

## Notes to the Financial Statements

AT DECEMBER 31, 2011 AND COMPARATIVE PERIODS  
(In thousands of pesos)

### 1. Institutional Nature of the Bank – The Argentine Economic Context and its Impact on the Bank's Economic and Financial Position – Basis for the Presentation of the Financial Statements

#### Institutional Nature of the Bank

Banco de la Provincia de Buenos Aires (the "Bank") is a self-administered public institution, with its origin, guaranties and privileges set forth in the Preamble and in Sections 31 and 104, ratified by Sections 31 and 121, of the National Constitution, as amended in 1994.

Section 7 of the national union pact dated November 11, 1859 (*San José de Flores Treaty*) established that the Province of Buenos Aires reserved for itself the exclusive rights, among others, to govern its State Bank.

For that reason, Article 4 of the Bank's Charter -Executive Order No. 9437/79, as amended, provides that the Bank, its assets, acts and doings, contracts and transactions, as well as the rights arising therefrom in its favor, shall be exempted from any liens, taxes, charges or contributions of any nature whatsoever.

#### The Argentine Economic Context and its Impact on the Bank's Economic and Financial Position

The rapid pace of the Argentine economic growth is anticipated to slow down during 2012 with respect to 2011 on account of, mainly, the lower growth of the main trade partners, reduced prices predicted for exportable commodities, as well as lower results in the agricultural campaign, as compared with the previous year.

The International Monetary Fund (IMF) has narrowed perspectives on the global growth for this year, because financial risks have increased and the eurozone crisis has entered a different stage. This agency predicts an annual world product expansion of 3.3%, 0.7 percentage points (pp) below the previous one and 0.5 pp lower than the increase estimated for 2011. The main change in the world economic scenario occurs in the light of the negative conditions prevailing in the eurozone, which is expected to enter into recession during 2012. With respect to emerging and developing economies, the IMF predicts a 5.4% expansion, slightly below last year's and September expectations. The 8.2% growth of China is among the main assumptions; this implies a rise which is 1pp lower than the one recorded in 2011. On the other hand, Latin America and the Caribbean would show a 3.6% annual increase, 0.4pp below forecasts.

In view of the decelerated economic growth, the price of raw materials will be affected: the IMF anticipates a general impairment of prices with respect to 2011. In the case of oil, this agency projects a 4.9% decrease, which is similar to last year's projection. Regarding the other non-energy products, a 14% price reduction is expected when compared to 2011.

At the end of 2011, the 2011/2012 agricultural campaign was expected to probably reach record levels in terms of production, mainly boosted by good prospects for the corn and soy crops. However, the optimistic projections weakened as the *La Niña* event got worse, causing higher temperatures and water shortages which strongly affected corn crops as these did not receive enough rain during the flowering period. February rains are a key factor determining the success of the soy crop, although no drastic effects are expected. Anyhow, the contribution of the agricultural sector to the growth of the Gross Domestic Product (GDP) and of exports will be moderate, which adds to a decreased turnover on account of prices.

Under this scenario, domestic spending is expected to decelerate, mainly investment and private consumption. Net exports would again negatively affect the increase of the GDP, owing to the higher relative increase of imports over exports. Private deposits and loans would slow down this year with respect to last year, directly affected by these lower growth margins.

The Bank is constantly evaluating and supervising the effects derived from the above situations.

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By General Resolution No.3210/11, the Argentine Internal Revenue Service (*Administración Federal de Ingresos Públicos* – AFIP) implemented the Foreign Exchange Consultation Program so as to control in real time the fiscal, economic and financial situation of those seeking to purchase foreign currency. Those institutions authorized to carry out foreign exchange transactions by the BCRA must consult and record the total amount in pesos of each transaction at the moment it is completed. The AFIP will assess in real time the data input and will answer in accordance with the information stored in its data base.

There follows a description of some of the measures adopted by the national government in the last years, which are still in force on the date of presentation of these Financial Statements, and their effect on the Bank.

#### 1.a. Refinancing of Mortgage Debts

Within the framework of Laws Nos. 25563 and 25589 which declared a state of productive and credit emergency as a result of the Argentine crisis and suspended mortgage foreclosures on certain debts related to homes and/or productive businesses, during November 2003 a Mortgage Refinancing System was created through Law No. 25798. The objective of such system is to implement refinancing mechanisms for mortgage loans delinquent from January 1, 2001 until September 11, 2003, amounting up to \$100 for the purchase, improvement, construction and/or enlargement of houses or for the settlement of consumption (or mutuum) originally granted for any of those purposes. To that effect, a Mortgage Refinancing Trust was also created for the payment of expired debts to lenders and the rescheduling of the remaining debt amount to debtors, with Banco de la Nación Argentina (BNA) acting as trustee.

The Bank made known its intention of adhering to the Mortgage Refinancing System, Law No.25798, by submitting to Banco de la Nación Argentina, in its character as trustee, 2,195 loans selected to be transferred to the "Mortgage Refinancing Trust – Law No.25798, according to the provisions of BCRA's Communication "A" 4117 dated March 16, 2004. This system will allow financial institutions to release up to 65% of the provisions made, in relation to such loans.

To date, the BCRA has received payment for 930 loans, selected and authorized by Resolution of the Board of Directors No.1376/05 dated October 13, 2005, and 72 loans under phase II authorized by Resolution 126/10 dated February 4, 2010.

To date, the acceptance by Banco de la Nación Argentina of 392 loans under phase II is still pending. The Board of Directors of the Bank authorized the Legal Affairs Area to accept their possible inclusion in those cases where the system had been or will be perfected, applying the same collection procedures established in Resolution No.779/07.

#### 1.b. Amounts Paid under Injunctions

In accordance with Communication "A" 3916, any differences arising from compliance with judicial orders under legal actions brought by natural and artificial persons against the National Government and/or financial institutions, regarding the conversion into pesos and rescheduling of foreign currency deposits decided by the National Executive Branch, are informed under the "Intangible Assets - Organization and Development Expenses" caption, and will be amortized in 60 months.

Therefore, at December 31, 2011 and 2010, the Bank registered under the "Intangible Assets – Organization and Development Expenses" caption the original value of the difference between the amount paid under the court order and the amount entered according to the rules in force at the payment date for \$966,345 and \$943,379, respectively; and \$899,572 and \$867,454 corresponding to the accumulated amortization.

In compliance with Communication "A" 4439, the Bank has decided to defer, since December 2005, the recording of losses on exchange differences capitalized in the Financial Statements for an amount equivalent to 50% of new commercial loans for terms averaging not less than 2 years with certain restrictions; this amount could not exceed 10% of the assessable equity responsibility

At December 31, 2010 and 2009, the Bank has deferred \$48,722. This amount is recorded under the

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“Intangible Assets – Organization and Development Expenses” caption.

Up to the date of issuance of these Financial Statements, the amount of deposits refunded by the Bank under judicial orders totals \$2,590,059 approximately.

Even though the Bank has complied with the provisions of the above Communication, it has not resigned its claims for recovering such amounts.

The Argentine Association of Public and Private Banks (*Asociación de Bancos Públicos y Privados de la República Argentina* - ABAPPRA), of which the Bank is a member, has initiated various administrative and legal proceedings to protect the interests of its member institutions.

At the date of these Financial Statements, the Bank has continued its review on the remaining balance of rescheduled deposits, improved its strategy for complying with court orders and established a centralized control of payments which allows their follow-up. These changes reduce any inherent risks.

### 1.c. Position of the Bank

As a consequence of the persistent macroeconomic deterioration, during the second half of 2001, the Bank had to resort to financing primarily derived from transactions with the BCRA under the form of Financial Assistance for Temporary Liquidity Problems. The ensuing debt was cancelled at December 31, 2009 helping comply with Immobilized Assets and Minimum Capital technical ratios.

The Bank has a considerable exposure to the Argentine public sector, through rights, government bonds, loans and other assets, recorded in the Financial Statement and Annexes for \$13,908,654 at December 31, 2011, resulting mainly from debt restructuring by the Argentine Government, and off-set of devaluation and asymmetric conversion into pesos effects, and financial assistance to the Government of the Province of Buenos Aires, as stated in Sections 9 and 11 of the Bank’s Charter

Certain events and circumstances occurred since 2007 have had a favorable impact on the Bank’s activity and have contributed to an improvement in its overall position. These events include: a) the presentation of the Bank’s business plan for the years 2007-2009, 2008-2010, 2009-2011, 2010-2012 and 2011-2013 to the BCRA; b) the growth shown by its liquidity and activity indicators; c) the settlement of liabilities with the BCRA under the form of Financial Assistance for Temporary Liquidity Problems.

The Bank continued to develop commercial actions to maintain its competitiveness within the market and comply with its role as a state-owned bank, not only granting financing in accordance with section 24 s), which stipulates that the Board of Directors shall be authorized to grant loans to artificial persons from the private sector for an amount not exceeding three per cent (3%) of the Bank’s Net Worth, or up to twenty million United States Dollars (US\$20,000) when the credit transaction is destined to finance exports, but also offering a wide range of lending alternatives under favorable terms so as to foster investment, production and employment, particularly in small and medium enterprises, and other various facilities for the acquisition of durable consumer goods and personal spending.

The provision of Foreign Trade services gradually intensified within the market. This resulted not only from the implementation of a new system in early 2009 but also from a more effective administration of transactions. Data standardization and centralization also provide a more efficient internal control system for monitoring foreign exchange transactions. Moreover, the structural modification whereby overseas branches are now under the supervision of the Foreign Trade Management makes the resolution of commercial and administrative issues more dynamic.

Finally, mention should be made of the approval of the Operative IT Plan in 2012, with emphasis on the final integration of the SUR system with the Branch Single Model (MUS) and the completion of the remaining projects.

At the end of 2011, the Bank has been able to realize most of its pending projects related to:

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- Immediate on line transfers
- Introduction of the Bank's own Banking System, with new functions and based on a Multi-Channel Architecture
- Development of a new web page, with new functions and image
- Implementation of new transactions through ATMs (Intelligent Deposit, Check Deposit)
- Development and implementation of new systems and operations that support industry needs
- Optimization and updating of Reporting Systems
- Technological update of back-up and processing platforms
- In site development of new tools for the centralized monitoring of the platform.
- New Technological Monitoring Center in Guanahani premises
- Training platform, digital payroll receipts
- Enhanced training and professionalization of human resources.
- Improvements in IT asset management and assessment of technological risks.

The placement of Trust Debt Securities under the Banco Provincia *Personales* I Financial Trust successfully concluded on April 14, 2010 for an amount of NV \$82,893. The issue had been authorized by the Argentine Securities Commission (*Comisión Nacional de Valores - CNV*) on April 5, 2010, as part of the first series under the "Banco Provincia" Trust Securities Global Program for a maximum amount of NV \$300,000 created according to Resolution No. 16285 dated February 25, 2010 of the CNV. 16.285 de fecha 25 de febrero de 2010 de la Comisión Nacional de Valores. The trust was terminated at the date of these Financial Statements.

### 1.d. BCRA Reporting Systems

Under the compliance schedule approved by Resolution No. 92/11 of the Superintendence of Financial Institutions (*Superintendencia de Entidades Financieras*), the main points of which are mentioned in Note 16, and although Communication "A" 4093 set the maximum limit for the immobilized assets ratio at 100% of the Bank's adjusted net worth, the BCRA accepted for Minimum Capital requirement purposes any shortfalls recorded until the earlier of December 2013 or the date of final compliance.

Communication "A" 3986 of the BCRA established that compliance with the regulations on "Minimum Capital Requirements for Financial Institutions" was required from January 2004. It provides that, beginning January 2004 and for the purpose of temporarily reducing the minimum capital requirement for credit risk, the "alpha 1" ratio shall be applied to the investment account holdings and loans granted to the national non-financial public sector until May 31, 2003, with full compliance from January 2009.

Communication "A" 4912 of the BCRA reestablished the effectiveness of the Net Overall Position in Foreign Currency reporting system from February 2009. So far, the Bank has duly submitted the information at and including December 2011.

Communication "A" 4363 issued by the BCRA established that, from June 16, 2005, the maximum limit of the General Exchange Position cannot exceed 15% of the Adjusted Net Worth at the end of the month immediately preceding the last month in which presentation to the BCRA shall have expired, increasing such percentage by 5% of the institution's total foreign currency purchase and sale transactions with customers during the calendar month immediately preceding the previous month and by 2% of all domestic demand and term deposits in foreign currency. The Bank is in compliance with the stipulated limits.

The BCRA's Communication "A" 4053 provided for a system to reduce the rates charged for failure to comply with liquidity reserve requirements during the July 2001 to January 2003 period.

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With respect to any positive difference recorded in the 2001/2006 periods, by Resolution No. 92/11 the Regulatory Authority fixed an amount of \$3,067 as charges for non-compliance with monetary regulations on Minimum Liquidity Requirements, Minimum Capital Requirements and Net Overall Position in Foreign Currency, which has already been settled at the date of these Financial Statements (see Note 16).

Additionally, although the Bank has exceeded the limits established by the BCRA's current regulations on credit risk diversification regarding the non-financial public sector, they do not constitute a breach because any such excess arose from transactions made before March 31, 2003. Likewise, the Bank has not exceeded these limits in relation to the private sector.

Communication "A" 4546 of the BCRA provided that, effective July 1, 2007, the overall monthly assistance to the national, provincial and municipal non-financial public sector shall not exceed 35% of total assets as of the last day of the preceding month. Whenever such limit is exceeded, Minimum Capital Requirements shall be increased in the amount of such excess.

At December 31, 2011, the Bank complies with the regulations in force. However, Resolution No. 92/11 granted certain facilities regarding assistance to the Provincial and Municipal Public Sectors that apply until the earlier of February 2018 or full compliance with the ratios established by the BCRA for Financing to the Non-Financial Public Sector and subject to such financing being in compliance with the ratio set forth in item 12 of Communication "A" 3911, as amended (see Note 16).

Mention should also be made that the Bank has granted financial assistance to the Provincial Government as approved by Resolutions of its Board of Directors Nos. 1100/11 for US\$40,781,250, 1344/11 for US\$22,265,625, 1528/11 for US\$61,687,500, 1601/11 for US\$34,692,560 and Euro 5,887,792, 1678/11 for US\$636,994 and Euro 5,722,613, and 1791/11 for US\$9,768,559 and Euro 11,541,960 under the terms of article 9, paragraph B of the Bank's Charter -Decree Law No. 9437/79. At the date of these Financial Statements, such amounts are fully settled. The Bank has also granted financing to the Provincial Government as approved under Resolutions of its Board of Directors Nos. 1736/11 for \$750,000,000, and 110/12 for 185,091,213 under the terms of article 11 of the Bank's Charter – Decree Law No. 9437/79. At the date of these Financial Statements, the guarantee and sales order of Provincial Public Debt securities is being implemented according to the requirements of the above article.

### ACCOUNTS IN COMPLIANCE WITH MINIMUM CASH REQUIREMENTS

According to the regulations of the BCRA, Banco de la Provincia de Buenos Aires has computed the following items for minimum cash requirements at December 31, 2011.

Minimum Cash – Balance at the end of the fiscal year - Pesos

Description	12/31/2011
<b>Minimum Cash Requirement</b>	
Notes and coins in the Bank's branches	1,900,150
Cash in transit and in armored truck companies	216,466
Credit balances in demand checking accounts opened with the BCRA	3,553,834
Credit balances in special escrow accounts opened with the BCRA	605,766
Credit balances in special accounts opened with the BCRA related to the payment of pension benefits	1
<b>Total Minimum Cash Requirement</b>	<b>6,276,217</b>

Minimum Cash – Balance at the end of the fiscal year – Foreign Currency (US Dollars)

Description	12/31/2011
<b>Minimum Cash Requirement</b>	
Notes and coins in the Bank's branches	219,083

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Cash in transit and in armored truck companies	4,617
Credit balances in demand checking accounts opened with the BCRA	1,876,143
<b>Total Minimum Cash Requirement</b>	<b>2,099,843</b>

## 2. Basis for the Presentation of the Financial Statements

### 2.1. Application of Accounting Standards

Banco de la Provincia de Buenos Aires follows the Accounting Standards issued by the Argentine Central Bank. Likewise, as an institution of the Province of Buenos Aires, the Bank is subject to audits by the General Accounting Office and the Auditing Office of the Province of Buenos Aires for budgetary performance purposes.

The figures shown in the Financial Statements are derived from books of accounts that were signed by the General Accounting Office of the Province of Buenos Aires, which have been kept in accordance with usual procedures.

The Financial Statements are in agreement with the disclosure policies established by the BCRA and Technical Resolution No. 8 issued by the Argentine Federation of Professional Councils of Economic Sciences (*Federación Argentina de Consejos Profesionales en Ciencias Económicas*).

The Financial Statements include the account balances corresponding to the transactions carried out by the Bank in Argentina and in its branches abroad. They have been prepared pursuant to the standards of the Argentine Central Bank and include the assets, liabilities and results of operations of the Bank's overseas branches derived from their Financial Statements, as especially adjusted following the valuation and disclosure criteria set by the BCRA and the Professional Accounting Standards.

The following procedures were applied to translate the Financial Statements of overseas branches into pesos:

- Assets and Liabilities were converted into pesos using the BCRA reference exchange rate for foreign currency transfers, effective at the end of each year.
- The allotted capital was calculated on the basis of the amounts actually disbursed, as restated according to changes in the money purchasing power until August 31, 1995, when adjustments for inflation were discontinued. Subsequent allocations originating in the stability period were expressed in the currency effective at December 31, 2001 and their balances were restated at February 28, 2003.
- Retained Earnings were determined as the difference among Assets, Liabilities and allotted Capital, as restated at February 28, 2003.
- Net Income for the fiscal year was determined as the difference between retained earnings at the beginning of the period, as restated, and retained earnings at closing.
- Items arising from transactions between domestic and foreign branches were eliminated from the Balance Sheet and the Statement of Income.
- Exchange differences arising from currency translation were allocated to "Financial Income – Other" or "Financial Expenditure – Other" in the Statement of Income, as appropriate.

According to National Executive Order No. 664/03 and BCRA Communication "A" 3921 dated April 8, 2003, the Bank decided to discontinue the restatement of accounting information in uniform currency; therefore, the accounts did not reflect the effects of changes in currency purchasing power dating from March 1, 2003.

### 2.2. Differences between Professional Accounting Standards and the Accounting Standards Set by the Argentine Central Bank

The Professional Council of Economic Sciences of the Province of Buenos Aires (*Consejo Profesional de Ciencias Económicas de la Provincia de Buenos Aires*) approved Technical Resolutions No. 16 "Conceptual Framework of the Professional Accounting Standards", No. 17 "Professional Accounting Standards:

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Development of Matters of General Application”, No. 18: “Professional Accounting Standards: Development of Matters of Particular Application”, No. 19 “Amendments to Technical Resolutions Nos. 5, 6, 8, 9, 11 and 14”, No. 20 “Derivative Instruments and Hedging Operations” and No. 21 “Equity Value – Consolidation of Financial Statements – Information on Related Parties to be Disclosed”, by Resolutions Nos. 2982, 3011, 3103 and 3115 of its Management Board, establishing that Technical Resolutions Nos. 16, 17, 18 and 19 were effective for the fiscal periods beginning July 1, 2002, and Technical Resolutions Nos. 20 and 21, for the fiscal periods beginning July 1, 2003, No. 23 “Benefits to Employees after Termination of Employment and Other long-term Benefits” for the fiscal periods commencing July 1, 2006, No. 24 “Specific Accounting Aspects and Audit Procedures for Cooperatives”, and No. 25 “Amendment to Technical Resolution No. 11: Specific Accounting Rules for Non-profit Organizations”.

At the date of these Financial Statements, the Central Bank has not yet adopted all the above standards. Therefore, the Bank has prepared these Financial Statements without considering the new valuation and disclosure criteria included in the Professional Accounting Standards in force in the Province of Buenos Aires.

There follows a detail of the main differences between the Professional Accounting Standards currently in force and the standards set by the Argentine Central Bank:

#### **Restructured Loans and Deposits**

The Bank has assessed the loans and deposits affected by the actions taken by the national government according to the rules and regulations issued by the National Government and the BCRA.

Under the new Professional Accounting Standards, a change in the original terms of Loans and Deposits would imply a replacement of instruments; the new Assets and Liabilities should then be recorded on the basis of the best estimate of the amounts receivable and payable, as discounted at the market rate reflecting the market evaluation of the time value of money and the specific risks of such assets and liabilities at the moment of their restructuring.

The Bank has not quantified the effects that the implementation of the above standards might bring about if they were to be considered by the regulations of the BCRA.

#### **Non Financial Public Sector - Allowances**

The current regulations on allowances issued by the BCRA establish that receivables from the Public Sector are not subject to allowances for possible loan losses. Pursuant to the Professional Accounting Standards, such allowances must be estimated according to the recoverability risk of assets.

#### **Valuation of Assets with the Non-Financial Public Sector**

- **Secured Loans and Guaranteed Bonds:**

As stated in Note 3.19, during the fiscal year ended December 31, 2001, the Bank exchanged National Government Securities, Provincial Government Securities and Provincial Loans with the National Government for a nominal value of US\$4,302,344, the book value of which amounted to \$4,201,349 at November 6, 2001, and received Secured Loans in exchange for the National Government Securities and Guaranteed Bonds 2018 in exchange for the Provincial Government Securities and Provincial Loans. At December 31, 2011 and 2010, the above assets have been valued at the exchange value set by the Ministry of Economy at November 6, 2001, plus the corresponding accrued interest until the end of the period, converted into pesos at the exchange rate of \$1.40 and updated by the CER index, net of the balance of adjustment accounts (see Note 3.19).

According to the new Professional Accounting Standards, a change in the original terms of the Loans would imply a replacement of instruments; the new Assets should then be booked on the basis of the best estimate of the amounts receivable, as discounted at the market rate in force when making the initial appraisal.

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- **Compensation according to sections 28 and 29 of National Executive Order No. 905/02**

At December 31, 2011 and 2010, the Bank has recorded at their technical value under the "Government Securities – at Cost plus Yield", "Other Receivables from Financial Brokerage - Other Receivables not included in the Debtors' Classification Rules" and "Miscellaneous Receivables" captions the Government Securities received (Boden 2012 and Bogar 2018) on account of the compensation established in sections 28 and 29 of the National Executive Order No. 905/02.

In accordance with current Professional Accounting Standards, the above assets must be measured at their market value.

At December 31, 2011 and 2010, the book value of such assets amount to \$486,226 and \$964, 954, respectively, whereas if valued at their market quotation at the same date they would amount to approximately \$446,781 and \$650,057, respectively.

- **Payments ordered by injunctions**

As stated in Note 1.b, the Bank has recorded under the "Intangible Assets" caption \$66,773 and \$124,647 at December 31, 2011 and 2010, respectively, on account of exchange differences resulting from compliance with Communications "A" 3916 and "A" 4439 of the BCRA. However, professional accounting standards' valuation and disclosure criteria require reducing the book value of any excess amounts paid by the Bank to their recoverable value.

- **Provincial Bonds**

In 2009, the Bank purchased Bonds of the Province of Buenos Aires, classified under the "Government Securities – at Cost plus Yield" caption for a nominal value of US\$225,104. In accordance with BCRA Resolution No. 92/11, at December 31, 2011 and 2010, all such securities were recorded at their market quotation at September 30, 2010 plus accrual at their internal rate of return at such dates. Current Professional Accounting Standards establish that such assets should be valued at their purchase price plus accrual at their internal rate of return.

- **Accounting for Instruments issued by the Argentine Central Bank at Cost plus Yield**

Bills and Notes issued by the BCRA have been measured at cost using the effective interest method (based on their internal rate of return) in accordance with Communication "A" 5180. This accounting policy differs from Professional Accounting Standards, which require the measurement of such instruments at their net realizable value. The difference between the net realizable value of these instruments, as estimated by the Bank at the end of period/year, and their cost, as required by the BCRA, was of approximately \$45,310 at December 31, 2010.

### Conversion of Financial Statements

The conversion into pesos of the Financial Statements of Overseas Branches for their consolidation with the Financial Statements of the Bank does not follow current Professional Accounting Standards (Technical Resolution No. 18), which require that: (a) the amounts that in the Financial Statements to be converted are stated in year-end foreign currency (current values, recoverable values) shall be converted at the exchange rate prevailing on the date of the Financial Statements; and (b) the amounts that in the Financial Statements to be converted are stated in foreign currency at a date prior to the closing date (for example, those representing historical costs, income, expenditures) shall be converted at the pertinent historical rates of exchange, as restated in year-end currency, when so required by the provisions of Technical Resolution No. 17. Exchange differences arising from the conversion of Financial Statements shall be considered as financial income or financial costs, as applicable.

The use of this criterion in lieu of that mentioned in Note 2.1 does not significantly affect the disclosure in the Bank's Financial Statements.

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## Notes to the Financial Statements

### AT DECEMBER 31, 2011 AND COMPARATIVE PERIODS

(In thousands of pesos)

The main valuation and restatement criteria that were followed for the preparation of these Financial Statements are described below:

### 3. Valuation Criteria

#### 3.1. Statement of Cash Flows

The criterion for the preparation of these Statements identifies the “Cash and Due from Banks” caption as cash and cash equivalents.

#### 3.2. Valuation of the Assets and Liabilities in Foreign Currency.

At December 31, 2011 and 2010, Assets and Liabilities denominated in US dollars were valued at the BCRA reference exchange rate for US dollars, prevailing at the close of business on the last business day of the year (\$4,3032 and de \$3,9758, respectively). Likewise, Assets and Liabilities denominated in other foreign currencies were converted at the rates informed by the foreign exchange department of the Argentine Central Bank. Foreign exchange differences were charges against the income/(loss) of each fiscal year.

The foreign exchange regulations in force as of December 31, 2011 are set forth in BCRA’s Communiqué No. 49,991.

#### 3.3. Valuation of Government and Corporate Securities.

##### Government Securities

At December 31, 2011, they have been valued in conformity with provisions set forth in BCRA Communication “A” 5180 on “Valuation of non-financial public sector debt instruments and BCRA monetary regulation instruments”.

##### a. Securities booked at fair market value

They are recorded at their market value or present value, as the case may be. These securities have been valued at the listed price prevailing on the Buenos Aires Stock Exchange or other foreign stock exchanges on the last business day of the fiscal year in which they have been negotiated.

According to Communication “A” 5180, financial institutions will be able to capitalize losses that might arise as from March 1, 2011, from the application of the valuation criteria set by this Communication. At December 31, 2011, the sum capitalized by the Bank amounts to \$48,407.

The Bank also recorded the Discount Bonds received in exchange for the defaulted national public debt securities (Executive Order No. 1735/04) valued at a NV\$128,053 pursuant to regulations in force.

##### b. Holdings booked at cost plus yield

These are valued at acquisition cost, monthly increased on the basis of the internal rate of return, as per BCRA’s accrual criterion, relevant to every case, except for:

Guaranteed Bonds under Executive Order No. 1579/02 – Bogar 2018 (NV\$5,186 million) measured at their technical value until final amortization, pursuant to Resolution No. 92/11 issued by the BCRA, as mentioned in Note 3.19.

Bonds of the Province of Buenos Aires valued at their listed price at September 30, 2010 plus accrual at the internal rate of return, according to Resolution No. 92/11 of the BCRA as described in Note 16.

Securities received in exchange for defaulted public debt securities (Executive Order No. 1735/04) with a nominal value of \$1,482.

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At December 31, 2011, the Bank has recorded the BMLP Bond – Law No. 13137 for the amount of \$6,578 under the “Government Securities at Cost Plus Yield” caption for the debt acknowledged by the Municipality related to the taking over by the Bank of certain Assets and Liabilities of Banco Municipal de La Plata, in April 2003 and according to the “BMLP Trust Debt Security Reduction Agreement” dated June 15, 2004.

### 3.4. Interest Accrual and Adjustment Methods

Interest accruals have been mainly calculated on an exponential basis for both Loans and Deposits. The straight-line method has been used for interest accruals on Foreign Trade Transactions and transactions carried out by the Branches Abroad.

As provided for by Executive Order No. 214/02, as supplemented, and the corresponding Resolutions issued by the BCRA, certain Assets and Liabilities originally denominated in foreign currency were adjusted by the CER Index.

### 3.5. Securities to Be Received and Delivered under Spot and Forward Transactions

As stated in Note 3.19, securities to be received are recorded at their technical value while securities to be delivered are valued at the market quotation prevailing at the closing date of each fiscal year.

### 3.6. Amounts to Be Collected and Paid under Spot and Forward Transactions

They were valued according to the prices agreed upon for each transaction, plus the relevant premiums accrued at the closing of each fiscal year.

### 3.7. Valuation of Assets under Financial Leases

They were measured at the discount value of aggregate minimum lease installments and any non-secured residual value.

### 3.8. Valuation of Interests in Other Companies

They have been valued as follows:

#### Unlisted Controlled Companies:

- In pesos: At their equity value, according to the Financial Statements at December 31, 2011 and comparative periods.

#### Unlisted Non-Controlled Companies:

- In pesos: At their acquisition cost, restated at August 31, 1995; interests included in the net worth subsequent to that date, at their acquisition cost not restated for inflation and not in excess of the lower of their equity value and their known realizable value.
- In foreign currency: At their original cost in foreign currency translated into pesos according to the procedure mentioned in paragraph 3.2. above and not in excess of the lower of their equity value or their known realizable value.

### 3.9. Valuation of Bank Premises and Equipment and Miscellaneous Assets, including methods used for the calculation of depreciation

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## **Notes to the Financial Statements**

**AT DECEMBER 31, 2011 AND COMPARATIVE PERIODS**

**(In thousands of pesos)**

Assets corresponding to branches located in Argentina have been valued at their acquisition cost plus the highest value for technical revaluations during previous years, restated in constant currency at February 28, 2003, as mentioned in Note 2.1, less the applicable accumulated depreciation. Furthermore, assets of branches located abroad have been basically valued at their acquisition cost in foreign currency, net of the applicable accumulated depreciation, translated at the exchange rates in effect at the end of each fiscal year.

Depreciation of these assets is calculated on the basis of their useful life expressed in months, recognizing full month depreciation in the month in which they are acquired.

The net residual values of these assets, taken as a whole, do not exceed the use value of such assets.

### **3.10. Valuation of Other Miscellaneous Assets**

Investments in works in progress and advances for the purchase of assets, including imports not cleared through customs and investments in works of art have been valued at their acquisition cost, restated for inflation according to Note 2.1.

Their net book values do not exceed the corresponding use values.

### **3.11. Valuation of Intangible Assets**

Intangible Assets have been valued at their acquisition cost, restated for inflation, less the applicable accumulated depreciation.

This caption includes Organization and Development Expenses of the Head Office in Argentina and the Sao Paulo and Montevideo Branches.

It also includes differences arising from compliance with judicial resolutions that were recorded by the Bank pursuant to the provisions stated in Communications "A" 3916 and 4439 of the Argentine Central Bank according to Note 1.b.

Amortization charges are computed under the straight-line method over a maximum 60-month term as of the month of acquisition.

At December 31, 2011, as stated in Note 3.3.a), the loss arising from the valuation of securities according to Communication "A" 5180 still persists. The loss is amortized in 36 equal, consecutive and monthly installments, as from April 2011 and the annual amortized amount must account for, at least, 1% of the adjusted net worth at December 31, 2010.

### **3.12. Valuation of Options**

At December 31, 2011 and 2010, put options written have been recorded according to the provisions in Note 14.

### **3.13. Valuation of Loans, Other Receivables, Deposits and Other Government Security Debts**

They have been valued at the listed price offered for the securities lent or received in deposit by the Buenos Aires Stock Exchange and other foreign stock exchanges on the last business day of the fiscal year, except for forward purchases/sales for Repo/Reverse Repo Transactions carried out with unlisted Government Securities and instruments issued by the BCRA, which have been valued pursuant to Notes 3.3 and 3.19.

### **3.14. Accounting Treatment of Assets Purchased under Financial Leases**

At December 31, 2011 and 2010, the Bank has no third-party lease contracts where the purchase option has been exercised.

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## **Notes to the Financial Statements**

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**(In thousands of pesos)**

### **3.15. Allowance for Uncollectibility Risk and Provision for Contingent Liabilities**

They have been set up on the basis of the estimated uncollectibility risk of the Bank's credit assistance taking into account mainly the analysis of the debtors' future repayment capacity, through the assessment of the debtors' degree of compliance, their economic and financial condition and the guarantees supporting the pertinent transactions according to the provisions set forth by the Central Bank.

### **3.16. Provision for Other Contingencies**

This includes the estimated amounts that the Bank holds to meet probable risks, such as settlement of pending labor and commercial lawsuits, credit card users' uncollectibility, claims for rescheduled deposits, illicit activities against the Bank and other possible contingencies for \$255,805).

Pursuant to Communication "A" 4686 issued by the Argentine Central Bank on July 4, 2007, the Bank has set up allowances for the existing difference between the equivalent value in pesos of court-ordered deposits in originally foreign currency and the book value of those deposits in foreign currency, which as from January 5, 2002 are governed by Law No. 25561 and Executive Order No. 214/02.

### **3.17. Income Tax**

By virtue of the Bank's institutional nature, Article 4 of its Charter - Executive Order No. 9434/79-, as amended, provides that the Bank, its assets, acts and doings, agreements, contracts and transactions, as well as all rights arising therefrom in the Bank's favor, are exempt from any liens, taxes, charges or duties of any nature whatsoever, by which reason no provision is required for income tax on the transactions conducted by the Bank's Home Office or local branches.

### **3.18. Severance Pay**

Severance payments are charged against the income/(loss) of the month in which the dismissal occurs.

### **3.19. Secured Loans and Guaranteed Bonds - Executive Orders Nos. 1387/01 and 1579/02**

#### **National Exchange**

As a result of the exchange of national public debt securities for new financing instruments called "Secured Loans" (Executive Order No. 1387/01), the Bank holds \$322,880 and \$334,701 under the "Loans" caption at December 31, 2011 and 2010, respectively. They represent the Secured Loans received in exchange for its own holdings resulting from the settlement of loans and, according to Communication "A" 3911, as amended, are valued at the lower of their Technical Value or Present Value.

The "Secured Loans" were recorded at the Technical Value of the securities delivered, i.e. US\$243,414 (which value is in accordance with the terms and conditions of issuance plus interest accrued at November 6, 2001). As required by the BCRA, the positive difference between this value and the book value is recorded in a Secured Loans contra- asset account as unrealized valuation difference, and is monthly charged against income/(loss) according to the duration of the loans.

The Professional Accounting Standards would have required Secured Loans to be included in the Bank's Assets at the market value of the Government Securities exchanged. At the date of the Exchange, such value amounted to about US\$107,241.

In its Communication "A" 4898, the BCRA set forth the guidelines for a new securities exchange designed to ease the government's financial burden in the short term. Under this exchange, bonds may be valued using another methodology so as to alleviate the potential impact of the financial crisis on the balance sheets of financial institutions. On January 23, 2009, the Bank exchanged NV US\$143,755 of Secured Loans at 2008 global fixed rate.

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### Provincial Exchange

The Bank has submitted provincial government securities and other provincial receivables to be exchanged as provided for by Executive Orders Nos. 1387/01 and 1579/02. Under the latter Executive Order, the Exchange would be implemented through Guaranteed Bonds 2018 issued by the Trust Fund for Provincial Development, secured by a portion of the funds going to the Provinces from the Federal Revenue Sharing of Taxes and, subsidiarily, by the National Government through the automatic allocation of resources derived from the Tax on Debits and Credits in Bank Checking Accounts and from the federal share in the secondary distribution of shared taxes.

At December 31, 2011 and 2010, the Guaranteed Bonds 2018 are informed under the "Government Securities at Cost plus Yield", "Other Receivables from Financial Brokerage – Other Receivables not included in the Debtor's Classification Rules" and "Miscellaneous Receivables" captions for \$9,243,550 and \$9,402,505, respectively.

In accordance with Resolution No. 92/11, the BCRA decided not to raise objections to the Bank maintaining Guaranteed Bonds under Executive Order No. 1579/02 - Bogar 2018 (NV\$5,186 million) at their technical value until final amortization. Therefore, the Bank decided to hold \$696,000 under the "Memorandum Debit Accounts – Contingent" and "Memorandum Credit Accounts – Contingent" captions on account of the creation and refund of the Fund for Maintaining the Value of Guaranteed Bonds issued by the Trust Fund for Provincial Development until the effectiveness of Laws Nos. 13225 and 13238.

At December 31, 2010, the Bank decided to reclassify as "Retained Earnings" the sum of \$662,000 for those amounts recorded under the "Reserves" caption during the 2004/2010 period.

At December 31, 2011, the Guaranteed Bonds 2018 are valued at \$6,485,060.

#### **4. Changes in Valuation Criteria with respect to those Applied during the Previous Fiscal Year**

At December 31, 2011 and comparative periods, no amendments were made to the valuation criteria applied in previous years, except for those mentioned in these notes.

#### **5. Prior Year Adjustments**

The Financial Statements at December 31, 2010 include Prior Years Adjustments for \$ 26,709 that account for the regularization of a long-standing item and the income/(loss) derived from the correction of certain processing errors.

The Financial Statements at December 31, 2011 include positive adjustments to the "Prior Year Adjustments" caption for \$ 2,044 that account for the income/(loss) derived from the correction of certain processing errors.

#### **6. Restricted Assets**

The Bank owns the following Restricted Assets:

Assets	Caption	Original Nominal Value		Pesos		Description
		12/31/2011	12/31/2010	12/31/2011	12/31/2010	
National Secured Loans	Loans	48,075	48,075	159,115	195,329	Collateral to the BCRA for Advances received for the subscription of BODEN to be given to depositors

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Assets	Caption	Original Nominal Value		Pesos		Description
		12/31/2011	12/31/2010	12/31/2011	12/31/2010	
Cash	Other Receivables from Financial Brokerage	-	-	605,766	381,847	BCRA collateral deposits.

7. Contingencies

On October 11, 2002, the Users and Consumers Union filed a summary complaint in the National Court of First Instance in Commercial Matters No. 18, Clerk's Office No. 35, requesting the suspension of the monthly charge for ATM robbery insurance covering the robbery of cash withdrawn by account holders from their savings or checking accounts or through Bapro Electron cards, and the reimbursement of all amounts so debited and the rendering of such service free of charge.

The lower court decision was passed on September 8, 2004 and ordered the Bank to pay back the amounts debited, plus interest, to those account holders who had not expressly requested, taken out or accepted such insurance, with costs charged to the Bank, but dismissed the request for the provision of such service free of charge.

After several appeals, on May 23, 2006, the Bank filed a claim before the Argentine Supreme Court of Justice, which was dismissed on March 6, 2007. To date, the record of the case is still in the Supreme Court.

The Bank estimates its reserves are sufficient to cover any unfavorable resolutions on this matter and other claims and, therefore, no negative effects are expected on its net worth.

Except for the situations described above and in Note 1 to these Financial Statements and the statement in Note 16 regarding the adjustment agreement with the Argentine Central Bank, there are no significant contingencies at the close of year for which adequate provisions have not been set up.

With respect to the criminal event occurred on January 2011 in its Belgrano Branch, the Bank cannot estimate future contingencies arising from potential claims. To date, no complaint has been served on the Bank by damaged customers. It's worth mentioning that some of the claims filed against the Bank have been settled, while others are at the negotiation and document review stage.

However, notice has been served on the Bank of a class action filed by a consumer association on behalf of the clients whose safety deposit boxes had not been forced on such occasion. At the date of these financial statements, the Bank has answered the complaint. Since the Bank considers unlikely that these claims be successful, it has not set up any provision whatsoever.

8. Events Subsequent to Year-End

With respect to the significant subsequent events other than those mentioned in these Notes, at the date of these Financial Statements, the BCRA, through Communication "A" 5272, introduced amendments to the text on minimum capital requirements for financial institutions effective since February 1, 2012. One of the amendments provided for the minimum capital requirement for operational risk to be included in the minimum capital requirement that financial institutions should comply with on the last day of each month. Such minimum capital requirement for operational risk shall be calculated monthly taking into account 15% of the average positive gross income of the last three years.

Furthermore, the above communication provides that in order to implement the minimum capital requirement for operational risk, financial institutions shall apply a ratio according to the following schedule:

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Period	Ratio
February 2012 / March 2012	0
April 2012 / July 2012	0.50
August 2012 / November 2012	0.75
December 2012	1

It also provides that, for the purpose of assessing the soundness mentioned in item 2.2. of Article 2 of the rules on "Distribution of Retained Earnings", financial institutions shall include in such recalculation the amount of the requirement taking into account a ratio equal to 1

### 9. Restrictions on Profit Distributions

At December 31, 2011, as a consequence of reversing the accumulated losses resulting from the 2001/2003 crisis and obtaining accumulated profits in the current year, the Board of Directors of the Bank was authorized to distribute them taking into account the provisions of article 17 of its Charter with respect to the setting up of the legal reserve.

According to the mentioned article of the Bank's Charter, each of the Bank's Sections shall make a separate profit and loss statement at the end of each fiscal year and shall transfer its profits to a common pool.

After deducting all the amounts necessary for clearing up the assets and ten (10) percent of the pertinent net profits for the legal reserve fund of each Section, all realized profits shall be allotted as follows:

- To the Capital account of the Investment Loan Section, the net surplus obtained by that Section.
- To increases in Capital and Reserves of any of the Sections, and to contingency, social security and investment funds, in the proportions determined by the Board of Directors.

The above procedure is in line with the provisions of article 17 of the Bank's Charter that differ from BCRA rules CONAU – 1, which provide that 20% of the profits disclosed in the Statement of Income at the close of each year plus prior year adjustments less accumulated losses at the close of the previous years must be allocated to Legal Reserve.

According to the stipulations of the Bank's Charter and the above mentioned BCRA rules, at the date of these Financial Statements, the Board of Directors has decided to distribute total 2011 Retained Earnings to increase Legal Reserve for \$26,732 and Optional Reserve for \$101,267.

### 10. Intercompany Transactions (Law No. 19550, section 33)

The Bank's interests in its controlled related companies are detailed below:

#### 10.1. Interests in equity and non-capitalized contributions

##### 10.1.1. Controlled companies

Provincia Microempresas S.A. is a company created on July 27, 2009 for the purpose of identifying, selecting and pre-qualifying micro-businesses for loans. Grupo Banco Provincia S.A. and Banco de la Provincia de Buenos Aires are its shareholders with a 5% and 95% share, respectively.

At December 31, 2011 and 2010, the Capital Stock of Provincia Microempresas S.A. totals \$74,300 and \$23,000, respectively. At the date of these Financial Statements, the amount of \$49,300 was paid in, considering that on January 27, 2011, Resolution No.112/11 of the Board of Directors of Banco de la Provincia de Buenos Aires provided for a \$26,300 increase in the capital stock of Provincia Microempresas S.A. that has been totally paid in. On November 17, 2011, the Board of Directors' Resolution No. 1837/11

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provided for a capital stock increase of \$25,000 to be paid in monthly installments according to the business needs. At the date of these financial statements, the amount of \$3,325 has been paid in.

On March 10, 2011, Resolution No.312/11 created Agencia Invierta Buenos Aires S.A., a company designed to offer technical and financial assistance for investment projects aimed at fostering the productive development of the Province. Grupo Banco Provincia S.A. and Banco de la Provincia de Buenos Aires are its shareholders with a 50% share each. At December 31, 2011, the subscribed Capital Stock amounts to \$20,000.

IssuingCompany	Common Shares held by BPBA		Equity Interests and Votes (%)		Activity	Book Value Net of Allowances	
	12/31/11	12/31/10	12/31/11	12/31/10		12/31/11	12/31/10
Grupo Banco Provincia S.A.	379,875	379,875	99.97	99.97	Financial and Investment Transactions	559,055	556,621
Provincia Microempresas S,A,	70,585,000	21,850,000	95.00	95.00	Financial Transactions	25,637	5,758
Provincia Bursátil S,A,	640,000	15,200,000	4.00	4.00	Brokerage House	1,114	942
Agencia Invierta Bs,As, S,A,	10,000	-	50.00	-	Financial and Investment Transactions	9,701	-

### 10.1.2. Non-controlled related companies

Issuing Company	Common Shares		Equity Interests (%)		Activity	Book Value Net of Allowances	
	12/31/11	12/31/10	12/31/11	12/31/10		12/31/11	12/31/10
A,C,H, S,A,	188,500	188,500	29.00	29.00	Clearing House	189	189

Moreover, Grupo Banco Provincia S,A, has equity interests in the following controlled companies:

Issuing Company	Common Shares (number)	Equity Interests and Votes %	Activity
Provincia Seguros S,A,	53,024,289	60.00	General Insurance
Provincia Bursátil S,A,	15,200,000	95.00	Brokerage House
Provincia Seguros de Vida S,A,	11,619,450	45.00	Life Insurance
Provincia ART S,A,	821,400	97.09	Workers' Compensation Insurance
Provincia Leasing S,A,	120,909	97.00	Leasing
Bapro Mandatos y Negocios S,A,	7,335,458	97.00	Business Promotion, Management and Representation
Bapro Medios de Pago S,A,	9,026,757	97.00	Means of Payment and/or Credit and Systems Management
Mercado Regional de Capitales S,A, (in liquidation)	26,171,022	95.68	Capital Markets
Provincia Servicios de Salud SA	15,343	96.38	Health Services Management

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### 10.2. Closing Balances of Transactions with Related and Controlled Companies

ITEM	12/31/11	12/31/10
<b>Assets</b>	<b>87,185</b>	<b>40,154</b>
Loans	83,696	34,633
Other Receivables from Financial Brokerage	3,489	5,521
Miscellaneous Receivables	-	-
<b>Liabilities</b>	<b>433,666</b>	<b>321,373</b>
Deposits	408,666	311,780
Miscellaneous Liabilities	25,000	9,593

### 10.3 Income/(loss) from transactions with controlled and related companies

ITEM	12/31/11	12/31/10
<b>Financial Income/(loss)</b>	<b>(25,336)</b>	<b>(25,501)</b>
Income	8,188	3,209
Expenditure	(33,524)	(28,710)
<b>Income/(loss) from Services</b>	<b>(4,851)</b>	<b>7,428</b>
Income	40,314	39,341
Expenditure	(45,165)	(31,913)
<b>Miscellaneous Income</b>	<b>24,318</b>	<b>84,158</b>
Income on investments	22,636	82,733
Other	1,682	1,425
<b>Administrative Expenses</b>	<b>(16,137)</b>	<b>(10,788)</b>
<b>Miscellaneous Losses</b>	<b>(13,308)</b>	<b>(546)</b>
Other	(13,308)	(546)
<b>Total</b>	<b>(35,314)</b>	<b>54,751</b>

### 11. Deposit Guarantee Insurance

According to the provisions of Article 14 of the Bank's Charter, the Province of Buenos Aires guarantees all deposits placed with Banco de la Provincia de Buenos Aires, and all bonds and other securities issued by it. Therefore, and due to its special legal status mentioned in Note 1 to these Financial Statements, the Bank is not included within the Deposit Guarantee Insurance System established by Law No. 24485 and regulated by National Executive Orders Nos. 540/95 and 1292/96.

However, in order to contribute –together with the rest of the Financial System– to the above protection mechanism, the Bank decided its voluntary and temporary inclusion from 1997 in the Deposit Guarantee Insurance System for Private Sector deposits.

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This decision was informed to Seguros de Depósitos S.A. and the Argentine Central Bank.

### 12. Fiduciary Activities

By Resolution No. 207 dated February 1, 2001, the Board of Directors approved the wording of the trust agreement under the terms of Provincial Law No. 12511 to be entered into by the Bank, as trustee, the Ministry of Public Works and Services of the Province of Buenos Aires as enforcement authority of the liens created by Decree Laws Nos. 7290/67 and 9038/78 and Law No. 8474, the provincial housing institute (*Instituto Provincial de la Vivienda*) as the entity in charge of collecting the proceeds from the national housing fund (*Fondo Nacional de la Vivienda*), and the Board of Directors of the Trust Fund for the Development of the Provincial Infrastructure Plan whereby the Province of Buenos Aires acts as trustor under this trust agreement. The Bank signed the agreement on February 26, 2001.

The purpose of the trust is to act as guarantor and/or payer of the works to be carried out under Law No. 12511. At December 31, 2011 and 2010, total assets held in trust amounted to \$336,218 and \$308,288, respectively.

On February 28, 2007, the Bank, in its capacity as trustee, and the Social Security Fund for Surveyors, Architects, Engineers and Technicians of the Province of Buenos Aires (*Caja de Previsión Social para Agrimensores, Arquitectos, Ingenieros y Técnicos de la Provincia de Buenos Aires*), in its capacity as trustor and beneficiary, have agreed on the creation of a trust for the administration of the funds corresponding to the capitalization system, according to the provisions of section 64 of Law No. 12490. At December 31, 2011 and 2010, total assets held in trust by the Bank amount to \$362,914 and \$270,714, respectively.

### 13. Issue of Negotiable Bonds

At December 31, 2011 and 2010, the Bank has no programs for Negotiable Bonds.

### 14. Derivative Instruments

#### - Put Options Written

Under the "Exchange II Plan" for deposits within the financial system, the Bank holds in the memorandum accounts the balances of the contingent obligations assumed by it and derived from put options written on coupons of the National Government Bonds provided for in Executive Orders Nos. 905/02 and 1836/02, as supplemented, the holders of which requested such option. At December 31, 2011 and 2010, they were recorded at the exchange value of Bonds for a total of \$47,083 and \$68,823, respectively.

At December 31, 2011, \$36,532 and \$10,551 are shown under the "Memorandum Credit Accounts – Derivatives" caption corresponding to put options written on coupons of BODEN at LIBOR due 2013 and 2012, respectively. At December 31, 2010, these amounts were of \$49,580 and \$19,243.

#### - Forward transactions without delivery of the underlying asset

At December 31, 2011 and 2010, the Bank has entered under the "Memorandum Debit Accounts – Derivatives" caption \$702,465 and \$7,953, respectively, on account of balances from obligations under forward transactions without delivery of the pertinent underlying asset, as established in BCRA's Communication "A" 4454 "Compensated Forward Transactions - Open Electronic Market (OCT-MAE)". Likewise, at December 31, 2010, the Bank had entered under the "Memorandum Credit Accounts – Derivatives" caption \$23,859 representing balances from obligations under forward transactions without delivery of the pertinent underlying asset, as set forth in the above-mentioned Communication.

#### - Forward transactions with delivery of the underlying asset

At December 31, 2011 and 2010, the Bank has recorded \$1,364,700 and \$828,259, respectively, accounting for swaps valued as stated in Notes 3.5 and 3.6.

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### 15. Compliance with the Requirements of the Argentine Securities Commission (*Comisión Nacional de Valores* - CNV)

At December 31, 2011 and 2010, the Bank's net worth surpassed the level required by this regulatory entity to act as Over-the-Counter Broker.

The Bank is the depositary institution of the following Mutual Funds, the net assets of which at December 31, 2011 and 2010 are detailed below:

	12/31/11	12/31/10
1822- Raíces Valores Negociables	9,568	15,127
1822- Raíces Renta Pesos	9,702	12,855
1822- Raíces Renta Global	9,574	7,253
1822-Raíces Pesos Fondo Común de Dinero	195,937	174,691
Provincia Dólares Fondo Común de Dinero	815	776
1822- Raíces Valores Fiduciarios	88,073	45,874

These Mutual Funds are recorded by the Bank in the "Memorandum Accounts - Items in Safekeeping" caption.

### 16. Regularization and Reorganization Plans

By Resolution No.81 dated March 28, 2001, the Central Bank approved the Bank's proposal submitted on March 8, 2001 whereby the Bank announced its intention to comply with the rules related to prudential regulations on liquidity and capital adequacy issued by the Monetary Authority for the whole financial system and proposed the gradual elimination of differences in the determination of Liquidity and Capital Requirements on certain Assets and Liabilities and valuation method for Assets related to the national and provincial public sectors. However, due to the 2001-2002 economic crisis and the changes in the macroeconomic rules, the Bank was unable to comply with all the commitments assumed, especially those related to minimum capital requirements, blocking of assets, liquidity and shareholdings.

Therefore, the Bank requested to extend the application of Resolution 81/01 and agreed to submit a new proposal, after the economic authorities and the Argentine Central Bank decide on various pending matters related to the economic and financial situation of financial institutions.

On November 13, 2003, the BCRA requested the submission of proposals adjusting to the measures and projections that had been accepted by the Superintendency, in order to redefine fulfillment of the requirements established in the Regularization and Reorganization Plan. All this was included in the 2004-2006 Business Plan and 2007-2014 Program submitted on August 25, 2004 according to Communication "A" 4111.

On January 18, 2005, the Central Bank reported some remarks on the mentioned plan and instructed to carry out an integral examination of the Bank at December 31, 2004. The Board of Directors took notice of such instruction through Resolution No. 96/05.

Since then, the Bank has presented the biannual Business Plan in accordance with the rules of the regulatory authority taking into account the BCRA's remarks on the previous plans. At the date of issuance of the current financial statements, the Bank has submitted the 2011-2013 Business Plan.

On July 12, 2006, the BCRA sent a report containing the findings of the integral examination made at December 31, 2004 and the follow-up of subsequent events until March 2006. The report includes comments on valuation of assets, technical ratios and reporting systems, among others. The Bank replied to this report on February 5, 2007 and proposed some viable alternatives to solve the pending issues and reach a new agreement with the BCRA.

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Likewise, a new examination at December 31, 2007 was carried out on March 31, 2008. In its reply, the Bank committed itself to settling all pending matters within a stipulated period. The BCRA submitted its final report on January 14, 2010

On March 4, 2011, the BCRA issued Resolution No. 92 restating the Regularization and Reorganization Plan according to the provisions of section 34 of the Law of Financial Institutions and granting new facilities and exemptions since those approved under Resolution No. 81 dated March 28, 2001 could never be implemented and/or became inappropriate due to the events subsequent to that date.

The exemptions and facilities contained in the Resolution relate to prudential regulations on capital requirements, exemptions on frozen assets, credit risk diversification (including limits on Public Sector Financing), setting up of minimum cash requirements through judicial deposits, valuation of guaranteed bonds at their technical value till maturity, agreement for provincial bonds to be valued at their listed price at September 30, 2010 plus accrual at the internal rate of return. The BCRA also requested the Bank to submit, within 180 days after being notified, a proposal stating a deadline for adjusting interests in related companies in accordance with the regulations in force.

The situation mentioned above concerning the valuation of the Provincial Bonds was finally settled at December 31, 2010. Such Bonds were recorded at their market value at September 30, 2010 plus accrual at the internal rate of return.

As previously mentioned and in order to ease the fulfillment of the Regularization and Reorganization Plan, Resolution No. 92/11 provides for certain facilities and exemptions approved by the BCRA. It also states that in case of significant diversions affecting the estimated projections or in case of events preventing the Bank from complying with the expected technical ratios, the Bank shall submit a new proposal to solve such diversions. Should such measures not be enough to correct them within the stipulated period, the whole plan will be deemed unfulfilled.

On September 1, 2011, the Bank sent to the Argentine Central Bank the reports requested in item 3 of the above mentioned Resolution and a letter related to the compliance of item 9 provisions, informing that it is currently analyzing the prospects of the related companies detailed in such Resolution and that an institutional decision by the Province of Buenos Aires regarding the transfer of ownership of Provincia ART is still pending.

On July 6 and August 15, 2011, the Bank received Memoranda Nos.19 and 20, respectively, related to the examination dated July 31, 2010 carried out by the Superintendency of Financial Institutions (*Superintendencia de Entidades Financieras*) from September 20, 2010 to February 11, 2011 which included the conclusions of the examination and granted the Bank 30 days to reply.

On September 15, 2011 and November 18, 2011, the Bank replied to Memoranda Nos.19 and 20, respectively.

#### 17. Publication of Financial Statements

In accordance with the provisions of Communication "A" 760, the BCRA's prior approval is not required to publish these Financial Statements.

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### 18. Other

#### 18.1. Items Pending Allocation

This caption, appearing in both Assets and Liabilities, includes the following peso and foreign currency items:

	12/31/11		12/31/10	
	Assets	Liabilities	Assets	Liabilities
. Funds pertaining to the Bank	17,026	5,854	33,752	19,216
. Third-party Funds	5,712	4,128	12,538	3,563
. Other	16,684	8,539	1,300	6,448
<b>Total</b>	<b>39,422</b>	<b>18,521</b>	<b>47,590</b>	<b>29,227</b>

These items are monitored and cleared by the Bank carrying out a regular follow-up of their breakdowns and improving control quality. This has enabled the Bank to reduce the number of unresolved cases and resulted, at December 31, 2011, in:

- a) A decline in the bridge account created to monitor centralized operations derived from injunctions for rescheduled deposits as detailed in Note 1.b) which, at the close of the previous year, had a balance of \$19,336 and, at the date of issuance of these Financial Statements, amounts to \$6,678. This was possible through the follow-up of operations exceeding the terms established for their interim allocation.
- b) Until full compliance with the schedule stated in the 2009-2011 Operative IT Plan submitted to the BCRA which provided for the migration of the transactions still existing in the Centralized Reconciliation System thus eliminating the last significant amounts corresponding to funds in transit, such as collections, and other amounts for non-automated transfer services rendered to provincial agencies, the Bank has set regular control and reconciliation procedures.
- c) The Bank has also established similar procedures to those mentioned in b) above for transactions derived from credit card management. A work schedule extending until mid-2013 is foreseen in the pertinent process reengineering and automation project.  
At the date of issuance of these Financial Statements, the first stage related to the migration of the collection administration system has been completed.

This situation generates fluctuations in the balance amounts of the credit and debit items administered by the application. Thus, through a constant follow-up of inventories for the most significant items, at December 31, 2011 and 2010, debit items amount to \$2,102 and 1,758 respectively and credit items to \$ 1,700 and \$1,182 respectively.

#### 18.2. Contributions to Health and Social Services and to Social Security

The Bank contributes to its Health and Social Services Committee (*Comisión de Servicios Sociales*), which arranges for the distribution of funds among its affiliated entities. Therefore, the Bank is not bound to make contributions to the Health and Social Services Institute for Bank Employees (*Instituto de Servicios Sociales Bancarios*), according to the provisions of Law No. 19322, section 17.

Retirement and pension contributions are made to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel (*Caja de Jubilaciones, Subsidios y Pensiones del Personal del Banco de la Provincia de Buenos Aires*) governed by Provincial Law No. 11761 in force until November 2008 and by

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Provincial Law No. 13873 effective since December 1, 2008. Therefore, the Bank is not required to contribute to any other retirement and pension fund system.

### 18.3. Integral Update of the Bank's Systems and Procedures

The Strategic IT Plan developed by the Bank includes the strategic guidelines for the 2008 to 2011 period. It has been supplemented by Annual Operative Plans for 2008, 2009 and 2010 including the development of various Technological Projects and the management of Technological Services backing the Bank's business.

The main guidelines are:

- Improve management of the banking business
- Enhance the Bank's operative processes
- Enrich the relationship with the Province and with Grupo Banco Provincia companies
- Manage risk and comply with BCRA's rules on Security
- Improve IT and communication services

Under such plans, significant progress has been achieved regarding modernization of the Bank's systems and technology.

### 18.4. Participation in the Private Financial Trust of Secured Loans

Resolution of the Board of Directors No. 481, dated March 27, 2002, approved the participation of the Bank in the granting of a liquidity facility to Banco de Galicia y Buenos Aires S.A. by means of the subscription of Debt Securities for up to \$81,000. Resolution No. 576 issued by the Board of Directors on April 18, 2002 approved the Financial Trust of Secured Loans dated April 16, 2002 under Resolution No. 481/02, the main terms of which are:

- Trustor: Banco de Galicia y Buenos Aires S.A.
- Trustee: Bapro Mandatos y Negocios S.A.
- Trust Estate: National Secured Loans resulting from the exchange of Fixed Rate - Global Bonds 2008 under Executive Order No. 1387/01.
- Nominal Value: \$81,000
- Subscription Price: 100% of nominal value.

The pertinent debt instruments were issued on May 6, 2002, with income accruing from that date.

On January 23, 2009, Bapro Mandatos y Negocios S.A. exchanged NV US\$72,853 of Secured Loans at fixed rate-Global 2008 for a Promissory Note 2014 at Badlar BP + 275, out of Debt Securities for NV \$157,355 held by the Bank in the Galicia Financial Trust.

At December 31, 2011 and 2010, those instruments are recorded under the "Other Receivables from Financial Brokerage" caption for \$114,798 and \$126,209, respectively.

### 18.5. Debt Restructuring Agreement - Commodity Credit Corporation

On June 30, 2005, by Resolution No. 830/05, the Bank's Board of Directors approved the restructuring of the US\$112,629 debt held by the Bank with the Commodity Credit Corporation. An amount of US\$34,200 was paid in cash while the outstanding aggregate principal amount of the Restructured Loan in US dollars shall be reimbursed in 11 consecutive semiannual installments, with the first installment falling due on January 1, 2009. The restructuring agreement includes clauses stating the affirmative and negative covenants assumed by the Bank, certain restrictions and compliance with certain ratios related mainly to net worth and credit issues with respect to which the Bank has requested waivers from the BCRA. Such waivers have been analyzed and approved by the regulatory body under its Resolution No. 92/11.

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According to the repayment terms, on January 2 and July 1, 2009, January 4 and July 1, 2010, January 3 and July 1, 2011 and January 3, 2012, the first, second, third, fourth, fifth, sixth and seventh installments were paid for US\$5,542, US\$7,356, US\$10,368, US\$10,367, US\$10,088, US\$9,972 and US\$9,647 on account of principal and interest, respectively.

On February 17, 2011, the Bank's Board of Directors resolved, by Resolution No. 207/11, to approve the early repayment of the aggregate debt held by the Bank with the Commodity Credit Corporation and authorized its Grand Cayman Branch to make the necessary arrangements to that effect.

At December 31, 2011 and 2010, the above debt is recorded under the "Other Liabilities from Financial Brokerage" caption for \$168,749 and \$227,199, respectively.

#### 18.6. Branches Abroad

On March 19, 2009, by Resolution No. 324/09, the Bank's Board of Directors decided the closing of its Grand Cayman Branch and informed by letter to the Cayman Islands Monetary Authority accordingly.

Annex to the Closing Action Plan includes the External Auditors' Report at July 31, 2010, stating that "no new accounts have been opened and no new deposits have been taken since May 31, date from which the branch is no longer operative; no loans have been written-off and there have been no purchase of investments nor new financings. On July 14, 2010, the Provincial Bonds were transferred to the Bank's Home Office, as duly authorized."

Therefore, the activities of the branch are limited to collections and payments under residual transactions. Moreover, in view of the necessity to rebuild the capital structure of its Montevideo Branch, affected by the transfer of the deposit portfolio and other assets from the Grand Cayman Branch, on January 27, 2011, the Bank's Board of Directors issued Resolution No. 107/11 and resolved to increase the Montevideo Branch's authorized capital to US\$40,000 and to capitalize such branch by about US\$24,000. At the date of issuance of these Financial Statements, such capitalization is still pending due to the existing restrictions on foreign currency transfers.

#### 18.7. Risk Management Policies

The Bank is still taking actions to adjust its risk management to the guidelines set forth by the BCRA under Communication "A" 5203 dated May 23, 2011. Those strict guidelines are intended to align local processes with the best international practices in force. Such situation calls for a comprehensive revision of the current risk management process so as to incorporate the new requirements.

For diagnostic purposes, the Bank hired the services of Earnst & Young; a company that started its activities on September 29, 2011. Among other consultancy tasks, a gap analysis was performed and action plans were defined for every risk involved (credit, operational, market, interest rate and liquidity). The gap analysis has already concluded and was aimed at determining the variances between the regulatory requirements and the risk management processes currently developed by the Bank. Taking into account the differences observed, specific action plans were defined in order to minimize the existing gaps.

At present, both the risk strategies and policies are being revised and the structure is being readjusted. On December 7, 2011, a Management Control, Risk Management and Economic Research Unit was created under the direct supervision of the Board of Directors. It includes a managerial division that will be entrusted with managing operational, financial and credit risks under a comprehensive approach. The creation of a Risk Committee is expected for the coming quarter so as to deal with those issues that, due to their significance, the Bank may so require. It will also keep the Directors informed about the Bank's permanent exposure to risks.

Likewise, operational risk involves a Bank-wide participation and its management is carried out using the following tools:

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- Operational Risk Self-assessment, consisting of the identification and assessment of operational risks and the implementation of mitigation plans in high risk scenarios.
- Operational Risk Loss Event Report, in compliance with the guidelines laid down by the BCRA in Communication "A" 4904, submitted under the applicable reporting rules.
- Key Risk Indicators, aimed at monitoring operational risk exposure.

Actions are also taken to spread operational risk culture Bank-wide, providing information on the main risk aspects by means of an internal communication plan and training programs involving every staff member.

With respect to minimum risk management, implementation and control requirements regarding information technology, information systems and related resources, the Bank endeavors to have in place an adequate risk management process through the IT Risk Management and Analysis Methodology, involving procedures for the identification of risks and the establishment of internal controls to ensure security in operations. The Bank performs a risk self-assessment process on its main systems, which enables it to assess compliance with internal controls and update its inventory of identified operational risks.

The IT Systems office has been entrusted with the management, control and monitoring of the business continuity and contingency plan; procedures and documents are already in force that help ensure at all times service quality, security and integrity of information as well as the smooth running of all systems involved in transactions.

In relation to the assessment and management of credit risks, the Credit Risk Management also showed a higher level of activity. Its consolidation helped optimize response time to the demands of commercial counterparts. This situation was observed during the last twelve months when existing ratings increased by 85% over the same period a year earlier.

Such improvement was evidenced in Head Office as well as in branches throughout the Province of Buenos Aires.

Next year, the Bank expects to continue developing the applied resources in order to efficiently satisfy the growing demand that is likely to derive from its trade policies. During 2011, the system for monitoring the integral management of credit risks was finally implemented and the entry of credit limits into the SUR system was admitted for all regional risk units and management divisions. This allows monitoring the pertinent transactions in real time both on a centralized and decentralized basis.

Furthermore, the Bank is working on the approval of a strategy and policies for the management of the Market Risk. The document lays down the roles and responsibilities applicable to each organization level. The paper also sets limits to the value at risk calculated on a daily basis and identifies the process for approving any contingent excesses.

The market risk management scheme to be implemented provides for improvements in the analytical framework. Such improvements include the performance of sensitivity analysis and stress testing in order to evaluate any changes on the defined risk factors and the impact on the value at risk of any significant financial decision. Furthermore, the system for reporting results to the General Management and the Board of Directors will be optimized.

#### 18.8. Settlement of Debts with National Public Debt Bonds

National Executive Order No. 469/02 dated March 6, 2002 regulated the procedure for settling debts with the Financial System provided for by Executive Order No. 1387/01, sections 30 a) and 39, as amended and supplemented by Executive Orders Nos.1524/01 and 1570/01.

By Communication "A" 3398, the Argentine Central Bank established the pertinent regulations for the settlement of debts with National Public Debt Bonds in the case of debtors classified into categories 1, 2, 3, 4

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and 5 at August 2001 and conditioned such settlement by debtors within categories 1 to 3 to the prior approval of the Bank.

Under this procedure, 327 debtors paid off principal and interest debts for \$102,749 between February 14, 2002 and May 15, 2002.

Government securities received in settlement of the above debts were included in the Bank's net worth at the higher of the price of the Bonds and the book value of the loan paid off, net of allowances. Such government securities were delivered to the National Government in compliance with the Exchange for Secured Loans provided for by Executive Order No. 1387/01.

In addition, there are 276 debtors that were classified under categories 1 to 3 at August 2001, who brought legal actions against the Bank to protect their rights (*amparos*) because the above method was not accepted to pay off their debts. As a consequence, precautionary measures that prohibit changing a customer's situation until final judgment is rendered were issued in favor of debtors, thus preventing any legal action against them. The Bank has been legally defending its rights and has analyzed if its pending actions are similar to the case seeking declaration of unconstitutionality entitled "Agüero Máximo José y Ovejero Cornejo de Agüero, Teresa c/ Banco de la Nación Argentina s/ Acción Declarativa de inconstitucionalidad" where judgment has been rendered by the Argentine Supreme Court. The analysis reveals an 80% similarity in allegations of facts.

At the date of these Financial Statements, the Bank may assure that 34% out of all pending trials will not have adverse effects on it; that is, even though the trial is in process, the alleged claim is already settled. With the intention of terminating court actions, various petitions defending the Bank's interests have been filed; however, the favorable decisions obtained could not yet be executed because of the delay in Federal Courts attributable to their high volume of cases dealing with "*corralito*" matters.

Mention should also be made that 60% of such actions are pending in the jurisdiction of La Plata, where the above ruling by the Argentine Supreme Court has been adhered to by all instances.

Therefore, the Bank estimates that the remaining cases would not significantly impact on its net worth since, although trials are in process, they have no negative bearing on the provisions it has set up.

#### 19. Breakdown of "Miscellaneous" or "Other" Items with Balances Exceeding 20% of the Total for the Relevant Caption

There follows a breakdown of the "Miscellaneous" and "Other" items in the Financial Statements for the fiscal years ended December 31, 2011 and 2010.

ITEM	12/31/11	12/31/10
<b>1. Interests in Other Companies – Other</b>		
. In Grupo Banco Provincia S.A.	559,055	556,621
. In Provincia Microempresas	25,637	5,758
. In Visa Argentina	3,534	3,535
. In Red Link S.A.	2,123	2,123
. In Agencia Invierta S.A.	9,701	-
. Other	3,352	3,104
<b>TOTAL</b>	<b>603,402</b>	<b>571,141</b>

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### 2. Miscellaneous Receivables - Other

. Peso Loans to Staff	434,631	218,561
. Advance payments	16,813	220,004
. Receivables and Goods to be Received in lieu of Payment	9,250	9,250
. Compensations and balances to be recovered from claims	29,875	28,158
. Sundry Debtors	91,324	74,384
. Guarantee Fund – Visa Argentina	68,881	50,147
. Deposits held as Collateral for Repo Transactions	420,322	225,620
. Debtors related to summary proceedings pending resolution	17,147	18,229
. Miscellaneous Receivables – Former BMLP	752	753
. Other	54,176	37,644
<b>TOTAL</b>	<b>1,143,171</b>	<b>882,750</b>

### 3. Other Liabilities from Financial Brokerage - Other

. Miscellaneous liabilities not subject to minimum cash requirements	618,614	199,701
. Liabilities from financing of purchases	357,990	293,685
. Foreign exchange transfers pending payment	201,009	97,504
. Principal – Credit Lyonnais liabilities – Res. No. 1697	63,305	58,488
. Provisional Payment Orders Pending Settlement	50,588	38,761
. Update of tax withholdings and collections	29,925	47,001
. Export Collections pending settlement	5,386	41,782
. Gross income – Collection procedures	16,687	15,582
. Non applied proceeds – Debtors under Memorandum Accounts	12,598	10,876
. Collections and other transactions on behalf of third parties	29,194	-
. Taxes on debits and credits	3,974	-
. Other	2,653	109,089
<b>TOTAL</b>	<b>1,391,923</b>	<b>912,469</b>

### 4. Miscellaneous Liabilities – Other

. Payroll and Social Security Taxes Payable	24,583	17,751
. Taxes Payable	51,010	30,938
. Other withholdings Payable	5,841	5,535
. Advances for Sale of Assets	1,400	1,632
. Foreign Currency - Individuals	-	65,695
. Advance collections	4,569	4,532
. Sundry Creditors	61,194	45,555
. Other	11,117	9,971
<b>TOTAL</b>	<b>159,714</b>	<b>181,609</b>

### 5. Memorandum Accounts – Control – Debit

. Items in safekeeping	5,128,024	8,302,145
. Patacones - Currency Unification Program	2,760,523	-
. Total Overdrafts in Pesos	338,846	-
. Items for collection	75,024	64,531
. Loans to SMEs and Micro enterprises	17,912	27,864
. Items to be debited	317,799	248,291
. Other	1,239,668	1,781,894
<b>TOTAL</b>	<b>9,877,796</b>	<b>10,424,725</b>

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Fernando L. Arriola  
General Accountant

Mirta G. Barcus  
Deputy General Manager  
Finance Area

Gustavo M. Marangoni  
President

C.P.C.E.P.B.A. Vº 1 Fº 33 Folder 33  
Teresita M. Amor

Public Accountant (U.B.A.)  
C.P.C.E.B.A. Volume 139 – Folio 61  
Folder N° 35,957/2  
Taxpayer Registration Code  
27 - 13802361 - 9

## Notes to the Financial Statements

AT DECEMBER 31, 2011 AND COMPARATIVE PERIODS

(In thousands of pesos)

### 6. Income from Services – Other

. Safe Deposit Box Rental	30,304	27,670
. Commissions from Credit Card Services	716,946	489,150
. Commissions – ATM Network	74,164	33,233
. Commissions from inter-branch cash transactions	28,597	26,086
. Maintenance Fee – Private Sector Savings Accounts	76,368	57,909
. Commissions from Direct Payment System	19,409	16,569
. Commissions from Drafts and Transfers	16,786	15,957
. Commissions from clearing services	28,836	22,043
. Commissions from Grupo Banco Provincia S.A. companies	35,506	37,785
. Commissions from Pre-Allocation System	5,805	9,848
. Commissions from Salary and Wage Payments	12,457	11,041
. Commission on Consumer Loans -Individuals	128,793	77,854
. Income from Services – Other – Mortgage Loans Division	17,802	10,142
. Other	106,333	134,880
<b>TOTAL</b>	<b>1,298,106</b>	<b>970,167</b>

### 7. Expenditure for Services – Other

. Health and Social Services Contribution on Income from Services	34,688	25,696
. Miscellaneous Operating Services	31,067	23,155
. COBINPRO peso Commissions	3,055	3,069
. Services to ATM users - Insurance -	5,871	4,086
. Collection services on credit card debts	2,994	2,744
. Delinquent Portfolio Recovery Services	3,556	3,067
. Charges for Credit Card Processing	63,978	38,750
. Expenditure for Direct Marketing Actions	40,077	45,394
. BAPRO Customer Loyalty Program	290	6,473
. Swift System Communication Services	63	55
. Advising Fees to Provincia Microempresas Board of Director's Resolution No. 203/10	14,227	-
. Visa Internacional Royalties	10,896	-
. Other	17,079	29,216
<b>TOTAL</b>	<b>227,841</b>	<b>181,705</b>

### 8. Miscellaneous Income

. Adjustments and Interest on Miscellaneous Receivables	64,029	24,062
. Cash overage	16,109	8,670
. Gains on Transactions with Bank Premises and Equipment and Miscellaneous Assets	9,374	12,794
. Trust Management Fees	3,633	1,957
. Recovery of Costs and Fees Payable	2,687	3,271
. Gains on Clearing and Adjustment of Balances	1,148	1,953
. Fines and Charges for Breach of Contracts	1,418	2,019
. Gains on BICE securities in guarantee	-	7,643
. Mortgage Refinancing Communication "A" Law No. 25798	-	-
. Other	6,037	10,956
<b>TOTAL</b>	<b>110,961</b>	<b>73,325</b>

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## Notes to the Financial Statements

AT DECEMBER 31, 2011 AND COMPARATIVE PERIODS  
(In thousands of pesos)

### 9. Miscellaneous Losses

. Non-recoverable Portfolio Expenses	20,473	11,175
. Income Tax – Trade facilities from abroad in Foreign Currency	3,390	-
. Donations	7,861	5,120
. Special Contribution to the Bank's Retirement and Pension Fund-Section 78, Law No. 13364	7,237	4,371
. Return of Rescheduled Deposits to Branches	2,593	2,896
. Discount on Mortgage Loans-Principal	1,992	2,091
. Losses on Clearing and/or Adjustment of Balances	1,472	1,098
. Health and Social Services Contributions	1,453	766
. Miscellaneous Losses–Missing ATM cash	608	761
. Reversal of Adjustments on non-performing loans w/ CVS index clause	1,094	673
. Discount rate difference–Provincia Leasing–Grupo Banco Provincia	13,308	546
. Miscellaneous Losses-Other Financial Statements (1590) - Prior Year Adjustment	4,743	-
. Other	2,527	6,954
<b>TOTAL</b>	<b>71,716</b>	<b>44,212</b>

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