NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Note 1 - General information

1.1. Bank information

Banco de la Provincia de Buenos Aires ("the Bank" or "the Entity"), as a state-owned Bank, is a self-administered provincial public institution, the origin, guaranties and privileges of which are set forth in the Preamble and in Sections 31 and 121 of the National Constitution, in the National Law No. 1029 and in provincial Constitution and laws.

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 Provincial State Bank and to pass the necessary laws to that effect. For that reason, the Bank, its assets, acts and doings, agreements, 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 Entity is governed by a Charter approved under Provincial Law No. 9434/79, Law of Financial Institutions No. 21526, its amendments and related provisions, and by the regulations imposed by the Argentine Central Bank (BCRA).

Likewise, as a public financial institution, the Bank is subject to audits by entities created under the provincial Constitution: the General Accounting Office and the Auditing Office of the Province of Buenos Aires for control and budgetary performance purposes.

The Bank is registered with the Argentine Securities Commission (*Comisión Nacional de Valores*-CNV) Registry to act as Comprehensive Settlement and Clearing Agent and Trading Agent.

Banco de la Provincia de Buenos Aires' main activity is focused on providing retail banking services.

The Bank has two branches abroad: Sao Paulo and Montevideo. On October 26, 2017, through the Board of Directors' Resolution No. 1318/17, the Bank decided to change the legal status of the Sao Paulo Branch to Representative Office.

These consolidated financial statements include the Entity and all its subsidiaries, i.e., structured entities or companies controlled by the Bank. Information on subsidiaries is provided in Note 35.

In these financial statements, information about the "Bank" includes the Head Office as well as domestic and overseas branches; and information about the "Group" includes the Bank and its consolidated structured entities and companies.

1.2 The Argentine economic context and its impact on the Bank's economic and financial position

Global economic dynamics has decelerated during 2018, thus prospects are less favorable than some months ago. In this new scenario, in which the world product would maintain its 2017 expansion level, certain predicted risks have materialized, such as an increased trade belligerence and the new direction of capital flows to advanced economies; an unbalanced growth among different countries and a lower probability of new positive shocks. This sets a new global context since the normalization of the monetary policy, after a decade of "excess liquidity".

The international financial situation and the Argentine vulnerable macro-structural conditions gave rise to a new economic crisis in the country (worsened by the negative impact of drought). This led to significant changes in monetary and tax policies in order to ensure public credit and external sustainability. In fiscal terms, in the 2018 January-December period, the gradualism approach was abandoned in order to accelerate the close of the fiscal gap.

All these circumstances led to a new agreement with the IMF so as to have access to financing and minimize the impact of closed external credit markets. So far this year, two meetings were held with the IMF, where it was arranged to accelerate the implementation of corrective tax measures in order to achieve a fiscal balance next year and a primary surplus in 2020. These goals would be reached through higher revenues and significant spending cuts. The arrangement also includes the end of the BCRA financing to the government and the commitment to scaling back energy and transportation subsidies, downsizing public employment, maintaining social tariffs, and reducing goods/services acquisition and the operating deficit of government enterprises. In terms of revenues, new export taxes have been imposed on all sectors from September 2018 to

December 2020. A new 12% export duty was levied on all goods included in the MERCOSUR Common Nomenclature. Such duty may not exceed $4 per US$1 in the case of services and primary origin exports (including low value-added manufacturing products). In other exports, the value may not exceed $3 per US$1.

Since the country experienced exchange turmoils and the government was unable to control inflation, certain changes had to be made in exchange and monetary policies. This led to the granting of loans under less favorable conditions and a significant increase in the exchange rate. The lack of confidence and the strong uncertainty resulted in certain exchange rate fluctuations (over 100% as against last April) and in the highest real exchange rate position of the last eight years. The monetary and exchange policy led to high interest rates that, together with the increased minimum reserve requirements, translated into a marked liquidity reduction in the economy. Thus, loans evidenced a significant deceleration, growing at a slower pace than deposits.

Therefore, and in line with certain indicators of local financial conditions, since the beginning of the year the economy has deteriorated due to the sizable peso depreciation, its purchasing power decrease and the interest rate rise.

The economic data of the first half of the year indicate a trend shift that marked the beginning of a recessive period since the second quarter of the year. The loss of confidence among investors, the drought affecting the agricultural sector and the major fiscal adjustment caused a contraction in the internal and external demand, impacting on the supply of goods and services. According to prospects, the drought consequences will lessen, but the volatility in the asset markets will continue having a negative effect. In the BCRA's Market Expectations Survey, analysts forecast a y/y 2.4% drop in GDP for 2018 and an estimated y/y 1.2% decrease for the next year. In terms of prices, exchange rate fluctuations and constant adjustments to the regulated services values were critical factors in the inflation upward trend throughout 2018. At the end of the year, the 2018 inflation rate reached 47.6%.

1.3 Regularization and reorganization plans

On June 15, 2018, the BCRA issued Resolution No. 277/18 restating the Regularization and Reorganization Plan according to the provisions of article 34 of the Law of Financial Institutions No. 21526, as amended.

Among the exceptions described therein, we can mentioned those linked to prudential regulations on minimum capital requirements and credit risk diversification. Banco de la Provincia de Buenos Aires is required to maintain the criterion to charge all contributions 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*) against income/(loss) when becoming effective, as long as the circumstances mentioned in the Letter submitted to the BCRA regarding the regulation of Provincial Law No. 15008, the implementation of the mechanism stated in Section 11, paragraph i) therein, and the possibility to quantify the potential impact on the Bank remain the same.

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.

In order to monitor the compliance with the intended goals and the evolution of the pertinent variables, the Entity prepared the "Follow-up Report under BCRA Resolution No. 277 - September 2018" stating the progress in the implementation of measures and the analysis of the reasonable deviations between the real and projected situations included in the aforementioned plan. This report also contains the Internal Audit´s opinion and the Board of Directors' approval.

Note 2 - Criteria for presentation of the financial statements

The Financial Statements have been prepared in compliance with the financial reporting framework set forth by the BCRA, through Resolution No. 277/18 of June 15, 2018, in its capacity as issuer of accounting rules (hereinafter called "Financial Reporting Framework set forth by the BCRA") (See Note 5.18).

The figures shown in the financial statements 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.

Note 3 - Functional and presentation currency

The Bank considers the Argentine Peso as the functional and presentation currency. All amounts are stated in thousands of pesos, unless otherwise stated.

Unit of account

According to IAS No. 29, entities are required to restate financial statements stated in local currency as their functional currency to reflect the changes in the purchasing power of such currency, based on the existence or not of a hyperinflationary economy. IAS No. 29 provides certain qualitative and quantitative guidelines to determine the existence of a hyperinflationary economy. Accordingly, hyperinflation shall be deemed to exist where the last three years' cumulative inflation approaches or exceeds 100%.

As a result of the increase in inflation that has been experienced in the first months of fiscal year 2018, there has been consensus on that the Argentine economy would qualify as a highly inflationary economy according to the guidelines set forth under IAS No. 29. This consensus implies the need to apply IAS No. 29 in preparing financial statements under IFRS for annual or interim periods ending after July 1, 2018.

As stated in Note 5 below, considering the provisions of Communication “A” 6651 issued by the BCRA on February 22, 2019, which provides for the application of IAS No. 29 for fiscal years beginning on or after January 1, 2020, the Entity has not applied restatement mechanisms to its financial statements.

If IAS No. 29 is adopted, monetary restatement of financial reporting must be applied. For example, the restatement of property, plant and equipment is applied from the date of the revaluation used as deemed cost when the IFRS are initially adopted or from the acquisition date, as appropriate. Furthermore, the figures for the preceding fiscal years or periods presented for comparative purposes shall be restated, without affecting the decisions taken on the basis of the pertinent financial data.

Even when the Bank has not quantified the effects that the restatement of the financial statements in constant currency would have on them, the existence of an inflationary economic environment affects the Bank’s financial position and results of operations. Therefore, the impact of inflation may distort the financial information and should be taken into consideration in understanding the Bank’s information reported in these financial statements about its financial position, comprehensive income and cash flows.

As stated in Note 5.18, the exception described is a deviation from IFRS.

Note 4 - Accounting judgements and estimates

In preparing these consolidated financial statements, the Management has to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

The related estimates and assumptions are based on expectations and other factors deemed reasonable, the result of which are the basis for the judgments on the value of assets and liabilities, which are not easily obtained from other sources. Actual results may differ from these estimates.

The underlying estimates and assumptions are continuously under review. The effect of the review of accounting estimates is recognized prospectively.

4.1. Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is described in the following Notes:

Note 5.1. – Determination of the existence of control over other entities
Note 5.4.b) – Classification of financial assets
Note 5.4.g) – Impairment of financial assets
Note 5.6 – Determination of fair values of real property
Note 5.12 – Classification of post-employment personnel benefits

4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in these consolidated financial statements is included in the following notes:

Note 5.4.g) – Impairment of financial assets
Note 12 – Fair values of real property at December 31, 2018.
Note 18 – Recognition and measurement of provisions
Note 20 – Measurement of personnel benefits
Note 20.3 – Measurement of the accounting impact of Provincial Law No. 15008
Note 33 – Fair values of financial assets - Levels 2 and 3

4.3 Measurement at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of a financial instrument using the quoted price in an active market. A market is considered active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques maximizing the use of relevant market inputs and minimizing the use of unobservable inputs. The choice of a valuation technique includes all factors market participants would take into consideration for the purposes of setting the price of the transaction.

Fair values are categorized into different levels in the fair value hierarchy based on the input data used in the measurement techniques, as follows:

- Level 1: quoted prices in active markets (no adjustment) for identical assets or liabilities.
- Level 2: valuation models using observable market data as significant inputs.
- Level 3: valuation models using unobservable market data as significant inputs.

Note 5 – Significant accounting policies

The Group has consistently applied the following accounting policies in all periods presented in these consolidated financial statements and the preparation of the Balance Sheet as of December 31, 2016 for the purposes of the transition to the financial reporting framework set forth by the BCRA. Note 47 contains a detail of the impact of the transition regarding the accounting regulations previously applied.

These financial statements for the fiscal year ended December 31, 2018 have been prepared pursuant to IAS 1 “Presentation of Financial Statements” and IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

Comparative amounts and the amounts as of the date of transition have been modified to reflect the adjustments to the new financial reporting framework.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

5.1 Basis of consolidation

a) Subsidiaries

Subsidiaries are all the entities (including structured entities, if any) controlled by the Group. The Group owns a controlling interest in an entity when it is exposed to, or has rights over, the variable returns for its interest in the participated company, and has the ability to affect those returns through its power over the entity The Group reevaluates if its control is maintained when there are changes in any of the conditions mentioned.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

b) Non-controlling interests

Non-controlling interests are the portion of profit or loss and net worth which does not belong to the Group and are disclosed as a separate line in the Consolidated Balance Sheet and the Statements of Income, Other Comprehensive Income and Changes in Net Worth.

c) Securitization vehicles

Certain securitization vehicles developed by the Group are used according to the basis determined in their initial design. The Group is exposed to changes in the return of vehicles through its holding of debt securities or participation certificates. In general, key decisions on these vehicles are related to loans classified under category 2 or worst pursuant to BCRA´s Debtors' Classification Rules. Therefore, when considering if the Group has the control, it is analyzed if the Group takes the key decisions that significantly affect the vehicle returns. Accordingly, the Group has concluded that it has control over certain vehicles (see Note 35).

d) Mutual funds

The Group acts as fund manager to a number of mutual funds (see Note 43). To determine whether the Group controls such mutual funds, the aggregate economic interest of the Group in the mutual fund (comprising any carried interests and expected management fees) is usually assessed and it is considered that investors have no right to remove the fund manager without cause. In cases where the economic interest is less than 37%, the Group concludes it acts as an agent for the investors and therefore does not consolidate those mutual funds. See Note 35) related to consolidated mutual funds.

Likewise, Notes 41 and 43 contain information about non-consolidated securitization vehicles and mutual funds in which the Group acted as manager or sponsor, as appropriate.

e) Loss of control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated in proportion to the Group's interests in such associates. Unrealized losses are similarly eliminated, provided that there is no evidence of impairment.

5.2 Foreign currency

a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the reference exchange rate published by the BCRA at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reference exchange rate prevailing at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the reference exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the reference exchange rate prevailing at the date of the transaction.

Exchange rate differences are recognized in the Consolidated Statement of Income in the line "Gold and foreign currency quotation difference".

b) Transactions abroad

Assets and liabilities in foreign currency are translated into peso at the reference exchange rate published by the BCRA. The results were monthly converted, using the monthly average reference exchange rate of the BCRA.

Exchange rate differences are recognized in the Consolidated Statement of Other Comprehensive Income, under the "Exchange difference for conversion of financial statements" caption.

5.3 Cash and deposits in banks

"Cash and cash equivalents" includes cash and balances with no restrictions kept with the BCRA and on-demand accounts held at local and foreign financial institutions.

5.4 Financial assets and liabilities

a) Recognition

The Group initially recognizes loans, deposits, debt securities issued and liabilities at origination. All other financial instruments (including ordinary purchase and sale of financial assets) are recognized on the date of negotiation, that is to say, the date when the Group becomes part of the instrument's contractual provisions.

The Group recognizes purchases of financial instruments with the commitment of non-optional repurchase at a certain price (repos) as a financing granted in the line "Repo transactions" in the Consolidated Balance Sheet. The difference between the purchase and sale prices of those instruments is recorded as interest accrued during the term of the transactions using the effective interest method.

Financial assets and liabilities are initially recognized at their fair value. Instruments not measured at fair value through profit or loss are recognized at fair value plus (in the case of assets) or less (in the case of liabilities) the transaction costs directly attributable to the acquisition of the asset or the issuance of the liability.

The transaction price is usually the best evidence of fair value for initial recognition. However, if the Group determines that the fair value at initial recognition is different from the consideration received or paid, when the fair value is in hierarchies 1 or 2, the financial instrument is initially recognized at fair value and the difference is recognized in profit or loss. If the fair value at initial recognition is hierarchy 3, the difference between the fair value and the consideration is deferred in the term of the instrument.

b) Classification of financial assets

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

On initial recognition, financial assets are classified and measured at amortized cost, fair value through changes in other comprehensive income (OCI) or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are "solely payments of principal and interest".

A debt instrument is measured at fair value with changes in OCI when:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are "solely payments of principal and interest".

On initial recognition of an equity instrument that is not held for trading, the Group may elect, for each individual instrument, to present subsequent changes in fair value in OCI.

All other financial assets are classified as measured at fair value through profit or loss. This category includes derivative financial instruments.

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue;
- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the portfolio are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

In the assessment on whether contractual cash flows are "solely payments of principal and interest", 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risks associated with the principal amount outstanding. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets are not reclassified after their initial recognition, except for a change in the Group's business models.

c) Classification of financial liabilities

The Group classifies its financial liabilities, other than derivatives, guarantees issued and liabilities**,** as measured at amortized cost.

Derivative financial instruments are measured at fair value through profit or loss.
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the contractual terms of a debt instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

The debt from financial guarantees issued is initially recognized at fair value. The debt is subsequently measured at the higher of the amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

d) Derecognition of financial assets and liabilities

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received and any recognized balance in OCI is recognized in profit or loss.

When the Group transfers a financial asset but retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognize the transferred financial asset.

The Group recognizes sales of financial instruments with the commitment of non-optional repurchase at a certain price (repos) as a financing received in the line "Repo transactions" in the Consolidated Balance Sheet. The difference between the purchase and sale prices of those instruments is recorded as interest accrued during the term of the transactions using the effective interest method.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. When an existing financial liability is replaced with another from the same borrower under significantly different conditions, or the conditions are substantially modified, said replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference is recognized in the line "Other financial income - From derecognition or significant change in financial liabilities" of the Consolidated Statement of Income.

e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is booked in the consolidated Balance Sheet if, and only if, the Group has a legally enforceable right to set-off the amounts and intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS, or for profits and losses arising from a group of similar transactions.

f) Measurement at amortized cost

The amortized cost of a financial asset or liability is the amount of its initial recognition less the capital reimbursements, plus or less the amortization, using the effective interest method, of any difference between the initial amount and the amount at maturity. In the case of financial assets, it also includes any impairment adjustments (doubtful accounts).

g) Impairment of financial assets

As mentioned in Note 5.18, by Communication "A" 2950, as amended, the BCRA established that financial institutions shall continue applying the model for recognizing the impairment of financial assets in force as of December 31, 2017. Those regulations require financial institutions to:

- classify their debtors based on their "status" pursuant to the BCRA's guidelines; and
- recognize an allowance for loan losses based on a chart that indicates the percentage of the allowance to be set up, taking into account the debtor's status and guarantees in force.

The BCRA requires that customers of the "commercial portfolio" be analyzed and classified individually according to their status. Such portfolio includes loans exceeding $19,800, which repayment is linked to the progress of the customer's productive or commercial activities. The assessment of the debtor's repayment capacity is based on the estimated financial flow according to updated financial information and industry parameters, considering other circumstances of the economic activity.

The "consumer portfolio" is analyzed globally and debtors are classified based on the days in arrears. It includes consumer loans, housing loans and loans not exceeding $19,800.

Increases in the allowance for loan losses related to "Loans and other financing" are recognized in the line "Allowances for loan losses" in the consolidated Statement of Income.

5.5 Investments in associates

An associate is an entity over which the Group has a significant influence but no control or joint control over financial and operating policies.

Interests in associates are recorded applying the equity method. They are initially recognized at cost, including transaction costs. After the initial recognition, the consolidated financial statements include the Group's share in the profit or loss and OCI of investments recorded using the equity method, until the date when the significant influence ceases.

5.6 Property, plant and equipment

In view of the economic situation, the exchange rate variation and higher real property prices, the Group has adopted the revaluation method since it reliably reflects the value of such assets. Therefore, the valuation of real property was updated at December 31, 2018, based on the appraisal carried out by an independent professional, applying the Level 3 valuation techniques. For that purpose, a market approach was used.

Under such model, assets are measured at fair value at revaluation date, minus accumulated depreciation and accumulated impairment of losses, if any.

The revaluation frequency will depend on the changes in the fair value of the items being under revaluation.

Depreciation method and useful life are reviewed at each closing date and adjusted prospectively, if necessary.

The remaining items of property, plant and equipment are measured at cost, net of accumulated depreciation and accumulated impairment of losses, if any. The cost includes the spot purchase price and expenses directly attributable to taking the asset to the location and those necessary for its operation as expected by the Board of Directors.

Depreciations are calculated using the straight line method, applying the necessary rates to extinguish the amounts at the end of the estimated useful life of the assets.

5.7 Intangible assets

Intangible assets include costs relating to the acquisition and implementation of information systems. They are measured at cost, minus accumulated amortization and impairments, if any.

Subsequent expenses related to information systems are only capitalized if the economic benefits of the pertinent asset increase. All other expenses are recognized as a loss when incurred.

Information systems are amortized using the straight line method over the estimated useful life of 5 years.

Amortization method as well as the useful life are reviewed at each closing date and adjusted prospectively, if applicable.

5.8 Other non-financial assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

a) Works of art and collection pieces

Works of art and collection pieces are measured at cost.

b) Investment properties

Investment properties are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost includes the spot purchase price and expenses directly attributable to taking the asset to the location and those necessary for its operation as expected by the Board of Directors.

The Group has used the option under IFRS 1 to consider the fair value of all its investment properties items as the deemed cost as of January 1, 2017. Fair value was assessed based on the appraisal carried out by an independent professional, applying the Level 3 valuation techniques. For that purpose, a market approach was used.

c) Assets acquired as security for loans

Assets acquired as security for loans are measured at fair value at the date on which the Group becomes the owner thereof and any difference with the accounting balance of the related loan is recognized in profit or loss.

5.9 Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly likely that they will be recovered mainly through their sale, which is estimated to occur within the twelve months following the date of their classification.

These assets, this group of assets or group of assets and liabilities are generally measured at the lesser of their book value and fair value less the cost of sale.

When a property, plant and equipment item is classified as "non-current assets held for sale", depreciation is no longer applied.

5.10 Impairment of non-financial assets

At least at each closing date, the Group assesses whether there are indications that a non-financial asset may be impaired (except deferred tax assets). If there is such an indication, the asset's recoverable value is estimated.

For the impairment test, assets are grouped into the smallest group of income generating inflows that are largely independent of the cash inflows from other assets or other cash generating units (CGU).

The "recoverable value" of an asset or CGU is the highest of its value in use and its fair value less the cost of sale. The "value in use" is based on estimated cash flows, discounted at their present value using the pre-tax interest rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

If the accounting balance of an asset (or CGU) is higher than its recoverable value, the asset (or CGU), is considered impaired and its accounting balance is reduced to its recoverable value and the difference is recognized in profit or loss.

5.11 Provisions

The Group recognizes a provision if, as a result of a past event, there is a legal or implied obligation for an amount that can be reliably estimated and it is likely that an outflow of resources will be required to settle the liability.

To assess provisions, the existing risks and uncertainties were considered, taking into consideration the opinion of the Group's external and internal legal advisors. The Group, based on such analysis, recognizes a provision for the amount considered as the best estimate of the potential expense necessary to settle the present obligation at each closing date.

The provisions recognized by the Group are reviewed at each closing date and are adjusted to reflect the best available estimate.

Provisions and reserves related to the insurance activity were determined based on the General Rules for Insurance Activity (*Reglamento General de la Actividad Aseguradora*). The insurance companies calculated the liability adequacy required by IFRS 4 at December 31, 2018.

5.12 Personnel benefits

a) Short term personnel benefits

Short term personnel benefits are recognized in profit or loss when the employee provides the related service. A provision is recognized if the Group has, as a result of past services provided by the employee, the legal or implied obligation to pay an amount that can be reliably estimated.

b) Defined contribution plans

Obligations related to defined contribution plans are recognized in profit or loss when the employee provides the pertinent services.

c) Post-employment defined benefit plans

The Group's net obligation related to post-employment defined benefit plans is calculated considering the current value of the future benefit that the employees have earned during the current period and prior periods.

Each year, this calculation is made by a qualified actuary using the projected unit credit method.

The new calculations of defined benefit obligations related to actuarial profits and losses are recognized in Other comprehensive income.

The Group determines the interest expense for the net defined benefit obligations for the year, applying a discount rate used to measure defined benefit obligation at the beginning of the year, taking into account contributions and benefits paid during the year. Interest expenses and other expenses in connection to the defined benefits plans are recognized in profit or loss.

If the benefits of a plan change, the resulting change related to past services, is recognized in profit or loss.

d) Accounting effects of Law No. 15008 of the Province of Buenos Aires

According to the BCRA's Resolution No. 277/18, the Entity monthly recognizes in profit or losses all the contributions (expenses) made by the Bank to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel (see Note 20.3).

e) Termination benefits

Termination benefits are recognized when the Group can no longer withdraw the offer of those benefits.

5.13 Interest income and expenses

Interest income and expenses are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate whereby the contractual payment and collection cash flows are discounted during the expected lifetime of the financial instrument at the book value of the financial asset or liability.

The calculation of the effective interest rate includes transaction costs, commissions and other items paid or received that are an integral part of the effective interest rate. Transaction costs include increasing costs that are directly attributable to the acquisition of a financial asset or the issuance of a financial liability.

Interest income and expenses presented in the consolidated Statement of income include interest in:

- financial assets and liabilities measured at amortized cost; and
- financial assets measured at fair value through OCI.

5.14 Commission income and expenses

Commissions, fees and similar items that are part of a financial asset's or liability's effective interest rate are included in the measurement of the effective interest rate (see Note 5.13).

The rest of commission income, such as fees for services, mutual funds management, sales commissions and syndicated loan commissions, are recognized when the pertinent service is provided.

The Bank has a customer loyalty program to accumulate points through the use of debit and credit cards. The customer can redeem points for products and/or air miles. The Bank recognizes the corresponding charge as a lower commission income, since it is considered as an item thereof. The obligation for the customer loyalty program is determined at fair value at each closing date and is recognized in Other non-financial liabilities.

The rest of commission expenses are recognized in profit or loss when the related service is received.

5.16 Leases

a) Contracts containing a lease

Upon the commencement of the contract, the Group determines if it contains a lease, in which case lease payments shall be separated into payments related to leases and to other items, based on relative fair values.

b) Classification of a lease

When the lease substantially transfers the risks and benefits of the property of the leased asset, it is classified as a financial lease. Otherwise, the lease is classified as an operating lease.

c) Leases where the Group is the lessee

The leased asset of an operating lease is not recognized for accounting purposes. Payments made under an operating lease are recognized in profit or loss by applying the straight line method over the term of the lease.

The leased asset of a financial lease is recognized for accounting purposes with a balancing entry as a lease liability. The initial recognition of the asset is made at the lesser of its fair value and present value of minimum payments of the lease. Then, the leased asset is recorded under the pertinent accounting policy.

Payments made under a financial lease are separated into interest and reduction in lease liability. Interest is recognized over the term of the lease by applying a constant interest rate. Payments under contingent leases are recognized in profit or loss when incurred.

d) Leases where the Group is the lessor

The leased asset in an operating lease, classified as "Other non-financial assets" and depreciated over its estimated useful life. Collections received under an operating lease are recognized in profit or loss by applying the straight line method over the term of the lease.

The leased asset in a financial lease is derecognized and a receivable is recognized for the amount of the net investment in the lease in the line "Loans and other financing".

Collections received under a financial lease are separated into interest and reduction in the lease's net investment. Interest is recognized over the term of the lease by applying a constant interest rate.

Contingent leases are not considered in the assessment of the lease's net investment.

5.17 Current and deferred income tax

The activities of the Bank and its local branches are exempted from the Income Tax. The Income tax expense recognized in these consolidated financial statements relates to the transactions of its subsidiaries and branches abroad.

Income tax expense for each fiscal year includes the current income tax and deferred income tax and is recognized in profit or loss, except to the extent that it relates to an item recognized in OCI or directly in equity.

a) Current tax

Current income tax includes the income tax payable, or advances made during the year and any adjustment payable or receivable related to previous years. The current amount of the current tax payable (or to be recovered) is the best estimate of the amount that is expected to be paid (or to be recovered) measured at the applicable rate at the closing date.

b) Deferred tax

Deferred income tax recognizes the tax effect of temporary differences between the accounting balances of the assets and liabilities and the related tax bases used to assess the taxable income.

A deferred tax liability is recognized for the tax effect of all taxable temporary differences.

A deferred tax asset is recognized for the tax effect of deductible temporary differences and unexpired tax losses, insofar as it is likely to have future taxable income to be used against such assets.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable during the year when the liability is settled or the asset is realized, in accordance with the laws substantially enacted at the closing date.

c) Income tax rate

The income tax rate is 30% for fiscal years beginning on or after January 1, 2018 until December 31, 2019 and 25% for subsequent fiscal years.

5.18 Differences between the financial reporting framework set forth by the BCRA and IFRS

The financial reporting framework established by the BCRA provides that entities under its supervision shall submit financial statements prepared pursuant to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) with the following exceptions:

a. through Resolution No. 277/18 dated June 15, 2018, the BCRA instructed Banco de la Provincia de Buenos Aires to maintain the criterion to charge all contributions made to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel against income/(loss) when becoming effective, as long as the circumstances regarding the regulation of Provincial Law No. 15008, the implementation of the mechanism stated in Section 11, paragraph I) therein, and the possibility to quantify the potential impact on the Bank remain the same;

b. temporary exception for the application of the impairment model in Section 5.5 "Impairment" of IFRS 9 "Financial instruments";

c. in line with BCRA Communication "A" 6651, the Bank has not applied the International Accounting Standard No. 29 (IAS

No. 29) "Financial reporting in hyperinflationary economies" in the preparation of these financial statements.

Mention should be made that Items b and c shall apply to financial statements as from January 1, 2020.

At the date of these financial statements, the Bank has not quantified the effects of such differences, though estimations indicate that they would have a significant impact.

On December 5, 2018, the Bank submitted to the BCRA the impairment model to be applied under IFRS 9 effective as of January 1, 2020. At the date of these financial statements, the Bank is quantifying the initial impact of adopting this model, which shall be reported to the BCRA on March 29, 2019.

By Communications "A" 6323 and 6324, the BCRA established guidelines for the preparation and presentation of financial statements by financial institutions for fiscal years beginning on or after January 1, 2018, including additional reporting requirements as well as information to be presented as Exhibits.

Note 6- IFRS issued but not yet effective

A series of new standards and changes to the standards will become effective on January 1, 2018, with early adoption allowed.

The Group has decided not to early adopt these rules and changes in prevailing regulations when preparing these consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 replacing, for fiscal years beginning on or after January 1, 2019, IAS 17 "Leases". The new standard introduces a single lessee accounting model, requiring the lessee to recognize assets and liabilities for all leases. The only exceptions are for short term leases and leases where the underlying asset has a low value. The lessee has to recognize a right-of-use asset representing its right to use the leased asset and a lease liability for the obligation of making payments for the lease.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Therefore, the lessor continues to classify leases as operating or financial leases, and records each contract differently.

During fiscal year 2018, the Entity has carried out a project to implement IFRS 16 with the participation of all affected areas. The standard will mainly affect the accounting of operating leases where the Bank participates as a lessee.

With respect to the estimated impact on the Financial Statements on the transition date, the Bank has opted to apply the modified retrospective method consisting of recognizing lease liabilities for an amount equivalent to the current value of future payments agreed as of January 1, 2019. As a result of this approach, the Bank expects to recognize right-of-use assets and lease liabilities for an approximate amount of $36,900 million, mainly from leases of offices in its network of branches.

The impacts of the adoption of the standard as of January 1, 2019 may change, since:

- The Bank has not concluded all tests; and

- The new accounting policies, methodologies and parameters may be subject to changes until the Bank submits its first financial statements including the final impact as of the date of initial application.

This standard defines the "insurance contract" (or "reinsurance contract") as a document whereby the group accepts insurance risks. Such contract may also expose the group to financial risks.

In order to measure an insurance contract, two approaches are applied:

- Building Block Approach: insurance contracts and profit or loss are measured according to the estimated contractual service margin; and

- Premium Allocation Approach: an optional approach that can be applied if it is an approximation to blocks approach or if the contractual term is twelve months or less.

In the building block approach, upon the initial recognition and subsequent measurement, the insurance contract is measured considering the following four blocks:

- Block 1 - Cash flows: the estimate of future cash (inflows/outflows) is made in relation to the insurance contract portfolio. The estimate includes all cash flows directly related to the fulfillment of insurance obligations.
- Block 2 - Discount: future estimated cash flows are discounted, taking into account the time value of money.
- Block 3 – Risk adjustment: reflects the compensation required by the entity for bearing the uncertainty in the amount and timing of cash flows to fulfill insurance obligations.

The premium allocation approach is applicable to insurance contracts:

- whereby the entity reasonably expects that this simplification would produce a measurement of the liability for the remaining coverage provided by the group, that would not materially differ from the measurement that would result from applying the building block approach; or
- where the coverage period of each contract in the group (including coverage from all the premiums within the contractual limits) is 1 one year or less.

When an entity applies the premium allocation approach, insurance revenue for the year is the amount of expected premiums receipts (excluding any investment component, adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period.

The group is currently assessing the impacts of IFRS 17 adoption.

As mentioned in Note 5.18, the Bank, in compliance with the prevailing regulation of the BCRA, does not apply the Impairment model mentioned in Section 5.5 "Impairment" of IFRS 9 "Financial Instruments" nor IAS No. 29 "Financial reporting in hyperinflationary economies" in the preparation of these financial statements. Such regulations will be implemented in the fiscal periods commencing on or after January 1, 2020.

Note 7- Debt securities at fair value through profit or loss

There follows a breakdown of this caption:

	12/31/2018	12/31/2017	12/31/2016
Argentina	**95,869,275**	**7,755,236**	**38,742,116**
Government securities	17,854,392	1,001,010	4,670,850
BCRA bills	77,521,736	-	27,313,403
Mutual funds	422,025	6,413,629	5,077,177
Other	71,122	340,597	1,680,686
Foreign	**190,156**	**-**	**917,923**
Government securities	190,156	-	917,923
Total	**96,059,431**	**7,755,236**	**39,660,039**

Note 8 - Repo transactions

There follows a breakdown of this caption:

	12/31/2018	12/31/2017	12/31/2016
Assets	**66,502**	**11,508,017**	**7,626,751**
Government securities	-	11,508,017	7,626,751

Corporate securities	66,502	-	-
Liabilities	**209,542**	**93,824**	**93,306**
Government securities	209,542	93,824	93,306

Note 9- Loans and other financing

The Group keeps loans and other financing under a business model for the purpose of collecting contractual cash flows. Therefore, it measures loans and other financing at amortized cost, unless they do not meet the “solely payment of principal and interest” criterion. In this case, they are measured at fair value through profit or loss.

The information on the classification of loans and other financing according to condition and guarantees received is presented in Exhibit B. The information on the concentration of loans and other financing is detailed in Exhibit C. The reconciliation of the information included in those Exhibits with the accounting balances is shown below:

	12/31/2018	12/31/2017	12/31/2016
Total Loans	215,686,635	174,766,276	110,672,009
Items not included (Loans to staff and other)	(68,915)	(78,101)	(3,023,116)
(Allowances - Exhibit R)	7,213,716	3,939,155	2,652,658
Adjustment for measurement at amortized cost	2.488.446	1,480,621	476,628
Subtotal	**225,319,882**	**180,107,951**	**110,778,179**
Corporate securities - Corporate bonds - Measured at amortized cost (Note 10)	7,868,608	3,988,325	89,690
Corporate securities - Debt securities in financial trusts - Measured at amortized cost (Note 10)	884,675	229,484	2,127,639
Subtotal	**8,753,283**	**4,217,809**	**2,217,329**
Other accrued interest receivable	942	417	553
Subtotal	**942**	**417**	**553**
Subtotal	**234,074,107**	**184,326,177**	**112,996,061**
OFF-BALANCE SHEET ITEMS			
Credit lines granted	1,928,747	1,792,979	716,521
Other guarantees granted included in the Debtors’ Classification Rules	1,135,117	800,181	829,015
Other included in the Debtors’ Classification Rules	954,498	479,836	447,361
Subtotal	**4,018,362**	**3,072,996**	**1,992,897**
Total Exhibits B and C	**238,092,469**	**187,399,173**	**114,988,958**

a) Non-financial public sector

	12/31/2018	12/31/2017	12/31/2016
Non-financial public sector	**12,455,911**	**16,520,594**	**15,942,874**
. Loans Art. 9 item B) of the Bank’s Charter (*)	8,946,362	7,706,129	6,905,842
. Bonds to be received from the Province of Buenos Aires	3,435,991	7,464,152	7,646,340
. Other	73,558	1,350,313	1,390,692

(*) The Bank will act as the financial agent for the Government of the Province. It shall carry out all banking transactions undertaken by such Government and, on its behalf, it shall be empowered to service the Province’s public debt in accordance with the directions given every year by the Ministry of Economy.

Follows below a detail of the Bonds to be received from the Province of Buenos Aires:

On July 31, 2013, through Executive Order No. 1620 dated December 28, 2012, the Bank was informed that the Provincial Executive Branch provided for the issuance of a Government Bond with a nominal value of $350,000 to partially settle debts arising from advances made by the Bank to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel to cover any deficit recorded in 2012, according to the provisions of section 56 of the Provincial Budgetary Law No. 14331.

On such date, the Bank was also informed that, through Executive Order No. 2094 of December 28, 2012, the Provincial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Executive Branch approved the "Debt Consolidation Agreement" between the Provincial Ministry of Economy and the Bank providing for the reciprocal offsetting of claims, as identified and approved by the parties involved. After signing the pertinent agreement, a claim for $3,435,991 resulted in favor of the Bank, which shall be settled by the Province through the delivery of a Government Bond, at its nominal value up to the total contractual amount, repayable at 6 years from issuance date (December 28, 2012), according to the terms and conditions stated in Provincial Executive Order No. 2190/12.

In December 2014, the Bank took notice of the issuance of Executive Orders Nos. 1679 and 1680 dated December 30, 2013. Through Executive Order No. 1679/13, the Provincial Executive Branch provided for the issuance of a Government Bond with a nominal value of $1,599,161 to partially settle debts arising from advances made by the Bank to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel to cover the deficit recorded in 2013.

Through Executive Order No. 1680/13, the Addendum to the Debt Consolidation Agreement dated December 28, 2012 was approved and duly signed by the Provincial Ministry of Economy and the Bank on December 30, 2013, thus amending the terms and conditions of the Government Security approved under Executive Order No. 2190/12.

On April 30, 2015, through Resolution No.520/15, the Bank's Board of Directors resolved to approve the steps taken by the Bank's President with respect to the second Addendum to the Mutual Debt Offsetting Agreement with the Province of Buenos Aires dated December 2014. Such addendum, enforceable upon approval of the pertinent rules, introduced a new amendment to the terms and conditions of the mentioned bond, by adding to the claims to be set off, the capitalized interest amount for the 2013 and 2014 fiscal years and the interest amount outstanding at December 31, 2013. Thus, the amount to be received by the Bank totaled $4,806,479.

In September 2015, the Bank took notice of the issuance of Executive Order No. 2100/14 dated December 30, 2014 modifying the terms and conditions of the bonds approved by Executive Orders Nos. 1620/12 and 1679/13.

In December 2015, the Bank took notice of the issuance of Executive Order No. 1954/15 dated December 1, 2015, whereby the Provincial Executive Branch provided for the issuance of bonds for a nominal value amount of $2,079,000 to partially settle debts arising from advances made by the Bank to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel to cover the deficit recorded in 2014.

At December 31, 2017, the Loans caption included the accounting balance of the items related to the bond to be received from the Province of Buenos Aires (debt consolidation bond) and to the advances to the Retirement and Pension Fund for Banco Provincia Personnel in 2012/2014. Moreover, the Bank considered the face value of the instruments as the best measurement, with reversal of the provisions-related items since they were not issued at such date.

On March 16, 2017, the Bank took notice of the issuance of Executive Order No. 163/17 and approved the Agreement entered into between the Province of Buenos Aires and the above mentioned Retirement and Pension Fund, whereby the 2015 and 2016 deficits were settled through the delivery of government securities for a nominal value of $7,374,348. At December 31, 2018, these holdings were booked under "Other Debt Securities - Measured at amortized cost" for $8,623,238.

On February 19, 2018, through Resolution No. 53/18, the Provincial Ministry of Economy provided for the issuance, in favor of the Bank, of "Provincial Debt Securities in pesos - Series I - Class II", issuance date December 6, 2016 and maturity date December 6, 2019" for a nominal value of $4,259,606 to settle debts arising from advances made by the Bank to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel to cover the deficit recorded in 2017. At December 31, 2018, these holdings were booked under "Government Securities - Measured at fair value through profit or loss" for $4,253,217.

On October 17, 2018, through the Board of Directors' Resolution No. 1241/18, the Bank took notice of the issuance of Provincial Executive Order No. 965/18. Under such order, the Bank received from the Province a new public debt security in replacement for the bonds to be received previously mentioned for a nominal value of $4,069,701 to settle debts arising from advances made by the Bank to the Retirement and Pension Fund to cover the deficits recorded in 2012, 2013 and 2014. At December 31, 2018, these holdings were booked under "Other Debt Securities - Measured at amortized cost" for $3,930,926.

Under the negotiations with the BCRA with respect to the Compliance Schedule 2018-2023, the Province of Buenos Aires has acknowledged the Bank's debts associated with the loans granted under art. 9) b) of the Bank's Charter and the Bond received pursuant to the Debt Consolidation Agreement with the Province of Buenos Aires.

a) Non-financial private sector and residents abroad.

The breakdown of this caption is the following:

	12/31/2018	12/31/2017	12/31/2016
Non-financial private sector and residents abroad	**203,112,673**	**157,474,282**	**94,453,052**
Overdrafts	7,307,991	5,753,501	5,206,993
Notes	51,173,600	44,955,060	32,265,517
Mortgage loans	23,822,291	16,080,569	3,799,667
Pledge loans	3,204,711	2,851,830	1,320,662
Consumer loans	61,365,476	55,863,200	30,172,598
Credit cards	25,352,417	19,183,217	16,367,216
Financial leases	1,777,975	1,325,762	619,083
Other	36,320,563	15,392,599	7,351,188
Subtotal	**210,325,024**	**161,405,738**	**97,102,924**
Less: Allowances for loan losses (Exhibit R)	(7,212,351)	(3,931,456)	(2,649,872)
Total	**203,112,673**	**157,474,282**	**94,453,052**

The composition in terms of portfolio is included below (Exhibit B):

	12/31/2018	12/31/2017
Commercial loan portfolio	71,096,632	71,010,830
Consumer and housing loan portfolio	166,995,837	116,388,343
Total	**238,092,469**	**187,399,173**

Note 10 - Other debt securities

The breakdown of loans and other financing considering measurement is included below:

	12/31/2018	12/31/2017	12/31/2016
Measured at amortized cost	**42,708,642**	**29,216,145**	**9,218,904**
Argentina	***42,069,337***	***29,216,145***	***8,727,422***
. Government securities	33,310,804	16,620,528	2,993,534
. BCRA bills	-	8,372,558	3,511,859
. Corporate securities	5,250	5,250	4,700
. Corporate bonds	7,868,608	3,988,325	89,690
. Debt securities in financial trusts	884,675	229,484	2,127,639
Foreign	***639,305***	***-***	***491,482***
. Government securities	354,698	-	491,482
. Corporate securities	284,607	-	-
Measured at fair value through OCI	**1,100,327**	**24,818,995**	**341,936**
Argentina	***103,546***	***24,597,392***	***158,999***
. Government securities	103,546	279,150	158,238
. BCRA bills	-	24,318,242	761
. Corporate securities	-	-	-
Foreign	***996,781***	***221,603***	***182,937***
. Government securities	55,454	-	-
. Corporate securities	941,327	221,603	182,937
Allowances for loan losses (Exhibit R)	**(81,405)**	**(11,825)**	**(8,989)**
Total	**43,727,564**	**54,023,315**	**9,551,851**

Note 11 - Financial assets pledged as collateral

At December 31, 2018, 2017 and 2016, the Group pledged as collateral the financial assets included below:

	12/31/2018	12/31/2017	12/31/2016
Transactions with the BCRA	5,779,110	4,191,582	2,943,441
Forward purchases of securities	32,158	93,002	78,035
Forward purchases of monetary regulation instruments	176,573	-	-
Deposits as collateral	1,313,863	772,297	569,163
Trust as collateral	-	16,287	503
Other	540	-	-
Total	**7,302,244**	**5,073,168**	**3,591,142**

Note 12 - Property, plant and equipment

The breakdown of this item is shown in Exhibit F to these financial statements.

According to Note 5.6, real property valuation was made using the market approach method. Under such method, the market prices per square meter of similar property were considered.

Follow below significant information, classified by zone, and its interrelation with the fair value:

Variables	City of Buenos Aires	Greater Buenos Aires	Interior >100000	Rest of the Province
Max. Value (M2)	3,277.55	3,518.60	3,274.76	2,368.34
Min. Value (M2)	697.26	553.27	513.89	291.71
Average (M2)	1,596.65	1,348.52	1,330.63	780.58
Price	Plus M2 < value per M2	Plus M2 < value per M2	Plus M2 < value per M2	Plus M2 < value per M2

Note 13 - Intangible assets

This item corresponds to software acquisition and development costs for internal use. The breakdown of this item is shown in Exhibit G to these financial statements.

Note 14 - Other non-financial assets

The breakdown of this item is included below:

	12/31/2018
Attachment debtors (Worker's Compensation Insurance - ART)	1,054,790
Advance payments	332,478
Extraordinary appeals (ART)	323,893
Investment properties	263,247
Tax advances	149,047
Advances for purchase of assets	71,821
Claims and contingencies paid (ART)	57,579
Reserve fund - SRT (Resol.) (ART)	28,969
Assets acquired through foreclosures	9,061
Other	613,145
Total	**2,904,030**

The evolution of investment property is shown in Exhibit F included in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Note 15 – Deposits

The information on concentration of deposits is included in Exhibit H. The breakdown of deposits is the following:

	12/31/2018	12/31/2017	12/31/2016
DEPOSITS	**411,410,034**	**258,125,594**	**179,815,127**
1. Non-financial public sector	132,638,649	72,120,707	47,209,132
2. Financial sector	447,244	282,501	239,746
3. Non-financial private sector and residents abroad	278,324,141	185,722,386	132,366,249
3.1. Checking accounts	*27,887,115*	*25,713,815*	*19,263,180*
3.2. Savings accounts	*115,090,967*	*79,209,772*	*48,247,038*
3.3. Fixed-term deposits	*124,399,953*	*73,834,258*	*58,387,423*
3.4. Investment accounts	*2,581,292*	*3,140,006*	*13,474*
3.5. Other	*3,703,866*	*2,546,764*	*5,728,123*
3.6. Interest and adjustments	*4,660,948*	*1,277,771*	*727,011*

Note 16 – Other liabilities

	12/31/2018	12/31/2017	12/31/201
Liabilities from financing of purchases	7,509,028	4,025,887	2,759,902
Miscellaneous liabilities not subject to minimum cash requirements	1,404,099	959,785	720,522
Accrued adjustments payable for Other Liabilities for Financial Brokerage indexed by CER	1,357,145	165,332	-
Other accrued interest payable	122,688	58,367	51,804
Spot sales of foreign currency pending settlement	45,983	4,107	10,863
Foreign exchange transfers pending payment	1,285,664	603,019	318,858
Collection pending transfer	1,343,457	-	-
Other	1,945,465	747,220	482,407
Total	**15,013,529**	**6,563,717**	**4,344,356**

Note 17 - Corporate bonds issued

17.1 Issues effective at year end

Under the Global Program of Short, Medium and Long Term Debt Securities for a maximum outstanding nominal amount of US$1,000,000, or its equivalent in pesos or other currencies, which was approved by the Board of Directors' Resolutions Nos. 690/16 and 568/17, the Bank completed four issues of Debt Securities in pesos in the local capital markets.

On November 8, 2016, the Bank issued Class I and Class II Debt Securities in pesos for $127,100 and $283,333, at 18 and 36-month terms, with maturity dates on May 8, 2018 and November 8, 2019, respectively. Interest on Class I and Class II Debt Securities will be paid on a quarterly basis, at a variable nominal annual rate of BADLAR plus 2.5% and 3.5%, respectively and the principal amount will be paid upon maturity in a single bullet payment.

On April 19, 2017, the Bank launched a second debt issue of Class III, Class IV and Class V Debt Securities for $178,495, $285,714 and $1,032,331 (UVA (Acquisition Value Unit) 56,815), at 18, 48 and 36-month terms, with maturity dates on October 19, 2018, April 19, 2021 and April 19, 2020, respectively, repayable upon maturity in a single bullet payment. Interest on Class III and Class IV securities will be paid on a quarterly basis at a variable rate (nominal annual BADLAR rate plus 2.25% and 3.00%, respectively). Class V Debt Securities were issued in UVA units at a rate of $/UVA 18.17. Class V will accrue interest on a quarterly basis at a nominal annual 2.50% fixed rate.

On November 1, 2017, Class VI and Class VII Debt Securities were issued for $2,070,165 and $393,400 at 24 and 36-month terms, respectively. They will be repayable upon maturity in a single bullet payment and interest will accrue on a quarterly basis at a variable rate. Class VI securities were issued at TM20 rate (interest rate on time deposits for amounts of 20 million pesos or dollars or higher) plus a 3.25% margin, while Class VII securities were issued at the Monetary Policy rate.

On April 18, 2018, Classes VIII, IX and X Debt Securities were issued for $2,928,000, $1,839,917 (UVA 80,592) and $1,232,083 at 48, 36 and 12-month terms, respectively, and will be repayable upon maturity in a single bullet payment. Interest on Class VIII Debt Securities will be paid on a quarterly basis, at a variable rate (BADLAR plus 3.74%) and interest on Class X Debt Securities will be repayable upon maturity in a single bullet payment at a fixed rate of 25.80%. Class IX Debt Securities were issued in UVA units at an initial rate of $/UVA 22.83. Class IX will accrue interest on a quarterly basis at a nominal annual 4.50% fixed rate.

At the end of the year, the following Bank's simple issues were in effect:

Issue Date	Currency	Class Number	Amount	Term (months)	Maturity Date	Rate	Principal Amount	
							12/31/2018	12/31/2017
11/8/2016	Pesos	i)	127,100	18	5/8/2018	Badlar + 2.50%	-	127,100
11/8/2016	Pesos	II.	283,333	36	11/8/2019	Badlar + 3.50%	283,333	283,333
4/19/2017	Pesos	III.	178,495	18	10/19/2018	Badlar + 2.25%	-	178,495
4/19/2017	Pesos	IV.	285,714	48	4/19/2021	Badlar + 3.00%	285,714	285,714
4/19/2017	Pesos	V (1)	1,032,331	36	4/19/2020	Fixed 2.50%	1,764,674(3)	1,197,660(4)
11/1/2017	Pesos	VI	2,070,165	24	11/1/2019	TM20 + 3.25%	2,070,165	2,070,165
11/1/2017	Pesos	VII	393,400	36	11/1/2020	Monetar y Policy	393,400	393,400
4/18/2018	Pesos	VIII	2,928,000	48	4/18/2022	Badlar + 3.74%	2,881,500	-
4/18/2018	Pesos	IX (2)	1,839,917	36	4/18/2021	Fixed 4.50%	2,503,188(3)	-
4/18/2018	Pesos	X	1,232,083	12	4/18/2019	Fixed 25.80%	1,232,083	-
Principal amount due and payable							**11,414,057**	**4,535,867**
Accrued interest							867,294	154,698
UVA adjustments(5)							(1,387,745)	(157,461)
Bank's total							**10,893,606**	**4,533,104**
Holdings (6)							313,342	-
Total							**10,580,264**	**4,533,104**

(1) *Denominated in UVAs - 56,815*
(2) *Denominated in UVAs - 80,592*
(3) *Rate of $/UVA 31.06*
(4) *Recorded under "Other financial liabilities" according to the BCRA.*
(5) *Corporate bonds held by other members of the Group.*

Note 18 – Provisions

This caption includes the following items:

	12/31/2018	12/31/2017
For contingent liabilities	267	222
For onerous contracts	56,712	-
For post-employment defined benefit plans (Note 20.2)	1,499,723	1,344,924
Other	2,071,049	1,196,091
Total	**3,627,751**	**2,541,237**

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

Except for the situations described in this Note, there are no significant contingencies at the close of year for which adequate provisions have not been set up.

The main provisions recorded by the Bank under "Other" are included below.

18.1 Users and Consumers Association (*Unión de Usuarios y Consumidores*)

The Association for the Defense of Consumers (*Asociación de Defensa de los Consumidores - ADECUA*) brought a class action against the Bank for the collection of fees on group life insurance policies (Provincia Seguros) on loans. At this date, expert accounting reports are still being prepared. Since the beginning of the year, no change has been produced in the case. A similar class action brought by the Consumer Argentine Network (*Red Argentina de Consumidores*) against the Bank was still pending.

18.2 Future dollar sale transactions

On November 22, 2012, the Bank was served notice of the complaint filed by Citibank for disagreement with future dollar sale transactions made before 2001. The Bank answered the complaint on December 19, 2012 and entered a motion to dismiss based on the lack of jurisdiction. In December 2014, the Argentine Supreme Court ruled favorably on the Bank's remedy and referred the case to be heard by a Federal Court instead of a Federal Court in Commercial Matters. At present, the case has been already tried and is pending before the National Court in Civil and Commercial Matters No. 8/16.

18.3 Financing cost for deferred credit card payments

The *Proconsumer* consumer association brought an action against the Bank for reimbursement of the amounts charged to clients on account of "financing cost for deferred credit card payments". The association understood that said charge was neither expected nor authorized by the BCRA and that it represented a veiled interest amount. On February 26, 2015, the Court of Appeals upheld the judgment and notice was duly served on the Bank in March. The extraordinary remedy filed by the Bank was dismissed and the case is in the execution stage. The Bank has already refunded customers with active accounts (approximately $36,000 + US$2,500). To date, no resolution has been adopted with regard to the situation of former customers, the publishing of notices and the assessment of fees.

On September 10, 2008, *Procurar* filed a claim against the Bank for the revision and correction of the so-called "Salary Accounts" in order to stop the collection of certain fees and to get reimbursement of the amounts debited without a cause. The claim was sustained but just in relation to the fees on salary accounts collected between 2003 and 2008. The ruling was appealed and the pertinent bases of appeal were filed.

18.4 Center for Consumer Guidance, Protection and Education (*Centro de Orientación Defensa y Educación del Consumidor* - CODEC)

CODEC has brought an action against the Bank for breach of its reporting duties under the consumers' protection law and for other issues related to consumer loans. A motion to dismiss based on the running of the statute of limitations was introduced, and a defense based on the plaintiff's lack of legal standing to sue was also filed. On March 21, 2017, the Court sustained the latter defense on the grounds of the many deficiencies in formal requirements claimed by the Bank and rejected the action, ordering the plaintiff to pay the ensuing legal costs. The appeal filed by the plaintiff was dismissed by the Court of Appeals. A new appeal was filed by the aggrieved party requesting that such dismissed appeal be sustained by the Supreme Court. The claim plus any legal costs amount to $20,043. Notwithstanding a favorable decision in first instance and appellate courts, a provision has been set up for $5,011 for any expenses that may arise.

CODEC has also filed an action against the Bank for charging Datanet fees to beneficiaries of transfers made through the Datanet system and for the return of amounts collected on such account from November 1, 2011 to date, plus interest and penalties. Such action is pending before the Commercial and Civil Court No. 4, La Plata. The Bank filed a "lack of standing to sue" defense and the complaint was answered on November 5, 2018. On December 10, 2018, the Court ordered to transfer the case to the Prosecutor. No new developments have been recorded since that date. Considering the status of the lawsuit and filing of a defense, a provision has been set up for $15,123 for legal costs.

18.5 Nature of contingencies without accounting recognition

CODEC has brought an action against the Bank for breach of its reporting duties under the consumers' protection law and for other issues related to consumer loans. A motion to dismiss based on the running of the statute of limitations was introduced, and a defense based on the plaintiff's lack of legal standing to sue was also filed. On March 21, 2017, the Court sustained the latter defense on the grounds of the many deficiencies in formal requirements claimed by the Bank and rejected the action, ordering the plaintiff to pay the ensuing legal costs. The appeal filed by the plaintiff was dismissed by the Court of Appeals. A new appeal was filed by the aggrieved party requesting that such dismissed appeal be sustained by the Supreme Court. The claim plus any legal costs amount to $20,043. The Bank and its legal advisors consider that the probability that the Bank will have to expend economic resources with relation to this claim is below 50%, therefore such contingency has not been given accounting recognition.

The *Proconsumer* consumer association brought an action against the Bank for an alleged excessive income tax withholding on court payment orders. Such lawsuit is in the trial stage and the claim amount is undetermined. As a result of the expert evidences offered, expenses may arise. The Bank and its legal advisors consider that the probability that the Bank will have to expend economic resources with relation to this claim is below 50%, therefore such contingency has not been given accounting recognition.

Note 19 – Other non-financial liabilities

This caption includes the following items:

	12/31/2018	12/31/2017	12/31/2016
Debts with the insureds, reinsurers and coinsurers	34,218,643	23,643,128	15,705,634
Short-term benefits (Note 20)	4,156,569	2,668,574	2,951,512
Taxes and rates payable	1,898,581	1,215,771	710,682
Mathematical reserve	928,700	610,512	415,199
Sundry creditors	3,473,097	919,790	487,947
Technical commitments	1,907,861	2,197,377	1,549,121
Other	723,961	2,178,131	3,000,357
Total	**47,307,412**	**33,433,283**	**24,820,452**

Note 20 – Personnel benefits

The Bank contributes to the Health and Social Services Commission (*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.

The following table shows charges for personnel benefits:

	12/31/2018	12/31/2017
Payroll	16,607,375	12,499,447
Social security taxes	3,767,742	2,852,945
Compensation and bonuses to personnel	347,273	128,735
Personnel services	271,712	197,796
Other short-term benefits paid to personnel	1,269,170	614,866
Post-employment benefits (See Note 20.3)	5,715,476	-
Post-employment benefits - Defined benefits (Note 20.2)	154,799	323,824
Other	124,429	-
TOTAL	**28,257,976**	**16,617,613**

20.1 Short-term benefits

Liabilities related to short-term personnel benefits and post-employment defined benefits are recognized in "Other financial liabilities" and "Provisions", respectively.

20.2 Post-employment benefits

The Bank offers a benefit to its personnel after employment. Upon meeting all requirements, such benefit may be equal to 12 salaries.

See our report dated
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Daniel H. Alonso
General Manager

Juan E. Curutchet
President

Actuarial assumptions

	12/31/2018	12/31/2017
Updating rate	5%	5%
Mortality table	CS80	CS80
Real wage growth	0	0
Accrual	Length of service/Total labor life	Length of service/Total labor life
	2018(*)	**2017(*)**
Initial balance	1,344,924	1,021,100
Interest	67,246	51,055
Charge for quarterly accrual	256,408	383,600
Payments made	(168,855)	(110,831)
Balance	1,499,723	1,344,924
Quarterly variation recorded in income/(loss)	154,799	323,824

(*) the balances reported correspond to the 12-salary benefit variation for 2018 and 2017, respectively.

Below there is a detail of the main actuarial assumptions used to determine the present value of the liability for the up-to-12-salary defined benefit granted to the Bank's personnel. The model considers a stationary population, neither growing nor shrinking in size. Each estimation takes into account the whole payroll, which allows a population balancing against the new structure each time a provision is calculated (whether quarterly, semi-annually or annually).

Therefore, changes in financial and biometric assumptions and in population are considered. The approach does not refer to a closed population or a specific person under analysis throughout the time, but considers the position or office held (regardless of the person holding office). This way, a constant structure (stationary population) over time is computed, whose composition is adjusted each time a new payroll is processed.

A 5% real rate over inflation has been considered since it is the current minimum market rate for inflation-adjusted long-term bonds (PARP; 5.94% Tir ; DICP : 5.24% Tir).

A real wage growth rate keeping with inflation has been applied (no profit or loss is recorded on real wage as against inflation). The model does not show the evolution of an individual's labor life. Throughout his/her labor life and due to the pertinent promotions, the real wage can grow faster than inflation. The whole population or chart of positions and offices is analyzed at the same time, thus enabling to reflect the future labor promotions and growth of all individuals. When considering the value of the position or office, the holder thereof is not relevant.

20.3 Provincial Law No. 15008 - Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel

On January 16, 2018, Law No. 15008 was published in the Official Gazette of the Province of Buenos Aires. Such law, approved by the Provincial Legislature, modifies the retirement and pension regime applicable to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel.

At the date of issuance of these financial statements, the law at issue has not been regulated and the Province of Buenos Aires and the National Social Security Administration (*Administración Nacional de Seguridad Social*) have not determined the amounts to be transferred by the National Government according to Law No. 27260, as indicated by section 11 l) of Law No. 15008.

Since the Bank is unable to make a reasonable estimation of the potential impact of Law No. 15008 on its equity and financial position, as mentioned in Note 5, through Resolution No. 277/18 dated June 15, 2018, the BCRA instructed Banco de la Provincia de Buenos Aires to maintain the criterion to charge all contributions made to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel against income/(loss) when becoming effective, as long as the circumstances regarding the regulation of Provincial Law No. 15008, the implementation of the mechanism stated in Section 11, paragraph l) therein, and the possibility to quantify the potential impact on the Bank remain the same.

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

According to the BCRA Resolution No. 277/18, during the fiscal year, the Bank charged $5,715,476 against income/(loss) for contributions to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires. Nevertheless, at the end of the year, the Bank recorded positive results, and a final resolution regarding the application of the provisions of Section 11 paragraph I) of Law No. 15008 in 2018 is still pending.

Note 21 - Capital

The capital subscribed and paid in by Banco de la Provincia de Buenos Aires amounts to $1,250,000.

Note 22- Interest income

	12/31/2018	12/31/2017
Cash and deposits in banks	1,898,269	764
Corporate securities	3,164,256	-
Government securities	12,028,868	7,552,718
Other financial assets	1,366,344	891,501
Loans and other financing	54,690,193	28,956,600
. To the financial sector	26,411	28,798
. Overdrafts	839,855	535,902
. Notes	10,183,399	6,512,550
. Mortgage loans	11,195,789	3,004,825
. Pledge loans	521,257	397,657
. Consumer loans	28,023,747	13,603,215
. Credit cards	2,325,318	1,650,562
. Financial leases	240,693	644,350
. Other	1,333,724	2,578,741
Repo transactions	423,806	3,337,703
. Argentine Central Bank	*389,965*	*3,337,703*
. Other financial institutions	*33,841*	-
Public debt securities	5,393,737	210,413
TOTAL	**78,965,473**	**40,949,699**

Note 23 - Interest expenses

	12/31/2018	12/31/2017
Deposits	(40,454,396)	(13,872,671)
. Checking accounts	(665)	-
. Savings accounts	(373,442)	(137,238)
. Time deposits and term investments	(35,647,353)	(13,220,429)
. Other	(4,432,936)	(515,004)
Financing received from the BCRA and other financial institutions	(51,785)	(61,819)
Repo transactions	(64,283)	(4,099)
. Argentine Central Bank	-	(4,099)
. Other financial institutions	(64,283)	-
Other financial liabilities	(3,995,317)	(535,029)
TOTAL	**(44,565,781)**	**(14,473,618)**

Note 24 - Commission income

The breakdown of commission income from the agreements with customers and included in the scope of IFRS 15 is detailed below:

See our report dated
March 7, 2019
KPMG

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27-21506212-6

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

	12/31/2018	12/31/2017
Commissions linked to liabilities	1,770,704	1,023,544
Commissions linked to credits	2,113,293	576,019
Commissions linked to loans and financial guarantees	7	-
Commissions linked to securities	58,984	43,876
Foreign currency transactions	170,783	128,354
Other	283,823	-
TOTAL	**4,397,594**	**1,771,793**

Note 25 - Commission expenses

	12/31/2018	12/31/2017
Paid to Red Link	(502,392)	(329,305)
Linked to clearing services	(134,170)	(107,235)
Foreign currency transactions	(79,049)	(30,687)
Paid to Grupo Provincia	(114,393)	(115,600)
Issuance	(2,394,393)	(1,042,206)
Linked to transactions with securities	(13,221)	
Other	(182,992)	(93,880)
TOTAL	**(3,420,610)**	**(1,718,913)**

Note 26 - Net Income/(loss) from measurement of financial instruments at fair value through profit or loss.

	12/31/2018	12/31/2017
Income/(loss) from government securities	15,101,937	497,490
Income/(loss) from corporate securities	(44,213)	22,759
Income/(loss) from derivative financial instruments	(14,323)	5,994
. Forward transactions	*(14,323)*	*5,994*
Income/(loss) from other financial assets	2,421,578	945
Income/(loss) from other financial liabilities	37,453	-
TOTAL	**17,502,432**	**527,188**

Note 27 - Other operating income

	12/31/2018	12/31/2017
Premiums and surcharges for insurance policies	29,606,270	24,138,488
Commissions from Visa system	6,646,053	4,818,237
Commissions from Procampo credit card	1,360,199	769,921
Allowances reversed	496,086	261,658
Receivables recovered	360,430	150,992
Safe deposit box rental	352,166	276,857
Income from agreement with Provincia Seguros SA	297,122	163,508
Commissions collected from Red Link	260,503	179,298
Other adjustments and interest on miscellaneous receivables	182,205	85,397
Commissions for prepayment of loans	132,581	180,141
Income from insurance technical structure	118,569	51,714
Penalty interest	106,325	60,080
Commissions from GBP - Provincia Seguros	67,402	166,764
Income from structuring and management of trusts	54,723	53,798
Income from sale of investment property and other non-financial assets	51,696	60,935
Rental	13,028	10,869
Income from other receivables from financial brokerage	4,272	526
Income from derecognition or significant change in financial liabilities	4,052	-

See our report dated
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KPMG

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Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Income from sale of property, plant and equipment	499	2,980
Adjustments on other receivables with CER index	-	1,182
Reversal of offsetting account Retirement and Pension Fund	-	1,871,822
Income from brokerage transactions	-	30,424
Other	1,412,128	2,928,302
TOTAL	**41,526,309**	**36,263,893**

Note 28– Administrative expenses

	12/31/2018	12/31/2017
Travel and entertainment expenses	287,201	112,332
Administrative services hired	698,436	476,449
Security services	683,802	556,289
Directors' and Syndics' fees	55,016	136,993
Other fees	998,058	417,752
Insurance	37,080	17,759
Rental	295,700	191,364
Office supplies and stationary	168,734	96,122
Electricity and communications	462,253	193,191
Advertising and publicity	1,203,656	948,040
Taxes	1,550,761	953,128
Maintenance costs	2,753,419	2,222,245
Other	892,352	1,066,751
TOTAL	**10,086,468**	**7,388,415**

Note 29- Other operating expenses

	12/31/2018	12/31/2017
Accrued claims	30,675,330	20,193,375
Direct marketing	1,752,675	2,275,389
Charges for other allowances	1,181,456	387,354
Expenditure for technical structure	848,824	1,378,767
Life insurance on financing	801,212	571,846
Other contributions on financial income	759,993	510,825
Visa Argentina - Mastercard processing charges	743,562	369,212
Income from initial recognition of loans	621,553	-
Contributions to the Deposit Guarantee Fund (Note 40)	501,293	347,504
Assigned reinsurance premiums	401,772	-
Other contributions on income from services	242,851	181,586
Donations	94,246	120,850
Charges for onerous contracts	56,712	-
Insurance policy surrenders and accrued temporary annuities	37,469	16,959
Penalty interest and charges in favor of the Argentine Central Bank	6,323	90
Other contributions on miscellaneous income	5,770	2,905
Loss for sale or impairment of property, plant and equipment	1,979	1,802
Loss for sale or impairment of investment property and other non-financial assets	[illegible]	[illegible]
Other	3,539,542	5,450,462
TOTAL	**42,272,575**	**31,809,184**

Note 30 - Risks and corporate governance

Purposes, policies and processes for capital management

Management structure and organization

See our report dated
March 7, 2019
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Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

In accordance with the rules set forth by the Regulatory Authority (Consolidated text of "Guidelines on Risk Management in Financial Institutions"), the Board of Directors approved the structure necessary to perform a comprehensive risk management in terms of size, economic relevance, nature and complexity of the transactions carried out by the Bank.

For that purpose, the Bank has created the Risk Administration Management reporting to the Board of Directors and consisting of the following Deputy Managements:

- **Credit Risk:** carries out the follow-up of credit, concentration, country, counterparty and residual risks;
- **Operational Risk:** also monitors reputational risk:
- **Financial Risk:** measures market, interest rate, liquidity, funding concentration, strategic and securitization risks.

Moreover, the Risk Committee was created to give an institutional treatment to the policies, strategies and procedures that constitute the "Management Framework" for each of the managed risks, which are subject to revision and/or updating at least once a year.

This Committee is in charge of determining the Bank's tolerance risk in terms of the defined purposes and of submitting the proposals to the Board of Directors for approval. Therefore, it is important that management policies, tools and procedures match the stated risk appetite so as to ensure that the risks taken are within such limits.

An "Exceptions to Limits Procedure" is available for situations where, as a result of the daily Bank's transactions, the limit fixed by the Strategies and Policies defined for each of the main risks needs to be surpassed. This envisages the adoption of guidelines for the decision-making process and the determination of the responsible area, in order to ensure an effective coordination and communication bank-wide. Therefore, it is of vital importance that the whole banking institution be aware of the limits set on the risks faced by the Bank and of the procedure to be followed upon surpassing the limits.

An Early Warning Risk Indicator System (*Sistema de Indicadores de Riesgo de Alerta Temprana* - SIRAT) is used to ensure an adequate and comprehensive monitoring and follow-up of the risks to which the Bank is exposed. This system is subject to the Board of Directors' guidelines and the regulations in force. It works as a balanced scorecard tool that includes a set of key risk indicators for each significant risk; contingency and management limits are also established for financial and credit risks.

Among the several tools used to monitor the risks under management, one of them is the monthly Managerial Report submitted to the Risk Committee. This Report provides information on the evolution and follow-up of different risks (the frequency depends on the type of risk) and takes into account certain aspects such as:

- **Credit:** loan portfolio composition and evolution, non-performing share and levels, sensitivity analysis, monitoring of significant macroeconomic and financial variables to avoid potential negative effects on customers' behavior, comparative analysis with the Financial System; country risk, branches abroad, etc. Credit risk measurement systems have been calibrated according to information migrated during the year, which is available in the corporate datawarehouse.

- **Market:** daily measurement of the exposure to the market risk, an ongoing follow-up of the conditions in local and international financial and monetary markets, with special emphasis on the control of different market risk factors (interest rates, prices of government securities, exchange rates, etc.). Likewise, in order to monitor this indicator on a daily basis, a new tool has been developed to forecast the impact of different purchase/sale transactions regarding assets exposed to market risk.

- **Liquidity:** daily follow-up monitoring certain variables, such as basic and broad liquidity ratios (both in pesos and foreign currency), deposits (evolution, average terms, demand deposits against term deposits, share of retail and wholesale deposits, etc.), loans (growth pace of deposits, average terms and rates, etc.) and borrowing interest rates (of the Bank and the average Financial System for the retail and wholesale segments). Through the development of a liquidity GAP assessment tool, the Bank manages the inflows and outflows of funds for different time periods. The liquidity GAP tool helps calculate any asset/liability mismatch at a certain date and for accumulated time periods (both in the contractual GAP or current GAP versions where some assumptions on the asset/liability performance are included).

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Note 31 - Credit, liquidity and market risks

31.1 Credit risk

Credit Risk refers to the risk of suffering any losses stemming from failure of a debtor or counterparty to meet their contractual obligations.

This type of risk is inherent in on- and off-balance sheet transactions, and also involves settlement risk, i.e. the risk that a financial transaction may not be completed or settled as scheduled. Its volume depends on two factors: exposure at default and recovery obtained. The last one means the payments made by debtors and those recoveries obtained by executing risk mitigation instruments, such as guarantees and credit derivatives, which back loans and limit losses.

Strategy, policies and processes to manage and assess risks

For an adequate management of this risk, the Bank has developed a framework that includes strategy, policy, management processes, organizational structure, tools and responsibilities. Such framework is proportional to the Bank's size and the nature and complexity of its transactions.

When designing its credit risk management strategy, Banco de la Provincia de Buenos Aires took into consideration its organizational structure, its role as financial agent of the Province of Buenos Aires, its focus on every social sector throughout the Province (multi-segment institution) and on every need they may have (multi-purpose institution).

By diversifying its portfolio, the Bank mitigates its credit risk. The strategy addresses not only the requirements of the BCRA but also the requirements established by the authorities that regulate the Bank's branches abroad. Such branches are included in the Bank's credit risk management. The assessment of debtors and financing is carried out on a case by case basis upon origination. It contemplates variables such as the limits established in the Bank's Charter, the type of customer and its economic and financial position, the product involved, etc. Subsequent follow-up is also conducted separately and by credit facility. Acceptable risk and performance levels are identified. In this sense, activities, geographic areas and sectors are rapidly recognized taking into account economic trends and changes in the composition and quality of the loan portfolio. The imposition of overall portfolio limits is also under consideration. To that effect, and as stated in the Business Plan guidelines, the composition, concentration and quality of the different portfolios will be taken into account. This mechanism will be applied when defining new credit products or granting loans under already defined facilities. In accordance with the guidelines set forth by the Board of Directors, the Bank implements a conservative credit risk strategy adapted to its specific and particular business structure. This enables the Bank to meet its contractual obligations both under normal and adverse market conditions. The Bank's risk tolerance has been determined by the Board of Directors by fixing tolerable maximum limits on certain indicators. The follow-up of risks is analyzed in the Risks Committee comparing the Bank's risk profile (the ability to take risks at a given time) with its risk tolerance (the maximum amount of risk the Entity is able to take in the performance of its activities).

The Bank's credit risk policy includes granting assistance to all economic sectors in accordance with the credit risk it is willing to take and in line with the strategy approved by the Board of Directors. Credit risk policies are guidelines that determine the course of action of the Bank. They are aimed at designing the credit risk strategy and are implemented through different processes by the pertinent Organizational Units. The Bank's loan activity includes several stages, to know: granting, approval, disbursement, management and recovery. The portfolio shall be diversified to mitigate the risk, which will be assessed individually in terms of the economic groups where the customer performs its activity, its line of business and the product requested. The maximum assistance granted to a customer will be determined in line with the rules on internal limits and the credit risk diversification and concentration provisions defined by the BCRA. This policy is informed to all areas of the Bank through the pertinent Deputy General Managements and also to the Units that report to the Board of Directors.

From a management point of view, the Bank has an adequate (feasible, stable and efficient) process to manage credit risk, which enables it to identify, assess, follow up, control and mitigate risks in all financial products and activities (all stages are included: prior assessment, maturity dates and recovery actions). Special attention should be paid to more complex activities, such as, securitization and credit derivatives. The management system involves a series of processes, to know: granting, follow-up, controls, recovery, stress testing, contingency planning, compliance, internal audit and market discipline. This process helps conduct an independent analysis of all areas prone to credit risk in order to make assessments and recommendations. The assessments based on such analysis provide the framework for producing numerous reports along the credit risk identification, measurement, monitoring and mitigation process; a process that is continuous, iterative and in constant evolution.

Credit risk measurement is made by means of technical tools, which consider the guidelines set forth by the Central Bank through different regulations. Such guidelines function as a baseline scenario in terms of requirements. The tools development is in line with the nature, complexity and volume of risk exposures. The Bank estimates the Probability of Default (PD) for each loan portfolio, adjusting the pertinent methodologies on a case-by-case basis.

In order to analyze risk coverage, the Expected Losses (EL) for the different loan portfolios are measured and subsequently matched against allowances; the economic capital (EC) required is calculated to protect the Bank against unexpected losses. Three essential parameters are used in the calculation of EL and EC: probability of default (PD), exposure at default (EAD) and loss given default (LGD), which are estimated on the basis of the historical information available in the data warehouse. The credit rating tools (ratings and scorings) assess the risk inherent in each transaction, facility or customer in accordance with their credit quality by assigning them a score. Credit risk for the Bank's portfolio is measured through a model where the effects of concentration, diversification and country risks are analyzed. This model enables a more comprehensive calculation of capital needs considering that risk comes from various sources. It is sensitive to geographic and sector diversification and to the incidence of economic, political and social events in a foreign country in certain exposures, such as those of the Bank's largest customers.

Management procedures and policies are defined according to the Bank's overall risk level. The Entity shall also record an appropriate capital level determined in a capital adequacy assessment based on its risk profile ("Capital Self-Assessment Report").

The quantitative information of this paragraph is included in Exhibits B, C and D.

Reconciliation of opening and closing balances of adjustment of value for losses

Quantitative information is supplemented with Exhibit R "Allowances".

Credit risk exposure and concentrations

The following table shows the Group's maximum credit risk exposure by financial assets, without deducting security interests or other credit enhancements received:

	12/31/2018	12/31/2017
Cash and deposits in banks	122,683,587	56,269,322
Debt securities at fair value through profit or loss	96,059,431	7,755,236
Repo transactions	66,502	11,508,017
Other financial assets	23,898,888	11,241,649
Loans and other financing	222,900,351	178,705,431
Other debt securities	43,808,969	54,035,140
Financial assets pledged as collateral	7,302,244	5,073,168
Subtotal	**516,719,972**	**324,587,963**
Off- balance sheet		
Credit lines granted (unused balances)	1,928,747	1,792,979
Other guarantees granted included in the Debtors' Classification Rules	1,135,117	800,181
Other included in the Debtors' Classification Rules	954,498	479,836
Credit card purchase limits	43,634,876	27,379,742
Subtotal	**47,653,238**	**30,452,738**
Total	**564,373,210**	**355,040,701**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Quantitative information is supplemented with Exhibit C "Concentration of loans and other financing".

Financial instruments to which the impairment model is not applied

Financial instruments to which the impairment model is not applied are those valued at fair value with impact on the statement of income and public sector financing.

The following table shows the financial assets to which the impairment model is not applied:

	12/31/2018	12/31/2017
Debt securities at fair value through profit or loss	96,059,431	7,755,236
Loans and other financing – Non-financial public sector	12,455,911	16,520,594
Total	**108,515,342**	**24,275,830**

Exposure to the public sector

Financial instruments to which the impairment model is not applied include public sector financing.

The Group has a considerable exposure to the Argentine public sector, through interests, government securities, loans and other assets, as detailed below. The future evolution of the provincial and national economies and the honoring of obligations are of significant importance to the financial condition of the Group.

The breakdown according to type of financing and main components of the Public Sector is shown below:

ITEM	NATIONAL	PROVINCIAL	MUNICIPAL	TOTAL
SECURITIES	35,083,311(1).	14,714,826(2)	1,518,069	51,316,206
LOANS	128,403	11,673,909	653,599	12,455,911
GUARANTEES	166,750	-	37,000	203,750
OTHER	200,299	1,118,200	1,531,845	2,850,344

1) *Includes 42,214 from NASA Financial Trust and Series 1 MBT Trust.*
2) *Includes 5,250 from Class A Fuerza Solidaria Trust Fund Participation Certificate.*

Likewise, the Group has instruments issued by the BCRA for 77,521,736.

Collateral and other credit enhancements obtained

The bank holds financial and non-financial assets through the possession of collateral for loans and advances, as well as for credit enhancements at the end of the quarter.

Collateral guarantees taken by the Bank ensure collection through credit enhancements such as avals. They comply with the recognition criteria included in the IFRS.

Quantitative information is shown in Exhibit B.

31.2 Liquidity risk

Liquidity risk refers to the Bank's inability to fund asset increases and meet payment obligations as they become due, without suffering significant losses. There are two types of liquidity risks: funding liquidity risk is the risk that a financial institution may not be able to efficiently meet expected and unexpected, current and future cash flows and collateral needs, without jeopardizing its daily operations or financial condition and market liquidity risk is the risk that a financial institution may not be able to offset or unwind a position at market price because of inadequate secondary market depth or market disruption. In line with its corporate values, ethics and transparency principles, when designing its liquidity risk management strategy, Banco de la Provincia de Buenos Aires took into account its organizational structure, the key business lines defined in its Business Plan, the products and diversity of the markets involved in its daily activities and the regulatory requirements applicable to its branches abroad. Its main lines of business are oriented to "Traditional Banking" products and services. Therefore, the Bank's intention is to implement a conservative liquidity strategy that may allow it to meet its contractual obligations under normal market conditions or crisis scenarios. The liquidity-risk tolerance level is proposed by the Risk Committee to the Board of Directors according to the variables determined by such committee, taking into account the Bank's current Policies and Strategies. In designing the liquidity risk strategy, the Board of Directors is responsible for defining and monitoring the risks taken. It delegates risks administration to the Senior Management through the continuous follow-up and supervision of the Financial Risk Deputy Management.

The Bank has in place an adequate process to identify, assess, follow up, monitor and mitigate liquidity risk, ensuring compliance with a documented set of internal procedures, policies and controls linked to the liquidity risk management system. This system involves a series of processes such as: development of models, risk estimation indicators and ratios; administration of cash flows -inflows and outflows- for the different time bands, periodic study of the deposit structure; measurement and monitoring of net requirements of funds under different scenarios, including stress scenarios, market access administration, definition of limits and thresholds, application of prudential valuation criteria for financial instruments, sensitivity analysis, stress testing and contingency planning.

The risk policy sets forth clearly defined criteria, which enable an integral projection of the cash flows of assets, liabilities and off-balance sheet transactions for a given number of time horizons, including tools for an adequate management, indicators, management and contingency limits, stress testing, contingency planning, reports, responsibilities and market discipline. This policy is informed to all areas of the Bank through the pertinent Deputy General Managements as well as to the Units reporting to the Board of Directors.

The liquidity risk measurement model includes a GAP assessment tool, which allows to analyze liquidity mismatches, using, to define the required funding amount, the projected net flows (calculated as the difference between cash flows of assets and liabilities) in fixed future dates, assuming normal market conditions. The balance sheet, divided into assets and liabilities, and the assumptions for each item are the starting point for this tool. The maturities of all these items are analyzed in detail, according to the available information. Likewise, the Bank has a tool to estimate economic capital for liquidity risk, which enables to calculate an economic capital internal model, taking into consideration broad liquidity indicators in pesos and foreign currency and measuring the impact that an adverse shock of the Bank's deposits would cause on such indicators. Finally, as mentioned above, the Bank has a wide set of indicators as a tool to daily monitor the Bank's liquidity, based on the metrics used to assess and control the different risks assumed by the Bank in the development of its business. This tool allows to monitor the evolution of risks and anticipate their potential behavior, as well as to define a risk tolerance threshold, thus enabling to determine and control the risk appetite in a daily, weekly and monthly basis. Liquidity risk indicators are included in the SIRAT system.

Mention should be made that an independent analysis is conducted of all areas prone to the risk in order to make assessments and recommendations. These assessments are the basis for the analysis and reports for the above mentioned process. The framework for managing the liquidity risk -which is proportional to the Bank's size and the nature and complexity of its transactions- includes the Bank's strategy, policy, management processes, organizational structure, tools and responsibilities for an adequate management of this risk. Management policies and procedures must be implemented according to the Bank's global risk level. The Bank must also maintain an adequate capital level within the economic capital adequacy assessment framework based on its risk profile ("Capital Self-Assessment Report" – *Informe de Autoevaluación de Capital* - "IAC").

CONSOLIDATED			
EXHIBIT - Liquidity Coverage Ratio (LCR) Updated at December 31, 2018 - In thousands of pesos-			
	Item/Component	**Total unweighted Value (1)**	**Total weighted value (2)**
HIGH- QUALITY LIQUID ASSETS		**183,355,943**	**159,252,042**
1	**Total high-quality liquid assets (HQLA)**	**183,355,943**	**159,252,042**
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers (MiPymes), of which:**	**160,835,127**	**21,218,885**

See our report dated
March 7, 2019
KPMG

(Partner)

Héctor O. Rodríguez Deputy General Accountant	Daniel H. Alonso General Manager	Juan E. Curutchet President	C.P.C.E.P.B.A. V° 1 F°193 Folder 193 Lorena Lardizábal Public Accountant (U.B.A.) C.P.C.E.P.B.A. Volume 155 – Folio 141 Folder No. 40284/2 Tax Payer Identification Number 27-21506212-6

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

3	Stable deposits	51,994,935	2,599,747
4	Less stable deposits	108,840,192	18,619,138
5	**Unsecured wholesale funding, of which:**	**139,511,625**	**66,990,429**
6	Operational deposits (all counterparties)	40,028,967	10,007,242
7	Non-operational deposits (all counterparties)	99,482,658	56,983,187
8	Unsecured debt	-	-
9	**Secured wholesale funding**	**-**	**-**
10	**Additional requirements, of which:**	**51,527,091**	**18,621,641**
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	51,527,091	18,621,641
14	**Other contractual funding obligations**	**1,467,620**	**1,467,620**
15	**Other contingent funding obligations**	**-**	**-**
16	**TOTAL CASH OUTFLOWS**	**351,873,843**	**106,830,955**
	CASH INFLOWS		
17	Secured lending (repos)	-	-
18	Inflows from fully performing exposures	6,572,599	3,290,004
19	Other cash inflows	21,199,192	10,027,126
20	**TOTAL CASH INFLOWS**	**27,771,791**	**13,317,130**
		Total adjusted value (3)	
21	**TOTAL HQLA**		**159,252,042**
22	**TOTAL NET CASH OUTFLOWS**		**93,513,825**
23	**LIQUIDITY COVERAGE RATIO (%)**		**170.3%**

(1) Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

(2) Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

(3) Adjusted values must be calculated after the application of both a) haircuts and inflow and outflow rates, and b) the maximum cap on inflows.

Analysis of remaining contractual maturities

In order to exhibit quantitative information on liquidity risk, Exhibit I - Breakdown of Financial Liabilities according to Remaining Terms- and Exhibit D, which includes the term for collection of assets, are attached to the financial statements.

31.3 Market risk

Market risk is defined as the possibility of suffering losses in on- and off-balance sheet positions as a result of adverse fluctuations in the market price for various assets. The following risks are included: Risks pertaining to interest rate-related financial instruments and equities and other financial instruments in the trading portfolio; foreign exchange risk through on- and off-balance sheet positions. The market risk management includes the process of identification, assessment, follow-up, control and mitigation of this risk, which implies, among others, the following: the development of models to estimate risks, the setting of limits, prudential assessment of financial instruments, stress testing and contingencies planning.

The Bank has methodologies to efficiently assess and manage the significant market risks.

The market risk management system includes the utilization of capital requirement calculation methodologies for market risk and the implementation of stress testing according to the type and level of activity, in order to efficiently calculate the significant risks faced by the Bank. Likewise, different risk measurement models to quantify the economic capital required for market risk are included in this system.

These models measure risk with a confidence level of 99% and a time horizon of 10 days and the Bank must estimate the model parameters and consider the main assumptions.

The Bank implements a back testing program which compares the outcome against the predictions, evaluating if the number of days with losses higher than those forecasted is in line with the expected situation based on the confidence level defined, for which a historic data record is necessary.

The market risk measurement model includes the following tools: inventory and Valuation of Positions in the Trading Book, Capital Requirement for Market Risk calculation model (Circular Letter "A" 5867), VaR economic capital model (calculated through the MonteCarlo Simulation – ExpectedShortfall methodology), Backtesting (using Kupiec and Christoffersen tests to determine the validity of the model), asset valuation with normal and current quotation, asset valuation without normal and current quotation (using a theoretical valuation methodology developed to such end) and a set of market risk indicators to measure and monitor exposure to this risk, having defined the pertinent management and contingent thresholds, which show the risk tolerance level approved by the Board of Directors. Likewise, in order to monitor this indicator on a daily basis, a new tool has been developed to forecast the impact of different purchase/sale transactions. Market risk indicators are part of the SIRAT system, which is monthly sent to all members of the Board of Directors, General Management, Risks Committee and other organizational units.

The following table details the financial assets valued at Market Risk:

Financial assets valued at market value	12/31/2018	12/31/2017
FOREIGN CURRENCY	709,140	405,798
NATIONAL BONDS IN PESOS	324,495	35,182
NATIONAL BONDS IN DOLLARS	224,799	103,491
CORPORATE BONDS	124,874	14,509
PROVINCIAL BONDS IN PESOS	88,173	3,323
PROVINCIAL BONDS IN DOLLARS	35,514	24,841
FOREIGN BONDS	21,579	30,806
TOTAL MARKET RISK	**1,528,574**	**617,950**

Note 32 - Sensitivity analysis and other information

Every year the Bank makes business plan projections for a fixed time horizon, which include the design of a business strategy, together with the implementation of policies and the definition of targeted goals and purposes, covering different stress scenarios. Within this framework, the Risk Administration Management, considering the scenarios defined in the Business Plan, performs a sensitivity analysis of its main risks. To such end, it exposes the portfolios to stress scenarios in order to know how they would perform in such circumstances, and therefore, be able to assess their impact on the Bank's activity, risk administration models and strategies. Thus, the Bank's Board of Directors may have a better understanding of the portfolio evolution in changing market conditions and scenarios, being this a key tool to assess the capital and provisions adequacy.

With respect to **Credit Risk,** sensitivity analysis is an integral part of the culture of corporate governance and risk management. Its results are used to take a series of decisions, mainly to determine risk tolerance, set limits and define the long-term business plan. To perform such analysis every significant risk factor and interaction are considered, according to the proportion, size, nature, complexity of the Bank's transactions, and to its risk exposure and systemic significance. In this sense, adverse but probable macroeconomic scenarios are considered when assessing credit risk. Taking into account the historical data on delinquency and macroeconomic series, different statistical or econometric models are developed to explain irregularities; the resulting data is then projected based on the stress scenarios defined.

With respect to **Market Risk**, the Bank has in place tools to assess the sensitivity of the trading portfolio upon an adverse performance of the financial markets, measuring the impact of considerable variations in the prices of the main variables. Thus, simulations to calculate Value at Risk are carried out taking into account more deviations than expected, scenarios derived from significant historical moments are considered for the portfolio under analysis, extreme scenarios different from historical ones are created, and other alternative scenarios of future markets behavior are defined.

With respect to **Liquidity Risk**, certain parameters of the economic capital tool (CFaR) are subject to stress scenarios in order to measure not only the Bank's liquidity level in adverse situations, but also to assess the additional cost the Bank will have to bear in more illiquid scenarios when attracting new depositors. Moreover, another key tool to monitor liquidity risk is based on an analysis of mismatches (or gap) between inflows and outflows in different time horizons or time bands. This analysis is carried out under a contractual scenario and also under stress scenarios or simulations, where deterministic

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

simulations are included. Assets and liabilities flows and off-balance sheet accounts are projected based on the following assumptions: liquidity crisis scenario and stochastic/random simulations. Thus, a statistical behavior regarding the evolution of deposits is established.

The following table shows the VaR at ten days with a 99% confidence:

Value at risk at 10-days with 99% confidence		
Portfolio Exposed to Market Risk		
	2018 January/December	**2017 January/December**
Minimum for the year	352,098	101,189
Maximum for the year	1,483,496	210,861
Average for the year	945,734	150,869
At year end	1,195,480	139,533

Note 33 - Categories and Fair Value of Financial Assets and Financial Liabilities

The following table shows the categories of financial assets and liabilities at December 31, 2018:

ITEM	MEASURED AT			FAIR VALUE	FAIR VALUE HIERARCHY		
	AMORTIZED COST	FAIR VALUE THROUGH OCI	FAIR VALUE THROUGH PROFIT OR LOSS		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS							
Cash and deposits in banks	122,683,587	-	-	(1)	-	-	-
. Cash	15,645,147						
. Banks and Correspondents	107,038,440						
. Other	-	-	-		-	-	-
Debt securities at fair value through profit or loss			96,059,431	96,059,431	78,278,798	17,718,283	62,350
Derivative instruments			-	-	-	-	-
Repo transactions	66,502			(1)			
Other financial assets	22,917,581	-	-	(1)	-	-	-
Loans and other financing	215,686,635			222,234,973			222,234,973
Other debt securities	42,627,237	1,100,327	-	41,961,453	25,894,708	89,928	15,976,817
Financial assets pledged as collateral	7,302,244	-	-	(1)	-	-	-
Investments in equity instruments		241,581	625,982	867,563	241,581	620,704	5,278
TOTAL FINANCIAL ASSETS	**411,283,786**	**1,341,908**	**96,685,413**	**361,123,420**	**104,415,087**	**18,428,915**	**238,279,418**
FINANCIAL LIABILITIES							
Deposits	411,410,034			409,915,477			409,915,477
Repo transactions	209,542			(1)			
Other financial liabilities	15,013,529		-	15,013,529	-	-	15,013,529
Financing received from the BCRA and other financial institutions	1,862,703		-	(1)	-	-	-
Corporate bonds issued	10,580,264		-	10,606,692	-	-	10,606,692
TOTAL FINANCIAL LIABILITES	**439,076,072**	**-**	**-**	**435,535,698**	**-**	**-**	**435,535,698**

See our report dated
March 7, 2019
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C.P.C.E.P.B.A. Vº 1 Fº193 Folder 193

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27-21506212-6

(1) not shown since it is estimated that fair value is similar to its accounting value.

Fair value of financial assets and liabilities - Hierarchies 2 and 3

With respect to investments in equity instruments, Class "B" shareholding in Bladex SA valued at fair value with changes in results - hierarchy 2 is included in the item "Private securities of non-controlled financial institutions". Such value is determined using valuation techniques based on the directly observable market data for a similar asset. Therefore, considering that the Bank may convert class "B" shares in class "E" shares (represented by institutional and retail investors) by quoting in the New York Stock Exchange, such quotation was used for this measurement.

Note 34 - Information by segments

For management reporting purposes, the bank defines the following operation segments:

Corporate:

Corporate segment groups transactions carried out by large, medium, small and micro enterprises, which make use of the credit facilities offered by the Bank through loans to the Private Sector. It also includes deposits in sight accounts, term deposits and other fee-generating products and services

Retail:

Retail segment groups transactions carried out by individuals, which make use of credit facilities offered by the Bank through loans to the Private Sector. It also includes deposits in sight accounts, term deposits and other fee-generating products and services

Public sector:

This segment groups transactions carried out with the National, Provincial and Municipal Administrations, except for those transactions carried out with debt securities, which are shown under Treasury.

Treasury:

Treasury segment includes central and investment activities, exchange transactions and funding operations not attributable to other segments.

Regulatory differences:

They include the reconciliation between managerial and regulatory information, mainly based on the following facts:

- The information on balances is exposed on a monthly average base and not on closing balances.
- The Bank uses a transfer price internal system in order to assign a cost or value of funds to each placement or deposit of money, which is not booked.

Balance sheet and results by segment

December 2018

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

	Corporate	Retail	Public Sector	Treasury	Total	Regulatory differences	Subsidiaries	Group Total at 12/31/2018
Average assets (1)	71,242,996	108,845,230	15,623,142	160,406,219	356,117,587	141,113,087	**40,955,138**	**538,185,812**
Average liabilities (1)	44,433,992	138,367,429	117,223,685	26,093,884	326,118,990	125,506,430	**39,690,093**	**491,315,513**
Net financial income	558,130	22,097,772	13,190,361	(1,584,604)	34,261,659		**10,823,858**	**45,085,517**
Cost/value of funds (2)	(5,449,594)	(3,501,425)	30,502,157	(21,551,138)	**-**			**-**
Charge for allowances (3)	(1,153,376)	(1,781,670)	(3,317)	(509,753)	(3,448,116)		(341,220)	**(3,789,336)**
Net income from services	2,157,237	2,988,152	892,854	-	6,038,243		**(45,241)**	**5,993,002**
Administrative expenses	(3,030,053)	(8,057,063)	(5,825,311)	(14,614,793)	(31,527,220)		**(7,097,134)**	**(38,624,354)**
Miscellaneous Income/Losses, Branches abroad	-	-	-	90,418	90,418		**(2,400,304)**	**(2,309,886)**
Income/(Loss) before taxes	**(6,917,656)**	**11,745,766**	**38,756,744**	**(38,169,870)**	**5414,984**		**939,959**	**6,354,943**
Income Tax					(6,432)		**(768,299)**	**(774,731)**
Total Income/(Loss) for the fiscal year					**5,408,552**		**171,660**	**5,580,212**

(1) Average corresponds only to assets and liabilities of the Bank, not of Subsidiaries.
(2) The cost/value of funds derives from applying the transfer rate to assets/liabilities.
(3) Corresponds to Allowances for loan losses net of allowances reversed and receivables recovered.

There follow compared information by segments, equity data and results as at December 31, 2017:

	Corporate	Retail	Public Sector	Treasury	Total	Regulatory differences	Subsidiaries	Group Total at 12/31/2017
Average assets (1)	43,863,158	51,136,598	20,520,651	109,497,691	225,018,098	79,929,709	**27,899,857**	**332,847,664**
Average liabilities (1)	21,843,389	91,180,987	78,347,474	20,621,520	211,993,370	67,128,225	**27,734,397**	**306,855,992**
Net financial income	1,853,451	13,589,476	7,923,834	(1,043,600)	22,323,161		**5,331,853**	**27,655,014**
Cost/value of funds (2)	(4,585,903)	1,624,437	11,513,927	(8,552,461)	**-**		**-**	**-**
Allowance for loan losses (3)	(133,045)	(799,712)	(10,352)	(790,906)	(1,734,015)		(13,343)	**(1,747,358)**
Net income from services	2,095,750	1,212,584	698,935	-	4,007,269		**(1,042,206)**	**2,965,063**
Administrative expenses	(2,171,759)	(5,609,042)	(4,283,783)	(6,215,322)	(18,279,906)		**(4,884,572)**	**(23,164,478)**
Miscellaneous profits and losses, Branches abroad	-	-	-	(593,798)	(593,798)		**1,262,298**	**668,500**
Income/(Loss) before taxes	**(2,941,506)**	**10,017,743**	**15,842,561**	**(17,196,087)**	**5,722,711**		**654,030**	**6,376,741**
Income tax					(1,871)		**(871,995)**	**(873,866)**
Net Income/(Loss) for the fiscal year					**5,720,840**		**(217,965)**	**5,502,875**

Note 35 - Subsidiaries

See our report dated
March 7, 2019
KPMG

(Partner)
C.P.C.E.P.B.A. V° 1 F°193 Folder 193

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C.P.C.E.P.B.A. Volume 155 – Folio 141
Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

The Bank direct and indirectly owns total shares and votes on the following entities:

- Grupo Banco Provincia SA aims at defining the strategic guidelines which will be applied to the Group's companies. They have a strong presence in the services' sector and develop activities of investment, trading, finance, general and life insurances, worker's compensation, leasing, real estate and other supplementing financial activities.

- Provincia Aseguradora de Riesgo de Trabajo SA commercializes the mandatory insurance policy for every employer regulated under Law No. 26773. The purpose of the workers' compensation insurance is the prevention of labor accidents and professional diseases, compensation of damages through appropriate medical assistance, payment of lost wages, compensation in case of inability and job reinsertion for those workers who are not able to return to work as a consequence of the accident. Said company is regulated by the National Insurance Superintendency (*Superintendencia de Seguros de la Nación – SSN*) and the Workers' Compensation Insurance. (*Superintendencia de Riesgo de Trabajo*).

- Provincia Leasing SA's main purpose is to provide leases with option to purchase personal or real property, whether owned or acquired by the Company for leasing purposes.

- Bapro Medios de Pago SA offers a collection system for the payment of taxes and services, Technology and Networks solutions for governments and municipalities and Call Centers.

- Bapro Mandatos y Negocios SA has vast experience in the structuring and management of trusts, both common and financial, publicly and non-publicly offered, for the private and public sectors.

- Provincia Microempresas SA offers quality financial services with minimum requirements for provincial independent workers, who perform a business, service or production activity. The initiative is inspired on the Bank's foundational values strongly linked to social and productive development, and equal opportunities.

- BA Desarrollo SA promotes and leads the positioning of the Province, and probably of Argentina, towards the Sustainable Development. It operates as an access for every investor who wishes to place its project in strategic sectors of the province and the country.

The Bank indirectly owns 60% of shares and votes of the following insurance companies, which are regulated by the SSN.

- Provincia Seguros SA is engaged in the coverage of any type of risk, both for individuals and corporations, whether of industrial, commercial or service nature.

- Provincia Seguros de Vida SA is devoted to the production of individual life insurances.

The Bank direct and indirectly owns 89.1% and 99% of the shares and votes of the following companies:

- Provinfondos SA is a firm that carries out activities as a mutual fund managing company in line with the provisions of Law No. 24083, where Banco de la Provincia de Buenos Aires is the Depository Company.

- Provincia Bursátil SA is devoted to brokerage transactions.

Likewise, the Bank has control over the following structured entities:

- Banco Provincia Foundation: its mission is to strengthen social and educational supportive environments for children and young people, prompting the creation of neighborhood organizations and involving local community, in the most vulnerable places of the Province of Buenos Aires.

- "Raíces Renta Pesos" Mutual Fund combines investments in short and medium term fixed-income securities. The portfolio is mainly made up of BCRA bills and corporate and sub-sovereign debt instruments.

- "Raíces Valores Fiduciarios" Mutual Fund: the portfolio is mainly made up of financial trusts publicly offered.

35.1 Financial support to structured entities

The Bank provides continuous financial support to Banco Provincia Foundation. An $8,314 subsidy to such foundation was agreed under Board of Directors' resolution No. 245/18 of March 15, 2018.

35.2 Provincia Aseguradora de Riesgos del Trabajo SA

a. Minimum Capital Requirements

Provincia Aseguradora de Riesgo de Trabajo SA (Provincia ART) is governed by the regulations issued by the S.S.N., which, among other aspects, require to maintain a minimum capital according to Section 30 of the General Rules for Insurance Activity and to comply with the coverage calculation of Section 35 of said regulations. At December 31, 2018 and 2017, Provincia Aseguradora de Riesgo de Trabajo SA showed deficits in its minimum capital for $749,866 and $1,565,686, respectively.

On January 16, 2017, the SSN approved the regularization plan submitted by Provincia ART and authorized the Company to compute in such calculation certain provincial investments and the loss reserve balance. Likewise, the SSN requires the company to semiannually submit an independent actuary's report containing their opinion on its premiums adequacy, as well as the corrective measures to be implemented in case of deviations from the approved plan.

At December 31, 2018, Provincia ART complied with the projected evolution of its technical ratios as stated in such plan.
Likewise, at December 31, 2017, a $64,298 deviation was observed when calculating the minimum capital as against the projected evolution of its technical ratios in the terms of the regularization plan approved by the SSN. However, this situation was corrected during January 2018 with the $91,902 received from the non-assessable credit maintained with the Provincial Government.

According to General Rules for Insurance Activity, Provincia Aseguradora de Riesgo de Trabajo SA may not distribute dividends as long as the deficit in minimum capital requirements exists.

b. Self-insurance contract of the Government of the Province of Buenos Aires

Provincia ART SA manages the self-insurance contract of the Government of the Province of Buenos Aires and significant receivable amounts have accrued in its favor which, at December 31, 2018 and 2017, amounted to $57,579 and $224,830, respectively.

c. Amendments to the legislation in force

Determination of debts with insureds is affected by changes in legislations, regulations and case law. Particularly, there is no definitive resolution on the following events, which could affect their determination:

- Declaration of unconstitutionality of sections of Law No. 24557 (which regulates Workers' Compensation Insurance companies);
- National Executive Order No. 1694/09 (changes in the amounts of monetary compensations for disabilities and the creation of the registry of medical services providers);
- Resolution No. 35550 issued by the SSN (civil liability insurance to cover risks derived from accidents at work and occupational diseases);
- Law No. 26773, rules on injuries derived from accidents at work and occupational diseases in order to reduce the litigation rate in the system;
- National Executive Order No. 472/14 (rules on temporary disability period and compensation amounts);
- Judgment rendered by the Argentine Supreme Court of Justice on June 7, 2016 (applicability of Law No. 26773)
- National Executive Order No. 54/17 and Law No. 27348 (mandatory application of jurisdictional medical

commissions, creation of the provincial public self-insurance, changes in compensation amounts);
- Law No. 27348, rules on injuries derived from accidents at work and occupational diseases.

The authorities of Provincia Aseguradora de Riesgo de Trabajo SA understand that the Company's reserves at December 31, 2018 and 2017 include all significant known effects derived from the regulatory changes described above as well as the different application methods under each jurisdiction. However, at the date of issuance of these Financial Statements, the final effect of these changes on the loss ratio estimated by the Company could not be determined.

35.3 Provincia Seguros

Minimum capital requirements

Provincia Seguros SA is governed by the regulations issued by the SSN, which, among other aspects, require to maintain a minimum capital according to Section 30 of the General Rules for Insurance Activity and to comply with the coverage calculation of Section 35 of said regulations. At December 31, 2018 and 2017, Provincia Seguros SA showed deficits in its minimum capital for $260,000 and $330,218, respectively.

On January 16, 2017, the SSN approved the regularization plan submitted by Provincia Seguros SA. At December 31, 2018 and 2017, Provincia Seguros SA complied with the projected evolution of its technical ratios as stated in such plan.

According to the General Rules for Insurance Activity, Provincia Seguros SA may not distribute dividends as long as the deficit in minimum capital requirements exists.

35.4 BA Desarrollo SA

On December 26, 2018, the Company granted a power of attorney to approve, through Board of Directors' Minutes No. 1638/18, the Annual Report and Financial Statements for the fiscal year ended December 31, 2017 and to appoint the Liquidator and Receiver. Such appointment was made in the Special and Regular General Meeting of Shareholders held on December 28, 2018.

35.5 Non-controlling interests

December 2018

	PROVINCIA SEGUROS	PROVINCIA SEGUROS DE VIDA	PROVINCIA BURSATIL	PROVINFONDOS SA	1822 RAICES RENTA PESOS MUTUAL FUND	1822 RAÍCES VALORES FIDUCIARIOS MUTUAL FUND
Non-controlling interests percentage	**40%**	**40%**	**1.00%**	**10.90%**	**31.33%**	**71.98%**
Cash and deposits in banks	19,903	2,313	11	174	1,564	13,340
Debt securities at fair value through profit or loss	-	28,666	54	4,760	57,124	234,046
Other financial assets	2,970,797	309,002	756	19,524	11,448	209,182
Other debt securities	1,835,599	207,259	-	-	-	-
Investments in equity instruments	-	-	2,416	-	-	-
Investment in subsidiaries, associates and joint ventures	11,812	-	1,816	-	-	-
Other	164,633	2,364	86	312	-	-
Total assets - Non-controlling interests	**5,002,744**	**549,604**	**5,139**	**24,770**	**70,136**	**456,568**

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March 7, 2019
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(Partner)

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Deputy General Accountant	General Manager	President	Lorena Lardizábal

Public Accountant (U.B.A.)
C.P.C.E.P.B.A. Volume 155 – Folio 141
Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

Provisions	(54,847)	(185)	-	-	-	-
Current income tax liabilities	(71,760)	(11,851)	(32)	(1,599)	-	-
Deferred income tax liabilities	(20,520)	(16,756)	(717)	-	-	-
Other non-financial liabilities	(4,268,777)	(391,578)	-	(1,233)	(204)	(3,743)
Other	(1)	-	(113)	-	-	-
Total liabilities - Non-controlling interests	**(4,415,905)**	**(420,370)**	**(862)**	**(2,832)**	**(204)**	**(3,743)**
Net worth - Non-controlling interests	**586,839**	**129,234**	**4,277**	**21,938**	**69,932**	**452,825**

December 2017

Consolidation at December 31, 2017 was made without considering Provinfondos, Fondo Raíces 1822 and Fondo Raíces Valores Fiduciarios.

	PROVINCIA SEGUROS	PROVINCIA SEGUROS DE VIDA	PROVINCIA BURSÁTIL
Non-controlling interests percentage	**40%**	**40%**	**1%**
Debt securities at fair value through profit or loss	854,684	137,036	491
Other financial assets	990,957	11,246	-
Other debt securities	1,209,948	211,234	-
Investments in equity instruments	-	-	2,414
Investment in subsidiaries, associates and joint ventures	-	-	1,174
Other	78,442	5,288	190
Total assets - Non-controlling interests	**3,134,031**	**364,804**	**4,269**
Other financial liabilities	(2,358,045)	(4,919)	-
Provisions	(43,605)	-	-
Current income tax liabilities	-	-	(81)
Deferred income tax liabilities	-	-	(831)
Other non-financial liabilities	(454,580)	(242,997)	-
Other	(201,048)	(31,461)	(77)
Total liabilities - Non-controlling interests	**(3,057,278)**	**(279,377)**	**(989)**
Net worth - Non-controlling interests	**76,753**	**85,427**	**3,280**

Note 36 - Related parties

Key management personnel

The Bank considers the members of the Board of Directors as key management personnel, since they have the authority and responsibility to plan, manage and control the Bank's activities.

The Directors are classified as senior staff without job stability pursuant to Law No. 10430. Likewise, this law provides for the items included in their compensation.

The following table shows short term benefits for the last quarter of 2018 and 2017:

COMPENSATIONS	12/31/2018	12/31/2017
SHORT TERM BENEFITS	13,711	18,425

At December 31, 2018 and 2017, loans and deposits of key management personnel are as follows:

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

	MAXIMUM AMOUNT AT 12/31/2018 (1)	BALANCE AT 12/31/2018	MAXIMUM BALANCE AT 12/31/2017 (1)	BALANCE AT 12/31/2017
Cards	910	810	1,217	786
Overdrafts	50	50	30	47
Loans	277	258	386	-
TOTAL LOANS	**1,237**	**1,118**	**1,633**	**833**
Savings account	33,707	33,707	8,129	8,129
Checking account	123	123	-	-
Fixed-term deposit	5,919	5,919	2,800	2,800
TOTAL DEPOSITS	**39,749**	**39,749**	**10,929**	**10,929**

(1) Due to the great volume of transactions, it is considered more representative to inform the highest balance of the reported period.

Province of Buenos Aires

The Entity makes use of exemption of paragraph 25 of IAS 24 since the Bank is controlled by the Province of Buenos Aires. Therefore, the most significant transactions with the Province are detailed below:

	12/31/2018	12/31/2017
Bonds to be received	**3,435,991**	**7,464,152**
BONDS TO BE RECEIVED -EXECUTIVE ORDER 1954/15 - MINISTRY OF ECONOMY	-	2,079,000
BONDS TO BE RECEIVED - EXECUTIVE ORDER 1620/12 - PROVINCIAL MINISTRY OF ECONOMY	-	350,000
BONDS TO BE RECEIVED - EXECUTIVE ORDER 1679/13 - 2100/15 - MINISTRY OF ECONOMY	-	1,599,161
BONDS TO BE RECEIVED - EXECUTIVE ORDER 2094/12 - PROVINCIAL MINISTRY OF ECONOMY	3,435,991	3,435,991
Bonds received	**16,807,381**	**7,802,142**
Bond of the Province of Buenos Aires Retirement and Pension Fund	8,623,238	7,802,142
Debt Security of the Province of Buenos Aires December 2019	4,253,217	-
Bond of the Province of Buenos Aires 2024	3,930,926	-
Loans	**8,946,362**	**7,706,128**
OTHER LOANS - PROVINCE OF BUENOS AIRES. SECTION 9 ITEM B)	3,941,770	3,941,770
ACCRUED INTEREST RECEIVABLE - OTHER LOANS, SECTION 9 ITEM B	5,004,592	3,764,358
Deposits	**47,439,388**	**32,254,884**
Checking account	6,514,114	7,328,503
Savings account	37,475,027	13,926,381
Fixed-term deposit	3,450,247	11,000,000

	12/31/2018		12/31/2017	
	Maximum balance (1)	**Final balance**	**Maximum balance (1)**	**Final balance**
Checking account	6,514,114	6,514,114	7,328,503	7,328,503
Savings account	37,475,027	37,475,027	13,926,381	13,926,381
Fixed-term deposit	3,450,247	3,450,247	11,000,000	11,000,000

(1) Due to the great volume of transactions, it is considered more representative to inform the balance at the end of the reported period.

Note 37 - Leases

The Group acting as lessor

Financial lease

The Group grants financing in the form of financial leases through Provincia Leasing SA.

The following table shows the total gross investment in financial leases and the current value of minimum payments to

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Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

be received thereunder.

At December 31, 2018 and 2017, the breakdown of financial leases according to the line of business of the consolidated companies is the following:

Description	Amounts	
	12/31/2018	12/31/2017
- Machinery and equipment leased	1,686,836	1,240,433
- Charges to be collected on receivables from financial leases	88,302	47,696
- Machinery and equipment to be recovered	2,837	6,126
- Other	-	31,507
	1,777,975	**1,325,762**

The following table shows the total amount for the payment of financial leases and the current value of minimum payments to be received thereunder:

	12/31/2018		12/31/2017	
Term	Total investment	Current value of minimum payments	Total investment	Current value of minimum payments
Up to 1 year	1,109,497	768,401	408,902	108,910
From 1 to 5 years	1,217,460	918,435	1,402,307	1,131,523
More than 5 years	-	-	-	-

See also Note 6

Operating lease

There follow the minimum future payments of leases under operating lease contracts at December 31, 2018 and 2017:

	12/31/2018	12/31/2017
Up to 1 year	9,289	-
From 1 to 5 years	12,276	7,914
More than 5 years	-	-
Total	**21,565**	**7,914**

See also Note 6

Note 38 – Restricted assets

The Group holds the following Restricted Assets:

Assets	Location	Original Nominal Value		Pesos		Description
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	
National Treasury Bills and Financial Treasury Bills	Sao Paulo Branch	2,500	7,222	270,571	380,041	Collateral for transactions with BM&F, exchange clearing house and other collateral
Guaranteed Bonds	Bank	-	89,241	-	16,006	Collateral for transactions with the BCRA through the MAE and ROFEX
Guaranteed Bonds	Bank	-	80,000	-	14,348	Collateral for transactions with the BCRA under the Bicentennial Project

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Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Financial assets pledged as collateral	Bank	-	-	5,779,110	4,191,582	BCRA collateral deposits
Credit Card Guarantee Funds	Bank	-	-	864,327	500,144	Credit Card Guarantee Funds
Other financial assets	Provincia Bursátil	-	-	295	208	Fixed-term deposit to guarantee the payment of amounts owed to the Bank
Other financial assets	Bapro Medios de Pago SA	-	-	388	522	Fixed-term deposit to guarantee the payment of amounts owed to the Bank
Financial assets pledged as collateral		-	-	540	602	Deposits to guarantee leases
Other financial assets	Bapro Mandatos y Negocios SA	-	-	74	69	Fixed-term deposit to guarantee the payment of amounts owed to the Bank
Other financial assets	Provincia Seguros SA	-	-	60	43	Quota shares of “Fima Ahorro Pesos” mutual fund, under attachment
		-	-	912	692	Quota shares of “Fima Ahorro Plus” mutual fund, under attachment
		-	-	1,621	1,325	Quota shares of “Fima Capital Plus” mutual fund, under attachment
		-	-	180	134	Quota shares of “FBA Ahorro Pesos” mutual fund, under attachment
		-	-	2,919	7,130	Quota shares of “Superfondo Renta Variable” mutual fund, under attachment
		-	-	1,127	258	Fixed-term deposit to guarantee the payment of amounts owed to the Bank
		-	-	226	143	Other fixed term deposits
		-	-	103,570	192,592	Court deposits levied under legal proceedings, included in the Provision for Pending Claims or claims not related to insurance activities
Other non-financial assets	Provincia Aseguradora de Riesgos del Trabajo SA	-	-	1,054,790	594,774	Attachment for injunctions where the entity was brought as defendant or secondary liability co-defendant

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

		-	-	664	-	Fixed-term deposit to guarantee the payment of amounts owed to the Bank
		-	-	6,089	-	Fixed-term deposits levied under legal proceedings related to claims
Other financial assets		-	-	216	-	"Delta Multimercado" mutual fund, partially attached
Other financial assets	Provincia Microempresas SA	-	-	733	503	Fixed-term deposit to guarantee the payment of amounts owed to the Bank

Note 39 - Restrictions on the distribution of profits

As regards the income/(loss) for the year ended December 31, 2017, the Board of Directors, by Resolution No. 168/18 dated March 1, 2018, decided to transfer all 2017 Retained Earnings to increase Legal Reserve for $1,389,662 and Optional Reserve for $5,558,647 as set forth in article 17 of the Bank's Charter.

Pursuant 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 allocated 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 year must be allocated to Legal Reserve.

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

As stipulated by the BCRA, the Bank may not distribute dividends as long as a deficit in minimum capital requirements exists.

See Notes 35.2 a) and 35.3.

Note 40 - 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, and all bonds and other securities issued by, Banco de la Provincia de Buenos Aires. Therefore, and due to its special legal status, as 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 has decided its voluntary and temporary inclusion since 1997 in the Deposit Guarantee Insurance System for Private Sector deposits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

The Deposit Guarantee Insurance system has been created for the purpose of covering bank deposit risks as a supplement of the deposit privileges and protection system set forth by the Financial Institutions Law. The guarantee covers the refund of the principal plus interest, CER adjustments and quotation differences, if any, accrued up to the date of renewal or date of suspension of the authorization to operate. This system does not cover deposits made by other financial institutions (including fixed-term deposit certificates bought in the secondary market), deposits made by persons directly or indirectly related to the Bank, deposits of securities, acceptances, corporate bonds or guarantees and, up to January 10, 2018, those deposits made after July 1, 1995 at an interest rate exceeding the rate regularly established by the BCRA based on the daily survey made by such entity. Also excluded are those deposits whose ownership has been acquired through endorsement and those placements offering incentives other than the interest rate. On January 11, 2018, through Order No. 30/18, the National Executive Branch decided to eliminate the limit covered by the insurance system and revoke section 12.d of the Executive Order 540/95. This system has been implemented through the creation of a "Deposit Guarantee Fund", which is managed by Seguros de Depósitos SA (SEDESA). The shareholders of SEDESA are the BCRA and the financial institutions, in the proportion determined for each of them by the BCRA based on the contributions made to such fund. BCRA Communication "A" 5943 dated April 7, 2016, as supplemented, sets forth that financial institutions shall make a contribution to the fund equivalent to 0.015% of the items included in the calculation basis. Additionally, the limit covered by the insurance system was set at $450. At December 31, 2018 and 2017, the contributions to the Fund have been recorded in "Other Operating Expenses - Contributions to the Deposit Guarantee Fund" for the amounts of $501,293 and $347,504, respectively. (Note 29)

Note 41 - Trust 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 Province of Buenos Aires 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 (*Fondo Fiduciario para el Desarrollo del Plan de Infraestructura Provincial*) whereby the Province of Buenos Aires acts as trustor. The Bank signed the agreement on February 26, 2001. The purpose of the trust is to act as guarantor and/or payor of the works carried out under Law No. 12511. At December 31, 2018 and 2017, total assets held in trust amounted to $5,001,886 and $3,213,410, 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, 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, 2018 and 2017, total assets held in trust by the Bank amounted to $7,516,561 and $4,242,224, respectively.

By Resolution No. 177/13 dated February 21, 2013, the Board of Directors approved the trust agreement of the Provincial Trust Fund for Transport Infrastructure System, to be subscribed between the Bank, as trustee, and the Ministry of Infrastructure of the Province of Buenos Aires, as trustor. The purpose of the agreement is to finance, according to the method instructed by the Executive Branch, plans and projects destined to the construction of roads of the main and secondary road networks of the Province of Buenos Aires, as well as those works and actions to maintain them. At December 31, 2018 and 2017, total assets held in trust by the Bank amounted to $2,009,548 and $1,105,819, respectively.

By Resolution No. 60/14 dated January 16, 2014, the Board of Directors created the "Financing and Technical Assistance System for Housing Improvement". This trust fund aimed at providing financing to low-income families with housing deficit which do not qualify for loans due to their low income or lack of guarantees. At December 31, 2018 and 2017, total assets held in trust by the Bank amounted to $342,675 and $203,934, respectively.

Bapro Mandatos y Negocios SA

Through Bapro Mandatos y Negocios SA, the Group has executed several agreements with other companies whereby it was appointed as trustee of the following publicly offered financial trusts:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Financial trust	Trustor	Contract date	Trust asset
Forestal I Mutual Fund	Underwriters of debt security and participation certificate	3/15/2011	771,061

Similarly, the Group, through Bapro Mandatos y Negocios SA, acts as trustee in the following trusts:

Type	Trust	Trustor	Contract date	Trust asset	Financial statement
Administration	Trust Fund for the Development of the Provincial Infrastructure Plan	Province of Buenos Aires	2/1/2001	3,236,988	12/31/2017
Administration	FITBA Trust (FREBA)	Electric Regional Forum of the Province of Buenos Aires (FREBA)	1/13/2003	818,181	12/31/2017
Administration	Fuerza Solidaria Trust Fund	Banco de la Provincia de Buenos Aires, Government of the Province of Buenos Aires and the Provincial Institute of Lotteries and Casinos.	8/10/2006	62,766	12/31/2017
Administration	CAAITBA - Capitalization Fund Law No. 12490	Social Security Fund for Surveyors, Architects, Engineers and Technicians of the Province of Buenos Aires	3/1/2007	4,232,065	12/31/2017
Administration	Solidaridad Trust	Social Welfare Entity for Bank Employees	8/13/2008	1	Unaudited
Administration	Sucre Trust	Desarrollos San Isidro SA	8/21/2008	41,820	12/31/2017
Administration	BA – INNOVA Trust	Ministry of Production of the Province of Buenos Aires	3/13/2009	8,292	12/31/2017
Administration	Estrella del Sur Trust	Bainter Inversiones Inmobiliarias SA and Círculo Inmobiliario Emprendimientos SA	3/26/2009	664,599	9/30/2017
Administration	Hotel Irú Trust	SATSAID (Argentine Television, Data, Interactive and Audiovisual Services) labor union	4/1/2009	202,589	3/31/2016
Administration	Agrícola Samaagro Trust	Investors adhering to the trust as the result of the commercial actions taken by operators	8/28/2009	4,868	12/31/2017
Administration	Environmental Compensation Trust Fund - ACUMAR	Matanza-Riachuelo River Basin Authority	9/20/2010	431,258	12/31/2017
Administration	Provincial Trust Fund for Road Infrastructure System	Province of Buenos Aires, through the Provincial Ministry of Infrastructure	3/25/2013	1,107,689	12/31/2017
Administration	Parques Industriales Moreno Trust	Municipality of Moreno, as original trustor, and those trustors adhering after execution of the pertinent Trust Agreement.	5/31/2013	89,842	12/31/2017
Administration	EDEA SA Res. Mi. No. 206/13 Trust	Empresa Distribuidora de Energía Eléctrica Atlántica SA (EDEA SA)	10/30/2013	60,565	12/31/2017
Administration	EDEN SA Res. Mi. No. 206/13 Trust	Empresa Distribuidora de Energía Eléctrica Norte SA (EDEN SA)	11/7/2013	28,054	12/31/2017
Administration	EDES SA Res. Mi. No. 206/13 Trust	Empresa Distribuidora de Energía Sur SA (EDES SA)	11/7/2013	11,652	12/31/2017

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Administration	Financing and Technical Assistance System for Housing Improvement - Public Trust Fund	Province of Buenos Aires, through the Provincial Ministry of Infrastructure	2/24/2014	202,341	12/31/2017
Administration	EDELAP SA Res. Mi. No. 5/14 Trust	Empresa Distribuidora La Plata SA (EDELAP SA)	4/3/2014	12,445	12/31/2017
Administration	Administration and Financial Trust for Investment in Distribution and Maintenance in the Province of Buenos Aires (FIDBA - Municipal Distributors)	1)	3/31/2015	7,273	12/31/2017
Administration	Salar del Hombre Muerto Trust Fund	Minera del Altiplano SA (MdA) and the Province of Catamarca	10/13/2015	1,935	12/31/2017
Administration	Zona Franca La Plata Trust	Buenos Aires Zona Franca La Plata SA	11/25/2015	55	12/31/2017
Administration	Trust Fund for Sanitary Infrastructure - ABSA	Aguas Bonaerenses SA	7/19/2016	-	12/31/2017
Administration	Fund for Financial Assistance to the Fishing Industry	Undersecretariat of Agriculture, Livestock and Fishing (Provincial Ministry of Agroindustry)	1/4/2017	53,027	12/31/2017
Administration	Rovella Carranza Trust - International Competitive Bidding No. 01/16	Rovella Carranza SA	12/20/2017	-	2)
Guarantee	Coviares	Coviares SA	5/7/2001	-	-
Guarantee	Claypole - Suterh	Complejo Habitacional Nuevo Suterh Sociedad Civil, Complejo Habitacional Nuevo Suterh II Sociedad Civil and Tollcen Corporación SA	9/12/2001	-	-
Guarantee	Plusmar II	Transporte Automotor Plusmar SA	7/3/2003	-	-
Guarantee	Corrientes	Municipality of the City of Corrientes	11/3/2003	-	-
Guarantee	Covisur II	Concesionaria Vial del Sur SA	1/9/2004	-	-
Guarantee	Protección INDER	Protección Mutual de Seguros del Transporte Público de Pasajeros	12/29/2003	-	-
Guarantee	Ministerio Ades	3)	7/30/2004	-	-
Guarantee	Insurance	Garantía Mutual de Seguros del Transporte Público de Pasajeros	4/21/2005	-	-
Guarantee	Forestal I	Emprendimientos del Litoral SA	6/23/2005	-	-
Guarantee	Puerto Palmas	Puerto Palmas SA	6/27/2006	-	-
Guarantee	Punta Médanos Etapa I	Azul Marino SA and Canevas SA	7/12/2006	-	-
Guarantee	Forestal II	Emprendimientos del Litoral SA	9/1/2006	-	-
Guarantee	ABSA Trust - Leasing	Aguas Bonaerenses SA	4/30/2007	-	-
Guarantee	El Cóndor Trust	El Cóndor Empresa de Transporte SA	1/27/2009	-	-

See our report dated
March 7, 2019
KPMG

(Partner)

Héctor O. Rodríguez Deputy General Accountant	Daniel H. Alonso General Manager	Juan E. Curutchet President	C.P.C.E.P.B.A. V° 1 F°193 Folder 193 Lorena Lardizábal Public Accountant (U.B.A.) C.P.C.E.P.B.A. Volume 155 – Folio 141 Folder No. 40284/2 Tax Payer Identification Number 27-21506212-6

Guarantee	Centro Cívico Bahía Blanca Trust	Municipality of Bahía Blanca and AMERCON SA -GARVISA SA UTE (developer)	11/2/2010	-	-
Guarantee	Asociación de Médicos Municipales Trust	Association of Municipal Physicians of the City of Buenos Aires	4/5/2011	-	-
Guarantee	FEPSA Trust	Compañía Inversora Ferroviaria SAIF	4/13/2011	-	-
Guarantee	Concesiones Viales Trust Fund (former Fideic. Fdo. Fiduciario Corredor Vial Integrado del Atlántico)	Autovía del Mar SA	6/30/2011	-	-
Guarantee	Estadio y Sede Club Deportivo Morón Trust	Club Deportivo Morón - Municipality of Morón	12/13/2011	-	-
Guarantee	Parque Industrial Curtidor (ACUBA) Trust	4)	11/2/2012	-	-
Guarantee	Resolution No. 52/12 Trust	(i) Autovía del Mar SA and (ii) Covisur SA	12/27/2012	-	-

1) The following municipal distribution companies: *(i) Cooperativa de Electricidad y Servicios Anexos Limitada de Zárate, (ii) Cooperativa Eléctrica y de Servicios Públicos Lujanense Limitada, (iii) Usina Popular y Municipal de Tandil Soc. de Economía Mixta, (iv) Usina Popular Cooperativa de Obras, Servicios Públicos y Sociales Limitada de Necochea "Sebastián de María", (v) Cooperativa Eléctrica de Servicios Anexos de Vivienda y Crédito de Pergamino Limitada, (vi) Cooperativa Limitada de Consumo de Electricidad y Servicios Anexos de Olavarría, (vii) Cooperativa de Provisión de Servicios Eléctricos, Públicos y Sociales de San Pedro Limitada, (viii) Cooperativa de Obras, Servicios Públicos y Sociales Limitada de Tres Arroyos (CELTA), (ix) Cooperativa Limitada de Provisión de Servicios Eléctricos, Obras y Servicios Públicos Asistenciales y Créditos, Vivienda y Consumo de Trenque Lauquen,* and *(x) Cooperativa Eléctrica de Chacabuco Limitada*.
2) As of the initial date, irregular financial statements at December 31, 2018 will be issued.
3) *Instituto Municipal de la Producción, el Trabajo y el Comercio Exterior de Lomas de Zamora, Asociación Balcarce para el Desarrollo Local, Agencia de desarrollo Económico San Nicolás, Centro IDEB La Plata* and *La Liga de Comercio e Industria de las Flores*.
4) *(i) Atilio Bianco e hijos SRL (ii) Cuero Florida SRL (iii) Curtiduria Oscar A. Iturri SRL (iv) Curtiembre Juan Céfalo SRL (v) Curtiembre Napolitana SRL (vi) Curtiembre Torres Hnos. SA (vii) Donato de Nicola e hijos SRL (viii) Jose E. Kondratzky SRL (ix) Jose y Salvador Sirica SH (x) La Teresa SACI (xi) Maria Lettieri SA (xii) Martucci Hnos. SH (xiii) Pirolo Consolato e hijos SH (xiv) Skinmax SA (xv) Solofracuer SA (xvi) South America Trading Leader SA (xvii) Sucesión de Scabini, Miranda y Carrascal SH (xviii) Terlizzi Christian Gaston (xix) Vicente Luciano e hijos SRL* and *(xx) Francisco Adolfo Volpe*.

Estrella del Sur trust

With regard to the “Estrella del Sur” trust, out of a total of 924 houses originally projected for construction, 17 beneficiaries have filed actions intended to obtain the pertinent deeds and to seek compensation for damages. In all cases, the actions were jointly brought against C.I.E.S.A, Bainter SA, Deloitte & Co. SA and the Company, both in its capacity as trustee of the Estrella del Sur trust and in personal capacity. Such actions have just been filed or are in the trial of the case.

At the present stage of the above mentioned proceedings, there is no evidence to determine that the Company has not complied with its obligations related to the application of trust funds. Thus, the management of Bapro Mandatos y Negocios SA, taking into account the opinion of its legal advisors, considers that the above claims will not have a significant impact on the Company´s financial position. Therefore, no provision has been made at December 31, 2018.

Samaagro trust

With regard to the “Samaagro” Administration and Guarantee trust, in September 2014, the Company was served notice of an action brought against it before the Buenos Aires Stock Exchange Arbitration Tribunal in the case entitled *“REICH, ROLANDO MARTÍN C/BAPRO MANDATOS Y NEGOCIOS S/DAÑOS Y PERJUICIOS”*. The claim was grounded on the “invested amount” (in this case, approximately US$30,000) plus other items for undetermined amounts. The Company answered the complaint, alleging that, according to the contractual terms, the investment was “risky” and subject to the ups and downs of the agricultural market and that Mr. Reich did not consider in his complaint the net results of the last campaign. The operator's clear responsibility (derived from not including to the trust the "multi-risk insurance"-related compensation, among other breaches) was also alleged, against whom the trustee filed a claim and a criminal complaint as well as other actions aimed at recovering the equity held in trust.

In June 2016, such Tribunal decided to partially sustain the complaint and ordered payment on the basis of the net results of the last campaign including the "multi-risk insurance"-related compensation. This award was appealed by Bapro Mandatos y Negocios SA. The appeal was approved by the Tribunal and confirmed by the Court in Commercial Matters, except for the punitive damages amount, which was fully revoked, and the monthly interest capitalization also requested by the appellant. Based on the decision of the appellate court, the Company and Samaagro SA were concurrently ordered to pay the settlement amount according to certain conditions stipulated in the Award.

On June 8, 2018, the final amount ($166) under the Reich case was settled.

Similar complaints were also received. The trust company has already paid some final settlement amounts appealed for peso amounts substantially lower than the US dollar amounts originally claimed. With respect to the other proceedings, most of them have just been filed or are in the trial of the case. Some other proceedings are pending before the Appellate Court in Commercial Matters, which will have to decide on the appealed awards.

Taking into account the legal advisors' estimates, and in view of the cases existing at December 31, 2018, provisions were raised to a total amount of $3,714.

Considering the opinion of the legal advisors and of the Legal Affairs Management, the authorities of Bapro Mandatos y Negocios SA consider that the likelihood of an adverse resolution of the claims mentioned above is almost inexistent. Therefore, and except as set forth in the preceding paragraph, the Company has made no provision for this item.

Sucre trust

On November 21, 2012, the Company was served notice of an action brought by one of the former beneficiaries of the trust in the case entitled *"BIERCAMP, MARTIN RODOLFO C/BAPRO MANDATOS Y NEGOCIOS SA Y OTROS S/CUMPLIMIENTO DE CONTRATO"*. Firstly, the plaintiff seeks to obtain the deed for the dwelling unit to be built under the mentioned trust, which was purchased under a sales contract that was subsequently cancelled due to the default by the prospective buyer in the pertinent payment obligations. Should the plaintiff fail to obtain the sought deed, he will seek compensation for all damages derived, at his discretion, from the mentioned cancellation of the sales contract.

In the mentioned proceedings, complaints have also been filed against Desarrollos San Isidro SA, the project development company. Acting in its capacity as trustee and in its personal capacity, the Company answered the complaint on December 6, 2012. Judgement was rendered on August 30, 2018 ordering the Company - as trustee and not in its personal capacity- to pay the value of the dwelling unit subject to the judicial proceeding as well as of the corresponding parking lot. The judgement was appealed before the pertinent Court.

On February 18 and June 14, 2013, Bapro Mandatos y Negocios SA was served notice of other similar complaints (same purpose and circumstances) brought against it under the cases entitled: *"EUMANN, GUILLERMO JOSÉ c/ BAPRO Mandatos y Negocios y Otros s/ DAÑOS Y PERJUICIOS"* and *"GABELLA, GUILLERMO ENRIQUE Y OTROS C/ BAPRO MANDATOS Y NEGOCIOS Y OTROS S/ DAÑOS Y PERJUICIOS"*.
In the three cases, plaintiffs have also applied for injunctions exclusively against the Sucre trust, which were issued by the first instance court and ratified by the pertinent court of appeals. If sustained over time, such injunctions will affect the potential execution of the title deeds previously cancelled corresponding to dwelling units which have been readjudicated. The potential execution of the title deeds to the entire Sucre complex is subject to the previous approval and filing of the pertinent Condominium Property Regulations and Plans. In the three proceedings mentioned, which are in the trial stage, complaints have also been filed against Desarrollos San Isidro SA, the project development company.

Taking into account the opinion of the legal advisors and of the Legal Affairs Management, the authorities of Bapro Mandatos y Negocios SA consider that the likelihood of an adverse resolution of the cases mentioned above is almost inexistent.

Therefore, at December 31, 2018, the Company has made no provision for this item.

Note 42 - Compliance with the requirements of the CNV

42.1 Banco de la Provincia de Buenos Aires

Considering the different categories of agents defined in the CNV General Resolution No. 622, Banco de la Provincia de Buenos Aires is registered before the control authority to act as Settlement and Clearing Agent and Trading Agent - Comprehensive.

At December 31, 2018, the Bank's net worth exceeds the minimum net worth required by said rule, which amounts to $22,500.- as well as the minimum required counterbalance entry of $10,500 that, if applicable, will be covered with assets held in accounts opened with the BCRA as follows:

BCRA	ITEM	BOOK BALANCE	BALANCE AS PER STATEMENT
111015	BCRA - Checking account	40,617,789	40,619,331
115015	BCRA - Checking account	65,921,267	65,921,876

42.2 Provincia Bursátil SA

According to the provisions of the CNV General Resolution No. 622, Provincia Bursátil SA is registered to act as Trading and Settlement Agent. As stipulated by said rule, the minimum stockholders' equity required to act in such category amounts to $18,000 and the minimum counterbalance entry to $9,000.

At December 31, 2018, the stockholders' equity of Provincia Bursátil SA exceeds the minimum amount required by the above mentioned rule.

Additionally, the minimum counterbalance entry required by such resolution accounts for 50% of the minimum required stockholders' equity. Provincia Bursátil SA has complied with such requirement and paid-in the contribution as follows:

Item	Amount
Assets available in pesos and other currencies	
Banco de Valores sight account - Checking account No. 2824/2	445
Assets in domestic instruments	
Mutual funds with payment of redemption proceeds within 72 hours	71,178
Total	**71,623**

42.3 Provinfondos SA – Manager of Mutual Funds

According to the provisions of the CNV General Resolution No. 622, Provinfondos SA, manager of mutual funds, is registered to act as Manager of Collective Investment Products (Mutual Funds). As stipulated by said rule, the minimum stockholders' equity required to act in such category amounts to $500 plus $100 for each additional mutual fund under management. At December 31, 2018, the stockholders' equity of Provinfondos SA exceeds the minimum amount required by the above mentioned resolution.

Additionally, the minimum counterbalance entry required by such resolution accounts for 50% of the minimum required stockholders' equity. Provinfondos SA has complied with such requirement and paid-in the contribution as follows:

Item	Amount
Assets available in pesos and other currencies	
Banco de la Provincia de Buenos Aires – Sight account No. 438465	1,588
Banco de la Provincia de Buenos Aires – Dollar-denominated savings account No. 514163	-
Assets in domestic instruments	
Mutual funds with payment of redemption proceeds within 72 hours	166,883
Total	**168,471**

42.4 Bapro Mandatos y Negocios SA

According to the provisions of the CNV General Resolution No. 622, Bapro Mandatos y Negocios SA has been registered in the CNV Financial Trustees Register to act as Manager of Collective Investment Products (Trustees).

On July 16, 2014, the CNV Collective Investment Products manager decided to revalidate the registration of the Company in the Financial Trustees Register - Register No. 30 granted by Resolution No. 13628 - and in the Non-Financial Trustees Register -Register No. 2 granted by Resolution No. 13701 -according to the conditions of section 1, Chapter II, Title XVII "Temporary Provisions" of the mentioned rule.

Such rule provides for the registration of trustees in the "Manager of Collective Investment Products - Trustees" category, complying with all requirements therein mentioned.

Among other specifications, a minimum stockholders' equity of $6,000 is required. At least 50% of such amount must be invested in certain available assets therein detailed.

At December 31, 2018, the stockholders' equity of Bapro Mandatos y Negocios SA exceeds the minimum amount required by the above mentioned resolution.

Additionally, the minimum counterbalance entry required by such resolution accounts for 50% of the minimum required stockholders' equity. The Company has complied with such requirement and paid-in the contribution as follows:

Item	Amount
Assets available in pesos and other currencies	
Banco de la Provincia de Buenos Aires – Dollar-denominated savings account No. 510762	3,615

Note 43 - Agent for the custody of Mutual Funds

At December 31, 2018, the Bank, in its capacity of agent for the custody of mutual funds, holds in custody third-party quota shares and assets of the following mutual funds:

	12/31/2018	12/31/2017
1822-Raíces Valores Negociables	878,233	795,399
1822-Raíces Renta Pesos	223,200	229,304
1822-Raíces Renta Global	343,691	1,679,127
1822-Raíces Pesos Fondo Común de Dinero	5,969,609	2,746,860
1822- Raíces Inversión	611,271	5,469,691
1822 Raíces Valores Fiduciarios	629,097	704,139
1822 Raíces Dólares	840,289	1,000,853

Note 44 - Accounts in compliance with minimum cash requirements

According to the regulations of the BCRA, Banco de la Provincia de Buenos Aires computed the following items for minimum cash requirements at December 31, 2018:

Minimum cash – Balances at the end of the fiscal year - Pesos

Minimum cash requirement	12/31/2018
Balances in demand checking accounts opened with the BCRA	40,617,789
Balances in special checking accounts opened with the BCRA	5,367,000
	45,984,789

Minimum cash – Balances at the end of the fiscal year – Foreign Currency (US Dollars)

See our report dated
March 7, 2019
KPMG

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Lorena Lardizábal
Public Accountant (U.B.A.)
C.P.C.E.P.B.A. Volume 155 – Folio 141
Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

Héctor O. Rodríguez
Deputy General Accountant

Daniel H. Alonso
General Manager

Juan E. Curutchet
President

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

	12/31/2018
Minimum cash requirement	
Balances in demand checking accounts opened with the BCRA	65,921,267
Balances in special guarantee accounts opened with the BCRA	412,110
	66,333,377

Note 45 - Penalties imposed on the Bank and administrative proceedings instituted by the BCRA

45.1 Penalties:

In File No. 1332/13, the Financial Information Unit (*Unidad de Información Financiera* – UIF) initiated investigation proceedings to determine if the Bank had failed to report 17 foreign currency purchase transactions for $513 made by Mr. Ernesto Jacubowicz, from October 14, 2008 to March 11, 2009. The UIF's Resolution No. 544/13 ordered an investigation proceeding to determine the responsibilities of Banco de la Provincia de Buenos Aires, its Board of Directors and the pertinent Compliance Officer. The UIF imposed the Board of Directors and the Compliance Officer, on one hand, and the Bank, on the other, to pay a penalty of $513 within 10 days. Subject to the devolutive effect of the remedy, such penalties were duly paid and a direct appeal against the UIF's Resolution was filed before the National Court of Appeals in Administrative Matters, Division III (case entitled *"Banco de la Provincia de Buenos Aires c/ UIF s/Código Penal Ley 25.246 – Decreto 290/07 – art. 25 (Expte: 5621/2016)"*. On July 12, 2016, the Court ordered to serve notice of such direct appeal to the UIF. On September 27, 2016, notice of these proceedings was served to the UIF who duly answered on November, 15, 2016. On February 2, 2017, the Court of Appeals admitted the appeal submitted by the Bank on the basis that the UIF's action was barred by the applicable statute of limitations. On February 16, 2017, the UIF filed an extraordinary appeal, which was answered by the Bank on March 8, 2017. On March 16, 2017, the Court of Appeals dismissed this appeal and, on March 27, 2017, the UIF formulated a petition for denied appeal which was dismissed by the Argentine Supreme Court of Justice, thus confirming the judgement in favor of the Bank.

In File No. 1793/13, the UIF initiated investigation proceedings to determine if the Bank had failed to report foreign currency purchase transactions for $303 made by Mrs. María Rosa Batistutti from February 26, 2009 to June 29, 2009. The UIF's Resolution No. 600/13 ordered an investigation proceeding to determine the responsibilities of Banco de la Provincia de Buenos Aires, its Board of Directors and the pertinent Compliance Officer. The UIF imposed the Board of Directors and the Compliance Officer, on one hand, and the Bank, on the other, to pay a penalty of $303 within 10 days. Subject to the devolutive effect of the remedy, such penalties were duly paid and a direct appeal against the UIF's Resolution was filed before the National Court of Appeals in Administrative Matters, Division II (case entitled *"Banco de la Provincia de Buenos Aires c/ UIF s/ Código Penal Ley 25.246 – Decreto 290/07 – Art. 25 (Expte: 380/2016)"*. On September 20, 2016, the Court decided that the UIF had no power to impose a penalty based on the statute of limitations. The Bank was notified on September 22, 2016. On October 6, 2016, the UIF filed an extraordinary appeal which was duly answered. On December 26, 2016, the Court denied such appeal and ordered the UIF to pay legal costs. On February 7, 2017, the UIF formulated a petition for denied appeal which was dismissed by the Argentine Supreme Court of Justice, thus confirming the judgement in favor of the Bank.

In File No. 1645/13, the UIF initiated investigation proceedings to determine if the Bank had failed to report foreign currency purchase transactions for $337 made by Mr. Jorge Alberto Rodríguez from January 15, 2009 to May 15, 2009. The UIF's Resolution No. 523/13 ordered an investigation proceeding to determine the responsibilities of Banco de la Provincia de Buenos Aires, its Board of Directors and the pertinent Compliance Officer. The UIF imposed the Board of Directors and the Compliance Officer, on one hand, and the Bank, on the other, to pay a penalty of $337. Subject to the devolutive effect of the remedy, such penalties were duly paid and a direct appeal against the UIF's Resolution was filed before the National Court of Appeals in Administrative Matters, Division I (case entitled *"Banco de la Provincia de Buenos Aires c/ UIF s/ Código Penal Ley 25.246 – Decreto 290/07 – Art. 25 (Expte: 379/2016)"*. The UIF was notified of this proceeding, which was duly answered. On March 23, 2017, the Court of Appeals admitted the direct appeal brought by the Bank on the basis that the UIF's action was barred by the applicable statute of limitations. The UIF filed an extraordinary appeal, duly answered by the Bank on June 15, 2017. The Court denied such appeal, notified its resolution on August 7, 2017 and ordered to pay legal costs. The UIF did not formulate a petition for denied appeal, thus the resolution in favor of the Bank became final. However, the Supreme Court has not yet imposed legal costs.

45.2 Administrative proceedings instituted by the BCRA:

Financial administrative proceedings – File No. 1324/10

Notice of these proceedings was served on February 8, 2012 and duly answered on February 16, 2012. Proceedings arise from the presumed breach of the duty to report the appointment of new authorities and the lack of submission and/or late submission of the documents related to such appointments from January 9, 2006 to October 13, 2006. The mentioned breach would have occurred between December 19, 2007 and September 15, 2008 taking into account the due dates to inform the appointments and the date of actual delivery of the requested documents. The Central Bank's Resolution No. 434, dated February 7, 2012, instructed to carry out investigation proceedings against Banco de la Provincia de Buenos Aires and Messrs. Martín Lousteau and Guillermo Francos under article 41 of the Law of Financial Institutions. The alleged breach is of a legal and regulatory nature and the penalty amount has not been determined. The outcome of the actions cannot be foreseen with certainty, therefore it is not possible to predict occurrence and make a pecuniary estimation. On December 4, 2017, the Bank was notified of Resolution No. 850, issued on November 24, 2017 by the Superintendency of Financial and Foreign Exchange Institutions, whereby a "Reprimand" was imposed on the Bank in accordance with the provisions under article 41.1 of Law of Financial Institutions No. 21526. Mr. Martín Lousteau and Mr. Guillermo Francos were acquitted of all charges.

Note 46 - Capital management and transparency policy on corporate governance

In compliance with the provisions of the Law of Financial Institutions No. 21526 and the regulations issued by the BCRA, the Bank has implemented an Institutional Governance Code taking into consideration the above guidelines.

On March 7, 2012, the BCRA issued Communication "A" 5293 requiring financial institutions the publication of information about their Transparency Policy on Corporate Governance. The Institutional Governance Code implemented by the Bank contemplates its prevailing regulatory framework. It includes the following information:

Structure of the Board of Directors

The Bank's Charter was enacted by Decree Law No. 9434/79. It includes the amendments introduced by Decree Law No. 9840/82 and has been ordered in accordance with Executive Order No. 9166/86. It also includes several amendments introduced by other provincial laws, and is the main Law governing the operations of the Bank. It consists of 15 chapters regulating the Bank's activities, transactions, functions and administrative and governance responsibilities.

The administration of the Bank shall be vested in a Board of Directors consisting of one (1) Chairman and eight (8) voting members, all of whom shall be of Argentine nationality. They shall be appointed by the Provincial Executive Branch and the approval of the Senate of the Province of Buenos Aires shall be required. The Chairman and the voting members shall be duly qualified for their offices.

Members shall hold office for a term of four (4) years and may be re-elected. One half of the voting members shall be renewed every two (2) years.

Legislators, judges, mayors and city council members, wage-earners, salaried employees or officers of the national, provincial or municipal governments, as well as administrators, chairmen, directors, managers or employees from other banks shall not be eligible as Chairman or as members of the Board of Directors. Any individual holding office in any economic or financial coordination government agency, whether at the national, provincial or inter-provincial level, as well as any individual holding a teaching or educational position shall be exempted from the above-mentioned disqualifications.

At its first meeting held every year, the Board of Directors shall elect from its own number a Vice-Chairman and a Secretary.

Any vacancy of the office of Chairman or Director shall be filled by a substitute appointed for the remaining term.

In case of absence or inability of the Chairman, his/her powers and duties shall devolve on the Vice-Chairman. Should both of them be absent, the Board of Directors shall be chaired by the eldest director. In the event of absence or inability of the Secretary, the Board of Directors shall appoint a substitute.

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

Structure of the General Management

The Charter also establishes that the management of the Bank shall be vested in a General Manager and, as applicable, in a Deputy General Manager.

The Board of Directors shall regulate the duties to be performed by the members of the General Management, and the General Manager shall be the Chairman's and Directors' immediate advisor.

They shall have the necessary qualifications and expertise in financial matters to administer and manage the banking business as well as the adequate control of the personnel under their direct supervision.

Commissions and Committees

The Bank has Internal Governing Rules in place regulating the operation of the Board of Directors' Commissions and Committees. Such rules provide for the duties and responsibilities of the members of such Commissions and Committees, which shall be composed as follows:

Coordinator: A Director appointed by the Chairman of the Board of Directors.

Members:

- At least three Directors, including the Coordinator, appointed by the Chairman.
- Members of the General Management (General Manager, Senior Deputy General Manager or Deputy General Managers) in charge of supervising the pertinent commission's or committee's areas of responsibility.
- Officers in charge of the organizational units engaged in the activities under the responsibility of the pertinent commission or committee (minimum rank: Deputy Department Manager).

Board of Directors' officers and collaborators may attend as participants, if necessary.

The Bank provides for the operation of the following Commissions and Committees:

- Audit Committee
- Administration Commission
- Assets and Liabilities Management Commission
- Loans Management Commission
- Anti-Money Laundering Committee
- Internal Affairs Commission
- Legal Affairs and Delinquency Commission
- Human Resources Committee
- IT and Systems Committee
- Finance Commission
- Risks Committee
- Institutional Governance, Ethics and Compliance Committee
- Business Development Commission
- Protection of Financial Services Users Committee

Organizational Structure

At December 31, 2018, the Bank has 10,250 employees and a network for the distribution of products and services consisting of 341 branches (including delegations), and 74 operating annex buildings throughout the Province of Buenos Aires and the Autonomous City of Buenos Aires.

The following officers and units shall report to the Board of Directors/Chairman:

See our report dated
March 7, 2019
KPMG

(Partner)

Héctor O. Rodríguez Deputy General Accountant	Daniel H. Alonso General Manager	Juan E. Curutchet President	C.P.C.E.P.B.A. V° 1 F°193 Folder 193 Lorena Lardizábal Public Accountant (U.B.A.) C.P.C.E.P.B.A. Volume 155 – Folio 141 Folder No. 40284/2 Tax Payer Identification Number 27-21506212-6

- Internal Affairs
- Internal Audit Unit
- Compliance and Economic Research
- Institutional Communication
- Anti-Money Laundering
- Risk Administration
- Administrative Unit

The following areas shall report to the General Manager:

- Deputy General Management – Finance
- Deputy General Management – Marketing and Loans
- Deputy General Management - Administration and Resources
- Deputy General Management – Business Development
- Deputy General Management - Technology
- Deputy General Management - Commercial Network and Business Support
- Deputy General Management - Legal Affairs and Infrastructure
- Credit Analysis
- Processes and Organization
- Administrative and Professional Support Unit
- Strategic Management Unit

Information on economic incentives to staff members

The Board of Directors is responsible for defining the incentive policy for staff.
Likewise, in line with the provisions of the Bank's Administrative Manual, the implementation of general incentive programs is within the scope of the Human Resources Management and the Human Resources Committee.

Taking into account the impact of the conditions that may govern incentive programs and considering that their main purpose should be the reduction of excessive risk assumption, at the request of the originator and before submittal to the Board of Directors, the Risk Administration area issues a report to provide for a prudential management of risks.

By means of the *Potenciar* tool, goals are assigned among Regional Centers, understood as integral working teams, according to the potential identified in each area, maximizing their performance which is afterwards measured and assessed. The officers involved -Managers, Deputy Managers, Treasurers, Regional Managers/Deputy Managers and Regional Coordinators responsible for the commercial coordination of the different centers- receive an additional payment according to their compliance with the commercial goals defined.

Since 2017, the Board of Directors has decided to incorporate Sales Teams into the Regional Centers in order to gain the existing customers' loyalty and attract new customers through the offering of loans and other parameterized products.

As a result, a non-remunerative allowance based on goals has been set, which aims at providing an incentive to employees participating in such teams. It involves a monthly payment, based on quarterly measurements, which recognizes the achievement of both group and individual goals as well as the individual general performance. Such allowance accounts for 20% of the employee's net monthly salary payment.

In general terms, since 2017 the Bank has decided to introduce short-term incentive programs and policies for recognizing employees' efforts towards the fulfillment of specific institutional goals. Through the implementation of programs for the promotion of the Bank's products and/or services, employees are praised for their commitment towards the fulfillment of the institutional goals. Such recognition may take the form of a group or individual incentive pay.

Public information

In order to encourage good Institutional Governance, the Bank publishes in its web page www.bancoprovincia.com.ar relevant information to depositors, investors and general public. That information includes:

a. Charter
b. Authorities
c. Organizational Structure
d. Institutional Governance Code
e. Ethics Code and Manual of Good Banking Practices
f. Transparency Policy
g. Sustainability and Quality Policy
h. Bank's Code of Conduct in the Role as Settlement and Clearing Agent
i. Role as Financial Agent of the Provincial Public Sector
j. Conflicts of Interest Policy
k. Market Discipline. Minimum Disclosure Requirements
l. Anti-Money Laundering and Terrorist Financing Code of Conduct
m. Annual Report and Financial Statements including notes, exhibits and the external auditor's report
n. Information for Financial Users
o. Information on ATMs destined to visually impaired persons
p. Acquisition and Procurement
q. Join Banco Provincia's team

Note 47 - First-time adoption of IFRS accounting reporting framework

As mentioned in Notes 2 and 5, these financial statements are the first to be submitted under the IFRS accounting reporting framework, with the following exceptions:

a. through Resolution No. 277/18 dated June 15, 2018, the BCRA instructed Banco de la Provincia de Buenos Aires to maintain the criterion to charge all contributions made to the Retirement and Pension Fund for Banco de la Provincia de Buenos Aires Personnel against income/(loss) when becoming effective, as long as the circumstances regarding the regulation of Provincial Law No. 15008, the implementation of the mechanism stated in Section 11, paragraph I) therein, and the possibility to quantify the potential impact on the Bank remain the same.

b. temporary exception for the application of the impairment model in Section 5.5 "Impairment" of IFRS 9 "Financial instruments".

c. in line with BCRA Communication "A" 6651, the Bank has not applied the International Accounting Standard No. 29 (IAS No. 29) "Financial reporting in hyperinflationary economies" in the preparation of these financial statements.

The initial date of the comparative financial statements, that is, January 1, 2017, is the transition date to the IFRS accounting reporting framework. In order to present comparative information, it has been modified according to the accounting policies mentioned in Note 5.

For transition purposes, the Group has applied the policies described in IFRS 1, "First-time adoption of International Financial Reporting Standards" and used the following permitted exceptions:

1. **Deemed cost of Property and Equipment and Investment Property:** the fair value of real property and investment property has been adopted as the deemed cost at transition date.

2. **Cumulative translation differences arising from foreign businesses**: the cumulative translation differences in respect of all foreign businesses have been deemed to be nil on the transition date.

3. **Fair value measurement of financial assets or financial liabilities at initial recognition**: certain instrument were measured at their fair value at transition date and not at their initial recognition date, as permitted by the pertinent exception.

4. **Capitalization of interest**: the Group will apply IAS 23 prospectively as from the transition date.

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

5. The Group has not applied the other exceptions permitted by IFRS 1.

In the transition to the IFRS accounting reporting framework, the Group has applied the accounting policies retrospectively, with the mandatory exceptions to the principle of retrospective application provided by IFRS 1:

1. Estimates: estimates under IFRS at the transition date are consistent with estimates made at the same date under BCRA accounting standards.

2. Classification and measurement of financial assets: the Group has considered the facts and circumstances existing at transition date to determine whether the financial assets comply with the requirements to be classified as an asset measured at amortized cost or at fair value with changes in other comprehensive income.

Reconciliation of balances with the accounting framework for IFRS convergence

Reconciliation of income/(loss)	12/31/2017
Net profit or loss under the BCRA financial reporting standards	**6,961,874**
. Interest income/expenses	-
Income/(loss) from value adjustment of government and corporate securities	(11,555)
Income/(loss) from valuation of loans at amortized cost	(591,998)
Income/(loss) from valuation of financing at amortized cost	(31,916)
Net interest income/expenses	**(635,469)**
. Commission income/expenses	-
Income/(loss) from valuation of guarantees granted	(481)
Net commission income/expenses	**(481)**
. Gold and foreign currency quotation difference	-
Exchange difference re. branches	(80,648)
. Other operating income	-
Real property and investment property revaluation	37,411
. Allowance for loan losses	25
Net operating income	**(679,162)**
Reversal of provisions and offsetting accounts Retirement and Pension Fund and bonds to be received	(612,165)
Income/(loss) from valuation of personnel benefits	(1,036,287)
Depreciation and impairment of assets	(251,079)
Other operating expenses	755,220
Operating income/loss	**(1,823,473)**
Income from valuation of interests	673,469
Income from associates and joint ventures	**673,469**
Adjustment of deferred tax	(308,995)
Income tax from continuing operations	**(308,995)**
Total IFRS adjustment	**(1,458,999)**
Profit or loss under the BCRA financial reporting framework	**5,502,875**

Reconciliation of net worth	12/31/2017	12/31/2016
Net worth under the BCRA financial reporting standards	**19,097,152**	**12,148,843**
Debt securities at fair value through profit or loss	**(19,742,324)**	**2,466,190**
. Valuation adjustment	8,710,672	(311,327)
. Reclassifications	(28,452,996)	2,777,517
Repo transactions	**(12,649,768)**	**(8,457,371)**
. Derecognition of repo transactions	(12,649,768)	(8,457,371)
Other financial assets	**(8,522)**	**11,828**
. Valuation adjustment	(10,444)	11,828
. Reclassifications	1,922	-
Loans and other financing	**(208,719)**	**(284,228)**

See our report dated
March 7, 2019
KPMG

(Partner)
C.P.C.E.P.B.A. V° 1 F°193 Folder 193
Lorena Lardizábal
Public Accountant (U.B.A.)
C.P.C.E.P.B.A. Volume 155 – Folio 141
Folder No. 40284/2
Tax Payer Identification Number
27-21506212-6

Héctor O. Rodríguez
Deputy General Accountant

Daniel H. Alonso
General Manager

Juan E. Curutchet
President

Banco Provincia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018 AND COMPARATIVE PERIODS

. Valuation adjustment	(1,067,717)	(475,858)
. Reversal of offsetting account bonds to be received PBA	858,998	191,630
Other debt securities	**19,059,120**	**(3,114,283)**
. Valuation adjustment	(9,393,974)	(336,766)
. Reclassifications	28,453,094	(2,777,517)
Financial assets pledged as collateral	**281**	**(34)**
. Valuation adjustment	281	(34)
Investments in equity instruments	**296,545**	**285,423**
. Valuation adjustment	298,201	285,423
. Reclassifications	(1,656)	-
Investment in subsidiaries, associates and joint ventures	**808,135**	**147,808**
. Valuation adjustment	808,499	147,808
. Reclassifications	(364)	-
Property, plant and equipment	**8,795,864**	**8,998,978**
. One-time revaluation of real property	8,855,914	8,998,978
. Reclassifications	(60,050)	-
Intangible assets	**(43,546)**	**(93,283)**
. Reversal of intangible assets	(43,546)	(93,283)
Current income tax assets	**(3,451)**	**1,471**
. Adjustment of deferred tax asset	(3,451)	1,471
Other non-financial assets	**515,481**	**2,026,084**
. Reversal of offsetting account Retirement and Pension Fund bond	585,954	1,865,487
. One-time revaluation of investment property	67,441	203,805
. Reversal of office supplies and stationery	(24,276)	(33,108)
. Reclassifications	60,050	-
. Other assets	(173,688)	(10,100)
Repo transactions	**12,649,768**	**8,457,371**
. Derecognition of repo transactions	12,649,768	8,457,371
Other financial liabilities	**143,729**	**(756,507)**
. Valuation adjustment	143,729	(756,507)
Financing received from the BCRA and other financial institutions	**-**	**31,638**
. Valuation adjustment	-	31,638
Provisions	**(1,344,724)**	**(1,020,995)**
. Post-employment benefit adjustment	(1,344,924)	(1,021,170)
. Valuation adjustment of provisions	200	175
Deferred income tax liabilities	**(353,519)**	**(49,764)**
. Adjustment of deferred tax liabilities	(353,519)	(49,764)
Other non-financial liabilities	**(1,403,255)**	**(799,483)**
. Personnel benefits	(2,544,678)	(1,832,270)
. Valuation adjustment of liabilities - insurance companies	1,130,846	792,508
. Other valuation adjustments	10,577	240,279
IFRS adjustment	**6,511,095**	**7,850,843**
ADJUSTMENT OF NET WORTH ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**383,425**	**192,072**
Total IFRS adjustment	**6,894,520**	**8,042,915**
Net worth under the BCRA financial reporting framework	**25,991,672**	**20,191,758**

Note 48 - Events subsequent to year-end

At December 31, 2018 and 2017, the Group holds an interest in Prisma Medios de Pago SA for $218,031 and $78,300, respectively. On February 1, 2019, the 51% equity interest in such company was transferred.

On January 21, 2019, Banco de la Provincia de Buenos Aires accepted the offer made by AI ZENITH (Netherlands) B.V. (a company related to Advent International Corporation) to purchase 51% of its equity interest in Prisma Medios de Pago SA, equivalent to 1,829,945 common, registered shares, $1 par value each and one vote per share.

The amount offered for such shares totaled US$61,099,507.40 payable as follows: (i) 60% upon the transfer of shares and (ii) 40% within 5 years as from the pertinent transfer. The transfer was made on February 1, 2019.

At the date of these financial statements, the Bank holds 1,758,182 shares in Prisma Medios de Pago SA, representing 4.2544% of the shares of capital stock of the Company.

No other facts or transactions took place from the closing date of the fiscal year and the date of issuance of these financial statements which may significantly affect the financial condition or income/(loss) of the Bank as of December 31, 2018.