

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2019 AND COMPARATIVE PERIODS

(In thousands of pesos - Translation of Financial Statements originally issued in Spanish)

Note 1 - Basis for presentation of the Separate Financial Statements

As mentioned in Note 2 to the Consolidated Financial Statements, Banco de la Provincia de Buenos Aires (the "Bank" or the "Entity") prepared its Separate Financial Statements in compliance with the financial reporting framework set forth by the BCRA, through Resolution No. 277/18 of June 15, 2018 and taking into consideration the standards prescribed on April 30, 2019 through Memorandum No. 142 issued by the regulatory entity, in its capacity as issuer of accounting rules (hereinafter called "Financial Reporting Framework set forth by the BCRA"), regarding the accounting treatment to be applied to the remaining investment held by the Entity in Prisma Medios de Pago SA at December 31, 2019.

These financial statements of the Bank are supplementary to the consolidated financial statements mentioned above, and are intended for the purposes of complying with legal and regulatory requirements.

Note 2 - Criteria for presentation of the Financial Statements

The financial reporting framework set forth 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 (*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 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;
- b. Temporary exception from applying 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 (IAS) No. 29 "Financial reporting in hyperinflationary economies" in the preparation of these financial statements. 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; and
- d. As regards the investment held in Prisma SA recorded under "Investments in Equity Instruments" at December 31, 2019, it should be recognized at fair value determined pursuant to IFRS 9. The valuation criteria used by the Entity are explained in Note 5 to the Consolidated Financial Statements and imply a deviation from IFRS.

Mention should be made that items b. and c. shall be applicable for the fiscal years beginning on or after January 1, 2020, temporarily excluding non-financial public sector assets from the scope of application of the impairment model within the framework of IFRS 9.

On December 5, 2018, the Bank submitted to the BCRA the impairment model to be applied under IFRS 9 effective as from January 1, 2020. The Entity filed a preliminary quantification of the initial impact of adopting this model on March 29, 2019.

At the date of these financial statements, the Bank is still quantifying the final effect of the difference from applying the impairment model set forth in Section 5.5 "Impairment" of IFRS 9 "Financial instruments", though estimations indicate that it would have a significant impact.

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These Separate Financial Statements include the additional information and exhibits required by the Argentine Central Bank.

So as to avoid duplicity of the information already provided, we make reference to the Consolidated Financial Statements with respect to:

- Argentine economic context and its impact on the Bank's economic and financial position (Note 1.2 to the Consolidated Financial Statements)
- Regularization and reorganization plans (Note 1.3 to the Consolidated Financial Statements)
- Functional and presentation currency (Note 3 to the Consolidated Financial Statements)
- Accounting judgements and estimates (Note 4 to the Consolidated Financial Statements)
- Significant accounting policies (Note 5 to the Consolidated Financial Statements), except for the measurement of interests in subsidiaries.
- IFRS issued but not yet effective (Note 6 to the Consolidated Financial Statements)
- Fair value of financial instruments (Note 37 to the Consolidated Financial Statements)
- Subsidiaries (Note 39 to the Consolidated Financial Statements)
- Restrictions on the distribution of profits (Note 43 to the Consolidated Financial Statements)
- Deposit Guarantee Insurance system (Note 44 to the Consolidated Financial Statements)
- Trust activities (Note 45 to the Consolidated Financial Statements)
- Compliance with the requirements of the Argentine Securities Commission (*Comisión Nacional de Valores - CNV*) (Note 46 to the Consolidated Financial Statements)
- Agent for the Custody of Mutual Funds (Note 47 to the Consolidated Financial Statements)
- Accounts in compliance with minimum cash requirements (Note 48 to the Consolidated Financial Statements)
- Penalties imposed on the Bank and administrative proceedings instituted by the BCRA. (Note 49 to the Consolidated Financial Statements)

Note 3 – Significant accounting policies

The Bank has consistently applied the following accounting policies in all the periods presented in these financial statements, except for the new IFRS applicable as of January 1, 2019 and Prisma SA's assessment as stated in Note 5 to the consolidated financial statements.

These financial statements for the year ended December 31, 2019 have been prepared pursuant to IAS 34 "Interim Financial Reporting".

The applied accounting policies are the same that those applied in the preparation of the Consolidated Financial Statements (See Note 5 to the Consolidated Financial Statements), except for that mentioned in the following paragraph.

Investments in subsidiaries

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

Interests in subsidiaries are measured using the equity method. They are initially recognized at cost, which includes transaction costs. After initial recognition, the financial statements include the Bank's share in the profit or loss and OCI of investments accounted for using the equity method, until the date when the significant influence or joint control cease.

Note 4 - Financial assets pledged as collateral

At December 31, 2019 and 2018, the Entity pledged as collateral the financial assets included below:

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Description	12/31/2019	12/31/2018
Transactions with the BCRA	9,046,961	5,779,110
Forward purchases of securities	53,298	32,158
Forward purchases of other repo transactions	290,705	176,573
Deposits as collateral	1,739,365	1,312,511
Total	11,130,329	7,300,352

Note 5 - Repo transactions

The breakdown of this item is detailed in Note 8 to the Consolidated Financial Statements.

Note 6 - Other financial assets

	12/31/2019	12/31/2018
Financial debtors from spot sales of foreign currency pending settlement	6,433	92
Financial debtors from spot sales of government securities pending settlement	-	64,746
Balances to be recovered from claims	23,442	35,739
<i>(Allowance for loan losses - Balances to be recovered from claims)</i>	<i>(23,442)</i>	<i>(35,739)</i>
Other accrued interest receivable	1,944	943
<i>(Other unallocated collections)</i>	<i>(975)</i>	<i>(421)</i>
Receivables from sale of shares held in Prisma SA	1,392,266	-
Accrued interest receivable - Receivables from sale of shares held in Prisma SA	135,469	-
<i>(Allowance for loan losses - Receivables from sale of shares held in Prisma SA)</i>	<i>(1,527,735)</i>	<i>-</i>
Sundry Debtors	1,119,087	1,050,898
<i>(Allowance for loan losses)</i>	<i>(470,600)</i>	<i>(415,489)</i>
Total	655,889	700,769

Note 7 - Loans and other financing

The Bank 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", while 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:

	12/31/2019	12/31/2018
Total loans	246,006,884	214,486,221
Items not included (Loans to staff and other)	(159,443)	(68,915)
(Allowances - Exhibit R)	16,206,623	7,171,613
Adjustment for measurement at amortized cost	3,834,354	2,488,446
Subtotal	265,888,418	224,077,365
Corporate securities - Corporate bonds - Measured at amortized cost (Exhibit A)	73,417	93,374
Corporate securities - Debt securities in financial trusts - Measured at amortized cost	288,370	137,112
Subtotal	361,787	230,486
Other accrued interest receivable	1,944	942
Subtotal	1,944	942
Subtotal	266,252,149	224,308,793

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	12/31/2019	12/31/2018
OFF-BALANCE SHEET ITEMS		
Credit lines granted	2,708,141	1,928,747
Other guarantees granted included in the Debtors' Classification Rules	2,017,350	1,135,117
Other included in the Debtors' Classification Rules	1,483,097	954,498
	6,208,588	4,018,362
Total Exhibits "B" and "C"	272,460,737	228,327,155

The breakdown of Loans and other financing includes the following items:

Description	12/31/2019	12/31/2018
1. To the non-financial public sector	9,070,912	12,455,911
2. To the financial sector	110,782	118,051
3. To the non-financial private sector and residents abroad	253,031,278	209,082,507
3.1. <i>Overdrafts</i>	9,203,488	7,307,991
3.2. <i>Notes</i>	54,690,451	51,173,600
3.3. <i>Mortgage loans</i>	23,765,457	23,822,291
3.4. <i>Pledge loans</i>	4,915,785	3,204,711
3.5. <i>Consumer loans</i>	58,888,474	61,365,476
3.6. <i>Credit cards</i>	41,891,081	25,352,417
3.7. <i>Other</i>	22,591,667	19,025,532
3.8. <i>Accrued interest, adjustments and quotation differences receivable</i>	41,284,714	20,631,320
3.9. <i>(Unallocated collections)</i>	(55,537)	(24,267)
3.10. <i>(Documented interest)</i>	(316,000)	(313,288)
3.11. <i>IFRS adjustment</i>	(3,828,302)	(2,463,276)
4. (Allowances - Exhibit R)	(16,206,088)	(7,170,248)
Total	246,006,884	214,486,221

Exposure to the public sector

The Bank has a considerable exposure to the Argentine public sector, through rights, 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 Bank.

The breakdown according to type of financing and main components of the Public Sector at December 31, 2019 is shown below:

ITEM	NATIONAL	PROVINCIAL	MUNICIPAL	TOTAL
SECURITIES	28,487,843 ⁽¹⁾	12,804,485 ⁽²⁾	-	41,292,328
LOANS	224,578	8,224,381	621,953	9,070,912
GUARANTEES	108,403	-	71,880	180,283
OTHER	42,432	404,497	206	447,135

(1) Includes 28,739 from NASA Financial Trustee (See Exhibit "A")

(2) Includes 5,250 from Class A Fuerza Solidaria Trust Fund Participation Certificate. (See Exhibit "A")

Likewise, at December 31, 2019, the Bank recorded instruments issued by the BCRA for \$70,157,050 (See Exhibit "A").

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Note 8 - Income tax

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

Note 9 - Property and equipment

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

Note 10 - Intangible assets

The breakdown of this item is shown in Exhibit "G" included in these financial statements.

Note 11- Investment in subsidiaries, associates and joint ventures

The Bank has investments in entities over which it has a significant influence or control and, therefore, measures them using the equity method. The breakdown of this item is shown in Exhibit E included in these financial statements.

Note 12- Deposits

The information on concentration of deposits is presented in Exhibit H.

The breakdown of this item is as follows:

Description	12/31/2019	12/31/2018
1. Non-financial public sector	101,291,024	132,638,649
2. Financial sector	566,302	447,244
3. Non-financial private sector and residents abroad	349,589,488	281,866,281
3.1. <i>Checking accounts</i>	39,835,731	28,329,117
3.2. <i>Savings accounts</i>	146,551,024	115,099,334
3.3. <i>Fixed-term deposits</i>	141,048,821	127,491,724
3.4. <i>Investment accounts</i>	10,935,625	2,581,292
3.5. <i>Other</i>	5,944,843	3,703,866
3.6. <i>Interest and adjustments</i>	5,273,444	4,660,948
Total	451,446,814	414,952,174

Note 13 - Corporate bonds issued

The information on Corporate Bonds issued by the Bank is detailed in Note 19 to the Consolidated Financial Statements.

Note 14- Capital

As mentioned in Note 23 to the Consolidated Financial Statements, the capital subscribed and paid in by Banco de la Provincia de Buenos Aires amounts to \$1,250,000.

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Note 15- Interest Income

	12/31/2019	12/31/2018
Cash and deposits in banks	-	76
Corporate securities	5,644	6,087
Government securities	7,628,944	7,716,544
Other financial assets	1,420,937	811,270
Loans and other financing	74,024,574	54,368,365
. To the financial sector	37,827	26,411
. Overdrafts	1,212,544	839,855
. Notes	15,124,437	10,183,399
. Mortgage loans	18,222,035	11,195,789
. Pledge loans	680,224	521,257
. Consumer loans	32,400,075	28,023,747
. Credit cards	4,562,792	2,325,318
. Financial leases	40,928	32,545
. Other	1,743,712	1,220,044
Repo transactions	1,337,540	423,806
. Argentine Central Bank	1,336,556	389,965
. Other financial institutions	984	33,841
Public debt securities	25,074	5,393,737
TOTAL	84,442,713	68,719,885

Note 16 - Interest expenses

	12/31/2019	12/31/2018
Deposits	84,950,545	41,432,025
. Savings accounts	651,610	373,431
. Time deposits and term investments	69,721,597	36,524,129
. Other	14,577,338	4,534,465
Repo transactions	35,437	64,283
. Other financial institutions	35,437	64,283
Other financial liabilities	7,546,797	3,647,743
TOTAL	92,532,779	45,144,051

Note 17 - Commission income

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

	12/31/2019	12/31/2018
Linked to liabilities	2,045,588	1,770,704
Linked to credits	1,229	-
Linked to loans and financial guarantees	1,848	2,180
Linked to securities	45,781	58,984
From credit cards	13,677,209	8,306,570
From insurance	593,430	523,669
From foreign trade and foreign currency transactions	318,180	170,783
TOTAL	16,683,265	10,832,890

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Note 18- Commission expenses

	12/31/2019	12/31/2018
Paid to Red Link	1,018,697	502,392
Linked to clearing services	193,826	134,170
Paid to Grupo Banco Provincia	130,654	114,393
From foreign trade and foreign currency transactions	192,834	79,049
Paid to Caja de Valores	46,871	23,190
Other	139,813	125,059
TOTAL	1,722,695	978,253

Note 19 - Net income/(loss) from measurement of financial instruments at fair value through profit or loss.

	12/31/2019	12/31/2018
Income/(loss) from government securities	64,094,885	15,060,128
Income/(loss) from corporate securities	1,458,570	(248,631)
Income/(loss) from derivative financial instruments	411,985	(14,323)
. Forward transactions	411,985	(14,323)
TOTAL	65,965,440	14,797,174

Note 20- Other operating income

	12/31/2019	12/31/2018
Allowances reversed	1,050,194	496,086
Other adjustments and interest on miscellaneous receivables	572,457	182,205
Safe deposit box rental	529,738	352,166
Commissions collected from Red Link	512,590	260,503
Commission collected from ATMs	279,337	163,224
Commission collected from suppliers	225,791	33,694
Receivables recovered	224,099	360,430
Commissions for check collection management	187,147	124,866
Penalty interest	167,023	106,325
Commission for online Datanet transfer	164,766	118,021
Commissions for Direct Payment	145,737	110,240
Commissions for clearing services - Provincial public sector	134,530	70,907
Commissions on inter-branch cash transactions	134,166	117,153
Adjustments on other miscellaneous receivables with CER index	126,494	-
Income from derecognition or significant change in financial liabilities	113,164	4,052
Commissions for prepayment of loans	70,633	132,581
Income from sale of investment property and other non-financial assets	37,169	51,696
Leases	11,082	13,028
Income from other receivables from financial brokerage	8,668	4,272
Income from sale of property, plant and equipment.	-	499
Other	1,021,587	480,412
TOTAL	5,716,372	3,182,360

Note 21- Personnel benefits

	12/31/2019	12/31/2018
Payroll	22,653,897	14,142,804
Social security taxes	4,947,607	3,173,437
Compensation and bonuses to personnel	415,915	215,751
Personnel services	495,132	271,415
Other short-term personnel benefits	1,494,943	1,222,517
Post-employment benefits - Defined contributions	7,784,000	5,715,476
Post-employment benefits - Defined benefits	759,622	154,799
TOTAL	38,551,116	24,896,199

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Note 22- Administrative expenses

	12/31/2019	12/31/2018
Travel and entertainment expenses	137,721	91,528
Administrative services hired	807,418	532,482
Security services	862,494	649,249
Directors' and Syndics' fees	91,682	55,016
Other fees	1,259,553	826,895
Insurance	64,042	35,431
Leases	116,504	163,546
Office supplies and stationary	224,650	127,342
Electricity and communications	563,424	413,768
Advertising and publicity	1,146,533	933,714
Taxes	105,001	90,697
Maintenance costs	2,211,618	1,415,278
Other	959,913	1,016,165
TOTAL	8,550,553	6,351,111

Note 23- Other operating expenses

	12/31/2019	12/31/2018
Charges for other allowances	5,476,197	1,151,717
Direct marketing	4,516,337	2,093,158
Regularization of loan - Art. 9 ⁽¹⁾	3,764,358	-
Visa Argentina - MasterCard processing charges	1,363,116	743,562
Income from initial recognition of loans	1,204,611	621,553
Other contributions on financial income	1,011,971	759,993
Life insurance on financing	820,817	801,212
Contributions to the Deposits Guarantee Fund ⁽²⁾	740,469	501,293
Income/(loss) from refinancing of financial assets	531,747	-
Other contributions on income from services	380,777	242,851
Donations	216,586	144,127
Charges for onerous contracts	33,130	56,712
Other contributions on miscellaneous income	14,763	5,770
Interest on lease liabilities	11,775	-
Loss for sale or impairment of property, plant and equipment	2,001	1,979
Penalty interest and charges in favor of the Argentine Central Bank	36	6,323
Loss for sale or impairment of investment property and other non-financial assets	8	13
Other	2,310,707	2,054,026
TOTAL	22,399,406	9,184,289

(1) Note 10 to the consolidated financial statements

(2) Note 44 to the consolidated financial statements

Note 24 - Related parties

There follows a breakdown of the financial assistance, deposits and transactions with related parties at December 31, 2019 and 2018, respectively:

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	MAXIMUM BALANCE AT 12/31/19	BALANCE AT 12/31/2019	MAXIMUM BALANCE AT 12/31/2018	BALANCE AT 12/31/2018
Cards	2,682	2,432	1,546	1,546
Overdrafts	115,043	101,306	111,337	111,337
Loans	-	-	277	258
Notes	491,720	432,236	571,344	534,720
Other	7,685	7,685	2,048	1,856
TOTAL LOANS ⁽¹⁾	617,130	543,659	686,552	649,717
Savings accounts	3,174	3,174	8,367	8,367
Checking accounts	173,854	173,854	442,215	442,215
Fixed-term deposits	2,521,811	2,521,811	3,090,650	3,090,650
TOTAL DEPOSITS	2,698,839	2,698,839	3,541,232	3,541,232
CORPORATE BONDS	684,253	684,253	313,342	313,342

(1) Includes key management personnel at December 31, 2019 and 2018.

Loans and deposits with related parties have been carried out under market conditions. Balances of loans granted are classified under normal performance at December 31, 2019 and 2018 pursuant to the provisions and allowance rules issued by the BCRA.

Note 25 - Additional information to the Statement of Cash Flows

The Statement of Cash Flows reports the changes in cash and cash equivalents derived from operating, investing and financing activities during the fiscal year. To present the Statement of Cash Flows, the Bank has decided to use the indirect method for Operating Activities and the direct method for Investing and Financing Activities.

When preparing the Statement of Cash Flows the following definitions have been used:

- Operating activities: The typical activities of the Bank and other activities that cannot be classified as investing or financing activities.
- Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the Bank's net worth and of liabilities that do not form part of operating or investing activities.

Note 26 - Events subsequent to year-end

No other events or transactions have occurred between the closing date of the fiscal year and the date of issuance of these financial statements that may materially affect the Entity's financial position or results at December 31, 2019.

See our report dated
February 27, 2020
KPMG

Héctor O. Rodríguez
General Accountant

Rubén O. González Ocantos
General Manager

Juan M. Cuattromo
President

(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
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Taxpayer Registration
Code: 27-21506212-6