipalities. Such places are daily attended by more than 29,000 young people.

More than \$27.9 million was invested through our Institutional Programs: 67% in the "Refugios Visibles" Program aimed at strengthening community organizations; 18% in the "Comunidades Abanderadas" Program oriented towards the improvement of educational institutions, inviting the local community to participate in this process and 15% in the "Proyectos Complementarios" Program, fostering different initiatives of development and social inclusion in the Province of Buenos Aires.

These programs stimulate and encourage the development of life projects. In these community spaces, schools, neighborhood organizations and day care centers, values are defined, skills are developed and what we call "Building values" takes place.

Among the main programs, the following ones stand out:

• **Refugios visibles:** aimed at strengthening and promoting community social organizations providing support and education to children and young people during out-off-school hours, complementing the work of social referents.

• **Comunidades Abanderadas:** aimed at improving public schools, recognizing the significant role of educational institutions and inviting the community to participate in this process. A total of 21 communities gathered to decide the type of school they want for their neighborhood. Families, teachers and neighbors offered proposals to improve their schools: 10 refurbishing or improvement works and the provision of 11 equipment for teaching projects.







6 Grupo Banco Provincia



Grupo Banco Provincia

Provincia) is an organization majority controlled by Banco de la Provincia de Buenos Aires (BPBA) in charge of managing a group of companies aligned through synergy generation and innovation in an efficient and profitable manner.

Its purpose is to offer high quality and accessible insurance, non-banking financial services and other services supplementary

Company Di	irect Equity Interest	Indirect Equity Interest	Total Equity Interes
Insurance			
Provincia Seguros S.A.	60.000%	0.000%	60.000%
Provincia Aseguradora de Riesgos del Trabajo S.A.	97.092%	1.745%	98.837%
Provincia Seguros de Vida S.A.	60.000%	0.000%	60.000%
Internacional Compañía de Seguros de Vida S.A.	40.780%	0.000%	40.780%
Services			
BAPRO Medios de Pago S.A.	97.000%	3.000%	100.000%
BAPRO Mandatos y Negocios S.A.	100.000%	0.000%	100.000%
Provincia Bursátil S.A. Sociedad de Bolsa	95.000%	0.000%	95.000%
Buenos Aires Desarrollo S.A.	50.000%	0.000%	50.000%
Finance			
Provincia Leasing S.A.	99.710%	0.276%	99.986%
Provifondos S.A. Sociedad Gerente de FCI	0.000%	85.500%	85.500%
Provincia Microempresas S.A.	0.677%	0.000%	0.6777%

For the year 2017, the authorities of Grupo Provincia adopted the following strategic guidelines: consolidation of the business plans of Grupo Banco Provincia's companies, fostering an increased turnover through a greater integration between Banco Provincia's and Grupo Provincia's businesses; control on operating and structural expenses; utilization of IT and communication technologies; systematization of processes to



rupo Banco Provincia S.A. (Grupo to the financial activity as well as to provide support for the development of families, entrepreneurs, companies, and local governments.

> At December 31, 2017, Grupo Provincia held permanent (direct and indirect) equity interests in the following 11 companies, out of which 9 are controlled by Grupo Provincia.

improve customer service and operating efficiency; and strict follow-up of the financial placements.

In the year 2017, Grupo Provincia's consolidated income from services amounted to \$26,956 million, 42.2% above 2016, while consolidated financial income totaled \$5,054 million, 40.0% over 2016. This level of income helped achieve profits for \$924 million, impacting on Stockholders' Equity which totaled \$1,954 million, i.e. a \$947 million increase as against December 2016.

In line with corporate governance guidelines, during 2017, Grupo Provincia continued working on risk management complying with the requirements imposed by the BCRA through BPBA. The coordinated work of Grupo Provincia, Grupo Provincia's companies and BPBA has enabled to improve and strengthen the tasks and controls made, developing early risk evolution indicators.

Under the Management Control and Planning guidelines, Grupo Provincia continued monitoring the compliance with the business plans and budgets of Grupo Provincia's companies, identifying deviations, suggesting the pertinent corrective measures and developing analysis and comparative studies of the competition in each market segment.

Corporate Finance provided on going advice on the policies to be developed and followed up the investment decisions on the portfolios of Grupo Banco Provincia's companies.

With respect to Anti-Money Laundering, Grupo Provincia and its companies continued working with BPBA according to the guidelines issued by the BCRA and the Financial Information Unit (Unidad de Información Financiera - UIF). In spite of its non-reportable status, the Board of Directors of Grupo Provincia has adopted measures to prevent and monitor money laundering activities in every business sector.

Through business and marketing actions, Grupo Provincia and its companies continued improving and strengthening the brand positioning of "Grupo Provincia" and its companies. Grupo Provincia together with BPBA adopted business actions aimed at satisfying the needs of individuals and SMEs segments.

To ensure compliance with the technical ratios committed by Provincia Seguros S.A. and Provincia ART S.A. in their plans to regularize minimum capital and coverage deficits submitted before the National Insurance Superintendency (Superintendencia de Seguros de la Nación

- SSN), Grupo Provincia continuously follows up the activity of both companies.

In terms of Personnel Administration and Payment of Wages, technological upgrades were implemented through the migration of the human resources software towards a 100% "cloud" web solution that will help achieve greater

As of December 2017, staff (payroll and agreements) in Grupo Provincia companies amounted to 3,147, a 10.4% growth in labor force as against December 2016.

flexibility and make operative workload easier, and also make the adjustments necessary to comply with the pertinent legal and tax requirements.

With respect to Training, an Integral Plan was implemented destined to the operative staff and middle managers of different companies. To such end, common competences and areas of work, such as Leadership, Change Management, Communication Skills and Team Work, were identified with the purpose of providing more tools, promoting the integration among companies and favoring the internal operation.

A new step was taken in the Corporate Incentive Program. It helped to align the compensation practices in all the holding's companies with those prevailing in the market and to promote a working culture based on tangible results and merit appreciation.

Among the different actions oriented





towards innovation and optimization of human resources management tools, mention should be made of the following: redefinition and coordination between the Performance Evaluation and the Incentive Program, commercial innovation initiatives, new corporate Intranet and new web application to manage staff leaves.

For the first time, an Organizational Climate survey was jointly conducted in all the companies of Grupo Provincia, with the participation of 89% of the staff. Its purpose was to know the employees' satisfaction and commitment level on different labor aspects. After communicating the results and during the following fiscal year, Grupo Provincia will work on those aspects with greater chances of improvement.

Likewise, it acquired equity holdings of:

1.Internacional Segur Provincia Seguros. Wi share in Internacional. 2.Provincia Seguros de this acquisition Grupo 3.Provincia Leasing S. acquisition Grupo Prov 4.Provincia Mandatos acquisition Grupo Prov

Finally, as approved by the Regular Meeting of Shareholders of Provincia Servicios de Salud S.A. held on October 13, 2016, a submission was made before the General Inspectorate of Companies and the cancelation of the company's registration was obtained on August 23, 2017.





As of December 2017, staff (payroll and agreements) in Grupo Provincia companies amounted to 3,147, a 10.4% growth in labor force as against December 2016. Productivity, measured by the accumulated income/average number of employees' ratio, increased from \$6.6 million in 2016 to \$8.6 million in 2017.

In 2017, Grupo Banco Provincia's income/ losses amounted to \$924.2 million due to the results of the long term investments, particularly those of insurance companies. During 2017, it did not distribute dividends to shareholders but received dividends from its companies for an amount of \$92.7 million and acquired equity holdings of Grupo Provincia's companies for an amount of \$6.3 million.

- 1.Internacional Seguros de Vida Previsional S.A. (3.01%), owned by Provincia Seguros. With this acquisition Grupo Provincia has a 40.78% share in Internacional.
- 2.Provincia Seguros de Vida S.A. (15%), owned by Provincia Seguros. With this acquisition Grupo Provincia has a 60% share in Provincia Vida.
- 3.Provincia Leasing S.A. (2.71%), owned by Provincia Mandatos. With this acquisition Grupo Provincia has a 99.71% share in Provincia Leasing.
- 4.Provincia Mandatos S.A. (3%), owned by Provincia Bursátil. With this acquisition Grupo Provincia has a 100% share in Provincia Mandatos.

Balance Sheet, Statement of Income and Financial Indicators

Balance Sheet

At December 2017, Total Assets of Grupo Provincia amounted to \$2,024 million, an 88.4% increase over the previous year. This was mainly due to the higher value of non-current Long-term Investments in Unlisted Controlled Companies, \$1,954 million at the end of 2017, thus reflecting which grew 95%.

Total Liabilities amounted to \$69.9 million, a 3.7% increase with respect to 2016.

Grupo Provincia's Stockholders' Equity was favorable economic results.

GRUPO BANCO PROVINCIA S.A.

(in thousands of pesos - at December each year)

Balance Sheet	2017	2016	2017/2016
Total Current Assets	160,096	74,275	85,821
Total Non-Current Assets	1,863,450	999,925	863,526
Total assets	2,023,546	1,074,200	949,346
Total Current Liabilities	67,846	64,925	2,921
Total Non-Current Liabilities	2,090	2,478	(388)
Total Liabilities	69,936	67,403	2,533
Stockholders' Equity at beginning of the fiscal year	1,006,797	1,024,563	(17,766)
Distribution of Profits	0	0	0
Net Income/(loss) for the fiscal year	924,192	-105,779	1,029,971
Increase in Deferred Income/(loss)	22,621	88,013	(65,392)
Stockholders' Equity at end of the fiscal year	1,953,610	1,006,797	946,813
Total Liabilities and Stockholders' Equity	2,023,546	1,074,200	949,346

Statement of Income

GRUPO BANCO PROVINCIA S.A. (in thousands of pesos - at December each year)			
Statement of Income	2017	2016	2017/2016
Income /(loss) from long-term Investments	906,609	(110,227)	1,016,836
Income from Brand Use Transfer	204,600	169,500	35,100
Administrative Expenses	(190,462)	(162,180)	(28,282)
Subtotal	920,747	(102,907)	1,023,654
Financial and Other Income	14,448	7,285	7,162
Net Income/(loss) before Income Tax	935,195	(95,622)	1,030,817
Income Tax	(11,003)	(10,157)	(846)
Net Income/(loss) for the fiscal year	924,192	(105,779)	1,029,971

The Net Income/(Loss) for 2017 was \$924.2 million, a \$1.030 million increase over the previous year, mainly due to the growth recorded in Long-term Investments.

Allocation of Net Income/(Loss) for the Year and Dividend Distribution

Considering that the Net Income/(Loss) for 2017 was \$924,191,680.51 due to the increased Long-term Investments, Grupo Provincia will not distribute dividends and will allocate the net income to set up Reserves. The proposed allocation of results is the following:

Allocation of Net Income/(loss) for the Fiscal Year

Net Income /(loss) at 12/31/2017		924,191,680.56
Reversal of Reserve for the sale of Prov. Seguros' real property p/Equity Holding %		13,187,474.01
Total to be Allocated		937,379,154.57
Allocation:		
Legal Reserve	2,082%	19,515,908.28 (*)
Optional Reserve		917,863,246.29
Total		937,379,154.57

(*) This percentage is in line with the 20% capital requirement set by the General Company's Law,

Statement of Cash Flows

dividends.

Statement of Cash Flows	2017	2016
Changes in Cash	97,034	4,373
Reasons for Changes		
Net Cash Flows resulting from Commercial Activities	11,136	10,443
Net Cash Flows resulting from Investment Activities	85,898	(6,070)
Investment Activities	(888)	(17,283)
Collection of Dividends	92,687	11,214
Collection for Sale of Premises and Equipment	430	0
Payment for Purchase of Shares	(6,332)	0
Increase in Cash	97,034	4,373



In 2017, the Group raised funds from its investment activities through the collection of

GRUPO BANCO PROVINCIA S.A.

(in thousands of pesos - at December each year)

Economic/Financial Performance Indicators

In 2017, the Solvency indicator surpassed the figure of the previous year due to a large increase in the Stockholders' Equity.

When compared to the previous year, the Liquidity indicator improved as a result of the increase in cash, mainly derived from the collection of dividends and, consequently, in current assets. Profitability for 2017 (measured in terms of ROE) was 62.4%, +72.8% as against 2016.

GRUPO BANCO PROVINCIA S.A. (at December each year)				
Financial Indicators	2017	2016	Ratio	
Solvency	27.93	14.94	Stockholders' Equity/Total Liabilities	
Liquidity	2.36	1.14	Current Assets/Current Liabilities	
Tied-up Capital	0.92	0.93	Non-Current Assets/Total Assets	
Profitability (ROE)	62.44%	-10.41%	Income for the Year/Average Stockholders' Equity	

Consolidated Statement of Income

of Grupo Provincia posted a gross profit of figures at December 2017 showed a profit of \$3,521 million, 105.8% over 2016. As compared \$5,054 million, an increase of 40% over 2016. with the previous year, Income from Services and Expenditure for Services rose 42.2% and In the period under analysis, the operating 35.9%, respectively.

In 2007, the Consolidated Statement of Income Investments and Equity Holdings' consolidated

result was a \$1,691 million surplus and the consolidated total income amounted to \$924.2

Marketing and Administrative Expenses grew million. 31.2% (\$1,564 million).

GRUPO BANCO PROVINCIA S.A.

(in thousands of pesos - at December each year)

Consolidated Statement of Income	2017	2016	2017/2016
Income from Services	26,955,768	18,959,343	7,996,425
Expenditure for Services	(23,434,905)	(17,248,693)	(6,186,211)
Gross Profits	3,520,864	1,710,650	1,810,214
Marketing and Administrative Expenses	(6,571,148)	(5,007,458)	(1,563,689)
Financial Income from Holdings and Others	5,054,004	3,599,943	1,454,061
Other Income and Expenditure	(312,667)	(499,537)	186,869
Income/(loss) before Taxes	1,691,053	(196,402)	1,887,455
Income Tax	(563,318)	43,157	606,474
Income/(loss) after Taxes	1,127,735	(153,245)	1,280,981
Minority Interest	(203,544)	47,467	251,010
Net Income/(loss) for the fiscal year	924,192	(105,779)	1,029,971

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows for 2017 recorded a \$63.6 million increase as a consequence of the Net Cash Flows resulting from Operating Activities, collection of dividends and financing activities.

GRUPO BANCO PROVINCIA (In thousands of pesos - At December each year)						
Consolidated Statement of Cash Flows	2017	2016				
Changes in Cash	539,625	(43,812)				
Reasons for Changes						
Net Cash Flows resulting from Operating Activities	3,848,724	2,841,276				
Net Cash Flows resulting from Investment Activities	(3,993,052)	(2,810,627)				
Collections/(Payments) for Sales/(Purchases) of Premises and Equipment	(25,344)	(47,098)				
Collection of Dividends	55,042	5,147				
Net Increase in Investments	(8,314,455)	(19,860,046)				
Financial Income Collected	4,291,705	17,091,370				
Net Cash Flows resulting from Financial Activities	683,953	(74,461)				
Payment of Dividends, Interest and Other Collection	s 187,557	(6,531)				
Net Increase/(Decrease) in Debts	496,396	(67,930)				
Increase /(Decrease) in Cash	539,625	(43,812)				

Consolidated Economic/Financial Performance Indicators

In 2017, the economic/financial performance indicators exposed in the Consolidated Financial Statements showed a slight expansion of the solvency indicator and a significant rise in the ROE and ROA profitability indicators as against 2016.

GRUPO BANCO PROVINCIA				
Consolidated Financial Indicators	2017	2016	Ratio	
Solvency	0.06	0.05	Stockholders' Equity/Total Liabilities	
ROA	3.3%	-0.9%	Income/(Loss) for the Fiscal Year/Average Assets	
ROE	62.44%	-10.41%	Income/(Loss) for the Fiscal Year/Average Stockholders' Equity	
Immobilized Assets	1.05%	1.52%	Premises and Equipment and Intangible Assets/Total Assets	



GRUPO PROVINCIA's Companies – Summary

Insurance Sector

Provincia Seguros





Provincia Seguros S.A. - Property Insurance

The Company, which participates in the market of General Insurance (property and group life insurance), recorded operations for \$8,271 million in 2017, out of which \$7,714 million was accrued during the year. At December 31, 2017. its Stockholders' Equity amounted to \$866 million and an annual profit was reported for \$363 million.

Strategic Plan: Since 2016, the new authorities have been redefining the general corporate strategy and performing a detailed analysis of the Company's operative and accounting processes. After such analysis, several adjustments were made, whose net effects were taken to income/ (loss) for the period ended June 30, 2016.

Adequacy Plan: At December 31, 2017, the Company was in compliance with the coverage and minimum capital requirements laid down by the SSN properly calculated and in line with the goals approved in the Adeguacy Plan.

Operating Plan: In turn, all management areas were prompted to take different actions under the process started a year earlier. Such actions include:

- A continued improvement in Processes and Proceedings.
- New web services for on line quotation and issuance of automobile insurance policies.

• Clearing of clients/producers portfolios with negative marginal contribution or low policy production.

 Solid collection management processes and reduction of overdue debt amounts, with the consequential impact

on investment stock.

• Reduced general expenses, and renegotiation of contracts with main providers.

- Focus on loss-ratio control:
 - · Creation of Inspection Centers in the Mar del Plata, Morón, Zárate and Acassuso offices.
 - Implementation of Claims Regionalization through regional main offices.
- Incorporation of the Cesvi Orion car repair system, a tool for optimizing processes and improving results through the estimation of car damages, labor force and spare parts costs.
- Focus on lawsuits control. Follow up of legal actions.
- Changes in the investment portfolio. In 2017, significant changes were introduced into the investment portfolio in order to improve results and reduce volatility. As a consequence, annual profits amounted to \$996 million.

New rules: On November 16, 2017, the National Insurance Superintendency issued Resolution No. 41057. Such resolution limits, for minimum capital requirements calculation purposes, the holdings of LEBACS (BCRA bills) in direct or indirect investment portfolios of insurance companies as from December 2017. Under the SSN Resolution No. 40512 (increases in minimum amounts regarding debts with insureds - civil liability and automobile policies), the Company has decided to defer by 8 guarter as from September 30, 2017 the pertinent charge to results.

Provincia ART S.A. - Workers' Compensation Insurance

In 2017, the Company, which participates in the market. the workers' compensation insurance market according to Law No. 24557/95, issued premiums and surcharges for \$15,987 million, a 46% increase over 2016. At year end, the investment portfolio recorded a 58% annual growth (\$19,167 million). This accounted for a \$455.5 million profit, while a \$97 million loss had been recorded in the previous year. The Company's Stockholders' Equity was \$675 million at the end of 2017 (+ 230% over 2016).

At December 31, 2017, the Company had 1.75 million policyholders, 11% more than in 2016. At such date, the Company ranked first in the amount of insured workers throughout the country. Provincia ART manages the selfinsurance regime of the Province of Buenos Aires.

Adeguacy Plan: At December 31, 2017, the Company was in compliance with the coverage and minimum capital requirements laid down by the SSN properly calculated and in line with the goals approved in the Adequacy Plan.

Regulatory Framework: In February 2017, Law No. 27348, supplementing a previous law of 1995, was approved. Such law incorporates the mandatory requisite of a previous administrative instance before filing an action against the Company. The procedure consists of an examination by a Medical Commission, with or without a legal representative, to determine labor disability caused by an occupational disease or injury. The compensation amount shall be updated according to the RIPTE index and the lending rate of Banco Nación so as to avoid the loss of purchasing power that may occur between the date of the first manifestation of disability and the final payment date. The law also fixes experts' fees and creates a public selfinsurance regime for all state offices not \$1,258 million. included in the scheme.

The new rule is mainly aimed at reducing the so-called "trial industry". Though it was automatically implemented in CABA, it still has to be approved and regulated by the pertinent provincial jurisdictions through their own Legislatures. Buenos Aires, Córdoba (with amendments), Mendoza, Rio Negro, Entre Ríos, Corrientes, San Juan, Tierra del Fuego and Jujuy have adhered to the rule. As from the date of the effective implementation of the medical commissions in each jurisdiction, the adhering jurisdictions will account for 85% of

The implementation of this rule proved to have a positive impact taking into account the following: a) an increased number of lawsuits filed as of the second half of 2016 when this measure was announced; b) a change in jurisdictions, with the consequential transfer of 8,000 actions from the city of Buenos Aires to the province of Buenos Aires, which adhered by late 2017; this resulted in a sharp drop in the actions filed with the city of Buenos Aires, and at the same time, in a significant increase in those filed with the province of Buenos Aires; and c) a decrease in the annual growth rate from 20% in the 2014-2016 period to 2% in 2017.

However, in 2017, the actions against Provincia ART rose 11% over the previous year. This was the result of the steady increase in its portfolio and of the implementation during the second half of 2017 of the new law by the jurisdictions with the highest impact on its portfolio. Mention should be made that the law has not been fully implemented since the medical commissions have not been appointed yet by the Workers' Compensation Insurance Superintendency (Superintendencia de Riesgos del Trabajo – SRT). The Company was mostly affected by the increased number of lawsuits filed before the enactment of the new rule. A significant decrease in the actions filed against Provincia ART is estimated for 2018 and afterwards. Such drop would be similar to the reduction recorded in CABA as of the effective implementation of the rule at issue.

Law No. 27348 and Executive Order No. 57/17 have modified the calculation of monetary compensations with an immediate effect on insurers' costs and provisions. In this regard, Provincia ART set up increased provisions for

In December 2017, the SSN issued Resolution No. 41155 amending the amounts of the provisions for claims to be set up by insurance companies. The minimum Global Provision is increased from \$137.800 to \$165,000 per lawsuit and, in accordance with the Supplementary Law on Workers' Risks No. 27348, shall be updated in line with the lending rate of Banco Nación. Under the new regime. those companies not reaching the mentioned minimum Global Provision per lawsuit at December 2017 will be allowed up to 8 (eight) guarters to do so as from the closing date of the March 2018 balance sheet. Moreover, total Reserves for Contingencies and up to 70% of the Reserves for IBNR (incurred but nor reported) and IBNER (incurred but not enough reported) losses will be reversed. This way, the Company will only settle current lawsuits related to labor accidents or professional diseases occurred before March 5, 2017. Until June 30, 2019, Companies will be allowed to allocate such reserves exclusively for the settlement of lawsuits.

Provincia Seguros de Vida S.A.- Life Insurance

The Company is devoted to the commercialization of individual life insurance targeted to middle income consumers highly prone to protection and saving. Its retail shareholder is CNP Assurances Brasil Holding Ltda. with 40% of the capital stock. Provincia Seguros de Vida S.A. operates under the "insurance banking" marketing model, mainly in collaboration with the Bank.

During 2017, its production amounted to \$473 million (34.1% over 2016), increasing more than 98% in the last two years. Policyholders totaled 525,900, a 12.4% rise as against the previous year, thus Provincia Seguros de Vida S.A. stood as the insurance company with the highest number of insureds.

Provincia Vida recorded a net income of \$104.9 million in 2017, 45.6% over 2016. The Stockholders' Equity amounted to \$174.6 million at December 2017, a 28.3% increase with respect to the previous year.

With a 5.38% market share, at September 2017, the Company ranked 8th in terms of life insurance policies (ranking that includes general insurance companies engaged in the commercialization of individual life insurance).

Provincia Vida's expectations for 2018 include the development of its regular activities and the performance of commercial actions, such as the updating of IT tools to be used by the Bank's authorities, negotiations with Banco Provincia to include the Company's products in the special productivity measurement performed by the Bank, commercial actions in branches and regional centers, and the development of the "Insurance Broker" channel. Likewise, the central IT system of the Company will be updated.

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

Due to the enactment of Law No. 26222/07 and its related regulations abolishing the obligation of the Retirement and Pension Fund Administrators (Administradoras de Fondos de Jubilaciones y Pensiones - AFJPs) to contract a life and disability insurance, since January 1, 2008, the Company had to discontinue its production and keeps administrating preexisting policies. Therefore, no new policies were issued and its operations became limited to the collection of premiums of insurance policies effective at June 30, 2007 and to the payment of the relevant claims. This situation significantly reduced the Company's managed investment portfolio.

In 2017, it recorded profits for \$69.3 million, supported by a diversified investment policy and the optimization of the risk/return ratio. The Company distributed dividends, and allocated \$53.4 million to the Group.

Services Sector

Provincia

Bapro Medios de Pagos S.A. (Provincia NET)

In 2017, Bapro Medios de Pago S.A. recorded a total billing of \$1,998 million and a gross profit of \$319 million, 41% and 24% increases over 2016, respectively.

At year end, the Company posted a net profit of \$25.7 million and the Stockholders' Equity amounted to \$110.3 million.

At the end of 2017, the Company showed consolidation signs across all business units. Provincia NET is the technology company of Grupo Banco Provincia S.A. Supported by its strong data processing capacity, Provincia NET promoted IT businesses, a Non-banking Collection System, a Contact Center and a Bet Capture and Processing Software throughout the year.

Provincia NET has become a key player for the Group and public sector agencies and its main purpose is to offer a smart and valuable public service. In 2017, it succeeded in generating a continued growth within the private sector.

This business unit has a high-tech Data Center with Cisco technology and TIER II certification granted by the UPTIME INSTITUTE international organization.

Provincia NET had to face many external challenges in the Non-banking Collection sector during 2017. However, it could position itself as leader in the non-banking segment and has grown significantly in terms of number of agents, arrangements, transactions, average









billing and gross profit. It also boosted an integral transformation plan for modernization and cost reorganization.

The Contact Center maintained the growing trend showed in previous years and kept on expanding its range of services and clients. It accompanied the exponential growth of Banco Provincia, its main client and, at the end of 2017, recorded a 58% increase in the number of teleoperators.

In line with the provisions of the agreement entered into between the Company and the Provincial Institute of Lotteries and Casinos in 2012, the pertinent fee for services was reduced in December, with the consequential impact on the business segment billing.

Aimed at consolidating the modernization of all business units, the Company kept on updating its Data Center, Contact Center and the Punta de Caja system for the collection network.

The largest capital investment project launched in 2016 envisaged the purchase of a premises in the Technological District for capitalization purposes. To this end, the Company took all administrative actions to obtain the District benefits and fulfilled all economic commitments related to the premises. It was granted the deferral of gross income tax payments from March 2017, onwards. At year end, it was close to take possession of the premises where building works are projected to begin.

Bapro Mandatos y Negocios S.A. (Provincia Mandatos)

Bapro Mandatos y Negocios S.A.U. is a company specialized in trust activities, engaged in the structuring and management of trusts.

In 2017, its Stockholders' Equity amounted to \$14.6 million and recorded losses for \$5.7 million. Its Stockholders' Equity dropped 28% when compared to December 2016.

During 2017, the Company's activities were focused on the Estrella del Sur Trust.

Due to the absence of feasible solutions for the continuation of such project, external advisors were hired. They concluded that, in view of the lack of funds for financing the project, there was a pressing need to request the judicial liquidation of the Trust in line with the provisions of Section 1787 of the National Civil and Commercial Code. In such context, the amounts paid by the Company to meet the court costs associated to the judicialization of the Trust accounted for almost all the losses recorded in 2017.

The Board of Directors understands that such monetary effort was necessary not only to legally address the situation of the Trust but

also to enable the Company to concentrate all its efforts and resources on developing its activities and promoting its economic/ financial growth. The Company is committed to undertake an internal restructuring process, which includes changes in key managerial positions. Up to date, and in a coordinated action with the majority shareholder, the Company's payroll was reduced by 17% and employees were distributed among the other companies of the holding Group. Additionally, and in line with this process, cost reduction policies were implemented and resources were redirected to meet the obligations under the existing trusts. Finally, the Company is revising its business model focusing on the generation of new trusts with the public sector and the provision of services to the province of Buenos Aires.

With respect to improvements in the internal control system, the WorldSys solution was implemented during 2017. Through its SOS system (system for detecting sensible transactions), all daily transaction alerts related to anti-money laundering and anti-terrorist financing were automatized as required by the regulations in force.

BA Desarrollo S.A.

BA Desarrollo S.A. is a company of Grupo Provincia S.A. Its main purpose is to promote and develop financial and technical assistance to foster the various productive, commercial and service-related sectors of the Province of Buenos Aires. It acts as manager and arranger. providing services related to surveys, technical coordination, planning and financial structuring of matters under its fields of competence, with the support of professional experts. In line with its mission to foster sustainable growth, the Company's main organizational purposes are oriented to the design and implementation of projects and/or undertakings encouraging the development of the value chain of the economy of the province of Buenos Aires, its regions, municipalities and the rest of the country.

At 2017 year-end, BA Desarrollo S.A. Stockholders' Equity amounted to \$7.1 million, recording losses for \$2.3 million.

During 2017, the Company has continued applying, in all projects under its analysis and support, the six principles for the development of sustainable investments under the PRI ("Principles for Responsible Investment") scheme. BA Desarrollo S.A. is the first Argentine company to sign up to this initiative supported by the United Nations.

Throughout 2017, the main actions taken by BA Desarrollo S.A. to comply with the defined business strategy are detailed below:

> 1.- Program for replacement of municipal public lighting systems with LED technology lights. Agreements were signed with the following municipalities: Moreno, Campana, Lomas de Zamora, Escobar, Exaltación de la Cruz, Hurlingham, Pilar, Berisso and Malvinas Argentinas.

2.- Municipal solid waste management

program. During 2017, proposals were discussed with Consorcio Norte II, a consortium consisting of the municipalities of Escobar, Campana, Malvinas Argentinas, Pilar, Tigre, San Fernando and Hurlingham.

3.- Program for the development of renewable energy initiatives. This proposal aims at developing renewable energy projects in industrial parks, municipalities or companies through state-of-the-art technologies including solar, wind, biogas, biodiesel and all the other technologies falling under the main concept of "renewable and with low environmental impact". Within this framework, agreements were signed with the municipalities of Olavarría, Pilar and Escobar.

4.- Program for the technological reconversion of industrial discharges. Agreements were signed with ADA (Provincial Water Authority), ACUMAR

Provincia Bursátil S.A. Sociedad de Bolsa

Its main activity is to act as intermediary in the offer and demand of fixed-income/equity securities and financial derivatives and to carry out the other transactions detailed in Law No. 26831, Executive Order No. 1023/13, the 2013 Consolidated Text of the General Resolutions and Rules issued by the National Securities Commission, the By-laws and the Internal and Operative Regulations. The Company acts on behalf of principals, whether natural or artificial persons, or national, provincial or municipal agencies. It carries out its brokerage activities with own funds, under the same operative mechanisms. Transactions are carried out at the concurrence market and the Bilateral Negotiation Segment.

On January 12, 2017, the National Exchange Commission, through Resolution No. 3220 accepted to enter Provincia Bursátil S.A. in the Mutual Funds Underwriters and Distributors Register under No. 18. Since then, the Company has been authorized to promote and place guota shares of the Mutual Funds managed by its controlled company, Provinfondos, thus expanding the portfolio of collective investment products.



(Matanza-Riachuelo River Basin Authority) and OPDS (Provincial Agency for Sustainable Development) aimed at providing technological and financial solutions to companies participating in reconversion and improvement programs, in line with the environmental and technological requirements imposed by the control authorities.

5.- Last mile program: Agreements were signed with Telecommunication Cooperatives (FECOSUR and COLSECOR) with the purpose of coordinating the optic fiber investment necessary to complete the "last mile" program in their pertinent commercial areas and fostering their customers' digital inclusion.

According to estimates, the projects currently under way and the Company's market positioning will help generate significant resources during 2018 and thereafter.

At 2017 year-end, the Stockholders' Equity of Provincia Bursátil was \$172.6 million, up 52% over the previous year. Income for the year amounted to \$114.7 million, up 293% over 2016. Income from services totaled \$31.8 million, a 43% increase over 2016.

Provincia Bursátil holds 90% of the capital stock of, and consolidates its financial statements with, Provinfondos S.A., a manager of Collective Investment Products that is primarily engaged in managing the portfolio of mutual funds.

During 2017, total funds managed by all mutual funds in Argentina increased by \$222,201 million (+69%), totaling \$544,151 million at December 31.

Funds managed by Provinfondos S.A. recorded an annual increase of 108.51%, totaling \$12.613 million at December 31, 2017.

The Stockholders' Equity of Provinfondos was \$130 million, up 282% over 2016; income for the year amounted to \$107.4 million, an annual increase of 359%.

During 2017, operating income rose about 43% while a reduction was observed in the incidence of structural costs.

Emphasis was placed on increasing the participation of the Company in the capital markets as manager of negotiable obligations, trusts and provincial treasury bills. To that end, a campaign was developed by the commercial sector in order to increase the volume of primary placements. Expectations for 2018 predict the consolidation of Provincia Bursátil in the brokerage market, with the ensuing increase in the overall volume of transactions.

In December 2017, Provincia Bursátil sold 3% of its equity holding in Bapro Mandatos y Negocios S.A. in favor of Grupo Banco Provincia S.A.

Financial Sector



Provincia Leasing S.A.

Grupo Provincia participates in the leasing market through its controlled company, Provincia Leasing S.A., whose primary purpose is to provide leases with option to purchase personal or real property, whether own or acquired by the Company for leasing purposes.

Provincia Leasing S.A. offers an ideal financing instrument for the technological updating and modernization of SMEs engaged in different productive activities, through the equipment or installation of machinery or industrial plants for both agricultural and industrial production, without overlooking the various serviceproviding sectors. Such instrument favors the financing of industrial equipment, vehicles, road and construction machinery and the acquisition of IT and communication high technology.

At 2017 year-end, the Stockholders' Equity of Provincia Leasing was \$219.6 million, up 6.3% over 2016.

The Company's net income amounted to \$13 million. This figure was the result of an increase in loans under Financial Leases, which resulted in a 25% increase in gross income as against the previous year.

The amount of recorded transactions rose 231% over 2016. At December 31, 2017, loans under Financial Leases totaled \$1,301 million. Due to the transfer of part of the active portfolio (\$469 million) to several Financial Trusts and

Banco Provincia, the Company's own portfolio moved from \$555 million at the beginning of 2017 to only \$816 million at year-end, with a 65% and 72% participation of the Public Sector, respectively.

Commercial Policy: In 2016, the changes in the Board of Directors decided by shareholders and the new members appointed to the Senior Management by the new directors prompted significant adjustments in both the commercial and financing strategies, as well as a major restructuring of the internal organization. The commercial strategy was mainly oriented to the municipalities of the Province of Buenos Aires, focusing specially on equipment for infrastructure works. Priority was also given to the financing of provincial SMEs.

In the period under analysis, the commercial policies implemented in 2016 were reinforced. With the focus on the provincial public sector, the Company kept on financing projects involving machines for infrastructure works, vehicles, led lights, etc.

Vendors: Through agreements signed with "selected suppliers", Provincia Leasing reinforced the commercial relationship with them in order to develop the vendors channel. The purpose is to get them become not only originators of transactions but also their financing sources.

Financing: With respect to the financing strategy, the Company maintained the diversification of financing sources initiated in 2016, taking out loans from several financial institutions. The second and third Financial Trusts were developed and successfully underwritten for total amounts of \$197 million and \$216 million, respectively. They got excellent credit ratings ("AAAsf(arg)") for Trust Debt Securities - Class A from Fix SCR SA. In both issues, Provincia Bursátil played a remarkable role, standing as lead-manager of Provincia Leasing's debt securities.

Organization: As regards the internal structure, the Company kept on redefining functions and developing a new organization chart. Three new managements were created: Loans Management, Integral Risk Administration Management and Technology and IT Management. This process did not result in an increase in payroll since the existing resources were adequately trained with an excellent feedback from all personnel involved.

Provinfondos S.A. - Manager of Collective Investment Products (Provincia Fondos)

The Company's main activity is to manage the portfolio of mutual funds, acting as Manager of Collective Investment Products. Banco Provincia acts as Custodian of Collective Investment Products - Mutual Funds pursuant to Law No. 24083.

The Company's equity structure is the following: Provincia Bursátil S.A. (company controlled by Grupo Provincia): 90% and Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel: 10%.

In 2017, total funds managed by all mutual funds in Argentina increased by \$222,201 million (69% growth), totaling \$544,151 million at December 31.

In this scenario, and as a result of a major restructuring of the Company, funds managed by Provinfondos rose 108.51%, from \$6,050 million in 2016 to \$12,613 million in 2017. Such rate of increase was higher than the one recorded by the market.



Tax matters: joint actions were taken by the Argentine Leasing Association and the Directorate of Companies before the National Authorities to request an exemption from the tax on debits and credits for all bank accounts exclusively used by the companies for executing lease contracts. The request involved the movement of funds directly related to the development of the different phases of such contractual business, including funds derived from the transaction financing as well as those resulting from charges incurred in the management of the leasable goods and their future recovery.

Additionally, the tax reform proposed by the national government (enacted by Law No. 27430/17) providing for a gradual reduction of the income tax rate in future fiscal years resulted in a reduction in the Company's deferred liabilities with the ensuing positive result in 2017 figures.

In 2017, fund management services offered to investors were optimized. The "1822 Raíces Valores Negociables", "1822 Raíces Renta en Pesos", "1822 Raíces Renta Global" and "1822 Raíces Inversión" mutual funds got a better rating as the result of their performance and the credit quality of the assets involved.

Additionally, during 2017, a new Open Mutual Fund was created, called "1822 Raíces Dólares Plus". This resulted in a sharp increase in the market share, from 1.87% in December 2016 to 2.32% in December 2017.

At December 2017, the Stockholders' Equity of Provinfondos was \$130 million, up 282% over 2016. Income for the year totaled \$107.4 million, up 359% annually.

Provinfondos projects to increase assets under management by 19% in 2018, so as to continue enlarging its market share.

Provincia Microempresas S.A.



select micro-entrepreneurs, providing them a prequalification for possible loans.

The Company trains and advises microentrepreneurs on how to expand their businesses in a sustainable way and properly settle their loan obligations.

The project, which had started in February 2009, expanded rapidly, turning into the most important microcredit company nationwide. At 2017 year-end, the Stockholders' Equity million, recording losses for \$118.6 million.

During 2017, government policies ratified the constant support for developing social economy, particularly as regards financing to micro-entrepreneurs. In April 2017, the BCRA increased the "Individual Borrowing Limit" applicable to micro-entrepreneurs: loans for up to fifty times the Minimum Living Wage set by the National Employment Council may be granted. Considering the above, Provincia Microempresas and Banco de la Provincia de Buenos Aires worked together in the design of products to meet the specific needs of these such growing trend will persist during 2018 with new micro- entrepreneurs.

The Company's main activity is to identify and At the Special Meeting of Provincia Microempresas S.A., held on January 5, 2017, the shareholders resolved to increase the capital stock by \$150,000,000. Grupo Provincia decided not to participate in such increase. Consequently, Banco Provincia made the whole contribution, thus increasing its equity holding. Therefore, the new equity holdings of BPBA and Grupo Provincia are 99.32% and 0.68%, respectively.

The business showed positive signals of change, especially in the second half of 2017, due to the of Provincia Microempresas S.A. was \$66.5 partial renewal of the Board of Directors and the consolidation of the managerial team. The change of the General Manager and the inclusion in the Board of Directors of experts in microfinance or officers with long-standing experience in toptier enterprises, helped add expertise to the Company's management and improve daily activities. This professionalization eased the fulfillment of the strategic goals related to the increase in the customer base (reaching to almost 35,000), growth in the portfolio balance (totaling \$1,303 million) and a significant improvement in the business force productivity. Based on the above, the Board of Directors understands that a steady improvement in all indicators.







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