

2016

Annual Report



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Annual Report





Table of Contents

1	Authorities	/ 09
2	Annual Report	/ 13
	Message from the President	/ 14
	International Context	/ 17
	Domestic Context	/ 18
	Banco Provincia	/ 20
	Our Mission	/ 20
	Our History	/ 21
	Current Situation of the Bank of the People of the Province of Buenos Aires	/ 22
	Corporate Banking	/ 24
	Personal Banking	/ 26
	Institutional Banking	/ 27
	Financial Banking	/ 29
	A More Modern Bank	/ 30
	New Business Focus	/ 30
	Institutional Communication	/ 31
	Human Resources	/ 32
	Service Quality	/ 32
	Electronic Channels	/ 33
	Energy Savings	/ 33
	New Procurement Regime	/ 33
	2017 Prospects	/ 34
	Institutional Governance	/ 34
3	Financial Statements	/ 37
	Balance Sheet	/ 39
	Assets	/ 39
	Liabilities	/ 40
	Net Worth	/ 40
	Statement of Income	/ 41
4	Banco Provincia Museum	/ 43
5	Banco Provincia Foundation	/ 47
6	Grupo Banco Provincia	/ 51
	Balance Sheet, Statement of Income and Financial Indicators	/ 56
	GRUPO PROVINCIA's Companies - Summary	/ 60



A close-up photograph of a metallic mechanical component, possibly a manifold or a housing, featuring several circular openings. The surface is smooth and reflective, with some visible wear or discoloration. The lighting is soft, highlighting the contours of the metal.

① Authorities

Authorities

Province of Buenos Aires



Governor

María Eugenia Vidal
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Vice Governor

President of the Senate
Daniel Marcelo Salvador
daniel.salvador@gba.gob.ar



Chief of the Cabinet of Ministers

Cabinet Chief
Federico Salvai

Banco de la Provincia de Buenos Aires

Board of Directors:

TITLE	NAME	APPOINTMENT DATE
President	CURUTCHET, Juan Ernesto	01/01/2016
Vice President	PEREZ, Carlos Antonio	01/18/2016
Director Secretary	RODRIGO, Diego Oscar	12/10/2013
Director	ARROYO, Daniel Fernando	01/18/2016
Director	BIONDI, Mario	01/18/2016
Director	HUGHES, Felipe Martín	01/18/2016
Director	MEONI, Mario Andrés	01/18/2016
Director	GARCIA, Andrea Fabiana	06/16/2016
Director	DI ROCCO, Eduardo Luis	06/16/2016

General Management:

TITLE	NAME
General Manager	ALONSO, Daniel
Finance Deputy General Manager	FRANCESANGELI, Néstor
Marketing and Loans Deputy General Manager	LASALA, Juan Agustín
Business Development Deputy General Manager	DIZ, Gonzalo
Risks Deputy General Manager	CALLEGARI de CARUSSO, Silvia
Processes and Technology Deputy General Manager	AVILA, Marcelo Fernando
Services and Operating Control Deputy General Manager (in charge)	DARDUIN, Mariano
Administration Deputy General Manager	CASANOVAS, Marcelo





②

Annual Report

Message from the President



I took the major challenge of chairing the Bank of all the inhabitants of the province of Buenos Aires and assumed the commitment to strengthening the rich tradition of 194 years of history and experience through new projects, which will enable us to become a model of excellence with an active role in social development. This is evidenced by our goal of promoting employment, life quality and equal opportunities for the people of the province, facilitating the access to credits oriented to social development and financial assistance to small and medium size enterprises.

We have worked throughout 2016 in line with this vision and the results are clearly evident. We need to emphasize the significant increase in our offer of financing, both to corporate and individual segments. This fact, together with higher liquidity and a better funding structure, enabled the Bank not only to reduce the interest rate on private sector fixed-term deposits but also lead such reduction within the market. Therefore, and for the first time in many years, the Bank began to pay interest rates lower than the average

million at 18 and 36-month terms. As a result, the Bank could diversify its funding source and improve terms.

Banco Provincia also decided to redesign the access to mortgage loans, helping each and every family make their housing dreams come true. The Bank offers access not only to traditional credit facilities but also to new UVA (acquisition value unit) mortgage loans, which have shown high dynamism in the market. By the end of 2016, the demand for our mortgage loans increased threefold as against 2015. At the beginning of 2017, more than 20,000 inquiries were received and 2,000 UVA loan applications were entered. Likewise, and in order to support different housing demands, the Bank also promotes credit facilities for refurbishment and PROCREAR loans (housing loans program).

With respect to corporate loans, we have focused on SMEs because we believe they are an important source of high-quality employment, participate in all value chains of the province of Buenos Aires, and are versatile and innovative in all their productive processes. During 2016, \$6 out

of every \$10 lent by the Bank were destined to SMEs for a total amount of \$58,000 million. Lending for productive investments tripled; and subsidized financing doubled as a result of the coordination among the Bank and the National and Provincial Ministries of Production



Through an efficient and balanced management policy, the Bank has optimized its liquidity, capitalization and funding structure levels, consolidating as a stronger public bank, more predictable and reliable."

rates applied by the financial system, thus optimizing the spread.

On the capital markets front, the Bank has consolidated its leading role by actively participating in public and private sectors debt issues. Towards the end of the year, Banco Provincia placed its first-ever series of Negotiable Obligations for \$410

and Agriculture.

The farming sector of the province of Buenos Aires was also one of our priorities during 2016. Loans granted to this segment exceeded the amount of \$34,000 million (43% of total lending destined to the productive sector). We focused on the new launching of Agro-Industrial

Consultative Boards, fully appreciated by farmers' associations. Moreover, the Procampo card, a valuable financial tool for the sector, showed an outstanding performance. More than 640 agreements subscribed under the Procampo card with top-tier input suppliers enabled our customers to benefit from promotional financing rates and customized terms.

In order to improve the performance of tasks and the decision-making process, we have partially changed the Bank's organizational structure. Marketing supervision was separated from business development activities. Accordingly, the Business Development Deputy General Management was created, the purpose of which is to encourage the enhancement of products and services offered to customers and investors. Likewise, the Regulatory Compliance Management and the Risks Deputy General Management were also created to comply with the recent guidelines issued by the Basel Committee on Banking Supervision.

In short, through an efficient and balanced management policy, the Bank has optimized its liquidity, capitalization and funding structure levels, consolidating as a stronger public bank, more predictable and reliable. As a result, in 2016, the Bank set a historical peak, recording profits for \$3,170 million.

This excellent financial performance enabled us to carry out an unprecedented investment plan for an amount exceeding \$5,000 million, for the renewal of more than 400 customer service points within the province in order to improve our service quality. In 2016, 15 branches were

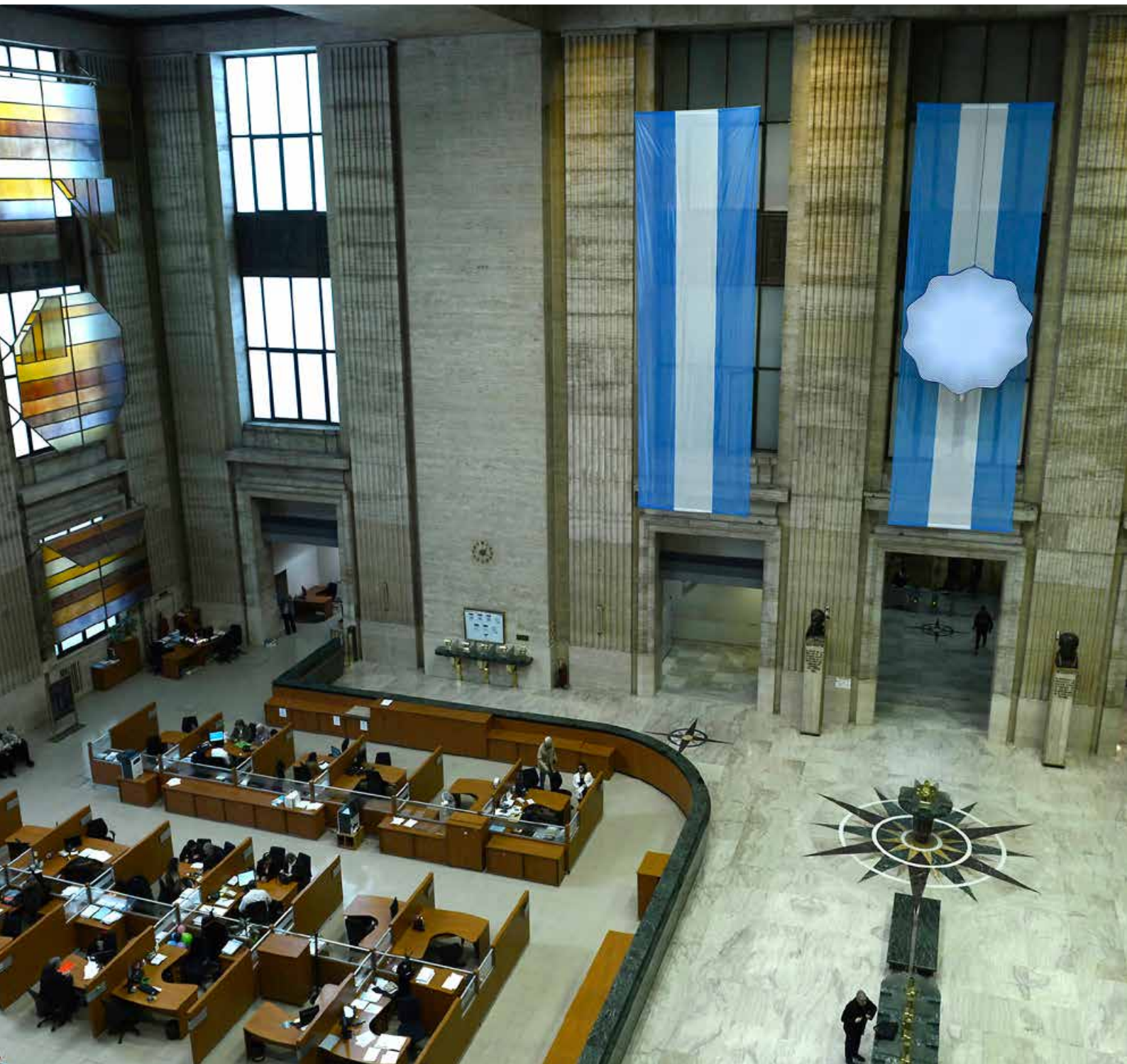
remodeled, other 13 are being refurbished, and works in 9 banking service units called "Espacio Provincia" were finished.

The inclusion of individuals who currently have no access to financial services and low-income people must be the fundamental basis of any social bank. Our commitment as a public bank is to offer solutions to all the inhabitants of the province of Buenos Aires and help them prosper day by day. For this reason, the Bank promotes social microcredits, encouraging the development and life quality of provincial micro-entrepreneurs with no access to traditional financing. To promote financial inclusion, we are working on a new social mortgage credit facility for the purchase, refurbishment, and enlargement of premises.

With these objectives in mind, we have also accompanied the inhabitants of the province in the most difficult circumstances. We have loaned over \$175 million to families and stores affected by natural phenomena in the cities of Pergamino, General Villegas, Salto, Colón, etc., and in neighborhoods such as El Cruce and Centenario. We have also offered to agricultural producers affected by this situation lending facilities of up to \$300 million, at a 36-month term and 12% rate.

There is much more to be done, but the success of these first steps shows that no challenge is impossible and no goal is too high for the team of Banco Provincia. Towards the 200th anniversary of our Institution, we will go on working all together with the same commitment because I strongly believe that for the Bank, the Province and Argentina the best is to come.

Juan Curutchet



International Context



The year 2016 was characterized by a high economic and political uncertainty, strong market volatility and economic deceleration in the main countries. Prospects on the tightening of the US monetary policy caused the strengthening of the dollar currency and the increase in the return of Treasury bonds. These events led to a reorganization of capital flows, which was exacerbated towards the end of the year due to the surprising success of the Republican candidate Donald Trump. Moreover, the unexpected result of the referendum called for the United Kingdom to leave the European Union (Brexit, which must be approved by the British Parliament) gave rise to a new context. The first shock made the pound sterling reach levels not seen for three decades, and the investors' appetite for safer assets wasn't the ideal scenario for Latin America.

The estimates from the International Monetary Fund (IMF) indicate that the global economy ended 2016 with an annual 3.1% growth, slightly below the previous year (3.2%). This deceleration was mainly due to the slowdown in the performance of advanced economies, which barely grew by 1.6%, (0.5 percentage points -p.p. - below the level attained in 2015) as a consequence of the general deceleration in which the lower dynamics of the United States stood out.

During the third quarter of 2016, the United States' level of activity highly improved. This situation and the labor market strengthening were significant factors in the decision of the Federal Reserve to increase interest rates in December after almost one year without changes, though

inflation was below its target and the expansion of the Gross Domestic Product (GDP) was lower than in 2015. Likewise, the Euro zone performed less dynamically than a year earlier, recording a GDP below its potential value. However, some preliminary growth figures showed a more optimistic situation in certain economies, such as Spain and United Kingdom, where domestic demand performed better than expected after the "Brexit".

Because of drop in energy and raw material prices, and outflows of capital funds, emerging and developing economies could not recover their growth pace. The deterioration was partly due to the reduced expansion of China, where the transition process from investment towards an economy based on consumption and provision of services translated into a loss of dynamism. The economies of Russia and Brazil, among other important countries, were also negatively affected, though their recession is likely to be reversed in 2017. The Middle East kept an upward trend because of the impetus given by exported volumes.

At a regional level, the GDP of Latin America and the Caribbean contracted as a result of the decrease in raw material prices and the capital outflow, which negatively affected the income levels of their economies. The expansion rate in Mexico decelerated; the activity level in Brazil recorded a new marked drop, affected by the tightening of its monetary policy and the reduction in investment and consumption, in a context of inflationary pressure and significant increase in fiscal deficit. This situation started slowly to be reversed towards the end of the year.

Domestic Context

A complex economic situation was the legacy received by the new Government. In the last years, the economy has been undermined by stagflation, external deficit, drop in international reserves, financial and commercial isolation, inadequate investment, tax deficit financed with monetary issue, competitiveness problems, low rate of private employment and deterioration in social indicators.

The international context, characterized by global economic growth deceleration, world commodities price reduction and long economic crisis suffered by our main trade partner, had an adverse impact on the Argentine economy.

policies on regulated interest rates and new measures were adopted to strengthen international reserves.

The economic transition resulted in a GDP fall in 2016, but the negative effects of these changes were gradually reduced and during the last quarter of the year certain recovery signs were observed.

During the second half of the year, the price growth rate recorded a marked deceleration due to a higher confidence in the monetary authority. The labor market slightly contracted during the first 6-month period of 2016, but this performance began to be gradually reversed during the second half of the year. According to data collected from the Permanent

Household Survey (EPH), in the second quarter of 2016 the unemployment rate was modestly higher than in 2015, but fell to 8.5% of the economically active population in the following quarter.



The price improvement in Argentine financial assets derived from the positive effects of such measures on the economic recovery expectations.

Consequently, immediate and effective economic measures were implemented, including the end of the currency exchange control and the unification of the exchange rate, the elimination of withholding taxes to regional economies, the declaration of statistical emergency, the gradual lift of quantitative restrictions on imports (DJAI) and other restrictions on financial and current accounts, the departure from "default" and the voluntary disclosure of assets. Furthermore, the Argentine Central Bank amended

With respect to the external sector, the Argentine Government implemented certain measures at the beginning of the year that generated exceptional movements in international trade (sales of agricultural stocks and increase in imported vehicle stocks), which gradually moderated throughout the year. Foreign sales expanded 1.7% due to the increase in the volume of exports, which largely offset the reduction in the average price of exports; while imports contracted





6.9% in a context in which the increase in the volume of imports could not neutralize the sharp decrease in the average price of imports. This performance resulted in the recovery of the trade surplus, thus reversing the negative balance recorded in 2015.

The Argentine financial system was also considerably influenced by macroeconomic changes. The price improvement in Argentine financial assets derived from the positive effects of such measures on the economic recovery expectations. Furthermore, as a consequence of the regularization of the public debt, the risk associated with Argentine government securities (including the upgrade of sovereign debt rating) diminished, thus facilitating the reinsertion of Argentina in international markets. Thanks to the agreement reached with creditors, financing abroad was possible, resulting in the diversification of funding sources and the implementation of transactions so as to improve the financial profile of our country. Disinflation and positive real borrowing interest rates, together with favorable conditions for higher competitiveness, encouraged entities to redesign their business models within a framework in which the real volume of financial brokerage began to recover during the second half of the year.

However, in 2016, the banking sector was less dynamic in terms of financial brokerage.

Banco Provincia

Our Mission

We are the largest bank
of the largest Argentine
Province

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.

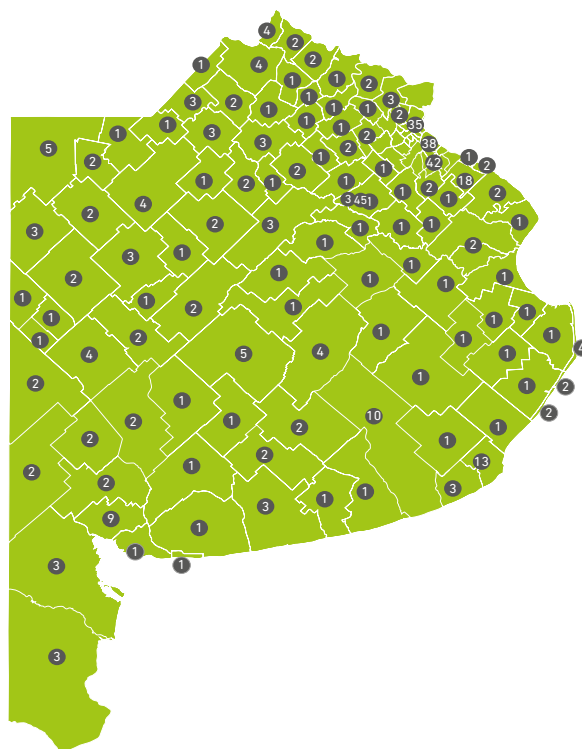
To support SMEs as the driving force of the economy, and the Agricultural Sector as the basis of our whole production system.

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

To offer again the opportunity to acquire your own home.

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.

We are close to all provincial inhabitants.



Located within the **Province of Buenos Aires** and the **Autonomous City of Buenos Aires**.

421
branches

10,440
employees

Our History

The 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 more than 190 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, guarantees and privileges of which are set forth in the Preamble and in Sections 31 and 121 of the National Constitution, in the National 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 its strong commitment towards the development of the Province of Buenos Aires and its people. The Bank granted the first 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 Bank with the strongest presence within the Province of Buenos Aires with more than 420 business units. As part of our commitment to be close to people who need our support, the Bank launched its own ATMs network in 1989. Nowadays it is the most extensive network within the provincial territory and over 1,700 terminals are operating in different places, even in those places where other banks are not present.

Current Situation of the Bank of the People of the Province of Buenos Aires

A Strong Bank

In 2016, as a result of an efficient and balanced management policy, the Bank set a historical peak, recording profits for \$3,171 million. Thanks to improvements in its liquidity, capitalization and funding structure, Banco Provincia could consolidate as a stronger public bank, more predictable and reliable.

This performance enabled us to double our return on equity (ROE), from 14.54% to 30.8%, without neglecting the social credit and the assistance to small and medium size enterprises.

During this period, its funding conditions favorably changed, so the Bank could design a more efficient fund raising structure, which resulted in lower costs.

Deposits funding structure changed its composition in 2016 as follows:

- First, Public Sector placements increased, moving from 16% to almost 26% of the Bank's total deposits. This was due to the improved financial position of the Province of Buenos Aires after the gradual recovery of its liquidity, and a marked upward trend in municipal deposits.
- Second, demand deposits in pesos grew to such an extent that their importance within our funding structure was in line with the average of the system.
- Third, within the fixed-term deposits structure, the Wholesale Private Sector (the most expensive and volatile) drastically reduced its share from 38.7% to 30.3%. This situation was offset by the Retail Private Sector and the Public Sector, which moved up from 42.1% to 47.6% and from 19.1% to 22.2%, respectively. As a result of our strategy to promote digital channels, in 2016, the number of Fixed-Term Deposits from the Private Sector made through these channels doubled compared with 2015 (from 27.9% to 43.3%).





Therefore, in the Broad Liquidity Evolution (account balances, plus Repo transactions and LEBAC) the position grew by \$32,800 million, increasing the ratios by twofold with respect to the Bank's deposits held at the end of 2015 (from 16.1% to 32.8%) and reducing the spread by almost 50% as compared with the previous year (from 11.4% to 20.8%).

Higher liquidity and a better funding structure enabled the Bank to **lead the rate reduction process within the market**. Based on a strategic business decision, the Bank not only maintained an active and aggressive credit policy for the Private Sector (especially for the productive segment) with the most attractive interest rates, but also increased the brokerage margin and its participation in the market.

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 economic chain.

In 2016, loans were granted for over \$100,000 million. Almost 80% of such amount was destined to the financing of companies, out of which 75% were SMEs. Likewise, lending in foreign currency increased fourfold (over \$13,000 million).

Loans to SMEs



In 2016, \$6 out of every \$10 lent by Banco Provincia were destined to SMEs.

Throughout 2016, financing solutions were offered to more than 20,000 Small and Medium Enterprises and almost \$58,000 million was lent to this segment. Out of such amount, 66% was destined to the Industrial and Agricultural sectors.

Loans under the Financing Facility for Production and Financial Inclusion increased threefold, totaling \$35,000 million. This facility, which had accounted for 11.5% of our portfolio in pesos in 2015, went up to 17.2% in 2016.

We also doubled subsidized financing as

against 2015 through agreements signed with the National and Provincial Ministries of Production. Loans for over \$1,200 million were granted under such facility.

To bring the Bank closer to SMEs, the **Espacio Provincia** units located at industrial parks were promoted. During the year, four additional units were inaugurated in Tres Arroyos, Junín, Tandil and Cañuelas, which added to the ones already existing in Ramallo, General Rodríguez and Moreno. In 2017, new Espacio Provincia units are expected to be inaugurated in the industrial parks located at Chivilcoy, Pergamino, Gral. Savio, 9 de Abril, Ezeiza, Bahía Blanca, Villa Flandria and La Reja.

Loans to the Agro-industrial sector



We have provided a \$34,433 million financial assistance to the provincial farming sector, accounting for 43% of total loans destined to the productive sector.

Agro-industrial businesses kept on evolving favorably, with a 40.7% y/y increase.

More agricultural producers have gained access to financing at subsidized rates and longer terms through different products destined to the Dairy Sector (investment and working capital), Cattle Production and Meat (working capital), Wheat, Sunflower and Corn Production (working capital) and Financing for potato growers.

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.** A total of 635 special agreements were subscribed with 320 input suppliers and almost 4,000 million were lent. After a long time, the commercial relationship with YPF was resumed through the execution of a special promotion agreement for the purchase of fuels and related products at a 0% rate and a 120-day term.

Moreover, the Agro-industrial Consultative Boards were relaunched. They are discussion tables composed of representatives of national and provincial agricultural entities, the Provincial Ministry of Agro-industry and the Bank's authorities.



Loans to the Corporate sector



During 2016, the portfolio balance destined to Economic Groups, Extra Large, Large and Medium enterprises located in Argentina increased 52% as against 2015, totaling \$13,152 million at the end of the year (30% of total Corporate sector).

(26% of total Corporate Sector), 14.5% over the previous year. These figures express our determination to boost the provincial productive sector, allocating 41% of our financing to the industrial sector and 38% to the agricultural segment.

Loans to this sector amounted to \$20,843 million

Loans for the financing of Foreign Trade



In 2016, loans for the financing of foreign trade increased twofold, amounting to \$7,000 million.

and improving income from services, the Bank achieved a 51.52% increase in Income from Services related to this sector.

With the goal of consolidating the Bank's position in the Province of Buenos Aires' foreign trade, enlarging its share in the financial market

The Bank granted loans for US\$474 million under import and export financing facilities, a 124% increase over 2015.

Social microcredits



We support the development of micro-entrepreneurs through Provincia Microempresas, a leading national company in this sector. Since its creation, more than 150,000 credits for an amount of \$2,883 million have already been granted to 68,692 provincial inhabitants.

provides services in 76 Bank's branches through 330 professionals specially trained to assist such segment.

Social microcredits favor the financial inclusion, development and quality of life of provincial micro-entrepreneurs. Provincia Microempresas

In 2016, 24,036 loans were granted for \$843.2 million, accounting for a 24.8% y/y rise. In such period, **the company has consolidated its privileged position in the microcredit market.** In 2017, 44,870 loans are expected to be granted for a total of \$1,509.28 million.

Personal Banking

We promote the progress of all provincial inhabitants. Thus, we are determined to transform Banco Provincia into the point of access to housing. To achieve such goal, the granting of mortgage loans was tripled during 2016.

Mortgage loans amounted to \$660 million in 2016 as against \$183 million a year earlier, accounting for a 261% increase. Portfolio balances grew by 10%.

The UVA Mortgage Loan facility was launched. More than 20,000 inquiries were received and 2,000 applications were already entered. Together with the Bank's traditional financing, this facility will help satisfy housing needs.

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

Loans to individuals reached \$21,159 million, 19.6% over 2015. With a 13.7% share in the market, we are leaders in Consumer Loans, totaling \$18,245 million. Non-prerequisite loans expanded to an equivalent amount of \$1,975 million (absolute terms). Advances on salary payments rose by 58%.

In order to migrate our pre-qualified customers from the traditional to the digital channel, we have launched **Consumer Loans through our Banca Internet Provincia (BIP)** platform. As a result, loans through electronic channels (ATM/BIP) recorded a 70% annual expansion.

The **UVA Automobile Loan** was also launched, bringing provincial inhabitants closer to their used or new branded car and offering them more affordable installments than a traditional loan, pledge free. With an innovative design in the local market, the outstanding balance due is ascertained in Acquisition Value Units (UVA), adjusted by application of the Inflation Adjustment Index (CER).





Institutional Banking

Following the changes in the political scenario of most provincial municipalities, steps were taken to build new relations and ratify our support in line with our commitment to be a strategic management tool for the Province of Buenos Aires.

Thus, meetings were held with all municipal officers to introduce our products and services, mainly those destined to update processes, increase income and reduce costs.

Such actions resulted in:

- New incorporations to the various alternative collection services allowing migration to electronic channels.
- New incorporations to our payment services - such as Payment to Suppliers, Payment of Benefits and Fees, and the Copres System for purchasing fuels, etc. - aimed at discouraging the use of checks for settling debts, with the ensuing reduction in transactions at cash desks.
- Promotion of our loan facilities for the financing of Public Works and Production and Financial Inclusion destined to the acquisition of road machinery and vehicles in general.

With respect to payment of retirement/pension benefits and social plans, progress was made in the migration of benefits collected at cash desks, encouraging the use of ATMs for cash withdrawals as well as of cards in Visa participating merchants.





Financial Banking

In 2016, Banco Provincia placed in the market its first-ever Negotiable Obligation for \$410 million for 18 and 36-month terms.

It accrued interest at Badlar rate, plus 2.5% and 3.5%, the lowest rates recorded during the last quarter of 2016. This enabled the Bank to diversify funding sources, obtain medium and long term financing, reduce risks and consolidate Banco Provincia's brand positioning in capital markets. The Bank's target is to regularly resort to capital markets for funding purposes.



In the local market, the Bank has consolidated its position as the main arranger and manager of debt securities in the Provincial Public Sector. Its participation amounted to \$22,798 million.

During the period under analysis, we have played a leading role in this market, actively participating in the issuance of debt securities both in the public and private sectors.

In the local market, the Bank has consolidated its position as the main arranger and manager of debt securities in the Provincial Public Sector. Its participation amounted to \$22,798 million, leading the issuance of Provincial Debt Securities and Treasury Bills.

Furthermore, it has increased its participation in the issuance of corporate debts, playing a significant role as manager of Negotiable Obligations of the following companies: Los Grobo Agropecuaria, Albanesi S.A. and IRSA Inversiones y Representaciones S.A.

At an international level, it has collaborated with the Province of Buenos Aires, as local co-manager, on the issuances of debt instruments made in March, June and October for US\$1,250 million, US\$1,000 million and US\$750 million, respectively.

The operative procedures for managing the **portfolio of wealthy individual and corporate customers were redefined and implemented.** In this period, third-party portfolio funds under management increased 47%, totaling over \$3,100 million.

Assets managed under mutual funds surpassed \$6,000 million and retail investors totaled 3,856, i.e.: a 72% annual increase for \$391 million.

The different financial businesses of corporate customers (Companies, Mutual Funds, Insurance companies, Municipalities, etc.) were integrally managed, participating in the origination, execution and follow-up of their transactions. As a result, the Bank managed a portfolio composed of 6,500 retail and wholesale customers from the Private and Public sectors for an amount surpassing \$45,000 million.

With respect to short-term overdraft agreements with top-tier companies, loans for over \$85,000 million were granted accounting for a 39% increase over the previous year.

Repo transactions for US\$13,800 million were made and LEBAC bills for US\$9,800 million were traded in the secondary market. These figures enabled the Bank to move up from rank 16th to rank 5th in transactions of this kind.

All LEBACs' bidding orders were placed for a total bidding amount of **\$219,000 million (+1,120% over 2015)**. Investors were given the option to bid dollar-denominated instruments (LETES) and National Government Securities.

A More Modern Bank

New Business Focus

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.

To this end, the institutional Organization Chart was modified in order to promote the development

of human resources as a driver for growth. Thus, two new Deputy General Managements were created which will have a positive impact in the Bank's commercial profile.

The new structure, approved by the Board of Directors, includes the Risks and Business Development Deputy General Managements as well as the Regulatory Compliance Management.

Risk Management

The purpose of the Risks Deputy General Management is to define strategies aimed at implementing the best practices to ensure a comprehensive monitoring of risks in compliance with the rules laid down by the Basel Committee on Banking Supervision, the BCRA and the Bank's policies.

Business Development

Its purpose is to ensure an integrated management of the Bank's general strategy in line with the initiatives oriented to support the Bank's profitability and sustainability and improve the products/services offered to customers and investors, adapting the value proposal to the needs of each interested group.

This conceptual model focuses on customers and aims at connecting the main business development areas. It considers 7 cyclical and iterative phases:

- Know customers.
- Define customers' strategy.
- Generate value proposals.
- Develop digital innovation.
- Implement a marketing plan.
- Optimize the development of products and sale/services channels.
- Manage information.

Regulatory Compliance

According to the organization restructuring announced upon taking office, the Board of Directors created the Regulatory Compliance Management. Its main purpose is to monitor the Bank's compliance with the regulations issued by the different control authorities in line with the rules laid down by the Basel Committee on Banking Supervision.

The Compliance function was structured by highlighting its ascribed importance, ensuring its independence from the other areas by reporting directly to the Board of Directors. This approach reinforces the efforts to avoid conflicts of interest in line with the best international practices on Ethics and Compliance.



Institutional Communication

After performing a brand diagnosis as well as customers' satisfaction and reputational researches, the Bank has renewed its identity through a simple, modern and friendlier esthetics. Likewise, a new communication strategy has been defined in which inclusion, closeness and progress represent our new values.

We have redesigned our advertising strategy by orienting communication to the business development needs. Mass communication campaigns have been launched for promoting Consumer Loans, Procampo Cards and Salary Accounts. We have also launched the TV institutional campaign "¿Qué tienen en común?" (What do they have in common?) to inform about the main benefits of being Banco Provincia's customer.

We have brought the brand and its products closer to all provincial inhabitants through a comprehensive and territorial communication plan covering 135 provincial districts. New communication support techniques have been incorporated such as advertising in public transportation.

A communication plan has been developed in branches aimed at advertising our main products at customer service desks. At a first stage, institutional advertising was displayed on 70 glass windows; works are ready to start on panels dividing customer service desks.

The Bank consolidated its position by participating in more than 250 own and third-party events. Among others, the Bank actively participated in the 50th FELABAN (Federation of Latin American Banks) Annual Assembly, the traditional agricultural fairs Expoagro and Palermo Rural Exhibition, the IDEA's (Argentine Institute for Corporate Development) Congress as well as in different events organized by the Argentine Institute of Financial Executives (IAEF).

In the pursuit of our social goal, we have supported provincial sports by sponsoring over 50 sport events and entities. We have also played an active role in culture by promoting festivals, plays and concerts as well as local events with high impact on regional micro economies.





Human Resources

We understand that the development of our human resources is a major driver for the Bank's growth. Thus, during 2016, actions were taken to maximize our employees' potential.

A new recruiting scheme was implemented to best suit the institutional needs. From a perspective recognizing identification of needs through real filling of positions, and after a careful revision of previous practices, a process was implemented based on the redefinition of the candidate's profile, equal opportunities and merits.

Constant training is a key management strategy. Thus, during 2016, we kept on encouraging the local and international training of our officers.

To achieve a more efficient allocation of resources, new variables have been implemented to analyze staff recruitment, position changes, promotions and appointments.

The health, training and recruitment areas kept on taking **labor inclusion actions for people with disabilities**. New employees were assessed

under the provisions of Law No. 10592 so as to determine their proper workload. They were offered personal support when introducing themselves at their labor destination. All physical and structural adjustments were made in order to avoid any barriers that may prevent fully integration. As part of the inclusion process, the employee, its co-workers and supervisors were evaluated at the destination labor environment.

In line with our on-going commitment to improve quality and service standards, we kept on **evaluating staff performance** so as to measure each employee's contribution. The Board of Directors' self-assessment process was also maintained in compliance with the rules imposed by the BCRA.

Internal communication channels were improved. Regularly distributed digital newsletters were created addressing issues such as: incorporations, promotions and motivational communications for promoted employees. To encourage horizontal communication, breakfast meetings were held between employees and the General Management.

Service quality

An unprecedented investment plan to carry out works for over \$5,000 million has been launched. Its purpose is to remodel more than 400 service units located throughout the Province so as to improve our service quality.

Under the Bicentennial Works Plan, the value enhancement of all the Bank's premises -whether branches or main buildings- is expected for 2020.

During 2016, remodeling works were concluded at the following branches: Dock Sud, Valentín Alsina, Copetonas, Huanguelén, Suipacha, General Arenales, Hinojo, Pasteur, Gonnet, Coronel Vidal, General Guido, Tribunales San Martín, Mechongué, Gregorio de Laferrere and Merlo. We also concluded

the works at the Espacio Provincia units located at Tres Arroyos, Junín, Tandil, Cañuelas, General Savio (General Pueyrredón), Chivilcoy, Ezeiza, Pergamino and 9 de Abril (Esteban Echeverría).

We manage the largest ATM network in the Province of Buenos Aires, with 1,703 installed terminals in 135 districts: 642 ATMs are located in the Buenos Aires Metropolitan Area (AMBA), 142 in the city of Buenos Aires (CABA), 732 in the interior of the province and 187 in La Plata district. During 2016, 58 new ATMs were installed in branches and 22 additional units are expected to be incorporated in early 2017.

Electronic Channels

The Banca Internet Provincia (BIP) platform kept on consolidating as the core of the Bank's business strategy. So, the process of adding value to both e-banking and web platforms continued, surpassing one million users. We also encouraged integration with products and services offered by Grupo Provincia's companies. Additional commercial options were incorporated which enabled customers to carry out transactions and apply for products/services without going to a branch.

Moreover, we have relaunched our web site in order to make it more accessible and friendly.

To this end, the web page engineering was redesigned, adapting its contents to the interests and expectations of different users. Its functionality and use were significantly improved, reducing by 20% its internal pages. The new version can be easily displayed on multiple platforms.

In this new web site, we have incorporated a Transparent Procurement Portal which allows full access to the Bank's Procurement System, encouraging the participation of more bidders and incorporating the possibility to electronically pay the tender price.



Energy Savings

Through our Energy Savings Strategic Plan, energy consumption was reduced (\$4.6 million savings in 2016).

New Procurement Regime

In 2016, the following goals have been set: optimization of procurement management times and systematization of procedures. To that end, inquiries were made regarding the possibility to implement a new procurement regime for the Bank's products and services. According to the opinion of the General Advisory Board of the Provincial

Government, nothing prevents Banco Provincia from implementing its own procurement regime based on the general principles of Reasonableness, Advertising and Communication, Free Participation, Equal Opportunity, Free Competition, Economy and Transparency. So, the pertinent procurement regulations are already in force.

2017 Prospects

Banco Provincia expects that the greater trade volume resulting from a more favorable context, may compensate the spread reduction in a scenario of less nominality of economic variables, boosted by low inflation. In this way, the loan and deposit portfolios will be improved, keeping the balance between the self-capitalization necessary for the Bank's sustainability and its strong commitment as Public Bank.

We will continue transforming the Institution into a point of access to housing and consolidating our leadership in the Consumer Loans segment, thus contributing to the progress of provincial inhabitants. Since our mission is to promote the development of the Province of Buenos Aires, we

will continue providing financial assistance to SMEs, offering loans in dollars to dynamize the provincial foreign trade.

A renewed marketing strategy destined to satisfy customers' needs will be implemented to face the challenge arising from a competitive financial market. Additional tools will be introduced to optimize customer service quality. This will be essential for the development of new lending and borrowing products.

Finally, we will concentrate on business transformation by integrating both traditional and digital channels.

Institutional Governance

The Institutional Governance Code was drawn up in 2012 pursuant to the guidelines on Corporate Governance for Financial Institutions. Said Code is regularly reviewed and updated. It provides guidance on how the objectives of the Board of Directors and Senior Management are set and achieved.

It is intended to protect the interest of depositors and safeguard the effectiveness and security in business transactions in accordance with the prevailing rules and regulations.

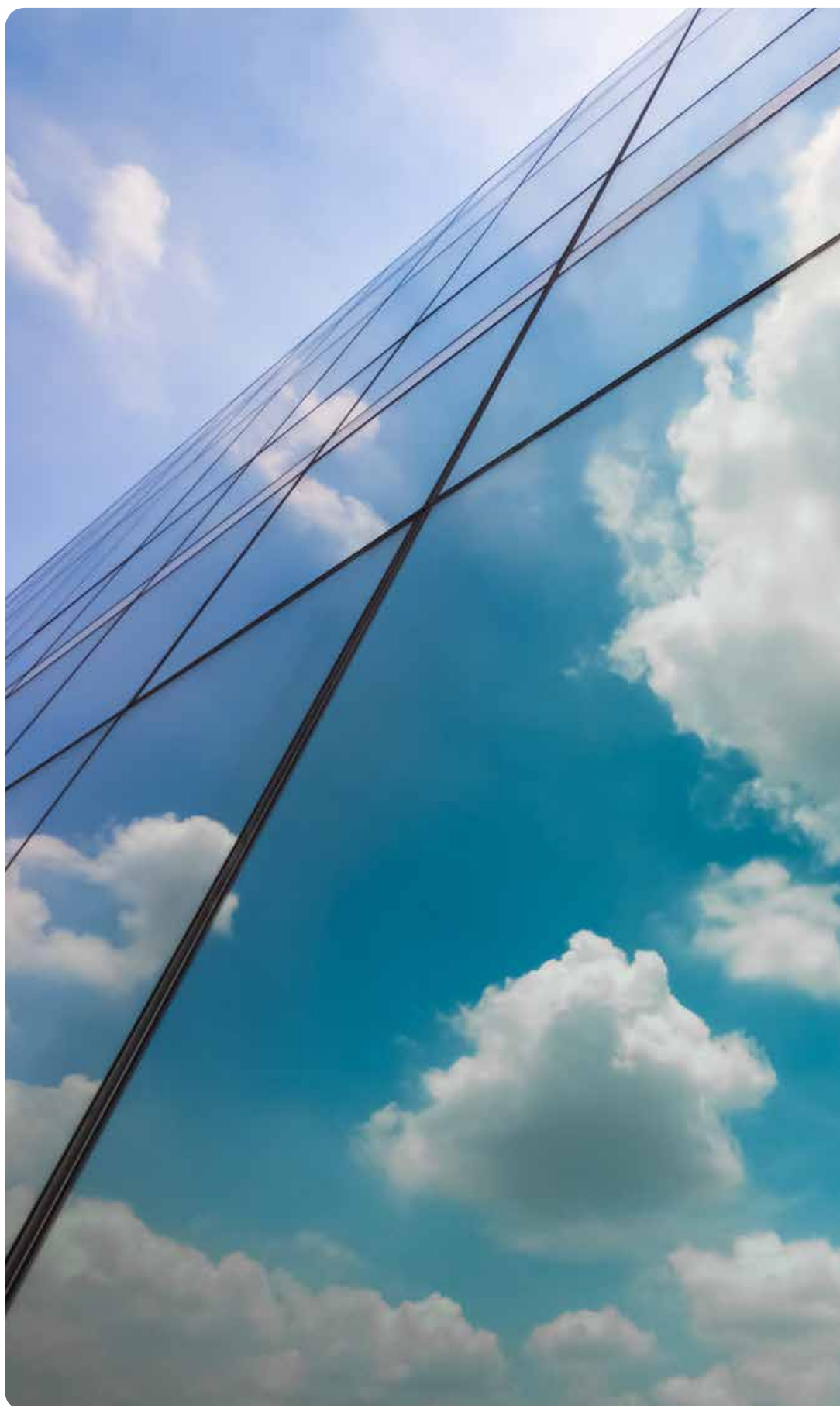
The Institutional Governance, Ethics and Compliance Committee is in charge of reviewing and recommending the approval of policies on these issues, so as to ensure that the Bank has the adequate tools for appropriate decision-making and compliance with regulations. In the latest updating, both the Committee 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.

Board of Directors' Commissions and Committees: 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 System Committee (Communication "A" 4609) and Anti-Money Laundering Committee (Communications "A" 4363 and "A" 4459). Likewise, the Bank has created the following additional committees:

- Administration Commission;
- Finance Commission;
- Credit Management Commission;
- Legal Affairs and Delinquency Commission;
- Internal Affairs Commission;
- Assets and Liabilities Management Committee;
- Risk Committee;
- Institutional Governance, Ethics and Compliance Committee;
- Convergence Plan towards the International Financial Reporting Standards (IFRS) Commission;
- Human Resources Commission.







③

Financial Statements

Financial Statements

Balance Sheet

BALANCE SHEET

(In millions of pesos)

	December 2015	December 2016	Absolute Variation	Relative Variation
ASSETS	138,400	208,962	70,562	51%
Cash and Due from Banks	19,920	36,760	16,840	84.5%
Government and Corporate Securities	17,122	42,586	25,464	148.7%
Loans	85,626	102,312	16,686	19.5%
Other Receivables from Financial Brokerage	10,320	18,748	8,428	81.7%
Receivables from Financial Leases	47	21	(26)	(55.3%)
Interests in Other Companies	473	354	(119)	(25.2%)
Miscellaneous Receivables	3,336	6,471	3,135	94%
Other Assets and PPI	1,556	1,710	154	9.9%
LIABILITIES	129,296	196,813	67,517	52.2%
Deposits	122,046	180,325	58,279	47.8%
Other Liabilities from Financial Brokerage	5,624	14,680	9,056	161%
Miscellaneous Liabilities	915	987	72	7.9%
Provisions	686	799	113	16.5%
Items Pending Allocation	25	22	(3)	(12%)
NET WORTH	9,104	12,149	3,045	33.4%

Assets

In 2016, the consolidated figures with the Bank's foreign branches showed a 51.0% y/y growth in Assets equivalent to \$70,562 million mainly due to increases in:

- Cash and Due from Banks, which grew 84.5% accounting for \$16,841 million.
- Government and Corporate Securities, which rose by 148.7% (\$25,465 million) as a result of the purchase of BCRA's Bills in pesos.
- Loans, net of the uncollectibility allowance, which improved by 19.5% (\$16,686 million) mainly on account of Loans to the Private Sector, particularly Consumer Loans, Notes and Credit Cards. On the other hand, Loans to the Public

Sector decreased by 28.0% (\$3,122 million).

- Other Receivables from Financial Brokerage, which rose by 81.7% y/y (\$8,428 million) mainly due to the increase in repo transaction involving instruments issued by the BCRA for the amount of \$6,983.
- Miscellaneous Receivables, which improved by 94.0% (\$3,135 million) as a result of greater advances in pension contributions made to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel.
- The remaining assets showed a slight comparative change.

Liabilities

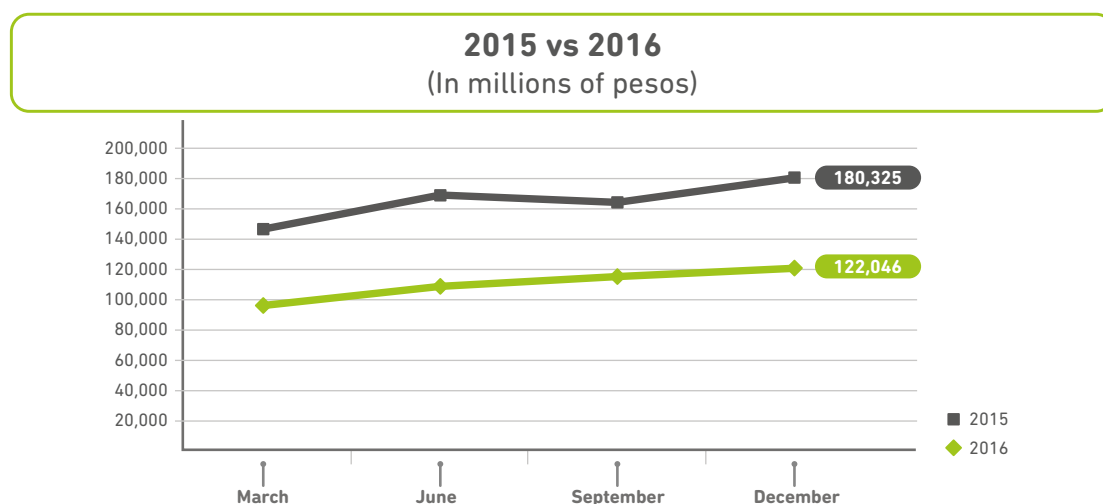
The consolidated figures with the Bank's foreign branches showed a 52.2% increase (\$67,517 million), thus totaling \$196,814 million.

Deposits, its major caption, rose by 47.8%, equivalent to \$58,280 million, thus amounting to \$180,325 million. This was caused by the expansion of Non-Financial Private Sector

Deposits for \$32,363 million, standing out savings accounts which amounted to \$18,438 million.

Other Liabilities from Financial Brokerage grew by 161.0% (\$9,056 million) derived from the considerable increase in Repo Transactions with other Banks for \$7,733 million.

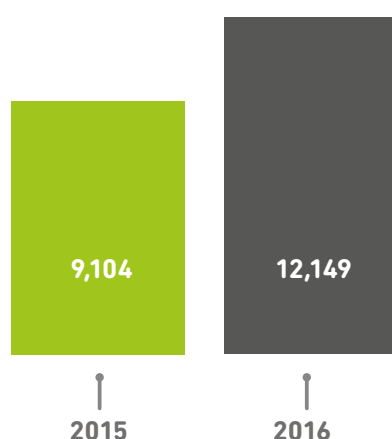
Evolution of the Bank's total Deposits



Net Worth

In 2016, Net Worth increased \$3,045 million as against the previous year, as a consequence of a \$3,171 million positive result, net of a \$126 million charge for Prior Year Adjustments.

Changes in Net Worth - In millions of \$



Statement of Income

STATEMENT OF INCOME

(In millions of pesos)

	December 2015	December 2016	Absolute Variation	Relative Variation
Financial Income	20,967	31,151	10,184	48.6%
Financial Expenditure	12,404	16,368	3,964	32%
Gross Brokerage Margin	8,563	14,783	6,220	72.6%
Provision for Loan Losses	712	1,320	608	85.4%
Income from Services	5,885	7,550	1,665	28.3%
Expenditure for Services	1,660	2,014	354	21.3%
Administrative Expenses	10,844	14,541	3,697	34.1%
Net Income from Financial Brokerage	1,232	4,458	3,226	261.9%
Miscellaneous Income	1,091	516	(575)	(52.7%)
Miscellaneous Losses	1,094	1,803	709	64.8%
NET INCOME FOR THE YEAR	1,229	3,171	1,942	158%

Total income amounted to \$3,171 million, accounting for a 158.0% rise, equivalent to \$1,942 million over the previous year.

The gross financial brokerage margin totaled \$14,783 million, a 72.6% increase with respect to 2015. The higher interest amounts paid on fixed-term deposits were neutralized by

the significant contribution made by interest amounts collected from Consumer Loans, Notes and Credit Cards and the valuation and yield of BCRA's negotiable instruments in pesos.

The net contribution of Income from Services grew by 31.0%, (\$1,311 million), totaling \$5,536 million. Commissions charged to Procampo

and Visa Credit Cards stood out. In 2016, higher commissions and charges were paid to Red Link S.A., Prisma Medios de Pago S.A. (former Visa Argentina S.A.) and Visa Internacional.

Administrative Expenses totaled \$14,541 million, a 34.1% y/y rise (\$3,697 million).

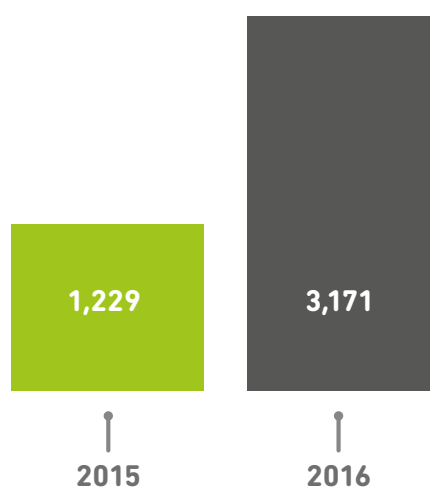
There follows a breakdown of the Bank's Expenditure Budget for 2016: Personnel Expenses \$12,349.86 million; Consumer Goods, \$134.49 million; Non-Personal Services, \$2,421.58 million; Bank Premises and Equipment, \$426.22 million and Transfers \$126.02 million. Total Income amounted to \$18,367.60 million (Income from Financial

Transactions, Miscellaneous Income, and Income from Services and from Overseas Branches).

In the fiscal year, total expenditure accounted for 93.81% of the budgeted figures (\$16,477.77 million) under the General Budgetary Law No. 14807.

Miscellaneous Income/Miscellaneous Losses posted a \$1,287 million loss due to an increased provision for Loss of Value of the Bank's Retirement and Pension Fund (\$1,141 million), a minor reversal of the provision for possible contingences and lower income/(loss) on long-term investments.

Income for the Year - In millions of \$







4

**Banco
Provincia
Museum**



Banco Provincia Museum

The “Dr. Arturo Jauretche” Historical Archives and Museum of Banco de la Provincia de Buenos Aires was founded in 1903. Located in the City of Buenos Aires, this first Argentine banking museum was designed by the architects Llauro, Urgell and Fazio. It was inaugurated on September 6, 1983 and declared National Historical Monument under National Executive Order No. 1563 in 2005.

Its main purpose is to preserve the institutional cultural heritage, promoting cultural acquisitions,

researches and dissemination activities. Its exhibition illustrates - through objects, documents and interactive tools - the lifetime of the first bank of Spanish America and the history of the Argentine currency from the viceroyalty period to the present.

The historical archive and the library enable users to have access to the accounting information of the Bank and its branches, specific data about leading figures such as Arturo Jauretche and books on banking issues, history and economy.

- **The Bank's Art Collection** was created in 1869 after the inauguration of the new Head Office.

It consists of paintings, allegorical sculptures and pictorial works of renowned Argentine and Rio de la Plata artists. The collection includes 317 paintings and 21 sculptures.

- **The numismatics collection** is composed of coins and notes, molds, clichés, lithographic plates, tests and prototypes. The collection also contains medals minted at the Bank's Mint and by third parties. It also exhibits thematic works of art related to the Province of Buenos Aires, its districts and cities.

- **Through the Banco y Niñez Program**, school groups (12-18 years) are invited to visit the Museum. This program is aimed at providing information about the Bank's creation, its role in the Argentine history and the banking system.





5

**Banco
Provincia
Foundation**

Banco Provincia Foundation

In 2016, the Foundation participated in 93 formal and informal educational programs, provided support to 36 social leaders in 57 inclusion initiatives and helped improve school infrastructure in 33 communities. It prompted the creation of 10 neighborhood organizations in 22 municipalities of the Greater Buenos Aires.

Created in 1969, its mission is to enhance the social and economic development of the Province of Buenos Aires. Since then, Banco Provincia Foundation has implemented several programs destined to improve education, support micro-entrepreneurs and make

reports on human development.

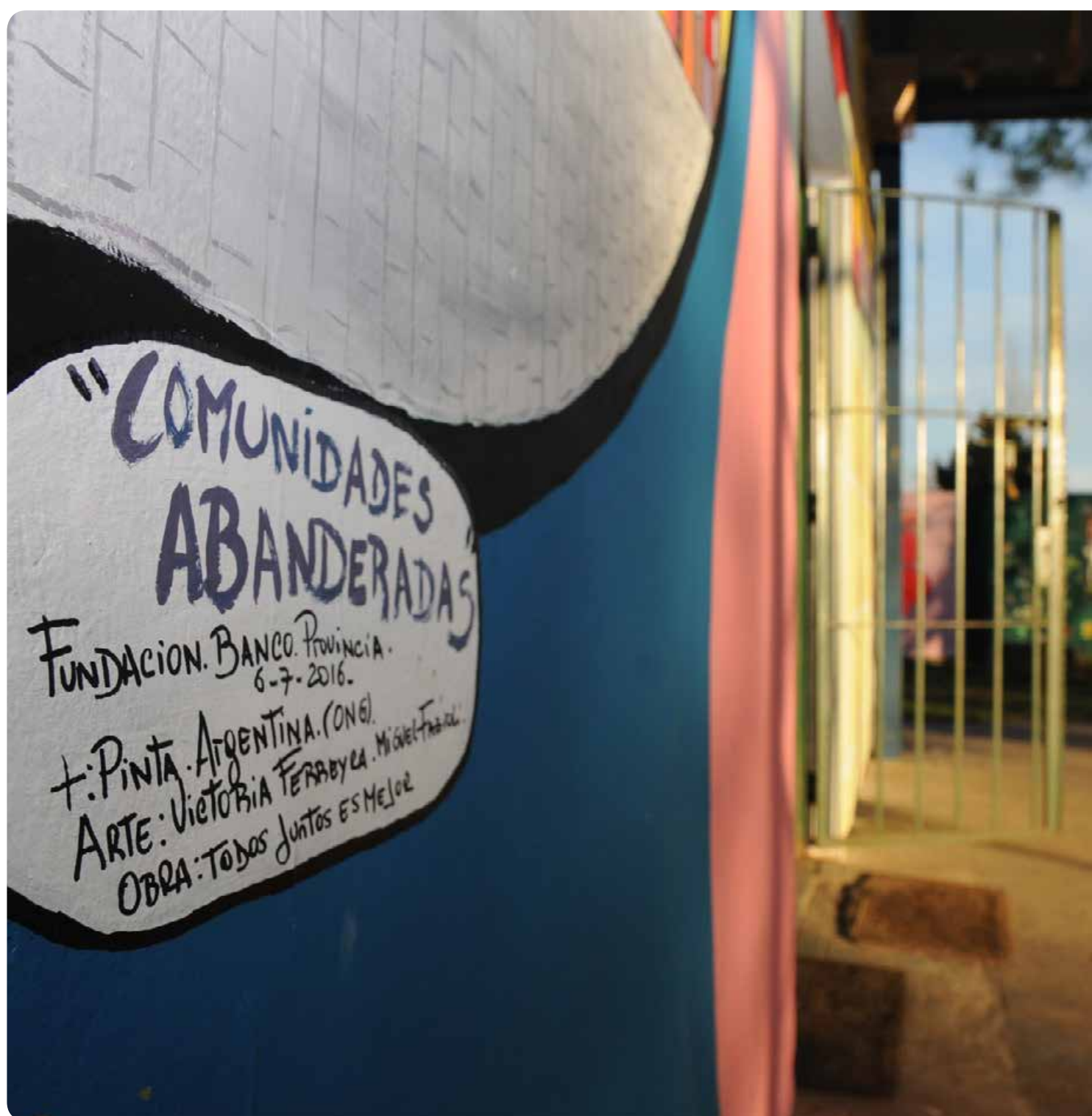
In 2016, it laid down the following guidelines based on its expertise, but mainly on its capacity to understand and take into account social demand and adapt to the current context.

- **To strengthen and foster** social supportive environments for children and young people, collaborating with social leaders.
- **To improve public schools**, recognizing the significant role of educational institutions and inviting the community to participate in this process.

In order to accomplish this mission, the following programs were developed:

- **Refugios visibles:** it supports the institutional development of social organizations which conduct activities for the social inclusion of children and young people of the Province of Buenos Aires. Non-reimbursable funds are allocated to provide proper management conditions and to promote the use of the premises where the activities are carried out. Efforts are made to maintain the installed capacity for any action to be taken in the future.
- **Comunidades abanderadas:** It satisfies public schools' needs with the participation of the community. Its main goal is to support the role of educational institutions and raise consciousness about their preservation and importance. These improvements are achieved through the collaborative work among government bodies, companies committed to education, civil society organizations, professionals and individuals.









6

**Grupo Banco
Provincia**



Grupo Banco Provincia

Grupo Banco Provincia (GBP) 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 non-banking financial services

and/or other services supplementary to the financial activity as well as to provide support for the development of families, entrepreneurs, companies, and local governments.

At December 31, 2016, GBP held permanent (direct and indirect) equity interests in the following 12 companies, out of which 9 are controlled by GBP.

GRUPO BANCO PROVINCIA

COMPANY	Direct Equity Interest	Indirect Equity Interest	Total Equity Interest
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.	45.000%	9.000%	54.000%
Internacional Compañía de Seguros de Vida S.A.	37.769%	1.806%	39.575%
Services			
BAPRO Medios de Pago S.A.	97.000%	2.996%	99.996%
BAPRO Mandatos y Negocios S.A.	97.000%	2.850%	99.850%
Buenos Aires Desarrollo S.A.	50.000%	0.000%	50.000%
Provincia Servicios de Salud S.A. ^(*)	99.990%	0.001%	99.991%
Finance			
Provincia Leasing S.A.	97.000%	2.981%	99.981%
Provincia Bursátil S.A. Brokerage House	95.000%	0.000%	95.000%
Provinfondos S.A. Mutual Fund Managing Company	0.000%	85.500%	85.500%
Provincia Microempresas S.A.	5.000%	0.000%	5.000%

(*) Provincia Servicios de Salud S.A. in liquidation

The 2016 goals of the new authorities of GBP were: to perform a comprehensive analysis of the Companies' situation, to identify their main strengths and weaknesses, to resolve detected problems in the short and medium terms and to reorient the future activities of the Group and its controlled companies.

Therefore, the following strategic guidelines were adopted:

- To continue increasing their turnover.
- To improve management Indicators.
- To optimize process quality management.

In line with the above, the following strategic goals were set for GBP companies:

- To obtain higher income from cross-selling transactions with current customers and launch of new services.
- To offer services to public entities of the Province of Buenos Aires and its municipalities to support their modernization processes.
- To reduce operative expenses so as to improve gross margins and technical/operative results.
- To keep strict control over delinquent accounts receivable.
- To encourage synergies among GBP companies.
- To enhance processes oriented to both external and internal customers.

Total income targeted in the 2016 consolidated budget of GBP was \$18,400 million. This goal was fully achieved.

According to corporate governance guidelines, the Risk Committees of GBP and its companies continued improving risks management. Such committees were created during the 2013/2014 fiscal year pursuant to the Regulations on Corporate Governance and the remarks made by BCRA to Banco Provincia.

With respect to accounts receivable, the Government of the Province of Buenos Aires made payments to Provincia ART S.A. and Provincia Seguros S.A. for \$1,379.5 million. These payments significantly reduced the originally owed amounts from \$1,066 million to \$476 million at the end of the year. The significant recovery in owed amounts and the return on financial placements caused a 74.4 % rise in the Investment caption of the Consolidated Balance Sheet as against the previous year.

Under the management control and planning guidelines, GBP continued monitoring the compliance with the business plans and budgets, identifying deviations and suggesting the pertinent corrective measures.

The Corporate Finance Committee carried out a strict control over investment decisions regarding the financial portfolios

of GBP companies and a follow-up of the strategy approved by their Boards of Directors. The operating process was enhanced and the market counterparty base was expanded, thus facilitating the performance of financial transactions within a controlled framework. In order to analyze, compare their opinions and implement tactical changes, business

As of December 2016, staff in controlled companies amounted to 2,849, a 0.4% growth as against December 2015.



meetings with major financial agents were held.

GBP, its companies and Banco Provincia continued working on the prevention of money laundering in accordance with the regulations established by the BCRA. In spite of its non-reportable status, the Board of Directors of GBP implemented measures to prevent and monitor money laundering activities.

Through business and marketing actions, GBP continued improving and strengthening its brand positioning. GBP, together with BPBA, adopted business actions aimed at expanding the customer base.

To ensure compliance with the technical ratios committed by Provincia Seguros S.A.



in its plan to regularize minimum capital and coverage deficits submitted before the National Insurance Superintendency (Superintendencia de Seguros de la Nación - SSN), GBP approved the purchase of shares in Internacional Seguros de Vida Previsional S.A. and Provincia Seguros de Vida S.A. in December 2016. This transaction is under analysis of the control authority, the approval of which is still pending.

In terms of personnel administration and payment of wages, several technological upgrades were implemented so as to reduce the operative workload and also to regularize and make the adjustments necessary to comply with the pertinent legal and tax requirements.

Likewise, actions were oriented to optimize active on line platforms, to search new solutions and to develop new indicators that may enable the assessment and follow-up of the Human Resources management. Meetings with the trade union were held and agreements on wage policy were reached.

With respect to Training, different activities were encouraged in the companies so as to strengthen communication capabilities, teamwork and leadership. Assistance and follow-up services were also provided to implement the employee's performance evaluation.

A new step was taken in the Corporate Incentive Program. It helps 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.

With regard to Benefits, actions for staff were maintained at a corporate level. They were aimed at improving the internal labor atmosphere, identification and loyalty sense of the companies' employees.

With respect to jobs and staff recruiting, positions were covered through internal/ external recruitment.

As of December 2016, staff in controlled companies amounted to 2,849, a 0.4% growth as against December 2015. Productivity, measured by the accumulated income/average number of employees ratio, increased from \$418.7 million in 2015 to \$665.4 million in 2016.

In 2016, Grupo Banco Provincia recorded losses for an amount of \$105.8 million due to the results of the long term investments, particularly those of insurance companies. Likewise, it did not distribute dividends to shareholders but received dividends from its companies for an amount of \$11.2 million and did not make capital contributions.

Balance Sheet, Statement of Income and Financial Indicators

Balance Sheet

At the end of 2016, Assets and Stockholders' Equity of Grupo Banco Provincia showed a \$4.7 million increase and a \$17.8 million drop, respectively, as against the previous year.

Assets rose due to the increase in Current Assets mainly in Long-term Investments. Stockholders' Equity reduction derives from the net income/(loss) for the fiscal year.

GRUPO BANCO PROVINCIA

(In millions of pesos - at December of each year)

Balance Sheet	2016	2015	Variation
Total Current Assets	74.3	28.5	45.8
Total Non-Current Assets	999.9	1,041.0	-41.1
Total Assets	1,074.2	1,069.5	4.7
Total Current Liabilities	64.9	45.0	20.0
Total Non-Current Liabilities	2.5	0.0	2.5
Total Liabilities	67.4	45.0	22.4
Stockholders' Equity at beginning of the year	1,024.6	852.3	172.2
Distribution of Profits	0.0	0.0	0.0
Net Income/(Loss) for the Year	-105.8	172.2	-278.0
Increase in Deferred Income	88.0	0.0	88.0
Stockholders' Equity at end of the year	1,006.8	1,024.6	-17.8
Total Liabilities and Stockholders' Equity	1,074.2	1,069.5	4.7

Statement of Income

GRUPO BANCO PROVINCIA S.A.

(In millions of pesos - at December of each year)

Statement of Income	2016	2015	Variation
Income/(Loss) from Long-term Investments	(110.2)	192.5	(302.8)
Net Income from Brand Use Transfer	169.5	110.1	59.4
Administrative Expenses	(162.2)	(145.5)	(16.7)
Financial and Other Income	7.3	5.1	2.2
Income Tax	(10.2)	10.0	(20.2)
Total Income/(Loss) for the Year	(105.8)	172.2	(278.0)

Net income/(loss) for 2016 amounted to -\$105.8 million mainly due to a lower result in long term investments.

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

Since net income/(loss) for 2016 amounted to -\$105.8 million, Grupo Banco Provincia will not distribute dividends and will make the pertinent adjustments to the Stockholders' Equity.

Statement of Cash Flows

During 2016, funds raised by the Group from its commercial transactions were destined to improve its investment activity through the acquisition of equity interests.

GRUPO BANCO PROVINCIA S.A. (In millions of pesos - at December of each year)

Statement of Cash Flows	2016	2015
Changes in Cash	4.4	(19.2)
Reasons for Changes		
Net Cash Flows resulting from Commercial Activities	10.4	(33.8)
Investment Activities	(6.1)	14.6
Net Increase / (Decrease) in Cash	4.4	(19.2)

Economic/Financial Performance Indicators

By the end of 2016, the Solvency indicator was lower than the prior year's value due to a reduction in the Stockholders' Equity as the result of the income/(losses) booked in the period.

When compared to the previous year, the Liquidity indicator improved because of the decline in current liabilities.

Profitability (measured in terms of ROE) was -10.4%, a 28.8% drop as against 2015.

GRUPO BANCO PROVINCIA S.A. (At December of each year)

Financial Indicators	2016	2015	Ratio
Solvency	14.94	22.79	Stockholders' Equity / Total Liabilities
Liquidity	1.14	0.63	Current Assets / Current Liabilities
Tied-up Capital	0.93	0.97	Non-Current Assets / Total Assets
Profitability (ROE)	-10.41%	18.35%	Total Income / (Loss) for the Fiscal Year / Average Stockholders' Equity

Consolidated Statement of Income

The Consolidated Statement of Income of Grupo Provincia posted a gross profit of \$1,711 million, 39.8% lower than in 2015. Income from Services increased 33.8%. Expenditure for Services rose 52.3% with respect to 2015 mainly due to insurance claim payments and the pertinent provisioning of reserves.

Marketing and Administrative Expenses grew by

13% (\$578 million) compared to 2015. As regards Investments and Equity Holdings, consolidated figures at December 2016 showed a profit of \$3,600 million, 85% more than in 2015.

The operating result was a deficit of \$196.4 million in 2016 while the consolidated final result was a deficit of \$105.8 million

GRUPO BANCO PROVINCIA S.A. (In millions of pesos - at December of each year)

Consolidated Statement of Income	2016	2015	2016/2015
Income from Services	18,959.3	14,169.0	4,790.4
Expenditure for Services	(17,248.7)	(11,327.5)	(5,921.2)
Gross Profits	1,710.6	2,841.4	(1,130.8)
Marketing and Administrative Charges	5,007.5	(4,428.8)	(578.7)
Financial Income from Holdings and Other	3,599.9	1,945.9	1,654.1
Other Income and Expenditure	(499.5)	64.5	(564.0)
Income/(Loss) before Taxes	(196.4)	423.1	(619.5)
Income Tax	43.2	(139.0)	(182.2)
Income/(Loss) after Taxes	(153.2)	284.1	(437.3)
Minority Interest	47.5	(111.8)	(159.3)
Total Income/(Loss) for the Fiscal Year	(105.8)	172.2	(278.0)

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows for the year 2016 recorded a \$43.8 million drop as the result of the Net Cash Flows used in Investment Activities throughout the year.

GRUPO BANCO PROVINCIA S.A. (In millions of pesos - at December of each year)

Consolidated Statement of Cash Flows	2016	2015
Changes in Cash	-43.8	121.5
Reasons for Changes	0.0	0.0
Net Cash Flows resulting from Operating Activities	2,841.3	2,584.4
Investment Activities	-2,810.6	-2,521.8
Financing Activities	-74.5	58.9
Increase / (Decrease) in Cash	-43.8	121.5

Consolidated Economic/Financial Performance Indicators

The economic/financial performance indicators exposed in the Consolidated Financial Statements showed reduced levels of solvency and profitability (ROE) as against the previous year.

GRUPO BANCO PROVINCIA S.A.

Consolidated Financial Indicators	2016	2015	Ratio
Solvency	0.05	0.08	Stockholders' Equity/Total Liabilities
ROA	-0.6%	1.5%	Total Income/(Loss) for the Fiscal Year/Average Assets
ROE	-10.41%	18.35%	Total Income/(Loss) for the Fiscal Year/Average Stockholders' Equity
Immobilized Assets	1.52%	1.04%	Bank Premises and Equipment and Intangible Assets / Total Assets

GRUPO PROVINCIA's Companies - Summary

Insurance Sector



Provincia Seguros S.A.- Property Insurance

The Company, which participates in the market of General Insurance (property and group life insurance), recorded operations for \$6,184 million in 2016, out of which \$5,531 million was accrued during the year. At December 31, 2016, its Stockholders' Equity amounted to \$490 million and annual losses were reported for \$200 million.

Strategic Plan

The Meeting of Shareholders held on January 27, 2016 appointed a new Board of Directors. The new authorities redefined the general corporate strategy and performed a detailed analysis of the Company's accounting processes. After the evaluations conducted, several adjustments were made whose net effects were taken to the income/(loss) account for the period ended June 30, 2016.

The mentioned process took place in the 2016 January/December period. As a consequence, at December 31, the Company recorded a minimum capital deficit of \$509 million, calculated according to SSN rules. On August 16, 2016, the Company's authorities submitted to the SSN an integral strategic plan for the 2016-2019 period, together with an adjustment plan. Under this plan, Provincia Seguros S.A. will improve the technical ratios required by the prevailing regulatory rules out of self-generated earnings.

On January 16, 2017, the SSN approved the mentioned plan under Resolution No. 124641.

All management areas were prompted to take different actions under the Strategic Plan. The main actions are detailed below:

- Internal restructuring to focus on certain businesses and promote growth with profitability.
- Creation of the Insurance Banking Management. The purpose of this management is to develop businesses jointly with Banco de la Provincia de

Buenos Aires (BPBA). The Company recognizes the great potential of BPBA as a strategic partner in the development of the insurance business.

- Creation of the Automobile Management to focus on the main insurance coverage and transversely manage the whole business from end-to-end.
- Reduction in Claim Costs (Cesvi - opening of Inspection Centers - early termination of cases). The Cesvi Orion system is a tool for optimizing the estimation of car damages, both in terms of costs and management times.
- Building of a direct link between the General Management and the Collections area aimed at improving available funds with the ensuing increase in financial income.
- Incorporation of new collection alternatives, reduction in levels of overdue debts and optimization of processes to improve collection management.
- Implementation of dashboards for a better and more regular measurement of the main business indicators. The development of this tool is still in process.
- Renegotiation of contracts with main suppliers.
- Analysis of the portfolio focusing on profitable businesses.

The renegotiation of reinsurance contracts resulted in about US\$900,000 worth of savings. This was due to a reduction in international rates

(soft market) and Local Reinsurers' fronting fees. The Company focused on Nación Re, as local reinsurer, and maintained a top international security as regards admitted reinsurers.

In order to improve its computable minimum capital status, on December 13, 2016, the Board of Directors approved the sale of the equity interests

of its related companies Provincia Seguros de Vida and Internacional Vida in favor of Grupo Provincia and/or its related companies. On December 22, 2016, the Group made a \$24 million advance, as partial payment of the final price, to be determined according to the proportional equity value calculated on the basis of the financial statements at December 31, 2016.



Goals for the coming year:

- **Compliance with the Strategic Plan** in order to regularize its Minimum Capital and Coverage of Debts to Insurers deficits.
- **Improvement** in operating efficiency.
- **Diversification** of products and sales channels.

Provincia ART S.A. - Workers' Compensation Insurance

The Company participates in the workers' compensation insurance market according to Law No. 24557/95.

Through Order No. 2038/12, the National Executive Branch enacted Law No. 26773 on "Rules on injuries derived from labor accidents and occupational diseases", which amends Labor Risk Law (LRL). This new regulation, providing for compensation in cash and in kind, came into force on October 26, 2012.

The new LRL unsuccessfully tried to reduce the so-called "trial industry". In the last year, legal actions against the insurance market and Provincia ART continued increasing (16% and 28%, respectively) due to a sustained portfolio growth during the last five years. In December 2016, the National Executive Power sent to Congress a bill to reform the law which was granted preliminary approval by the Senate. This measure, announced throughout the year, prompted the bringing of legal actions during the second half of 2016.

On June 3, 2015, the SSN issued Resolution No. 39214/15 introducing amendments to the calculation criteria of mediation and judicial reserves as well as in reserves for temporary labor disabilities. The ruling seeks to standardize calculations and establishes minimum concepts for setting up reserves related to judicial claims (such as costs and fees as well as updating of amounts). Global minimum reserves and

the form of the reserves for temporary labor disabilities were also modified in order to consider not only the estimated lost days but also the effective calendar days. Due to the significant impact of these amendments on insurance companies, they were given a period of 14 consecutive quarters to comply with the above.

Resolution No. 39909/16, issued on July 5, 2016 with retroactive effect as of June 30, 2016, revoked section 4 of the resolution previously mentioned. Thus, Global Liabilities were increased, with the balance amortizable over 9 quarters as of September 30, 2016 (cumulative with the balance from the previous resolution). Any excess in Minimum Capital shall be used to absorb outstanding balances.

On January 16, 2017, the SSN approved the new Regularization Plan submitted by the Company on November 10, 2016. According to expectations, in 2019, the Company will comply with the Minimum Capital requirements after achieving certain goals and reaching certain technical, commercial, equity, judicial, financial and operative metrics. The submitted project became effective as of October 1, 2016, date of approval by the Board of Directors. Under its terms, premiums are expected to grow steadily and no distribution of dividends is projected until full compliance.

During 2016, the Company issued premiums and surcharges for \$10,987 million, a 38% increase with respect to the previous year. At year end, the investment portfolio recorded an 83% annual growth (\$12,158 million).

At December 31, 2016, the Company had 1.57 million policyholders, 9% more than in 2015. Within the General Regime, the Company ranked 1st in terms of insured workers not only at a national level but also in the City of Buenos Aires and the Provinces of Buenos Aires, Mendoza and Tierra del Fuego.

Provincia ART started a process intended to regularize payments and debts owed by the

Provinces of Buenos Aires and Mendoza as well as the municipalities of the Province of Buenos Aires. In 2016, the Province of Buenos Aires paid \$959.7 million to Provincia ART on account of self-insurance. With respect to debts owed by the municipalities, the Province of Mendoza and other public sector entities, Provincia ART received "Payment to Suppliers" bonds for an amount of \$432.5 million.

In order to minimize the risk of losses, Provincia ART entered into a layered reinsurance contract for full coverage in case of disaster under the terms of Laws Nos. 24558 and 26773. It also started to adjust its Provisions for Claims.

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 minority 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 2016, its production amounted to \$354 million (+47.8% over 2015), increasing more than 166% in the last two years. Policyholders totaled 467,800, an 11.3% rise as against the previous year, thus Provincia Seguros de Vida S.A. stood as the insurance company with the highest number of insureds.

With a 5.1% market share, at September 2016, the Company ranked 6th in terms of life insurance policies (ranking that includes general insurance companies engaged in the commercialization of individual life insurance). Particularly in the individual life insurance market, Provincia Vida remains 5th in the ranking of policies issued.

During 2017, the Company expects to maintain the following commercial actions:

- "Potenciar" tool: Include the Company's products in the special productivity-based measurement that Banco Provincia performs on its commercial structure.
- Development of the "Insurance Broker" channel: Explore with different insurance brokers the opportunity to offer products by identifying market niches not developed yet.
- Commercial Promotion: Maintain the daily visits paid by commercial promoters to the Bank's branches and regional centers.
- Training: Be included in the official training schedule of Grupo Provincia's companies at the Bank and offer specific training courses at branches.
- Incentives: Maintain in force the prevailing commission schedule. In April 2017, an Annual Institutional Meeting will be held in order to recognize and reward not only the most efficient sellers under the 2016 Commercial Plan but also their branches, regional supervisors and other areas participating in the commercialization process.

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

Due to the enactment of Law No. 26222 and its related regulations abolishing the obligation of the Retirement and Pension Fund Administrators (Administradoras de Fondos de Jubilaciones y Pensiones - AFJPs) to contract a life and disability insurance, since January 1, 2008, the Company had to discontinue its production and keeps administrating pre-existing 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.

Consequently, the Company adjusted its management structure for the best combination of expenses and income. In 2016, it recorded profits for \$65.3 million, supported by a diversified investment policy and the optimization of the risk/return ratio. The Company paid GBP a dividend of \$2.1 million, charged against the results for 2015 and 2016.

Services Sector



Bapro Medios de Pagos S.A.

In 2016, Bapro Medios de Pago S.A. - Provincia NET- strongly consolidated as a technology company, providing a wide range of services to the private sector and offering solutions to both national and provincial public sectors.

Its two traditional business units (Collection System and Call Center) kept on expanding in line with the advance observed in the Technology unit.

The main contract in the technology unit is the agreement subscribed with the Provincial Institute of Lotteries and Casinos (Instituto de Loterías y Casinos de la Provincia de Buenos Aires) expiring in November 2022.

The Company extended the contract for the provision and operation of a bet capture and processing software signed with BOLDT GAMING S.A and the contract for data transmission and corrective and preventive field maintenance subscribed with SERVICIO PARA EL TRANSPORTE DE INFORMACION SA. for a 74-month period until termination of the agreement with the Provincial Institute of Lotteries and Casinos, getting the best prices until maturity.

Bapro Medios de Pago decided to locate offices in the Technological District. According to Law No.2972 (City of Buenos Aires), as amended, individuals or legal persons who

decide to settle in the Technological District of the City of Buenos Aires and are engaged in Information and Communication Technologies (ICT) may request the deferral and subsequent exemption from payment of the gross income tax for all business segments during 24 months, until reaching the invested amount. Once the term has expired, they may request exemption from payment of the gross income tax on the activities carried out, as long as they get final registration.

On September 22, 2016, through provision No. DI-2016-53 DGGI, the Government of the City of Buenos Aires informed that Bapro Medios de Pago S.A. qualified under all requested items and sub-items of the ICT Activity Schedule approved by Resolution 425/MDEGC/09.

Among the benefits envisaged by this program, mention should be made of the following: exemption from payment of the gross income and stamp taxes; exemption from payment of charges for street lighting, cleaning and maintenance services applied on property owners or tenants and access to Banco Ciudad de Buenos Aires' loans at preferential rates for the purchase and construction of real estate. The program also enables companies to own a property under break-even conditions.

Upon implementing a cost-adequacy and price adjustment policy, at the end of the year,

total income of BAPRO MEDIOS DE PAGO S.A. amounted to \$30 million.

This figure arose from a \$1,522 million annual

billing (a 34% increase over the previous year). Even allocation of funds for capital investments, financial income amounted to \$119 million during the year, 80% over 2015.

Bapro Mandatos y Negocios S.A. – Fiduciary Activities

Bapro Mandatos y Negocios S.A. (BMN) is a company specialized in the structuring and management of trusts, with an active participation in the market.

In 2016, the Company engaged in the analysis of measures and actions to cope with the pre-existing problems posed by certain trusts. It also developed communication channels and work patterns for future agreements.

Through the reallocation of resources in 2016, the Company managed to meet the obligations arising from its trust portfolio without increasing its staff.

The new authorities took notice of the financial crisis of the Estrella del Sur Trust, which seriously jeopardized the continuity of this real estate project. By resolution of the two Meetings of Beneficiaries held, a Beneficiaries Executive Committee was appointed and the Developer was set apart. The Committee implemented a construction plan in accordance with the existing resources and financial capacity of the trust. In the meantime, steps are being taken before national and provincial agencies to financially restructure the Project. BMN cooperates with the Committee by providing all documents and information necessary to analyze and consider the different proposals that may ensure the viability of the Project, for example the purchase of housing units by trade unions through the Provincial Housing Institute (Instituto Provincial de la Vivienda) and the appointment of a Developer who would also provide financing.

In 2016, works related to the SUCRE Trust, a real estate development located in San Isidro district, came to an end and beneficiaries who had complied with all formal requirements could take possession of the housing units. Moreover, a Trust for the Administration of building common areas was created and an Administrator was appointed to deal with property owners' matters. A Board of Administration composed of beneficiaries from both Trusts was established

to handle building maintenance issues.

At the request of trustors, ACUMAR and Fundación Felices los Niños, BMN analysed the extension of Parque Industrial Curtidor and Fideicomiso DPPJ No. 5182/14 trusts, with maturity dates in 2016.

The Trust Fund for Sanitary Infrastructure was created to cooperate with the provincial public sector. The trustor is Aguas Bonaerenses S.A. and the trust purpose is to finance works for expanding drinking and waste water services and make investments to improve the basic infrastructure capacity in the context of the expansion plan developed by the Provincial Ministry of Infrastructure, as enforcement authority.

Looking towards 2017, the Company tried to consolidate its relationship with municipal and provincial public agencies, both in trusts already created as well as in new projects under analysis and assessment. The convenience of the tool offered and managed by the Company was taken into account, in light of the results obtained in the existing trusts. The Trust Fund for Financial Assistance to the Fishing Industry was created last January. The trustor is the Provincial Undersecretariat of Agriculture, Livestock and Fishing of the Ministry of Agro-industry and its purpose is to develop financial tools for the fishing industry in the Province of Buenos Aires.

BMN restructured managements and reorganized work teams with a view to improving working processes. Procedure manuals began to be drafted or updated. An Integral Training and Development Plan coordinated by the Human Resources Area of the Group was approved for 2017. It aims at strengthening staff skills and focuses on effective communication and team working.

Like in previous years, the Company did not resort to external financing and carried out its activities with own funds.

BA Desarrollo S.A.

BA Desarrollo S.A. restated its organizational strategy focusing on its founding purpose “to be an agent for the promotion of investments in order to foster the provincial and national sustainable development with infrastructure investments”. The Company decided to put emphasis on the energy, sanitation and climate change adaptation issues.

Two key strategies were implemented towards this goal. The first was to discontinue the marketing activity and restructure the human resources, administration and legal areas. The second was to sign up to the PRI (“Principles for Responsible Investment”) initiative supported by the UN, which promotes 6 principles for the development of sustainable investments. Thus, BA Desarrollo S.A. turned into the first Argentine company to become a signatory to the PRI.

Both strategies were successfully implemented by mid-2016, and as a result, the Company consolidated as an agent engaged in the search for investments in the mentioned areas. Foreign and domestic investors could be contacted for the development of investment projects in the Province of Buenos Aires and other districts of the country. The Company also set up new relationships with municipal, provincial and national agencies.

Some of the ongoing projects include: replacement of municipal public lighting systems with LED technology lights, development of renewable energy projects for industries, development of municipal solid waste management projects, financing of industrial technological reconversion and digital inclusion proposals that enable cooperatives and municipalities to make use of optic fiber technology.

With regard to 2015 and older initiatives, mention should be made of the actions taken to redefine the FITBA II Trust project, which will attract strong investments in electric infrastructure throughout the province. The Company also managed to organize the loan facilities destined

to encourage agricultural and tourism activities and the “IncentiBA for young entrepreneurs” line of credit, which will terminate in 2017.

The actions taken in 2016 by BA Desarrollo S.A. in line with the business strategy designed by the new authorities are detailed below:

- Agreements with the Moreno, Campana, Quilmes, Lomas de Zamora, Escobar, Balcarce, Hurlingham and Bahía Blanca municipalities for the replacement of public lighting systems with LED technology lights.
- Municipal solid waste management programs. A new agreement was subscribed with the municipality of Florencio Varela. The commitments undertaken by the former authorities were met in 2016 and the Company successfully imported the remaining equipment. An agreement was signed with the Municipality of Bahía Blanca to deal with an integral solid waste management project.
- Program for the development of renewable energy initiatives in industrial parks, municipalities or companies.
- Program for the industrial technological reconversion.
- Last mile program. A letter of intent was signed with the Telecommunication Cooperatives Chamber (Cámara de Cooperativas de Telecomunicaciones), the Federation of Telephone Services Cooperatives for the Southern Area (Federación de Cooperativas del Servicio Telefónico de la Zona Sur) and the Cooperative for the Provision and Marketing of Community Broadcasting Services (Cooperativa de Provisión y Comercialización de Servicios Comunitarios de Radiodifusión - COLSECOR) with the purpose of investing in optic fiber to complete the final stage of the “last mile” program in their pertinent commercial areas, thus fostering their customers’ digital inclusion.

Provincia Servicios de Salud S.A.

On October 13, 2016, the Regular Meeting of Shareholders of Provincia Servicios de Salud S.A. (in liquidation) approved the final Balance Sheet and instructed to cancel registration of the Company with the competent authority.

In December, the documents necessary to complete this proceeding were submitted to the General Inspectorate of Companies (Inspección General de Justicia).

Financial Sector

Provincia
Leasing

Provincia
Bursátil

Provincia
Microempresas

Provincia
Fondos

Provincia Leasing S.A. – Leasing Transactions

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

Grupo Provincia holds 97% of Provincia Leasing S.A. Minority shareholders of Provincia Leasing S.A. are Provincia Mandatos y Negocios S.A. (2.71%) and Provincia Bursátil S.A. (0.29%).

The changes in the Board of Directors decided by shareholders in 2016 and the new members appointed to the Senior Management by the new directors promoted significant adjustments in 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 (equipment for infrastructure works) and provincial SMEs.

The Board of Directors engaged in seeking a diversification of funding sources, formerly concentrated in Banco de la Provincia de Buenos Aires, which had a limited lending capacity when the new authorities took office. To this end, its first ever Financial Trust ("Provincia Leasing I") was underwritten for an amount of \$165 million, which got an excellent credit rating ("AAAsf(arg)") for Trust Debt Securities - Class A from Fix SCR SA and a convenient financing cost. Provincia Leasing S.A. has decided to turn this market tool into

a financing source, which, in the opinion of its Board of Directors, has become a milestone in the Company's history.

The internal structure was modified by redefining functions and developing a new organization chart. A Risk Management unit composed of the credit risk analysis, legal, and anti-money laundering areas was created. The Company also created the management control unit, and the financial, equity, operational and strategic risk management areas. The assets management and budget areas were enhanced. Training actions were implemented company-wide to develop staff potential with a positive feedback.

For all these reasons, 2016 must be considered a transition period. Business activity was weak in the first quarter of the year and the Company had to face some extraordinary costs to carry out the new business strategy, with the consequent impact on the fiscal year's economic result. However, and due to a hard effort of the organization during the second half of the year, the commercial goals set by the new authorities were exceeded by 7%.

Mention should be made of the labor workshops held in industrial parks and the great majority of municipalities of the province of Buenos Aires together with Grupo Provincia and its controlled companies. The Company had an active participation in several fairs and events, interacting with potential customers and suppliers.

Provincia Bursátil S.A. – Brokerage House

The Company's equity structure is the following: Grupo Provincia, 95%; Banco de la Provincia de Buenos Aires, 4% and Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel, 1%.

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 consolidated text of the General Resolutions and rules issued by the National Securities Commission, the By-laws, Internal and Operative Regulations and other communications issued by the Mercado de Valores de Buenos Aires S.A.

The Company acts on behalf of customers (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 (electronic and floor trading) and also in the Bilateral Negotiation Segment.

The major restructuring of the Company's

business activity in 2016 resulted in a high increase in transactions (74% rise in income from services and brokerage transactions), while expenses grew below the inflation rate.

With a view to improving its turnover, in the second half of 2016, Provincia Bursátil S.A. focused on the primary placement of negotiable obligations, trusts and provincial bills. A commercial campaign to be developed in 2017 will reinforce such trend.

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 cuota shares of the Mutual Funds managed by its controlled company, Provinfondos, thus expanding its portfolio of collective investment products.

Expectations for 2017 predict the consolidation of Provincia Bursátil S.A. in the brokerage market with the resulting increase in transactions in a favorable financial context.

Provinfondos S.A. - Manager of Collective Investment Products (former Mutual Fund Managing Company)

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 line with the requirements of section 66 of the Companies' Law and section 1 of the General Resolution No. 4/09 of the General Inspectorate of Companies, mention should be made that the Company's main activity is to manage the portfolio of mutual funds, acting as Manager of Collective Investment Products. Banco de la

Provincia de Buenos Aires acts as Custodian of Collective Investment Products pursuant to Law No. 24083.

In 2016, total funds managed by mutual funds in Argentina increased by \$110,477 million (52% growth), totaling \$323,007 million at December 31.

In this scenario, and as a result of the major restructuring of the Company, funds managed by Provinfondos rose 388.3% according to the following detail:

Investment Products

(In millions of pesos)

	2016	2015	Variation
1822 Raíces Valores Negociables	222,368	65,327	249.6%
1822 Raíces Renta Pesos	65,046	37,907	71.6%
1822 Raíces Renta Global	58,855	58,552	0.5%
1822 Raíces Ahorro Pesos	2,408,212	802,263	200.2%
Provincia Dólares	301	287	4.9%
1822 Raíces Valores Fiduciarios	623,719	243,742	155.9%
1822 Raíces Inversión	2,665,106	30,856	8,537.2%
Total	6,049,608	1,238,933	388.3%

In 2016, the focus was placed on optimizing the fund management services offered by the Company to its investors. Therefore, the investment policies and fees of certain mutual funds were modified and the customer base was enlarged. This resulted in a sharp increase in market share, from 0.58% in December 2015 to

1.87% in December 2016.

The Company estimates a 30% growth in the mutual funds market for 2017. As part of the expansion process, Provinfondos projects to increase the assets under management by 40%, thus enlarging its market share.

Provincia Microempresas S.A.

Provincia Microempresas S.A. is a direct subsidiary of Banco de la Provincia de Buenos Aires but not of Grupo Banco Provincia. It is a trader of the Bank's microcredits. During the year, the active portfolio included 32,000 customers and loans granted totaled \$843.2 million.

The Company has implemented an expansion plan aimed at tripling the existing number of transactions and expanding its presence in all

provincial districts in the following 3 years. At the Special Meeting of Provincia Microempresas S.A., held on January 5, 2017, the Shareholders resolved to increase the capital stock by \$150 million. Grupo Banco Provincia decided not to participate in such increase. Consequently, Banco Provincia will make the whole contribution, thus increasing its equity holding. Therefore, the new equity holdings of BPBA and Grupo Banco Provincia will be 99.32% and 0.68%, respectively.







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