

BANCO PATAGONIA S.A.

MINUTES OF BOARD MEETING No. 2705 (02.15.17): A meeting of the Board of Directors of BANCO PATAGONIA S.A. was held at Avenida de Mayo 701, 27th floor, City of Buenos Aires. The undersigned Directors were present at the meeting. It is hereby stated for the record that Mr. Carlos Alberto Araujo Netto was attending through means of simultaneous transmission of sound, images and words, in accordance with the provisions of section twelve of the Bylaws and regulations in force, delegating their signature to this Act on Mr. João C. De Nobrega Pecego. Also present was Ms. Mónica María Cukar, on behalf of the Statutory Audit Committee. At 03:15 p.m. a quorum was present, and the President stated that the meeting, having been duly convened, was to discuss several aspects related to the Company's activities. Extensive discussion ensued on various matters and the following Agenda was to be discussed:

I. Items to be Discussed

1. Consideration of Financial Statements corresponding to the Company's fiscal year beginning on January 1 and ending on December 31, 2016, the Independent Auditors' Report, the Statutory Audit Committee's Report, and the Management Report under CNV Rules, Title IV, Chapter III, section 4, as amended.
2. Consideration of the Annual Report corresponding to fiscal year ended as of December 31, 2016, including the Report on the degree of compliance with the Code of Corporate Governance.
3. Audit Committee - CNV 's Report, in compliance with the provisions of Act N° 26,831, section 110, and CNV Rules, Title II, Chapter III, section 18, paragraph C, as amended.

I. Items to be Discussed

1. CONSIDERATION OF FINANCIAL STATEMENTS CORRESPONDING TO THE COMPANY'S FISCAL YEAR BEGINNING ON JANUARY 1 AND ENDING ON DECEMBER 31, 2015, THE INDEPENDENT AUDITORS' REPORT, THE STATUTORY AUDIT COMMITTEE'S REPORT AND MANAGEMENT REPORT UNDER CNV RULES, TITLE IV, CHAPTER III, SECTION 4, AS AMENDED:

The President, informed that Banco Patagonia S.A. balance sheet corresponding to the Company's 93rd fiscal year, ended on 12.31.2016, and the related statements of income, of changes in shareholders' equity and cash flows, and their equivalents, and the Consolidated Financial Statements for the fiscal year ended as of that date, with their corresponding notes and exhibits, had been distributed in advance to the Directors and Statutory Auditors, under regulations in force. Also informed that, in accordance with current CNV Rules Title IV, Chapter III, section 4, as amended, a draft Management Report as of 12.31.16 had been requested to the Administration Manager. Also explained that said Report consisted of a summary of the Bank's activities and the main accounts in the Balance Sheet. The President updated the attendees that under BCRA (Central Bank of Argentina) standards, the balance sheet, statement of income, statement of changes in shareholders' equity and cash flows, and their equivalents, as of 12.31.2015, and the Exhibits that specify so, are presented with comparative balances as at end of prior year. The documents to be discussed in the meeting result from the entries made on the Company's accounting books, kept in accordance with current legal regulations, and from supporting documents. Considering the above and, the fact that the officers present at the meeting are familiar with the above-mentioned documents, the President proposed that transcription of said documents in the Minutes was omitted and that said documents were approved. Extensive discussion ensued on several aspects related to the information included in the above-mentioned Financial Statements, after which the motion was unanimously approved.-----
Next, Mr. President submits for consideration by the attendees the Independent Auditors' Report on the statements just approved. After some discussion, the Report is acknowledged and its transcription in these minutes is resolved:

“INDEPENDENT AUDITORS’ REPORT ON FINANCIAL STATEMENTS

To the President and Directors of
Banco Patagonia S.A.
Legal address: Av. de Mayo 701, 24th Floor
Taxpayer Identification Number (C.U.I.T.): 30-50000661-3
City of Buenos Aires

Report on the financial statements

We have audited the accompanying interim financial statements of Banco Patagonia S.A. (“the Bank”), which include the statement of financial position as of December 31, 2016, the statements of income, changes in shareholders’ equity and cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 32, and Exhibits A, B, C, D, E, F, G, H, I, J, K, L, N, and O presented as supplementary information. We have also audited the accompanying consolidated financial statements of Banco Patagonia S.A. and its subsidiaries, which include the consolidated statement of financial position as of December 31, 2016, and the consolidated statements of income and cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 9, and Exhibit 1, which are presented as supplementary information.

The figures and other information for the fiscal year ended December 31, 2015 are an integral part of these financial statements and should be read in conjunction with the figures and information for the current fiscal year.

Board of Directors' and Management's responsibility for the financial statements

The Board of Directors and Management are responsible for the preparation and fair presentation of the accompanying interim financial statements in accordance with the accounting standards established by the Argentine Central Bank ("BCRA"), and for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of financial statements that are free from material misstatement.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE" is the acronym in Spanish) and the "Minimum Standards applicable to External Audits" set forth by the B.C.R.A. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures on a selective test basis to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Patagonia S.A. as of December 31, 2016, the results of its operations, the changes in equity and cash flows and cash equivalents for the fiscal year then ended, as well as the consolidated financial position of Banco Patagonia S.A. and its subsidiaries as of December 31, 2016, and the consolidated results of operations and cash flows and cash equivalents for the fiscal for the fiscal year then ended in conformity with accounting standards established by the B.C.R.A.

Emphasis paragraph

Without modifying our opinion, we draw users' attention to the information presented in Note 3 to the accompanying standalone financial statements, where it is stated that such financial statements have been prepared by the Bank's Board of Directors and Management in compliance with the accounting standards set forth by the BCRA, which differ in terms of certain valuation and presentation criteria from the professional accounting standards in force in the City of Buenos Aires, Argentina, described in Note 3.

Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

- a) the accompanying financial statements have been transcribed into the Inventory Book, and arise from the Bank's accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force. The information systems used to generate the information included in the financial statements are kept under the security and integrity conditions based on which they were duly authorized;
- b) we have performed the anti-money laundering and terrorist financing procedures set forth by the applicable professional standards issued by the FACPCE;
- c) as of December 31, 2015, the Bank records the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV), as mentioned in Note 15 to the accompanying standalone financial statements;
- d) the accompanying consolidated financial statements have been prepared by the Bank's Board of Directors and Management, in their significant aspects, in compliance with consolidation standards set forth by Communications "A" 2227 and 2349 of the BCRA, which are disclosed in notes 1 to 8 to such consolidated financial statements;
- e) as of December 31, 2016, there is no evidence of noncompliance with the significant aspects of the monetary and technical regulations set forth by the BCRA in relation to information provided to the BCRA on consolidated bases;

- f) we have reviewed the reporting summary (sections “Relevant aspects”, “Consolidated financial position”, “Consolidated statement of income”, “Consolidated statement of cash flows”, “Main indicators” and “Additional information required by section 12 of chapter III, title IV of CNV regulations”), based on which, as far as it relates to our area of responsibility, we have no observations;
- g) as of December 31, 2016, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records of amounted to \$ 69.902.335, no amounts being due as of that date; and
- h) as required by article 21, paragraph e, Section VI, Chapter III, Title II of NT 2013 of the CNV, we report that:
 - the ratio between the total audit services provided by us for the issuance of independent auditors’ reports and other special-purpose or attest reports on accounting or financial information invoiced to the Bank and the total amount invoiced to the Bank during the year ended December 31, 2016 is 99%;
 - the ratio between the total audit services invoiced to the Bank and the total audit services invoiced to the Bank and its subsidiaries and related companies is 77%; and
 - the ratio between the total audit services invoiced to the Bank and the total amount invoiced to the Bank and its subsidiaries and related companies, including audit services, is 76%.

City of Buenos Aires, February 15, 2016. KPMG, C.P.C.E.C.A.B.A. – T° 2 – Fo. 6. Marcelo A. Castillo, Partner, Public Accountant (U.B.A.),C.P.C.E.C.A.B.A. T° CLXIX F° 52.”

Next, the attending Statutory Auditor, Ms. Mónica Cukar, on behalf of the Statutory Audit Committee, stated that after reviewing Banco Patagonia S.A. documents relative to fiscal year No. 93, ended on 12.31.2016, including the Annual Report, said Committee issued their report, as follows:

“STATUTARY AUDIT COMMITTEE’S REPORT

To the Shareholders and Directors of
BANCO PATAGONIA S.A.
Legal address: Avda. de Mayo 701, Floor 24
City of Buenos Aires

1. Report on the financial statements

We have examined the inventory book and the accompanying statement of financial position of BANCO PATAGONIA S.A. (the “Bank”) as of December 31, 2016 and the statements of income, changes in shareholders’ equity, cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 28, and Exhibits A to L, N and O. We have also examined the accompanying consolidated statement of financial position of Banco Patagonia and its subsidiaries, indicated in Note 1 to the consolidated financial statements as of December 31, 2016, and the consolidated statement of income, and cash flows and cash equivalents, Notes 1 to 9 and Exhibit 1, which are presented as supplementary information, the Letter to Shareholders and the Report on Compliance with the Code of Corporate Governance.

The figures and other information for the fiscal year ended December 31, 2016 are an integral part of these financial statements and should be read in conjunction with the figures and information for the current fiscal year.

2. Board of Directors’ and Management’s responsibility

The Board of Directors and Management are responsible for the preparation and fair presentation of the financial statements detailed in paragraph 1 in accordance with the accounting standards established by the Argentine Central Bank (“BCRA”). This responsibility includes designing, implementing and maintaining proper internal control so that the financial statements are free from material misstatements, whether due to fraud, omission or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

3. Statutory Audit Committee’s responsibility

Our examination was made in compliance with the standards in force governing the Statutory Committee’s duties. These standards require that the financial statements be examined according to effective auditing standards, including the verification of the consistency of the documentation examined with the information on corporate decisions recorded in the minutes of meetings, as well as the compliance of such decisions with the law and the bylaws in their formal and documentary aspects. In order to perform our professional work in relation to the documents detailed in paragraph 1, we have reviewed the audit performed by the external auditors of the Bank, KPMG, member firm of KPMG International, in accordance with the auditing standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences

(FACPCE) and the “Minimum Standards applicable to External Audits” set forth by the BCRA, having issued an unqualified opinion on February 15, 2017.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures on a selective test basis to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the Bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by Management, as well as evaluating the overall financial statement presentation.

As a management control is outside the scope of the Statutory Audit Committee’s responsibilities, we have not evaluated the business criteria and decisions taken by the Bank’s different areas, since it is the exclusive responsibility of the Company’s Board of Directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Conclusion

Based on our work and on the report dated February 15, 2017, issued by Marcelo A. Castillo (Partner of KPMG, member firm of KPMG International), in our opinion, the financial statements detailed in paragraph 1 present fairly, in all material respects, the financial position of BANCO PATAGONIA S.A. as of December 31, 2016, the results of its operations, and cash flows and cash equivalents for the fiscal year then ended, in conformity with accounting standards established by BCRA.

5. Other accounting matters

The financial statements detailed in paragraph 1 have been prepared by the Bank’s Board of Directors and Management following BCRA’s regulations, which implies a departure from the professional accounting standards in force in the City of Buenos Aires, as described and quantified in Note 3 to the accompanying standalone financial statements.

6. Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

- a) In exercise of our legal supervision duties, during the fiscal year ended December 31, 2016, we have performed the remaining procedures set forth in section 294 of Law 19550 that we considered necessary in accordance with the circumstances including, among others, whether the directors’ bond has been posted and maintained, and we have no observations to make.
- b) The financial statements of BANCO PATAGONIA S.A. detailed in paragraph 1 arise from the accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force, the regulations of the BCRA. and Resolution No. 4810/EMI of the Argentine Securities Commission (CNV) dated October 21, 2008, and have been transcribed into the Financial Statements Book. Inventories are recorded in the Inventory Book.
- c) We have reviewed the “2016 Annual Report” and have no comments to make as far as it relates to our area of responsibility and report that the statements regarding future events remain the exclusive responsibility of directors. As regards the Report on Compliance with the Code of Corporate Governance issued by the Bank’s Board of Directors pursuant to article 1, paragraph a.1), Chapter 1), Section I, Title IV of CNV rules (as amended in 2013), which will be filed with such body as an exhibit to the Letter to Shareholders, we report that, based on our analysis, there is no evidence indicating that the information provided by the Board of Directors to the Statutory Audit Committee and included in the aforementioned report is not true.
- d) In compliance with article 105, Law No. 26831 and articles 21 – Section VI, Chapter III, Title II – and 4, paragraph d) – Section III, Chapter I, Title XII of the CNV. rules (as amended in 2013) – on the independence of external auditors and the quality of the auditing standards applied and of the Bank’s accounting policies, the external auditors’ report mentioned in paragraph 4 above includes a representation that the auditing standards in force in the Republic of Argentina, which contain the independence requirements, have been applied, and does not contain any qualifications as to the application of these standards.
- e) As far as it relates to our area of responsibility, we have no significant observations to make in relation to the information included in Note 16 to the accompanying financial statements as of December 31, 2016 regarding the minimum shareholders’ equity and counterparty required by the Argentine Securities Commission (CNV).

- f) We have performed the anti-money laundering and terrorist financing procedures set forth by the applicable professional standards issued by the FACPCE of the City of Buenos Aires, Republic of Argentina.

City of Buenos Aires, February 15, 2017. On behalf of the Statutory Audit Committee: Mónica M. Cukar - Statutory Auditor, Public Accountant (UBA) C.P.C.E.C.A.B.A. Vol 147 – Fo. 66.”-----

2. CONSIDERATION OF THE LETTER TO THE SHAREHOLDERS CORRESPONDING TO THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2016, INCLUDING THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE’S REPORT:

The President, then explained that the Financial Statements corresponding to the 92nd fiscal year ended on 12.31.2016 having been approved, the Letter to the Shareholders, which includes the Compliance with the Corporate Government Code’s Report, for the year ended as of that date should be considered. Therefore, the President presented the Letter to the Shareholders to the Board for consideration and stated that the Directors and Statutory Auditors were familiar with the contents thereof since the document had been distributed in advance. Next, the President proposed that the Letter to the Shareholders be considered as read and approved, and fully included in the Minutes of the meeting. After extensive discussion, the Letter to the Shareholders was unanimously approved as per the following text:

BANCO PATAGONIA

ANNUAL REPORT 2016

To our Shareholders, In compliance with legal and statutory provisions in force, the Board of Directors of Banco Patagonia S.A. submits the documentation corresponding to the 93rd corporate financial year ended on December 31, 2016 to the Shareholders for their consideration, which consists of the Annual Report, Balance Sheet, Profit and Loss Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flow and Cash Flow equivalents, the complementary notes, exhibits and Table I, Profit Distribution Proposal, Report of the Independent Auditors and Report of the Statutory Audit Committee. Señores Accionistas.

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1. ECONOMIC AND FINANCIAL SYSTEM CONTEXT

Economic Perspective of the World

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In 2016, world economy has grown 3.1%, according to estimations of the *International Monetary Fund (IMF)*, presenting a slight slowdown in comparison the previous year and remaining, for the fifth consecutive year, in a range of modest expansions of between 3% and 3.5%.

The emerging and developing economies continued to be the main drivers of the global growth, rising 4.1% and keeping the slowest pace since 2009 (and since 2001, with the exception of the 2009 global crisis), and, at the same time, the advanced economies, as a whole, slowed down to 1.6%, compared to figures nearest to 2% over the previous two years.

While the expansion of the relatively less developed economies is far from show the characteristic robustness of the early years of this century, meant the conclusion for a declining track which had been facing since 2010. The continued policies of fiscal incentives and in infrastructure of China, along with the increase of credit and the dynamism of the real estate sector in that country, helped to stabilize the growth rate of your economy in decline since 2009, and thus to sustain the expansion of these markets. In addition to this, the recuperation in the growing of the developing nations of the Middle East (despite some well-known exceptions like Turkey, whose tourism revenue suffered from a severe slowdown), offset a negative dynamic (-0.7%) in the Latin-Americans countries as a whole, where was emphasized contraction in Brazil's Gross Domestic Product (GNP) of (-3.5%) and a moderation in the growth of México (2.6% a 2.2%).

The lower growth recorded in the advanced economies was explained fundamentally by the decrease in the evolution of the U.S.'s GNP (since 2.6% in 2015 to 1.6% in 2016) and, to a lesser extent, by lower expansions of Japan and United Kingdom, while the majority of the remaining advanced economies show a development a bit more dynamic that which had been exhibited in 2015. However, the previous was not homogeneous throughout 2016, warning that the strong improvement of the US economy by the middle of the year. Such event, along with proximity to full employment and an inflation rate on the rise, helps to explain the increase of interest rates applied by Federal Reserve (FED) in December (for the second time in a decade), given birth to a new cycle of gradual increases in types of interest rate, already expected by the market. Initially has been recorded a notorious market volatility, including an abrupt rising in the yield of the 10-year American sovereign bonds. However, through to year-end the markets were making a gradual recovery and appeared signs of debt normalization in the global market. In addition to this, the stock markets did not show pernicious effects, but held his upward trend.

In the second half of the year, the combination between the recuperation of the largest economy in the world with the increase of rates and prospects for future changes in the economic orientation of its fiscal and commercial policies, gave rise to a widespread advance in the quotation of the US dollar as compared to other foreign currency, in the majority of the cases rather than retreating certain reverse trend that had prevailed in the first half of 2016. The event affected not only the emerging currencies, but also the advanced economies, like the Euro (after to increase 2% as compared to US Dollar in the first half of the year, lost more than 5% in the second half of the year). It was remarkable the case of the Yen, whose increase of 3% in 2016 hide a sharp reversal in the second half of the year, after rose to over 16% as compared to US Dollar in the first half of the year. Also, the pound sterling was affected by the announcement of the UK exit to Eurozone and was decreased in its quotation more than 16% in 2016. The case of Real was different of the said cases aforementioned, increasing over 20% as compared to dollar in 2016.

In the *commodities* market, the conjunction of greater vigor of the US economy, the effects derived of the changes in its economic plan, the stabilization of the expansion of China and the broad-based rise of the dollar, has repercussions very differentiated in commodity prices. While the oil, after to achieve in the first two months of their threshold levels in more than a decade, rebounded vigorously throughout the rest of the year, to close 2016 with an increase of more than 40%, wheat and corn fell more than 10% in 2016, while the soy showed a slight recovery. In reference to metals, highlights, a product of the signs for a biggest investment in infrastructure in U.S., a clear impetus for the quotations linked to such works, like the copper. In this case, up until October, the price of the metal showed a notorious stability but, as of November, improved about 30%.

Economic Perspective of the Republic of Argentina

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In this external frame of volatility and uncertainty, the economic activity of the Argentine Republic experienced an unfavorable performance, characterized by a real contraction of the GDP around 2,5% in relation a 2015, with signs of reactivation in the last part of the year. The recessive dynamic is explained due to retraction of the consumption, as a product of the reduction of the purchasing power of the wage bill, in a context marked by restrictive conditions in the labor market and increases in wages lower than the inflationary scheme. Indeed, considerable upward revisions in fees on public services throughout 2016, along with the high depreciation of the exchange rate in late December 2015, after the lifting restrictions on foreign exchange, impelled the general level of prices of the economy, whose rise stood at almost 40% in the metropolitan area of Buenos Aires and nearing 35% in the provinces. While said upturns are the larger since 2002, the core component of the inflation (obtained by discounting the effect of the seasonal and regulated prices) has an inferior upturn (35.2% in the City of Buenos Aires). In the second part of the year, the inflation has decelerated significantly, rising in these six months at an annualized rate below the 19%. In addition to this, influenced the reversals that became apparent by the sector of the construction industry - a product of the collapse of the public work arising from the review of the contracts signed by the outgoing authorities - and the Industrial industry were undermined by the low domestic demand and the decrease in manufacturing requirements by the Brazil manufacturing activity.

The private investment felt the effects of the context outlined, could not be established as a dynamic axis of the economy, throughout the year. Exports, meanwhile, are disadvantaged by reduced international prices, plus the quantities sent abroad grew on arrival at the better record since 2013 at the mercy of increased sales of the agribusiness sector.

Regarding the tax policy, it was appreciated an expansive fiscal trend that, together with tax benefits granted and the lowest level of the economic activity, lead to an expansion of the current fiscal deficit . From the point of view of the collection, the new economic management promoted downturn in the tax charges on productive activities, first, and on job sector secondly. The main instruments of economic policy used were the suppression or reduction of the aliquots of the Export Rights for agricultural, mining and industrials products, and the updating of the minimum nontaxable of the Income tax. Therefore, joint action of the measures referred meant a lower tax collection around 2 percentage points of the GNP. Likewise, the National Government set mechanisms to Federal Tax Sharing System that received the National Social Security Administration (ANSeS, Administración Nacional de la Seguridad Social) is returned to provinces, as well as promoted a greater transparency of the fiscal accounts with the recognition as extra resources deriving from said agency and Central Bank (BCRA).

From the standpoint of the outlays made by the National Public Sector, it was noted an increase of the total primary expenditure (+38.2%) above the growth of the primary income (+35.1%). Thus, the recurrent fiscal deficit (without considering the extraordinary profits derived of the Tax Amnesty Program) introduced a similar dynamics as compared to same variable. In the same way, and affected by greater disbursements associated with debt interests (+53%), the financing gap closed 2016 around 8% of the product. Current transfers and the Social Security benefits were the main drivers that explained the deteriorating of the fiscal position, since the public investment, represented by expenses of capital, introduced a significant decline in real terms, under the stagnation of the public work that would begin to recover near year end. It implies that the evolution mentioned, probably, it was more associated with the definition of to limit the downturn, on one side, and the need to manage the restrictions imposed by the economy policy in a context of political minority, on the other side. In this context, can be explained the launch of Historical Reparation of the Retirees and Pensioners Wages, in order to solve the lag at the existing levels, through adjustments to upturn in income received. Against this, the new administration announced that will seek to stem substantially the tax deficit over the medium term.

To expand the funding sources of the fiscal gap, the National Government reached an understanding with holders of the public debt instruments in foreign currency in default (*holdouts*) favoring the restoration of conditions for access to international credit and reduced substantially the premium of risk country. In this way, the debt issuance in dollars (nearly US\$ 20 billion) along with emissions intended for local economic operators, to help offset the drop in revenue, enjoying the wide margin of indebtedness available in correlation to its meagre obligations of the Public Sector as compared to GNP.

In this line, the National Government provided measures and policies aimed to improve the business environment and the trust of the market players, for the purpose to reconstitute the investment levels of the private sector. An important milestone of this measures and policies was the restitution of the General budget of the National Administration as planning instrument, geared towards the acquisition, by the economic agents, for a more comprehensive view on the procedures of the public sector. Linked to this, it was set up targets (boundaries) in the funding received by the National Treasury from the BCRA, said margin has become one of the pillars to Monetary Authority could announce in September that, with effect from January 2017, would enter into force an Inflation Target Regime. In this sense, it was improved the strictness and credibility of the government statistics (GNP, price index, poverty, unemployment and external sector, among other indicators).

Argentine financial system and Capital market

In 2016, the performance of the capital market and the financial system of Argentina was strongly influenced by changes of the macroeconomic framework. By the end of 2015, the private production and employment recorded stayed in similar levels as in 2011 and the foreign trade volumes had fallen sharply. The diagnostic prepared by the National Government focused on the restrictions prevailing for access to foreign exchange, the appreciation of the exchange rate, the tax pressure, the difficulties around international trade and the uncertainty generated by widening public finance and monetary imbalances as the main causers of the economic stagnation in a context of reduced access to international financial markets.

In such a situation, the main features of the new macroeconomic regime were: the normalization and unification of the exchange market (adoption of a managed floating scheme); the reduction or elimination of taxes on exports and the flexibilization of trade limitations; the announcement of a fiscal program, that has included reductions in the current transfers (subsidies) to private sector; the reorientation of the monetary policy towards independence of the BCRA, established a primary objective to combat inflation through a monetary scheme centered, firstly, in a control of monetary aggregates and after a gradual migration towards Inflation Target Regime; and the reopening of access to the international financial markets. On the other hand, in the second half of the year, the National Government implemented, after the approval of Tax Amnesty Program, an exceptional regime prone to volunteer exteriorization of holding undeclared assets, whose result achieved to be the most successful of the economic history of the country and the most important in the world. Indeed, by the end of 2016, submissions by the equivalent of more than US\$ 90 billion, with a tax collection directly related to the mechanism of about ARS 107 billion, has been already received.

The positive effect of the action in the expectations of recuperation of the economy allowed improvements in the Argentinian financial asset prices. The regularization of the public debt allowed notorious decreases in the risk associated with government bonds of Argentina (including improvements in the rating of the sovereign debt), facilitating the reinsertion of Argentina in the international markets and the normalization of the sovereign debt curve slope. In April, once obtained an agreement in principle with creditors, there were issued four bonds with term between 3 and 30 years by US\$ 16,5 billion, in order to fundraising for the realization of the settlement reached with debt holders. Subsequently, in July, it was carried out the placement of two new bonds, with terms of 12 and 20 years for a total of US\$ 2.75 billion, whose product should be used to carry out volunteer repurchase of marketable securities linked with the GNP. The greater openness to international markets of volunteer debt allowed diversifying the funding sources and implementing transactions prone to improve the financial profile seizing the international environment of downturn interest rates to historic level.

The suppression of the exchange restrictions has contemplated the progressive annulment of various regulations on the access of the economic agents to current foreign exchange until then. Despite the openness to a greater demand (taking into account the suppression of the calendars of repatriation of earnings and of external commercial debts repayment), the offer related to the revenue from settlements of the agribusiness sector, the financial investment and the foreign currency sales of companies, various public bodies (including national and provincial tax authorities), and privates entities that accessed to external funds to finance its needs in pesos, lead to a market usually offered, with the exchange rate ARS/US\$ closing 2016 in 15.85, which implies a variation below the 22% as compared to close of the previous year (although the variation rises to 38,5% when comparing the average in December of each year). Another direct consequence liberalization of the exchange rate was the almost total disappearance of the international currency transaction gaps (between informal and formal exchange rate). While the gap with the informal exchange rate ended the year 2016 around 6%, a substantially higher level than that had occurred throughout the year (the annual average amounted to 3%), this level is not only below about 10% for the end of 2015, but is also very far from the spectrum of 40 to 70% that had occurred in the most of the said year (until 12/17/15, date of the unification of the exchange rate).

The renovation favorable in the expectations about the future evolution of the economic activity was reflected in the upward trend of the Buenos Aires Stock Exchange's leading index (MERVAL), reaching a record level in October. The index closed 2016 with a 45% gain, measurement into national currency, overcoming the variation of the general level of prices and reached the larger effective volume negotiated over the past 15 years, in both peso and US dollar terms.

In terms of banking market, the raft of measures aimed at reducing macro-economic imbalances involved changes for the financial system's actions, it is estimated that it will grow up over time. The disinflation and the real positive passive interest rates, along with conditions that foster an increased competition, it began in 2016 to generate incentives in order for entities to restructure their business models, in a setting where the actual amount of financial intermediation dropped in the first place, beginning its recovery in the second half of the year.

In February, it was forced to increment the rates of their debt instruments (LEBACs), reduced by the end of 2015 and at the beginning of 2016, since around the middle of the second quarter the BCRA began, in concomitance with the decrease expected in the inflation, a process of gradual reduction therein, in both swap transactions fees and LEBACs, that led to downward adjustment in the deposit rates of the financial system. In this way, the rates which remunerate wholesale deposits (BADLAR) ended 2016 around 20%, experiencing a declination of around 10 percentage points regarding the end of the previous year. Meanwhile, the market lending rates were less sensitive to downward that the deposit rates, in particular to those concerned with the domestic consumption financing. As an example of this, the rate on personal loans ended 2016 around 39%, only about 2 percentage points below of the close of the previous year.

Relative inflexibility to downward of the lending rates, together with stagnation of the economy, employment levels in decline and damaged real wages, resulted in a lower dynamism of the loans for private sector that, as occurred in recent years, has the consumer lending as a component more dynamic. In 2016, lending to private sector grew a little more than 17%, the smallest variation year-on-year in the last 6 years. This reduced dynamism can be explained by the very low growth of the commercial lines (4% this year); while the consumer lines increased 32% and loans with a tangible security grew 18%.

Seeing the dynamics of the private credit throughout 2016, we were observed two differentiated periods: while in the first half of the year showed itself contractive, because the decreasing of aggregate demand, by the middle of the year, it was started a gradual rebuilding phase, as a result of the partial recovery in the level of the real wage bill, a slight decline of the lending rates and a deceleration in the rate of contraction of the economy. As such, it was appreciated a growth of 14% during the last six months of the year (due to growth of the

consumption of 19%, of 15% in loans with a tangible security, and of 8% in commercial loans). However, progress on credit in 2016 introduced an annual decline in real terms. What is remarkable is the important dynamics, in the second half of the year, of the mortgage loans; with particular relevance in December, where the line showed a monthly increase of 3.3% (ARS 1,870 million), and the greater since at the beginning of 2013. In particular, the new line of mortgage loans denominated in Purchasing power units (UVA, Unidades de Valor Adquisitivo) which was launched in April, began to gain momentum in the second half of the year and was accelerated in December, where it was granted over ARS 800 million, amount considerably higher than the result during the previous months. Thus, since the launch of this instrument, in April, and until December were disbursed about ARS 2.1 billion of mortgage loans denominated in UVA.

With reference to deposits in pesos of the private sector, this year, the growth was close to 24%, also the variation more limited since 2009. Part of the low dynamic emerged from attractions of other savings instruments (like Treasury securities and the LEBAC) and the deregulation of the exchange market, that allowed that an important amount of pesos (equivalent to approximately US\$ 10 billion) should be allocated in the acquisition of dollars with destination to saving and store (formation of external assets). The impositions in pesos were driven mainly due to deposit accounts, with a growth of 28% this year (savings bank 37% and current account 18%), and to a lesser extent by deposits a term, which increased 17% (as result solely of the increase of 42% of the retail segment, already that the wholesale segment experienced a fall of 7% this year, focusing on especially a LEBACs).

Finally, the elimination of the exchange restrictions and the revenue deriving from the Tax Amnesty Program allowed that the dollar deposits has made progress of 131% in 2016, to achieve the US\$ 21.5 billion, the greater absolute value after the economic crisis in 2001. Therefore, the stability of the exchange rate and a the renovation favorable of the expectative of the agricultural sector, the credit in dollars al private sector averaged in 2016 a upturn of the 63% in relation a 2015.

2. HISTORY

In 1976, shareholders Messrs. Stuart Milne and González Moreno begin doing business in the Argentine financial system through different companies specialized in the stock, OTC and exchange markets. In 1979, they established Cambio Mildesa.

In 1987, they acquired Finagen Compañía Financiera, owned by Volkswagen Argentina, and in 1988, Finagen Compañía Financiera merges with Cambio Mildesa to become Banco Mildesa. In 1996, Banco Mildesa acquires 85% of the corporate capital of Banco de Río Negro.

Banco Mildesa and Banco de Río Negro merge in 1997, keeping the latter's name.

During 1998, Banco de Río Negro acquires nine branches of former Banco Almastrong, and a branch of former Banco Mayo. Finally, in 2000 Banco de Río Negro changes its trade name to Banco Patagonia S.A.

In 2003, Banco Patagonia merges with Banco Sudameris Argentina and the latter, as the surviving institution, changes its trade name to Banco Patagonia Sudameris.

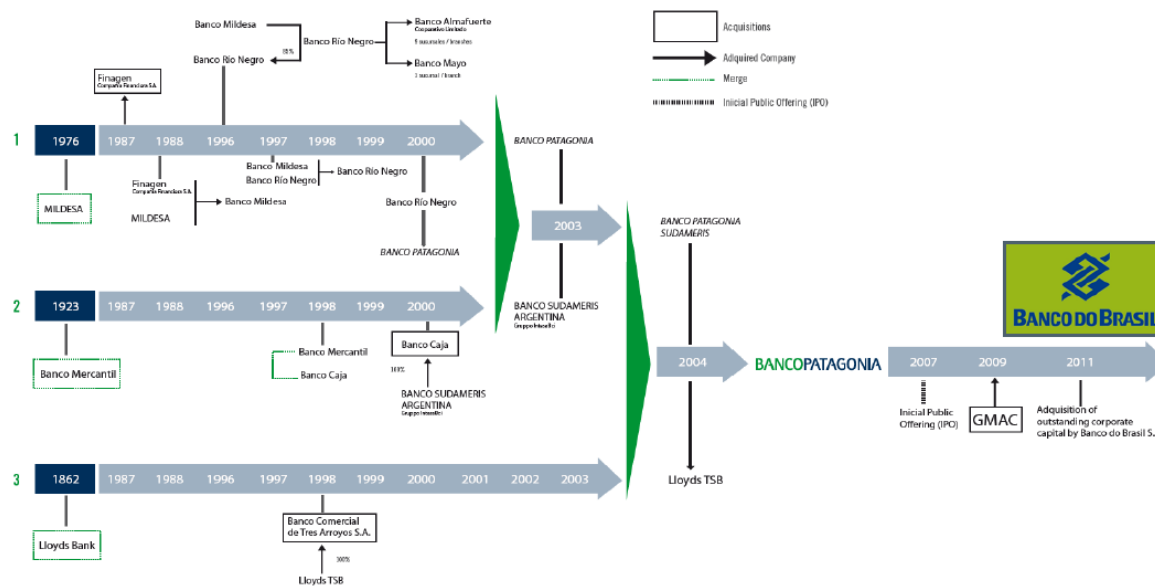
In 2004, Banco Patagonia Sudameris takes on the assets, liabilities and staff of Lloyds TSB Bank plc Argentina Branch, and changes its name to Banco Patagonia.

Today, Banco Patagonia is a continuing party of a series of long-established banks in Argentina, such as Banco de Río Negro, a leader in the Patagonian region, Banco Mercantil Argentino, a pioneer in payroll services, Banco Caja de Ahorro, the first institution to incorporate the insurance business into banking sector —these two last banks were merged with Banco Sudameris Argentina—, and Lloyds TSB Bank plc Argentina branch, founded more than 140 years ago.

The legacies of these and other institutions that are currently a part of our bank represent an asset of great value to our bank and a distinguishing competitive feature.

In turn, Banco Patagonia acquired GPAT Compañía Financiera S.A. (former Gmac Compañía Financiera), a company incorporated under the laws of Argentina and authorized to act as a financial entity, specialized in wholesale and retail financing for the acquisition of new automobiles, both to dealers -especially in the General Motors network in Argentina— and private customers.

Finally, in 2011, 58.96% of the corporate capital of Banco Patagonia was transferred to controlling shareholder, Banco do Brasil, the aim being to continue business as one of the main banks in the Argentine Financial System.



3. BANCO DO BRASIL

In April 2011, Banco do Brasil is the majority shareholder of Banco Patagonia, with a 58.97% ownership interest on the outstanding capital and votes per share as of December 31, 2016.

Banco do Brasil was the first banking institution to operate in Brazil, with a history of more than 200 years, and has the largest geographical distribution network, operating more than 5.430 branches.

Banco do Brasil operates 17.092 customer desks within its own network, and 66.772 customer desks in the whole network, doing business in 24 countries.

It is the most important financial institution in Latin America with reference to total assets. Banco do Brasil serves every segment of the financial market: banking, credit cards, management of third-party resources, insurance, and capital markets. The Bank offers a significant portfolio of products and services.

Banco do Brasil employs more than 109.159 people who make every effort to meet the demands of more than 64.6 million customers.

Institutional information on Banco do Brasil and its statement of financial position as of September 30, 2016 is available in its website www.bb.com.br.

4. ANALYSIS OF SHAREHOLDERS' EQUITY AND OF PROFIT AND LOSS STATEMENT

Result of the fiscal year 2016

FY 2016 ended with profits of ARS 3,269.0 billion, accounting for an increase of 35.9% (ARS 863.5 billion) with relation to previous fiscal year (ARS 2,405.5 billion). The main changes in the composition of the Bank's result are described below:

Financial income reached ARS 13,363.1 billion with an increase of 34.3% (ARS 3,410.3 billion) as compared to previous fiscal year (ARS 9,952.8 billion). The main changes are related to interest on non-financial private sector loans in the amount of ARS 2,135.7 billion, mainly due to an increase in the volume of said portfolio (ARS 40,472.0 billion vs. ARS 32,066.8 billion) and a greater yield of the portfolio of government bonds in the amount of ARS 887.1 billion (ARS 3,182.6 billion vs. ARS 2,295.5 billion).

Financial expenses totaled ARS 6,232.7 billion with a variation of 34.0% (ARS 1,582.0 billion) compared to the previous year (ARS 4.650,7 billion). The variation can be explained mainly due to a greater accrual from interest on time deposits which raised ARS 1,272.4 billion due to increase in the average annual rate (24.4% vs. 22.8%).

Consequently, the intermediation spread went up by ARS 1.828,3 billion, 34.5% more when compared with the previous year.

The uncollectible write-offs amounted to ARS 407.2 billion compared to ARS 390.3 billion in the previous fiscal year, increasing 4.3% year-on-year. And coverage with provisions on the non-performing loan portfolio amounted to 293.9% and the non-performing ratio 1.0%.

The net fee income totaled ARS 2,156.9 billion with a variation of 29.8% (ARS 495,3 billion) compared to the previous year (ARS 1.661,6 billion), mainly due to fee-generating transactions from deposit accounts, and product packages and insurance.

Administrative expenses reached ARS 4,738.5 billion, with a variation of 39,5% (ARS 1,341.3 billion) when compared with the previous year (ARS 3,397.2 billion) and can be explained fundamentally by the expenses in personal resulting from the banking industry's increases in salaries and on the rest of expenditure, and by the increase in the general price level of the economy.

The other net income amounted to ARS 621.7 billion, with a variation of 15.1% (ARS 81.4 billion) when compared with the previous year (ARS 540.3 billion) mainly due to a greater result of the participation in GPAT (ARS 278.5 billion compared to ARS 205.9 billion) and a Provisions removed of loans in the amount of ARS 58.5 billion.

ROE (Return on Assets)

As of December 31, 2016, the average return on stockholders' equity was 38.3% compared to 35.5% in the previous fiscal year.

ROA (Return on Assets)

As of December 31, 2016, the average return on assets was 5.5% compared to 5.3% in the previous fiscal year.

Statement of Financial Position

The institution's total assets reached ARS 69,533.5 billion with a variation of 15,9% (ARS 9,562.3 billion) compared to the previous year (ARS 59,971.2 billion), whereas total liabilities reached ARS 60,298.3 billion with a variation of 15.3% (ARS 8,008.7 billion) compared to the previous year (ARS 52,289.6 billion).

Evolution of loans

The loans portfolio granted to non-financial private sector reached ARS 40,472.0 billion (including Receivables for Financial Leasing) representing a variation of 26.2% (ARS 8,405.,2 billion) compared to the previous year (ARS 32.066,8 billion), highlighting the evolution of the portfolio of consumption. The lines showing the greatest increase were loans with credit cards, that improved to 38.4% (ARS 2,043.0 million), and personal loans, that increased to 51.0% (ARS 2,022.1 million).

With reference to commercial loans highlights the increase of 20.9% (ARS 2.769,5 million) in the line of documents, partially compensated by the reduction in the line of advances of the 28.5% (ARS 1,888.1 million) On the other hand, it was highlighted the increase in the segment "Other" in the amount of ARS 3,158.2 billion (256.7%) mainly due to growth of the loans related to foreign trade.

Evolution of deposits

Total deposits reached ARS 51.788,4 billion with a variation of 24.3% (ARS 10.136,9 billion) compared to the previous year (ARS 41.651,5 billion).

The deposits of the non-financial private sector totaled ARS 48.455,6 million, increasing by 24.8% (ARS 9,627.5 million) compared to the previous year (ARS 38.828,1 million), highlighting mainly an increase of ARS 7,298.5 million (67,9%) in the deposits portfolio of savings account.

On the other hand, the segment "Other" has an increase of ARS 3,406.2 million (356.7%) mainly due to deposit incomes corresponding to "Historical Reparation of the Retirees and Pensioners Wages".

As of December 31, 2016, in time deposits and in deposit accounts were represented a 60.3% and 39.7% of the entity's total deposits, respectively.

Liquidity Ratio

The Liquidity Ratio amounted to 44.5% on total deposits compared to 51.6% in the previous fiscal year. Liquid assets (funds and government and private securities) increased 7.2% compared to the previous year, compared to 24.3% of increase of the deposits

Debt-to-Income Ratio

The debt-to-income ratio measured in terms of shareholders' equity on total liabilities was 15.3%, compared to 14.7% in 2015, being for the total of the financial system of 13.2% and for private entities of 13.6%¹.

Shareholders' equity on Net Assets (Leverage)

¹ Source BCRA. November 2016

The leverage, resulting from dividing the shareholders' equity by net assets was 13.4%, remaining in the same level than the previous year, while the total of the financial system amounted to 12.2% and the group of private entities of 12,6%¹.

Locked-up Capital

The locked-up capital ratio, i.e. fixed assets (property, plant and equipment, miscellaneous and intangible) over total assets, it was 1.3%, compared to 1.0% of 2015.

Regulations

The Bank complies with the monetary regulations established by the BCRA. As of December 31, 2016 had excess cash in the amount of ARS 2,956.1 billion as compared to the requirements set by the BCRA, increasing by 9.3% (ARS 251.5 billion) with relation to previous fiscal year (ARS 2,704.6)

Similarly, the capitalization ratio that relates the Bank's regulatory capital (Responsabilidad Patrimonial Computable - RPC) to risk-weighted assets amounted to 13.0 % compared to 13.4% in the previous fiscal year.

Structure of the Financial Position and Profit and Loss Statements

The Bank's Statement of Financial Position and Statement of Income as of December 31, 2016, compared with fiscal years ended on December 31, 2015, 2014, 2013 and 2012.

Financial Structure (in ARS thousand)	2016	2015	2014	2013	2012
Cash and Cash Equivalents	10,665,233	9,266,803	6,360,072	5,758,004	4,403,773
Government and Corporate Securities	12,390,921	12,235,312	6,001,099	1,993,708	2,117,100
Loans	40,430,686	31,398,451	22,759,856	19,187,829	16,031,418
Other Receivables from Financial Intermediation	1,558,305	3,544,360	1,627,996	1,074,756	1,444,689
Receivables for Financial Leasing	1,451,299	1,284,742	1,017,181	920,203	636,635
Equity interest in other companies	1,416,231	1,046,860	726,472	527,975	394,959
Miscellaneous Receivables	732,343	587,003	444,262	369,598	227,768
Fixed Assets	604,573	357,677	254,381	234,063	225,897
Miscellaneous Assets	207,523	221,500	102,263	44,973	55,108
Intangible Assets	69,909	25,409	29,572	34,443	21,969
Items Pending Allocation	6,497	3,037	9,305	842	703
TOTAL ASSETS	69,533,520	59,971,154	39,332,459	30,146,394	25,560,019
Financial Structure (in ARS thousand)	2016	2015	2014	2013	2012
Deposits	51,788,413	41,651,454	27,466,671	22,067,025	18,645,169
Other Liabilities for Financial Intermediation	6,604,345	9,476,438	4,289,232	2,482,854	2,821,237
Miscellaneous Liabilities	1,760,540	1,020,893	1,159,863	873,360	653,248
Provisions	134,846	137,618	92,349	123,538	71,020
Items Pending Allocation	10,124	3,230	3,748	3,146	2,559
TOTAL LIABILITIES	60,298,268	52,289,633	33,011,863	25,549,923	22,193,233
SHAREHOLDERS' EQUITY	9,235,252	7,681,521	6,320,596	4,596,471	3,366,786
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	69,533,520	59,971,154	39,332,459	30,146,394	25,560,019

Incoming or Outgoing Cash Flow Statement

Following is the statement of cash generation or allocation corresponding to fiscal year ended on December 31, 2016, as compared to the years ended on December 31, 2015, 2014, 2013 and 2012.

CASH CHANGES DURING THE YEAR (in ARS thousand)	2016	2015	2014	2013	2012
Cash Flow from Operating Activities	3,076,335	2,023,870	189,923	582,804	1,842,611
Cash Flow (Allocated to) Generated by Investing Activities	(291,978)	(226,646)	(69,282)	15,756	(13,260)
Cash Flow (Allocated to) Generated by Financing Activities	(2,239,755)	541,252	(422,357)	154,206	140,095
Financial Income and Holding Gains and their equivalents	853,828	568,255	903,784	601,465	191,989
CASH (DECREASE)/INCREASE	1,398,430	2,906,731	602,068	1,354,231	2,161,435

Preparation of Financial Statements in accordance with International Financial Reporting Standards

Consistent with the requirements of Communication "A" 5541, the Entity is in process of adoption of the IFRS issued by the International Accounting Standards Board (IASB).

The IFRS remains in effect until the Statement of Financial Position and Statement of Income, corresponding to fiscal years started as from January 1, 2018, and for the interim periods in respect of that period. Therefore, as of first quarterly closure of the fiscal year 2018, the entities should elaborate and submit their Statement of Financial Position and Statement of Income of publication in accordance with these Rules. These Statements will include the opinion of the External Auditor and will be used by the entities for all legal and corporate purposes.

The Entity's Board of Directors, at its meeting held on March 30, 2015, approved the "Implementation Plan for Convergence towards the IFRS", which was submitted to the BCRA on March 31, 2015.

On December 4, 2015, the BCRA issued Communication "A" 5844 in which they stipulate the guidelines to be followed by the financial entities, with the purpose of submitting the adjusting entries which allow the elaboration of the reconciliation of their assets and liabilities, with those resulting from the application of the IFRS.

In compliance with the frequency required by the BCRA standards, the Entity's Board of Directors, in its meeting on September 28, 2015, took note of the information corresponding to the degree of progress of the convergence process, submitted to the BCRA on September 30, 2015, with the reconciliation of their assets and liabilities on June 30, 2016.

Additionally, Entity's Board of Directors at its meeting held on January 25, 2017, took note of the information corresponding to the degree of progress of the convergence process on December 31, 2016.

Up to now, the Entity is under a process of execution of the Implementation Plan, whose development is subject to the regulations the BCRA may issue as compared to it.

5. CONTROLLED COMPANIES

The Bank holds control on the companies described below:

- **PATAGONIA INVERSORA S.A. Sociedad Gerente de Fondos Comunes de Inversión** has main activity to promote, administrate and manage mutual funds business. Mutual funds are traded exclusively by the Bank, which at the same time operates as the depository company for the funds.
- **PATAGONIA VALORES S.A.** with the sole purpose of participating —on its own account or on account of third parties— in line with the filing before the Argentine Securities Commission as Settlement and Clearing Agent and Comprehensive Trading Agent, in first issue and secondary trading through Computerized Trading Systems in authorized markets. Besides, it participates in activities related to transactions with government and/or private securities. These activities are carried out in accordance with the provisions of act on Capital Markets, No. 26831.
- **BANCO PATAGONIA (Uruguay) S.A.I.F.AN.D.**, is a corporation organized in Uruguay with nominative book-entry shares, engaged in financial brokerage exclusively in Uruguay for non-residents and in currencies other than Uruguayan pesos, performing its commercial and administrative activities with the above-mentioned specific characteristics, under the supervision of the Central Bank of Uruguay
- **GPAT Compañía Financiera S.A.** performs activities that include the wholesale and retail funding within the automotive industrial sector, through the granting of leasing loans for the purchase of new and used cars, mainly those sold by dealers making part of the General Motors of Argentina S.R.L. network. Likewise, rendering of administration services of the portfolio of credits granted by Banco Patagonia to GM dealers.

The CONTROLLED COMPANIES have attained the objectives of providing complementary services to those offered by the Bank, which is the central planner of the main policies that define the corporate management of the above companies with regard to decision making on the volume of their businesses, new services to be offered, etc.

The Note 7 of the Bank's Financial Statements details the equity balances and income/loss for transactions carried out with the CONTROLLED COMPANIES, which were all performed under market conditions.

PATAGONIA INVERSORA S.A. Sociedad Gerente de Fondos Comunes de Inversión

The industry of Mutual Investment Funds in Argentina achieved, during 2016 an important growth in Argentina. The total shareholders' equity managed by the equity companies started the year at ARS 212,529 billion and, by December 2016, it has reached ARS 323,007 billion representing an increase of the 52% during the year.

Concerning investment composition per type of Fund, by the end of 2016 the net assets administered by term and cash Funds accounted for 13.9% of the total, whereas by the end of 2015, managed 23.8% of the industry total equity. Fixed income funds continued the trend of last years, and their market share accounted for 62.4% of the Fund Industry at the close of the year 2016 whereas by the end of 2015, it represented 52.5%.

The rest of the grid, by type of fund, is as follows:

Fixed-income funds	13.0%
SME funds	4.3%
Equity funds	3.0%
Infrastructure Funds	2.6%
Total Return Funds	0.8%

Furthermore, 3.43% of the total of funds managed by the industry is denominated in US dollars.

The Entity introduced as of December 31, 2016 a managed equity of ARS 9,473.1 billion. Said equity recorded an increase of the 72.0% with relation to managed equity as of December 31, 2015.

Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión recorded a positive result as of December 31, 2016 of ARS 50.5 billion, representing an increase of almost 8.9% compared to previous fiscal year. The Entity holds assets for ARS 141.2 billion and the shareholders' equity is ARS 132.8 billion.

PATAGONIA VALORES S.A.

The main stock indexes ended the year with positive variations. Measured in pesos, the Merval increased 45% and in US dollars 18%.

The 10 listed companies most traded are responsible by 68.7% of the total volume. The share of volume of general panel was almost the double that in 2015. Three banking sector companies (GGAL, BMA and FRAN) explain 17.3%.

In terms of trading volume, it was the greater over the past 15 years, in both peso and US dollar terms, in pesos amounted ARS 1,329 billion, and in dollars 83,476 million. In volume of government bonds almost doubled compared to the previous year and marked a historical record in pesos during the month of December 2016 (ARS 107,663 million).

It was also highlighted the growth in trading volumes of Negotiable Obligations of 90% (ARS 29,905 million) with relation to previous fiscal year (ARS 15.723 million) and 42% in volumes of Financial Trusts (ARS 2,310 million) with relation to previous fiscal year (ARS 1,624 million).

During the current fiscal year, it showed a positive result of ARS 4.9 billion, increasing to 104.2% when compared with the previous year (ARS 2.4 billion) a product of the increase of ARS 2.9 billion in financial and holding results generated by the portfolio of inversions of Patagonia Valores S.A.

As of December 31, 2016, Patagonia Valores S.A. holds assets for ARS 33.7 billion and its shareholders' equity at year-end is ARS 31 billion.

BANCO PATAGONIA (URUGUAY) S.A.I.F.AND.

As of December 31, 2016, the entity ended with profits of USD 221.0 million. The deposits portfolio from non-residents in Uruguay reached USD 29.1 billion, with a decrease of 7.0% (USD 2.2 billion) compared to the previous year (USD 31.3 billion).

The company holds assets for USD 41.6 billion and shareholders' equity for USD 11.9 billion, maintaining an excess in its integration of USD 7.4 billion, as per the rules of the Central Bank of Uruguay.

GPAT COMPAÑIA FINANCIERA S.A.

The Argentine automobile industry closed 2016 with a greater sales level, higher than in 2015. In accordance with the Association of Automobile Dealers of the Republic of Argentina (ACARA), during the year 2016, 709.858 vehicles were licensed, recording an upturn around 10% and becoming thus in the fourth best close of the automotive sector .

However, it is noted that unlike what happened with the new car sales, the levels of production and export declined. This decrease occurred, fundamentally, by the strong retraction of the demand from Brazil, main destiny of exports. According to the Association of Automotive Factories (ADEFSA), the production in 2016 increased to 472,776 vehicles, with a decrease of 10.2%, compared to previous year, a whereas exports reached 190,008 units, reflecting a decrease of 20.8%¹.

According to the Association of Financial Companies of Automotive Brands (AFIMA the volume of placement of pledge loans amounted to 387,113, with a 12.9% growth when compared with the previous year. The share over

¹ Source ADEFSA

the total of pledges of the Bank, as well as the Financial Companies of Brands, was 38.2%, whereas, in the Savings Plan, it was 59%¹.

The share of the pledge market on licenses amounted to 54%, including Savings Plans.

Finally, GPAT's share in the market, where it competes with the rest of the Financial Companies; it was close to 90% with relation to the pledges of the brand Chevrolet, keeping the market leadership within the above mentioned brand, in the volume of granted pledge loans².

With reference to wholesale financing, GPAT is the management of credit facilities granted by Banco Patagonia S.A.

During the year 2016, the total volume of vehicles administered by GPAT through the floor-planning program reached 75,028 units, equivalent to an amount higher than ARS 21 billion, showing a strong dynamism for a large part of the year.

The Fiscal year 2015 ended with a profit of ARS 281.3 billion representing an increase of 35.2% (ARS 73.3 billion) compared to the previous year (ARS 208.0 billion). The ROE was 30.8% compared to 29.9% in the previous fiscal year.

The company's financial income totaled ARS 733.0 billion with a variation of 54.0% (ARS 257.0 billion) when compared with the previous year (ARS 476.0 billion) due to larger interests for portfolio for pledge loans, in the amount of ARS 272.1 billion.

The financial expenses reached ARS 529.5 billion with a variation of 100.6% (ARS 265.6 billion) when compared with the previous year (ARS 263.9 billion). The main changes are related to interest paid on financing received from local financial institutions and for interbank loans (Call) that have an increase of ARS 92.7 billion and ARS 87.1 billion, respectively. On the other hand, interest by the negotiable Obligations issued by GPAT increase 39.3% (ARS 75.6 billion), pointed ARS 267.9 billion compared to ARS 192.3 billion in the previous fiscal year.

The net fee income reached ARS 299,4 billion representing an increase of 66.5% (ARS 119.6 billion), when is compared with the previous year (ARS 179.8 billion) due to, fundamentally, the increase in the commissions linked to loans with dealers grant in the amount of ARS 153.9 billion.

As of December 31, 2016, GPAT holds assets for ARS 4,009.4 billion and a shareholders' equity of ARS 1,069.3 billion.

6. PROFIT DISTRIBUTION PROPOSAL

The following Profit Distribution Proposal for the year ended on December 31, 2016 is submitted for the Shareholders' consideration in the next Meeting:

Item	Amount
Unappropriated retained earnings ⁽¹⁾	6,410,926
To Earnings Reserve - Legal Reserve (20% s/ 3,268,992)	653,798
Subtotal 1	5,757,128
less: - Off balance sheet adjustment, item 2.2 BCRA Revised Text "Profit Distribution"	-
Subtotal 2	5,757,128
Amount to be distributed ⁽²⁾	2,615,313
Optional reserve for future distribution of earnings	980,817
To dividends in cash	1,634,496

¹ Source AFIMA

(1) See Note 17 EECC in 12. 31.2016.

(2) The distribution of earnings is subject to authorization by the Foreign Exchange and Financial Institutions Regulatory Agency (SEFyC) of the BCRA and to approval by the Shareholders' Meeting of this Entity.

Similarly, the project of profits distribution was elaborated by observing the effective standards at the date issue of these Financial Statements, and therefore, it could be subjected to changes, either due to regulation changes or due to the above mentioned authorizations and approvals.

7. CORPORATE GOVERNANCE

The Bank, according to the Resolution 622/2013 issued by the Argentine Securities Commission, is attaching the Annual Report on the Degree of Compliance with the Code of Corporate Governance as Exhibit I to this Annual Report.

8. BANK MANAGEMENT

■ Projected Trading Policy and Relevant Aspects of Business, Financial and Investment Planning

In 2017, Banco Patagonia S.A. will continue to strengthen its position as one of the leading banks in the Argentine Financial System, oriented to individuals, small- and medium-sized companies, large companies and the corporate segment companies.

In order to render services those are highly valued by clients and to achieve a greater share in regions with high potential for the business, we will maintain our presence and coverage across our national branch network.

On the other hand, we will still be focusing on the marketing of financial products and services to abroad companies doing business in Argentina and to Argentine multinational companies with commercial relations abroad, mainly through the Corporate Business Unit.

Likewise, it will maximize profitability, paying attention to all the opportunities offered by the market, to new business that may arise and to new clients, with special emphasis on financial margins and a sound business and risks management.

Regarding the economic and financial strategy, the Entity will focus on a sensible management of risk policies, in order to promote the loan portfolio and minimize the non-performing portfolio.

Efforts will continue to be made towards an efficient management of resources, maintaining an adequate expense control by deploying, throughout the organization, result-based management criteria. At the same time, a diversified, stable, and low-cost funding structure will be maintained, privileging deposits of individuals and companies (micro, small and medium-sized companies) as the main funding source.

■ Aspects Related to Company's Organization, Decision-Making, Dividend Policy, Internal Control System and Risk Management

Banco Patagonia S.A. relies on a sound corporate government structure represented by a Board of Directors, with the following duties and responsibilities. The Bank also has established a Statutory Audit Committee working for the same purpose. Finally, in order to streamline, and contribute to, the process of decision taking, members of the administration body have created a number of committees to tackle the most relevant matters in an integrated manner.

The main responsibilities and duties of the Board of Directors, the Statutory Audit Committee, the various Bank committees, and high management Offices are described below. The components of the internal control system implemented by the Bank are also described.

The Bank's Board of Directors

Responsibility over the Company's Strategy

The Board is entrusted with the Bank's administration and has the power to take any decisions related to this end, It is responsible for the execution of resolutions adopted by the Shareholders' Meetings, for the performance of activities specially delegated into it by the shareholders, and for establishing the institution's business strategy, approving general and special policies in order to achieve a sound business management.

The number of Board members is fixed by the Shareholders' Meeting, between the minimum of seven and the maximum of nine members, who are elected for three-year periods and may be reelected any number of times.

In accordance with the provisions of the Company's Bylaws, one Regular Director is to be appointed by the holder of Class "A" common shares, the Province of Rio Negro, which may also appoint an Alternate Director; while the remaining regular directors are to be appointed by holders of Class "B" common shares, who may also appoint alternate directors. The following table includes information on the members of the Bank's Board of Directors, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2016.

THE BOARD OF DIRECTORS MEMBERS

As of December 31, 2016, the composition of the Board of Directors was the following:¹

President	João Carlos de Nobrega Pecego
Vice-Presidents	Antônio Carlos Bizzo Lima Carlos Alberto Araujo Netto Claudemir Andreo Alledo Claudio de Oliveira Borsa Rubén Miguel Iparraguirre
Regular Directors	Walter Malieni Junior Nicolás Dujovne Fabián Gustavo Gatti (Class "A")
Alternate Directors	Antonio Mauricio Maurano Raúl Francisco Moreira Edson Rogerio Da Costa Rogerio Magno Panca Nilson Martiniano Moreira Oswaldo Parré dos Santos Ernesto Juan Cassani

It is reported that Mr. Ernesto Juan Cassani assumed as Regular Director in replacement of Mr. Nicolás Dujovne, after that Entity's Board of Directors accepted his resignation in 01.05.17.

Likewise, it is reported that the Entity was noticed in 01.09.17 of the Resolution N° 2 of the BCRA where Sr. Oswaldo Parré dos Santos was authorized to assume the role of Director, who assumed as Regular Director in replacement of Mr. Antônio Carlos Bizzo Lima, whose resignation was accepted by Entity's Board of Directors in 02.15.17.

Statutory Audit Committee

The Bank's By-laws establish a Statutory Audit Committee composed of three regular statutory auditors and three alternate statutory auditors, appointed by the Regular Shareholders' Meeting for the term of one financial year.

The Business Companies Act provides that the main powers and duties of the Statutory Audit Committee, including the following: (i) to supervise company management, by examining books and documents whenever it considers it advisable and, at least, once every three months; (ii) to verify at least once every three months, cash and cash equivalents and securities, as well as liabilities and their discharge; (iii) to attend, without vote, Shareholders' Meetings and meetings of the Board of Directors; (iv) to call Special Shareholders' Meetings whenever it is considered necessary, and Regular and Special Shareholders' Meetings in the event they are not called by the Board of Directors; (v) to submit before the Regular Shareholders' Meeting a written report based on the economic and financial position of the company, and issue an opinion on the annual report, inventory, balance sheet, and profit and loss statement; and (vi) investigate into any complaints submitted in writing by shareholders representing at least 2% of the capital stock. While carrying out these duties, the Statutory Audit Committee does not control the Bank transactions or assess the merits of the decisions made by its directors.

The following table includes information on the members of the Bank's Statutory Audit Committee, appointed by the Shareholders' Meeting held on April 23, 2016, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2016:

THE STATUTORY AUDIT COMMITTEE MEMBERS

Regular Statutory Auditor	Mónica María Cukar Hector Osvaldo Rossi Camilión
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¹ Source BPAT

Alberto Mario Tenailon

Alternate Statutory Auditor María Lucía Denevi Artola
María Cristina Tapia Sasot
Jorge Héctor Lorenzo

Bank Committees

In order to maintain a proper organization, control and follow-up on the activities performed by the Bank, the entity has created several Committees which operates under the supervision of the Board of Directors and report to the Bank's President and Vice-presidents. The following Committees are governed by a control authority:

Audit Committee -CNV-

The Audit Committee – CNV, in accordance with the provisions of section 109 of Law No. 26,831, on Capital Markets, and the Bank's By-laws, to the rules of the CNV. Members of the Audit Committee were elected for a one-year term of office (and will remain in office until the appointment of their replacement), in accordance with the independence requirements laid down by said Agency.

In accordance with the provisions of the Law No. 26,831, on Capital Markets, section 110, and General Resolution No. 622/2013, section 18, paragraph C. Chapter III, Title II, of the Argentine Securities Commission, the Audit Committee – CNV is entrusted with the following powers and duties: (i) issuance of an opinion on the proposals made by the Board of Directors on appointment of the Bank's external auditors and controlling their status as independent members; (ii) supervision of the operation of the internal control system as well as of the administrative-accounting system of the Bank; (iii) supervision of compliance with the policies related to information on risk management of the Bank; and (iv) issuance of a justified opinion with reference to the transactions made between Related Parties or other transactions that may cause conflict of interests..

Every year the Audit Committee -CNV- must prepare an action plan for the current financial year, to be approved by the Board of Directors and the Statutory Audit Committee. Directors, Statutory Audit Committee members, Managers and External Auditors shall be bound to, by Audit Committee requirement, attending the meeting and to collaborate and to facilitate the access to any available information. To allow better compliance to the powers and duties provided herein, the Committee may seek the advice of lawyers and other independent professionals, and contracting their services at Entity's expense within the approved budget by the Shareholders Meeting.

Additionally, in accordance with the provisions of the CNV Rules, the Committee compiles once a year a report evaluating, among other questions concerned with the treatment, during the financial year, on matters under its competence, the independence, the working plans and the performance of external audit services, thus as external audit tasks organization, supervision and execution.

Audit Committee -BCRA-

This committee is in charge of taking the necessary steps to secure proper operation of the Bank's internal control systems and procedures, pursuant to the guidelines defined by the Board of Directors. Furthermore, the responsibilities of this Committee include: approving the Internal Audit Annual Plan, reviewing the degree of compliance thereof and analyzing the Bank's annual and quarterly financial statements, the external auditors' reports, any related financial information, and the Statutory Audit Committee's report.

IT Committee

It is in charge of analyzing and submitting to the Board of Directors the proposal about, and implementation of, the IT policy for development of the Bank business, and of assessing the needs of IT, micro IT, and communication systems meeting the commercial strategy of the Bank, in order to secure the provision of information and services necessary for operation and management. Additionally, should generate and keep the Contingency Plan up to date, monitoring the result of the periodic tests to be accomplished, for the purpose of checking its correct functioning.

Information Technology Security and IT Assets Protection Committee

It is responsible for submission to the Board of Directors of the policies on IT security and monitoring their enforcement. This committee is also in charge of the drafting of proposals to the Board of Directors with regard to preventive measures oriented to minimizing the risks related to IT security or to corrective actions, if applicable.

Committee on Control and Prevention of Money Laundering and Terrorism Financing

This Committee is in charge of planning, coordinating and securing compliance with the policies established by the Board of Directors In this line. Moreover the Committee provides the Bank with the necessary assistance regarding the non-existence or timely detection of transactions that may suggest money laundering from illegal activities, pursuant to the Argentine Central Bank and the Financial Intelligence Unit ("FIU") rules.

Operational Risk Committee

Its assignment is to propose to the Board of Directors, the policies, strategies and handbooks, intended to the management of the product operative risk, activities, processes and systems of the financial institution, applicable to each business unit, assessing that the management surveillance process was adapted to the inherent risks.

Global Risk Committee

Its assignment is to report to the Board of Directors about the main aspects related to the financial risk management. The scope of its assignments comprises the Bank as well as its subsidiaries. Likewise, proposing to the Board the strategies to manage market, rate, liquidity and credit risks, as well as to establish the global exposure limits to said risks and their contingency plans. On the other hand, the Committee will be informed of the positions on each risk and compliance with policies. Besides, this Committee proposes to the Board of Directors the policies and procedures that will be used to validate the models.

The Entity has established other Committees, namely:

Direction Committee

It is in charge of analyzing and approving the granting of credit facilities as submitted that exceed the powers of the remaining Bank's committees, and for monitoring the management of the various business areas.

Business Committee

It analyzes various commercial proposals, defines commercial strategies to be adopted by different segments and studies the strengths and weaknesses of potential new products.

Finance Committee

It is in charge of taking decisions on matters related to the management of the Bank's financial assets and liabilities. Likewise, it proposes policies and procedures compared to management of main financial risks.

Committee of Compensations and Incentives to Staff

This Committee is responsible for overseeing that the system of compensations, rewards, work scales and wage increases to the staff is consistent with the Entity's policies.

Ethics Committee

Its role is to decide on issues related to the construction and scope of the Code of Ethics, which establishes the different policies related to all Bank members' ethical behavior. Additionally, it must note of the reports that will emerge from the Claims Channel "Ethics Hotline" or from different sources of detection of behaviors that which affect the institutional integrity principles.

Quality Committee

It is in charge of assessing and proposing to the Board of Directors the policies and strategies oriented the Bank's Culture and Quality Management. In addition, it realize reviews of programs and actions inherent to Quality management, is its scope attitudinal, process, product, service, image components and the quality of attention. In the Committee, planning and follow up of improvement actions and the defined action plans are performed, elaborated as a result of different customer studies and surveys carried out periodically. The subjects discussed in the Quality Committee are focused on the improvement of the Customer's Experience, aligned with the Strategic Plan of Banco Patagonia.

Architecture and Own and Fixed Assets Management Committee

It is in charge of the analysis of the subjects related to the Bank's building infrastructure and furniture. The Committee proposes to the Board of Directors repairs and refurbishments of Bank Centers of Assistance thus, as also the acquisition or sale of real property involved in business or taken in credit defense. Likewise, is responsible by to accomplish security rules and municipal and nationals regulations related to property and fixed assets of the Bank.

Dividend Policy

Procedure for dividend payment according to the BCRA regulations

The BCRA governs the general procedure on profit distribution. In accordance with the above provisions, distribution must be authorized by the BCRA and is possible provided that there is no financial assistance from the BCRA due to illiquidity or shortage in the minimum paid-in capital or minimum cash requirements and to register certain types of penalties established by specific regulators and weighted as significant and/or corrective action has not been implemented, among other previous conditions that must be met.

Furthermore, profits may be distributed only as far as gains are recorded after performing off-balance sheet deductions from retained earnings, among other items, of the amounts of reserves that must be constituted by virtue of legal or by-law provisions, the net positive difference between the book value and the value

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established by the Entity for public debt instruments and/or monetary regulation instruments the volatility of which is not published or has a present value published by the BCRA, as applicable, of public debt and/or of monetary regulation instrument of the BCRA no valued according to the market's price and sums enabled by court cases related to deposits, among other concepts.

Finally, the Entity must ensure that, after the profit distribution proposed, holds a capital preservation margin of its assets weighed by risk, an additional capital margin to the demand of minimum capitals, and should be integrated with Level 1 ordinary capital, net of the deductible amounts.

In accordance with the provisions of General Resolution N° 593 of the CNV, the Shareholders Meeting that deliberates annuals financial statements, shall take a decision on the specific destination of the entity positive results accumulated, through the effective distribution of dividends, its capitalization with remittance of paid-up shares, the establishment of additional voluntary reserves to Legal Reserve, or a combination of some of these destinations.

Finally, in accordance with the provisions of Law N° 25.063, dividends distributed, in money or in kind, in excess of tax on retained earnings; at the end of the fiscal year immediately preceding the date of payment or distribution shall be subjected to 35% withholdings, as one-time and definitive income tax payment. The gain of considering in each FY will be the result from deducting the taxable income, the tax paid for FY's sources of profit which is distributed or the proportional part relating plus dividends or earnings deriving from other capital companies not considered in the determination of said profit or the same fiscal years.

Profit distribution proposal

The declaration, amount and payment of dividends are established by the vote of a majority of shareholders in a Regular Shareholders' Meeting, normally on the basis of the proposal submitted by the Bank's Board of Directors.

It has already been established that Bank's policy that the Board of Directors proposes to the Shareholders' Meeting distribution of 50% of the net realized income of the year as dividend, to be paid in cash after deduction of any items mentioned in the by-laws, taking into account the income for the year, the Bank's financial standing at the time, its liquidity requirements and other factors the Board and Shareholders may deem relevant, securing the Bank's credit standing.

The following table shows the cash dividends paid to the Bank's shareholders for the financial years ended at December 2013, 2014 and 2015:

FY	Dividends per outstanding share (in ARS)	Total payment of dividends (in ARS thousand)	Percentage of profits
2013	0.6283	451,852	36.17%
2014	1.4526	1,044,688	48.01%
2015 (*)	2.3851	1,715,261	70.81%

(*) In the Shareholders Meeting held in April 27, 2016, it was decided to approve the distribution of dividend in cash in ARS 52.728 thousand. Likewise, the Ordinary General Meeting of Shareholders held in July 25, 2016 approved to increase the amount of the dividend in cash in ARS 1,662,533, reaching the claimed total ARS 1,715,261 to be applied to the Optional Reserve for Future Distribution of Profits. Finally, on September 13, 2016, the SEFYC of the BCRA authorized cash dividend payment, available to the entity shareholders on September 30, 2016. It is also clarified that dividends paid correspond to sum of dividends not distributed related to FY 2011, 2012, 2013, 2014, and partially to FY 2015.

Considering the above, the Entity's Board of Directors will submit to the Shareholders' decision the Profit Distribution Proposal detailed in item 6 of this Annual Report.

Remuneration of the members of the Board of Directors and remuneration policy for management

Reported to the provisions of section 9 of the By-laws, the Directors' fees are fixed by the Shareholders' Meeting. When deciding such fees, the responsibilities, time devoted to duties, experience and professional reputation, and value of the services rendered by the Directors for the performance of the bank in the market, are taken into account. At present, no Director holds any executive position in the Bank, so no Director receives any other kind of compensation, and it is not the Bank's policy to grant any equity interest in the Bank by way of compensation.

With reference to managers' compensations, it should be mentioned that the Bank pays variable salaries according to compensations for similar positions in the market, the officers' performance and their professional development, and the profits/losses obtained for the pertaining financial year. During FY 2016, provisions were constituted to meet the payment of such variable compensations.

Internal Controls and Risk Management

In Banco Patagonia, the inherent risks to banking activities are managed via identification, measurement and control constant process of the same. The credit, liquidity, market, interest rate, strategic, reputational, operational, of technology and of model risks, are the main risks, to a greater or lesser extent, faced by the Entity.

Subject to this, the entity has implemented a management system complying with the guidelines stipulated by the BCRA in the Communication "A" 5398 and complements, in accordance with recommended best practice by the Basel Committee. Through these guiding principles, have been defined a range of procedures and processes that permit to identify, measure and validate the risks to which the Entity is exposed, seeking consistency on its business strategy.

The integral management of the risks faced by the Entity and their local controlled companies is a responsibility of the Risk Executive Management, acting in an independent way from business areas.

The risk management process is transmitted through the institution, in alignment with the guidelines defined by Entity's Board of Directors and of the High management that, across the relevant Committees, defines the overall objectives expressed in goals and boundaries for business units, within the framework of a setting and control process of risk appetite.

The most important risks managed by the Bank are presented below:

Credit Risk

The credit risk is defined as the possibility of sustaining losses by the non-compliance with the contractual obligations of the debtor or the counterparty. The Entity's Board of Directors approve credit policies in order to provide un framework to generation of business with a proper relation between the risk taken and the expected return, establishing boundaries to limit the exposition to this specific type of risk within acceptable margins.

Liquidity Risk

Liquidity risk is defined as the risk of imbalances between assets and liabilities ("mismatches" between payment and collection) that can affect the capacity to meet all financial commitments, current and future, taking into account the different currencies and terms of liquidation of the rights and obligation.

The Entity has policies about liquidity for its efficient management, optimizing costs and diversifying the funding sources, avoiding incurring significant losses and ensuring the continuity of transactions and compliance with the regulations in effect.

Market risk

The market risk is defined as the possibility of sustaining losses of the positions both on and off the balance sheet, as a result of adverse fluctuations on market prices.

The Entity has policies for the management of market risk that control the variations in quotations of the financial instruments in order to optimize the risk-return relation.

Interest rate risk

The interest rate risk arises from possible fluctuations in the interest rates that might give rise to changes in the financial condition of the Entity, which could affect the net financial income and its economic value.

For its management and control, the Entity use tools of internal measurement that allow an integrated management of the interest rate risk along with the liquidity risk, in accordance with the strategy of management of assets and liabilities.

Operational Risk

The Operational Risk is defined as the risk of loss as result of the inadequacy or failure in internal process, by the actuation of the personal and/or by internals systems, can be considered, in addition, external events. This definition includes the legal risk but excludes the strategic and reputational risk.

The entity has implemented a management system complying with the guidelines stipulated by the BCRA in the Communication "A" 5272, which set a demand of minimum capital to this effect purpose, effective February 1, 2012.

Reputational Risk

The Reputational Risk is associated with negative customer, counterparts, shareholders, investors, debt holders, market analysts and other interest groups perception about the Bank. This type of risk affects adversely the capacity to maintain and/or to establish trade relations and to continue to access funding sources.

Strategic Risk

Strategic Risk is the risk that arise of an inappropriate business strategy or an adverse change in the provisions, parameters, objectives and other factors that support the strategy. It is associated with the probability of incur in losses with impact, present or future, in the revenue by deviations compared to the plan of business projected.

Special investigations

The Entity has a sector of Special Investigations, responsible for receiving the denunciations and evaluating them to prevent the occurrence of frauds. This sector is responsible for detecting, analyzing and solving those cases that arise in order to avoid economic losses and to mitigate the Reputational Risk.

Model risk – Independent validations

Currently, the Entity develops and uses models for decision making and quantification of the risk. For this reason, these models pass through a process of validation and testing that after will be used to measure the risk components, thus developing a management framework of model risk.

The Internal Control is composed by five components that operate interrelating with each other.

Control Environment

Control environment establishes the Bank's operating method and has an influence on the control awareness of its employees. Some of the elements that make up this control environment include integrity, ethical values, and qualifications of the Bank's staff; the Management's style and operating methods; the way Management assigns powers and duties, organizes and trains its staff; and the attention and guidance provided by the Board of Directors.

Risk Assessment

The Bank, by virtue of its operation, faces many risks from external and internal sources that must be assessed. Risk assessment refers to the procedures and mechanisms established by the Bank for the identification and analysis of significant risks derived from changes in the economic, financial, regulatory, and operating conditions that have an impact on the achievement of the Bank's business goals.

Control Activities

Control activities are the policies and procedures that help secure the execution of the guidelines developed by Management. This implies taking the necessary actions to face the risks involved in the achievement of the Bank's goals. Control activities involve all levels and departments. They include activities such as: approvals, authorizations, verifications, reconciliations, operating performance reviews, assets security, and task segregation, among other.

The Entity has policies and procedures in place about its main processes and transactions, which are communicated to staff through Organization and Processes Area. Likewise, they are available to whole staff either in hard copies (handbooks of organization and procedure) or on electronic means (Intranet).

Information, Communication and awareness

This information refers to internally generated data and also to information related to external affairs, which must be identified, gathered, and disclosed properly and timely so that the relevant staff may comply with their duties. This process is necessary for a proper decision-making process and the filing of reports with third parties.

Monitoring

The internal control system is monitored through a process that assesses the system performance quality, by monitoring activities under way, by separate assessments or through a combination of both.

With relation to the management of Operational Risk, the entity has implemented a management system complying with the guidelines stipulated by the BCRA in the Communication "A" 5398 and complements, which comprises a suitable organization structure, policies and procedures approved by the Board of Directors and an integral system that enables the administration of all the tasks related to the management of said risk.

In this sense, we have fulfilled the work plan established at the beginning of the fiscal year, which consisted of the updating of the maps of processes to carry out the risk self-evaluations, identification and evaluation of risks and controls, with the consequent definition of action plans and risk indicators (KRI). In turn, we have also fulfilled the elaboration of the base of events of Operational Risk with the periodical report to the Board of Directors, through the Operative Risk Committee and to the BCRA, through the corresponding information regime.

With relation to IT Risk Management, the Entity performs and documents risk analysis on the information systems, IT and its associated resources, adapting to the guidelines set up by the BCRA in Communication "A" 4609 and complements.

In this manner, it was carried out the update of the inventory of information assets and annexes, data sorting, gap analysis and maturity questionnaires, with the purpose of making the corresponding risk analysis, from which the action plans emerge. The results of said analysis are formally reported to the Board of Directors, through the Operational Risk Committee.

With regard to Financial Risks Management, the Entity has established a set of limits for each type of risk, which are reviewed with minimum annual frequency and defined as compared to the limits of tolerance to risk set by the Board of Directors.

With the object of identifying, measuring, monitoring and mitigating the financial risks afforded by the Entity, Financial Risk Management counts on several reports, which are sent to the members of the Global Risk Committee daily, weekly and monthly.

Besides, individual stress tests have been performed for credit, market and liquidity, analyzing scenarios with different severity, in order to assess the eventual impact in view of stress situations, and to rely on contingency actions in the management of different risks.

■ **Organization Structure**

The organization structure of Banco Patagonia S.A. supports the business progress and facilitates the suitable development of the administrative, operative and commercial activities.

The current structure contributes to accelerate decision-making, create value oriented to the customer, observe the recommendations on corporate governance and potentiate the organization commitment of Banco Patagonia. Throughout the years, it was adjusted to achieve the objectives posed by the Entity's Board of Directors. Currently, it has its high management structured with ten Superintendencies and Managements that depend directly on the Board of Directors, namely:

- Superintendency of Corporate business
 - Superintendency of Business with Individuals
- Superintendency of Branch Network and Channels
- Superintendency of Finance, Administration and Public Sector
- Superintendence Credit Facilities, Foreign Trade and Business Consultancy
- Superintendency of Infrastructure
- Superintendency of Technology, Communications and Systems
- Superintendency of Processes and Transaction Support
- Superintendency of Human Development and Corporate Atmosphere
- Superintendency of Internal Controls and Risk Management

The following Executive Offices report directly to the Board of Directors:

- Executive Office of Legal Matters
- Executive Office of the Board of Directors
- Executive Office of Strategic Planning and Budget
 - Executive Office of Internal Audit
 - Executive Office for the Prevention of Money Laundering and Terrorist Financing
- Executive Office of IT security and Protection of Information Assets

Banco Patagonia is a universal bank that serves all customers; it has a structured acting model divided in business units: Individuals, Companies, Finance and Public Sector, each of them concentrating the relations of the Bank with the different segments of customers.

The Branches Network and Channels is the support for development of the various business segments

■ **Network**

The Network is structured across 15 commercial regions; it has 200 branches, 179 of them are Branches, 4 agencies (established within the customer local) and 17 Assistance Centers; including 568 Automatic teller machines and 357 Self-service Terminals.

The Network Commercial Management is based on a business plan with a customized attention model as a distinctive feature of the organization. The Commercial Acting Model ("CAM") was implemented in 2015 and contributed to continuous improvement over FY 2016.

Our branches are integral management units represented by Integral Managers who are responsible for the commercial development of customers in their different segments (Individuals, SMEs, Large Companies and Agro). The Network has 2.068 employees playing commercial and operative roles.

During 2016, the Bank expanded in strategic sites to be closer to current and future customers; this is certified by the inauguration of new branches in: Chacarita, Junín, San Lorenzo, Fundraiser Branch General Roca and Assistance Center Private Hospital, in CABA. On the other hand, were relocated the Catriel and Roca Centro Branches; there were remodeled Branches in Tres Arroyos, General Roca, Munro, Almagro, Calafate, Bariloche and Villa La Angostura; were expanded Branches in Rosario Sur, Luján, Irigoyen and El Bolsón, with the priority of continuous improvement in the assistance to our customers, providing differential services and making the last generation electronic channels available. It is important to mention that, during this time, 52 Self-service terminals (SST) and 47 Automatic teller machines (ATMs) were installed.

The branches maintenance is performed periodically to keep good quality and image standards at each point of assistance, in a preventive and corrective manner.

Targets for 2017

- ✓ To maintain the quality of service in Branches and Assistance Centers' network focusing on those sites considered key to the growth and development of new business.
- ✓ To acquire and engage new customers, and build loyalty to the existing of Bank customers.
- ✓ To keep on working hard in the employees' training, to engage the teams with high performance strong human potential, through attendance-based workshops supported in this new culture of sales that maximize the commercial results.
- ✓ Go deeper into the integral relational sale model with current and potential customers in all its segments, focusing on long-term relations.
- ✓ Implement the first phase of the new Front End Platform for customer's assistance in Branches.

Electronic and alternative Channels

The financial sector is in constant evolution demanding permanent preparation to be able to anticipate and new trends in both markets local and international. The sector leads financial entities to be digital banks, where the innovation and the technology facilitate the constant evolution in the business model, orienting sales and service to digital channels. This is a challenge for the present and the future.

The new customer profile- always connected, more aware, with more tools, with demands of immediacy in answers and the demand of customized services, propose new challenges for the Entity.

The massive use of internet and mobiles devices is changing the way how the industry should be linked to customers. It is necessary to develop strategies exploring the facilities the new technologies and put them at the customer's service, improving its experience.

In this context, the electronic channels evolution plays a role very important by customers in both Individuals and Business segments.

Currently, there are multiple attention, transaction and sale means intended to meet the needs of individuals as well as companies:

- the Patagonia 24 ATM Network;
- Self-service terminals
- Customer Relations Center
- The Patagonia and-bank Internet banking service
- Mobile phone banking, Patagonia Mobile

Patagonia 24 ATMs

By the end of 2016, the Patagonia 24 ATM network was composed of 568 ATMs (483 of them located in branches, agencies and Banks and 85 outside the branch premises), distributed by geographical areas as follows:

- 117 in the City of Buenos Aires
- 86 in Great Buenos Aires
- 365 in the provinces

As consequence of a process of installation of new ones and technological adaptation, during 2016, in the Patagonia 24 ATM Network were installed 47 ATMs, between additional and replacement.

This process of expansion will continue in 2017 with the replacement of a significant number of the installed ATMs and with the installation of new ones, both in zones where the Bank has no presence whatsoever and in branches with a high level of demand for transactions. Almost 56 million transactions were performed through this channel in 2016, compared to 51.2 million transactions in 2015

As a complement to business actions oriented to strengthening the Bank's presence in tourist areas, in winter an ATM was installed at the Cerro Catedral, Bariloche, province of Rio Negro, Also, a second ATM was installed at Las Grutas, Rio Negro, in the summer season.

Self-Service Terminals (SST)

The terminal installation represents an important means to provide better service to clients who process their transactions in branches. The main advantages of this new technology are online crediting and a reduction of the transactions' processing time. As of December 2016 there were 357 SST installed, which means a growth of 6% compared to 2015.

In 2016, over 4 million transactions related to deposits and payment of credit card invoices were made through the terminals installed at the lobby of the branches.

In FY 2016, new Intelligent Self-Service Terminals were installed in various branches of the country. During 2017, the Bank will continue installing new SST, pointing out that each branch has installed this technology.

Patagonia and-bank

Banco Patagonia holds two online banking platforms, one directed toward the Individuals and another to business segment. The main access to the transactional channels Personal AND-banking and Corporate AND-banking is gained through the website www.bancopatagonia.com, the contents of which are oriented to an easy access to the Bank's products, new and benefits.

AND-bank Individuals recorded more than 350,000 active customers, more than 10 million of these transactions were performed (money transfers, payment of taxes and utility bills) compared to 9 million recorded in 2015.

The possibility of making investments in fixed-term or mutual funds also continues to be an important differential for customers that to prefer to use this channel to manage they daily transactions. Likewise, the sale of personal loans also is available by using this tool.

In 2016, we have made available to our customers of the Corporate segment a new platform that has taken an important step in the improvement of customer's experience, making available to customers all transaction that they need for their daily transactions. The growth of users was of 12 % as compared to previous fiscal year.

AND-bank Enterprises increased to 18,000 customers with over 1 million of transactions held. Through AND-bank Enterprises, the customers of the segment can make consultations about products, to perform fund transfers, payroll services, Foreign Trade and Payment and Collection services.

Patagonia Mobile

This channel grew over 80% in the number of customers that operate from their mobile devices. To make consults about balances, transfers and service payments are the most valued transactions for them.

Our goal is to transform the way how our customers connect with the Bank, and this channel is strategic to offer the best mobile service of the market and to enhance the digital experience.

Customer Relations Center

The Customer Relations Center focuses on products and services sale through telemarketing, enhancing the customers' cross-selling, highlighting the transactions of personal loans, credit cards and insurance in different segments.

Through Patagonia On-line, all enquiries received by e-mail and by telephone are handled and resolved. This alternate channel allows contacting with those customers that are situated far from the branch or in zones where the access to internet is limited.

In 2017, we will be working in a technology change of the telemarketing model in order to become more efficient the customer service, through the IVR (interactive voice response) and telephone operators.

Targets for 2017

- ✓ Improve the positioning of Internet Banking and Mobile Banking solutions, focusing on enhance the customer's experience.
- ✓ Expand the Smart Self-service Network, at branches as well as in positions where the Bank is not present.
- ✓ Go deeper into the service and sale model through the Contact Center.
- ✓ Potentiate the role of the self-service channels in their role of sale of the Bank's products and improve the customer service quality.

■ Individuals

The consolidation of our customers portfolio growth was possible thanks to strengthening of exposure and presence in the market of the Bank, to implementing of a new value proposal based in the segmentation of customers, to deep strategies to acquire, retain and gain the customer loyalty, and the improvement in the offer of products and services.

In 2016, the Bank Patagonia empowered its partnership with Mercado Libre and MasterCard, offering to customers and users a customized means of payment of easy access and obtaining, focused in offering the best use experience for customers.

During 2016, the Bank consolidated the partnerships in the area of Entertainment and Shows consolidating the partnerships with Time For Fun (T4F), the largest show producer in America Latina, and its associated companies: Ticketek and Teatro Ópera. Likewise, it was strengthened the partnership with Hoyts, the main cinema chain in the country.

The Bank also sponsored the launch of international concerts making a big impact in the music industry, like Rolling Stones, Coldplay, Paul McCartney, Maroon 5, Simply Red, Marc Anthony and Disclosure; and national artists, like Babasónicos and Bersuit Vergarabat.

The recitals enabled us to have strong communication before, during and after each concert, highlighting the presence of the brand at the complexes, the VIP guest room, the presence of celebrities and the press, and the promotional actions with the audience.

The Alliance with Hoyts, allowed us to present our second advertisement, with a daily projection in each of the cinemas of all the complexes in the country, during the commercials before each film.

The benefits were centered in the segment combustible by means of exclusive partnership with YPF, leader in the market, and its business units: Full, Boxes and YPF ServiClub. With this partnership was possible a national coverage offering an exclusive advantage to the customers, having brand presence in more than 1.500 branches.

Other main axis of advantages is the tourism area, where we also had an outstanding presence through new agreements with Aerolíneas Argentinas and Despegar, and we consolidate our relation with Al Mundo.com.

Arrangements were concluded with the main shopping mall chains in the country (IRSA) and other stores chains, like CENCOSUD, as well as Falabella and regionals shopping mall, allowing specials actions and advantages throughout the year.

The great impact and relation with these important agreements, allowed to continue offering differential benefits to our customers, reaching the proposed objective of brand diffusion, with a strong increase of our presence in the mass means of communication, participating in important advertising campaigns of our strategic partners with announcements on TV, radio, street, newspapers and social media, in a continuous manner throughout the year.

A new value proposal was implemented based in the strategic segmentation of customers, repositioning Patagonia Más as an Integral Program of Benefits. The existing agreements were capitalized and the proposals were adapted for each segment, and the Club Patagonia was the axis of the program of advantages.

Our relation as Financing Agent of Province of Río Negro allowed our progress with seasonal proposals and actions of important presence in regions like Bariloche, where we have an exclusive location situated in Cerro Catedral, and Las Grutas, the most popular beach resort of the province. In both cases, the Bank costumers enjoying exclusives services and advantages during its stay.

By the first time in the base of Cerro Catedral, during the winter season, the Banco carried out a tennis exhibition with two of more famous Argentinian tennis players: José Luis Clerc and Mariano Zabaleta.

We also strengthened our presence in the Province of Río Negro with wide regional advertising plan in mass media: radios, newspapers, Internet, and TV.

We are continuing to increase the development and enrichment of the Bank social network, exploring its potential. In synergy with traditional communication, we optimize these channels increasing the scope of our message. Thus, we support the objective of acquisition of new customers of Open Market, that carried out an increase of 25% compared to the previous year, the same in the follower's number in more than 80%.

Capitalizing the new or preexisting agreements and alliances, or leveraging other market opportunities, we implemented an aggressive strategy of events to get the customers' loyalty, the relation and acquisition of customers, we highlight: participation in the Buenos Aires ATP; sponsoring of tennis players; supporting of rugby clubs; sponsoring Chevrolet Team in Overcome TC2000; participation of customers in the US Open; the 11° Banco Patagonia Golf Competition held in Pilar Golf; the Workshop on Questions of the Day and agricultural events that we carried out to our customers.

The strategies to attract additional client have as main focus the generation and development of partnerships with partners through which we can to implement a customer acquisition platform 100% digital.

With a competitive and differential value proposal, together with development of the commercial actions, we can to overcome the commercial objectives proposed of new customers from open market, with an increase of over 25% when compared with the previous year.

Sale alternative channels were consolidated through the development of the commercial partnerships and commercial actions ad-hoc, with a process 100% centered, which generate over 45.000 new accounts during the year.

In Branch network, the product Patagonia Entities was strengthened, by mean generating more than 100 new alliances with target benefits and differentials for entities target such as clubs, private educational institutes, countries, associations, and individuals (partners, parents or members) as channel of acquisition of new customers.

The customer's incorporation by payroll service was other of the distinctive pillars upon which we work during the year. Comprehensive agreements were developed mainly driven to Corporate Business and Great Business segments, more massive commercial proposals for the SMEs segment and the Public Sector. During 2016, the total growth of the Salary Plan base amounted to 19%.

Respect to our customers' portfolio, it was deepen the strategy of cross-selling in each customer segment, obtain thus the increase of the penetration level of the main products of individuals segment. The activation and retention of customers were continued and maintain a sustainable growth in both portfolio loans and deposits, overcoming the annual indexes of growth of 2015.

To improve the contact with our customers, it was implemented a new tool of Digital Marketing, that allow lead to our customers customized and dynamics proposals in accordance with their taste and preferences. On the other hand, this tool will facilitate the following of digital sale campaigns. In order to know our customers, we continued developing predictive models linked a their behavior and preferences.

In Insurance business, we launched a new product: Seguro Integral para Mascotas. In partnership with Sura, this launch was parallel to a strong advertising campaign, where was improved the product offers to family attention and the goods protection.

Additionally, highlights a new partnership with Zurich, which tends to expand the product global offers for Micro, Small and Medium Enterprises, together with the growth expected for the segment.

High Income

During 2016, the Assistance model to Customers High Income was consolidated, as of openness of new Exclusive Assistance centers in sites of the CABA and GBA, like La Plata, San Isidro and Belgrano.

The Relation Program was strengthened, holding private sessions in Hoyts and different events of interests mainly related with the gastronomy, music and sports. In addition, it was strongly empowered the improvement and the proposals of advantages and services for customers of this segment.

This allowed continuing with the growth of the customers' portfolio, gaining the customer loyalty that already are in the bank and capturing new customers. To this effect, the synergy with the business area was fundamental, attracting key partners, owners and directives to segment.

At the product level, it highlights the improvements concerned to adjust the offer to new tendencies and technologies, empowering the communication via digital and electronic with our customers. This includes improving and expanding the base of customers which receive electronic summaries or information through nontraditional means. Likewise, were carried out improvements in cards, like the introduction of the technology EMV (cards with integrated chip) and the implementation of the new technologies of Todo Pago, Botón Pago and Billetera Virtual, with which we have positioned ourselves as leader in number of entries.

With relation to Customer's experience of Individuals Business, through the quality area, were carried out market research in order to deep the knowledge of the customer's satisfaction level regarding experience with the Bank. The results were satisfactory; nine of ten customers are satisfied with its experience with the Bank.

In accordance with the strategy of approach to new technologies, the Bank participated as sponsor in the Banking Innovation Program 2016. Likewise, is important to mention that was acquired the status of Main Member in MasterCard, which promote the development of new business and commercial partnerships.

Targets for 2017

- ✓ Carry out a proper strategic segmentation of our customers' portfolio, developing a specific value proposal for each, and an assistance model in accordance with the needs of each segment.
- ✓ Deep the brand positioning through the right diffusion, empowering our identity and market share.
- ✓ Consolidate our benefit programs and to position them among the bests of the market.
- ✓ Develop strategies and initiatives for the acquisition of new customers, strengthen and developing commercial partnerships with partners from digital environment and consolidate the channel for online customer acquisition.
- ✓ Consolidate the alternative sale channels centered and develop new channels of acquisition of new customers.
- ✓ Improve the indexes of our customers' portfolio like quality improvement of their data, predictive models of behavior improvement, use of the means of communication with customers of the commercial management tools, the adaptation of the platform of assistance and direct contact with the client.
- ✓ Empower the High Income customer segment expanding the benefits and relation model, obtaining a proper positioning with a defined identity and impact in the market

■ Corporate business

During 2016, it was empowered the joint development of different segments that conform the corporate business, in order to achieve a greater specialization in the customer service and in the development of models of assistance in accordance to the needs of each customer segment.

In this line, the focus was to activate the generation of new business through the development of Communities, integrating the value chains of our current customers.

As result of the contribution carried out by each segment this year, the loans portfolio showed a growth of 19% in relation a December 2015.

The development of cross-selling to our current customers, allowed reaching a commissions level that reintroduced an increase of 32% related to FY 2015.

We continued with the placement of Funding Lines for Production and Financial Inclusion of the B.C.R.A. (Communications "A" 5874 / 5975 / 6084), accompanying new and current customers SMEs in the development and growth of their business. In this sense, the Bank was disbursed the aggregate amount of over ARS1.6 billion during 2016 in projects of investment and capital assets.

Within the business global agreement with GM and together with GPAT, we continued funding the official car marts of General Motors Argentina, with the consequent generation of new transaction business with them.

In order to incentive the engagement of new customers, were developed competitions all year round in the context of the internal campaign denominated "Súper Activos", recognizing the best performance of all segments in the engagement of Customers business and Salary Plans.

Finally, in the context of improvement of the communication with the Branches Network, periodical contents were generate through the newsletter format and communication boards, and was continued the development and updating of a space of Intranet for each Segment, as source of consultation for management officers.

■ **Corporate**

To continue the support of commercial development of Banco Patagonia with Companies, Corporate defined the structure that enabled to potentiate the creation of new communities, increase the present level of cross-selling, and generate a closest link to the customer.

It comprises two Executive Managements that have seven Business Managements depending on them, divided by economic segments:

- Automotive companies, Spare parts, and Transport
- Trade
- Infrastructure and Steel
- Oil, Chemical Industry and Laboratories
- Agribusiness and Food
- Technology and Services
- Industries

During 2016, the Corporate Segment was continued expanding the relations with current customers, based in three pillars: excellence in the quality of the customer service, deep knowledge of customer to offer the best advice possible in order to have an integral perspective of the business and to generate long term relationships with customers.

The loans portfolio has a growth of 21% closing the FY 2016 with an amount of ARS 11,203 million. It is noted that, it was focused the placement of lines of medium and long term, as also in the financing transactions of Foreign trade.

Strongly focused in cross-selling among currents customers, it was obtained an annual turnover by commissions which reintroduced an increase of the 43% related to FY 2015.

As a commercial guideline, we maintain the focus on gaining the reciprocity of business with the customers, looking to maintain a proper relation between credit assistance offered and the participation in the various banking business of the customers (communities, capital market, transactional services, payroll, etc.).

■ **Large Companies**

During 2016, we continue working in the development of the segment, in order to position ourselves within the main banks dedicated to corporate business.

In this order, during the said fiscal year, we started to consolidate the assistance model generated in the last two years, accounting currently 11 Branches and specialized assistance centers of the customers segment, within our Branches network.

The loans portfolio evolved favorably from the 19% annually, with the highest variations in working capital funding, as in investment.

On the other hand, the commissions volume went up by 25%, seeking to deep the cross-selling level, which was obtained through a greater participation in the Comex trading/company thus as an increase of Collections Accounts and services of Payment of Suppliers.

During FY 2016, We kept on working along with GM dealers' network along with GPAT Compañía Financiera, obtaining an increase of business linked to Floor Planning, like the greater volume of business through Collections and Salary Accounts.

Different commercial actions were also launched, in order to link new customers, accounting with the joint contribution of the Corporate and SMEs Segments for the development of new communities.

■ **Agribusiness**

In 2016, in order to continue positioning the Banco Patagonia among main referents in the Agribusiness, it was conformed the Agribusiness Management dedicated to treat differentially the customers of the segment.

The assistance model focused to center in specialized officer's portfolios to agro customers with greater business potential. On the other hand, commercial actions were carried out to atomize the existent portfolio, including customers of smallest size. In this line, it was created the new AgriSMEs sub-segment.

Also, Agro Agreements were continued with main commercial business of the sector, promoting the utilization of the Agro Patagonia Card. To this effect, it was renovated and incorporated new agreements with different suppliers of raw materials and equipment.

On the other hand, in order to continue expanding the specialization of the commercial team, we carried out diverse Training's contend related to commercial management and technic knowledge of sector, highlighting the Training workshop on Agriculture of along with the CREA organization, with the participation of more than 70 employees of different branches and regions of the country.

■ **SMEs**

During 2016, the management focused on expanding the development for a customers' portfolio SMEs with greater volume of business, supporting their financial needs and promoting their development potential.

To this effect, we continued developing alliances and business communities with customers of Corporate and Large Companies Segments, allowing integrating their value chains to Banco Patagonia. In this sense, it is noted that the generation of Financing Agreements with Corporate Customers that allowed carrying out more than 200 transactions, highlighting among them, the agreement with General Motors.

On the other hand, we developed a differential value proposal to Business Associations and organizations and Chambers of Commerce.

As key tool to promote the business growth for our customers, we were developed specific commercial actions of Cross-selling, focusing in the transactional and commercial products penetration (Commercial Cards, Commercial loans for Working Capital, Salary Plans Agreements and Insurance aimed at companies, retail businesses).

Likewise, we reinforced the importance of empowering the volume of customers' portfolio with credit qualification, improving and simplifying the available circuits, process agility and documentation requirements.

We continued actively offering lines of credit for productive investment and financial Inclusion, driven mainly those lines guaranteed generated by working along with Reciprocal Guarantee Corporations.

Finally, in order to give continuity to the line of management of last years, it has carried out the redefinition of the current assistance model of the Segment, determining new criteria for the segmentation of customers facing 2017. This strategy will allow driving efforts toward more profitable customer acquisition and with greater potential of business integral.

Targets for 2017

- ✓ Promote the growth of the customers' portfolio SMEs to new segmentation through a competitive offer of credit and transactional products, from a customer-oriented view.
- ✓ Stimulate the cross-selling and credit qualification levels of the portfolios of each segment.
- ✓ Leverage the development of business communities with the participation of all business segments, in order to engage and develop the value chain.
- ✓ Ensure the compliance of special lines placements fostered by the B.C.R.A. and other regionals agreements. In line with this, we will look for to participate of all auctions of credit lines that grant a positive spread for bank.

Finance

In a setting of market norms more flexible, as compared to previous fiscal year, the investment options increased, allowing a larger volume and range of transactions and products. In this new context, the Bank was positioned as Market Maker in the MAE, covering different kinds. Additionally, we occupied the forth place in the ranking MAE in foreign currency future transactions and seventh place in SPOT.

From a commercial-oriented view, it was consolidated the assistance model proposed in previous years, based in specialization per segment. This allowed our adaptation in a market that introduced new challenges and innumerable opportunities. Since the beginning of the fiscal year, the greater financial volatility allowed the development of new business for the bank the customer demand of coverage and investment products increased. In this sense, the bank was able to maintain the agility to adapt itself to new demands, as well as consistent on the quality of its services. This allowed a better positioning of the Entity in Treasury products.

The bank continued empowering the Custody and Liquidation product of bonds and values transactions negotiated in both local and international market, with a design specifically anticipated to institutional customers

segment. As of December 2016, it was managed ARS 31.400 billion, with a variation of 60% compared to 2015. The Insurance Companies segment remains second in the market share, managing ARS 18.7 billion in December 2016, reflecting a variation of 91% compared to close of the previous year (ARS 9.8 billion).

In consideration of that, the bank holds the authorization issued by the BCRA to act as custody, in accordance to the Communication "A" 2923, supplementing and amending, we continued develop the custody business in the Insurance Companies segment.

Likewise, the Bank renewed the compromise with its customers, pursuing the continuous improvement in attention and assistance through the specialization of the work team members, obtaining high standard of flexibility and efficiency.

In December, the process of Product Certification of "Securities Custody" was renewed, in accordance of the international rule of Quality Management ISO 9001, positioning the Bank in a different standard of quality in the context of a market highly competitive.

Targets for 2017

- ✓ Support the growth of the market in the development of new products, especially in the derived segment.
- ✓ Participate actively in "cross border" products to offer a larger coverage possibilities to our customers.
- ✓ Continue improving our position in the MAE ranking, increasing our market share.
- ✓ Continue growing in Institutional customers market share, in both segment local and international
- ✓ Expand the variety of products, of investment and derived, to meet the demand more sophisticated and competitive
- ✓ Continue generating synergies across our branches network and offering investment and transactional products.
- ✓ Continue empowering the profitability of the Custody product to increase, seeking new business opportunities, the increase of custody of assets from the segment institutional customers and the optimization of the operational circuits.

Capital market

Banco Patagonia kept its position as one of the main entities in the Argentine market, participating in 37 transactions of negotiable obligations and financial trusts, in a total amount over ARS 5.5 billion.

Financial Trusts

In 2016, 24 issues of financial trusts were organized and placed in the primary market for a total amount of ARS 3.314 million. This enabled Banco Patagonia to reach a market share of 9.6% keeping its leading position in the domestic market. To this date, the Bank took part in 387 transactions in the primary market, by more than ARS 22,297 million. The trust's portfolio includes brands like CMR Falabella, Ribeiro, Banco Piano and other relevant companies in the segment of consumer finance products.

Regarding trust management, the Bank was again qualified as an "Excellent" (top mark) Argentine trustee by Standard & Poor's, a position retained since 2007. Banco Patagonia was the first entity to achieve this mark as trustee in Argentina.

Negotiable Obligations

As regard the issue of short- and long-term debt transactions, in this fiscal year 13 issues of corporate bonds were organized and placed, totaling more than ARS 2.4 billion. The entity kept its position as one of the main placement agents of these financial instruments for the Argentine market having incorporated important new issuers during 2016. The organization of issues of debt instruments for clients accounted for a major contribution to the income of this sector in this fiscal year. Additionally, issues were organized and placed for GPAT GPAT Compañía Financiera, Tarjeta Naranja, Mercedes-Benz Compañía Financiera, PSA Finance and Rombo Compañía Financiera.

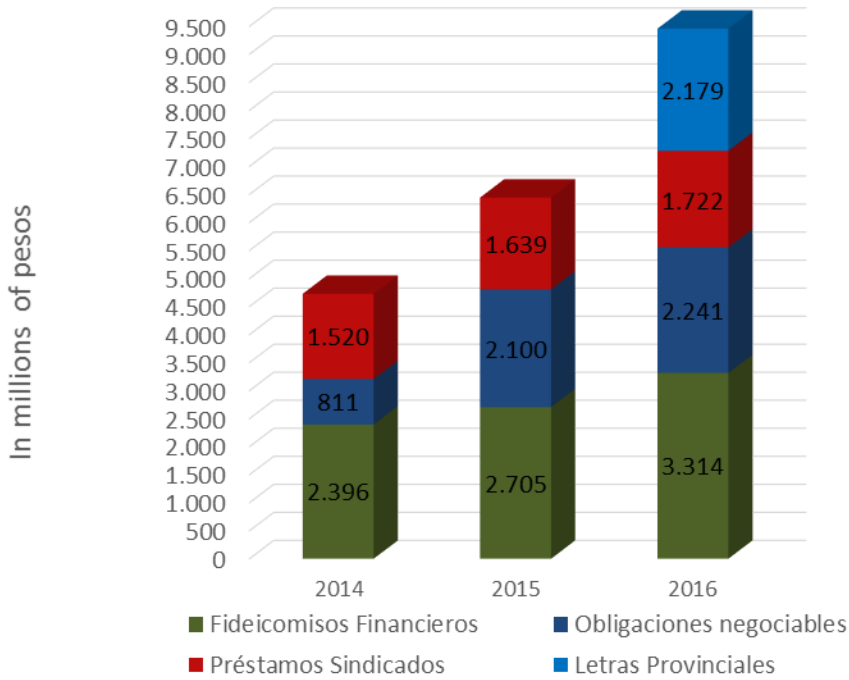
Province's Treasury Letters

During 2016, Banco Patagonia organized and placed 6 series of Treasury Letters from the Province of Río Negro, totaling an amount of ARS 2,179 million, the first time that the Province utilizes this form of financing. This consolidates the position of Banco Patagonia among the more relevant entities in the placement of securities in the local capital market.

Syndicated Loans

During 2016, syndicated transactions were organized for a total amount of ARS 1,722 million. Banco Patagonia acted as a syndicate organizer and agent bank in 3 of these credit transactions.

EVOLUTION OF AMOUNTS BY TYPE OF PRODUCT



Targets for 2017

- ✓ Continue offering to our customers a service of excellence, strengthen our experience in the different tools of funding through the capital market.
- ✓ Keep the position of leadership, acquiring new customers, in the said trust as well as negotiable Obligations and syndicated loans.
- ✓ Participate of the market of international issue of government bonds and corporate bonds for companies and sub sovereign.

Public Sector, Financial and Institutional Entities

In order to empower our customer development, it was created the Executive Office of Public Sector, Financial and Institutional Entities, including the management areas of Business with Universities, Business with Financial Entities, Insurance and APN and Business with Public Sector.

▪ Department of Business With Universities

During 2016, occurred an important shift in the business with universities of public management, changing the setting of procurement and started again tendering processes to hire a Financial Agent and payroll service. In this sense, the Banco had participated in these processes, renewing the totality of the tendering processes in force at the time.

This new setting opened the possibility of participating in tendering processes of 37 universities, which operate with other banks and it is expected that they, during 2017, advertise for invitations to bidding or banking services.

In this context, it is important to mention the recognition that the Bank received related with the academic system, due to its specialty, acquired by being the financial agent of great number of universities, as the unique Bank of the financial system that granted funding to National Universities through different instruments (Commercial and Leasing Loans).

Likewise, it was carried out during 2016 a job of positioning and construction of soundness institutional relationships, organizing institutional and of corporate social responsibility activities, such as the sponsorship of events that gather rectors and referents of the university system, participating in interuniversity marathons and sport games, academic merit awards, highlighting especially the partnership with NXTP Labs and the realization of the first contest for university students entrepreneurs in the matter financial innovation, Fintech awarding the innovative projects.

Targets for 2017:

- ✓ Keep contract renewals of financial agent of the universities customers that go advertise for invitations to bidding during the year 2017.
- ✓ Incorporate new Universities through tendering processes, thus as satellites agency related to them (faculties, social work, departments of complementation, Foundations, among other).

- ✓ Grant new credit lines to active and new customers
- ✓ Continue with institutional activities of positioning in the university system, aiming actions concerned with the entrepreneur environment.
- **Department of Business with Financial Entities, Insurance and APN**

In the segment of Financial Companies of automotive and card companies, we keep a strong presence in the credit level and participate in the placement of five Negotiable Obligations of these companies, furthermore to maintain volumes in transactional products of payment, recovery and collection.

It was possible to significantly increase the acquisition of passives in the segment of Mutual funds, in both sight and fixed-term operations.

Likewise, it was increased the commissions in transactional products in this segment through the service of claims paying.

With reference to the National Public Administration, it was continued the project of implementing the Biometric Identification System of ANSeS, extending it with an agenda of assignments ordered for this year and the average reached by system. The relation with the Circles has been kept healthcare providers and Institutes belonging or related to the Armed and Security Forces, increasing the offer of products and services, relating new customers of the segment through investments.

Targets for 2017:

- ✓ Increase the cross-selling of customers with special focus in electronic transactional.
- ✓ Acquire new customers related to this segment.
- ✓ Keep the Bank positioning as the main Bank of the Segment.

- **Department of Public Sector**

In this segment of customers, the focus was actively on actions to acquire the customer loyalty and to engage new agencies. Based in the relationship developed, it was obtained the increase of cross-selling products and the customers reactivating. It is noted that an increase of average balance deposits, financing transactions and in terms of trading volume through transactions of foreign trade. We participate actively in financing transactions for Municipalities, Provinces and business with engagement of the state. Likewise, it was concretize the signature of new discount codes and salary plans generating new alternatives to retail business.

To deepen and empower the institutional - commercial relation with the Province of Río Negro, we acted actively in the participation of different touristic, educational, social and RSE events across the provincial region. It was continued the support of cultural and sporting activities and events, obtaining a notable economic, commercial and representative presence of the Bank.

We participate actively in the development of productive economic activities, facilitating the instrumentation and implementation of different Programs and Projects, signing agreements of sharing responsibility with Provincial and National Government for granting favorable conditions on credit assistance for the Productive Sector. We create preferential conditions for the provincial public employee and provide important advantages and discounts into Province of Río Negro.

We multiplied the efforts in municipalities of Río Negro looking for the development in nontraditional transactional and credit banking products and services, in order to bringing the operations into the formal banking system with excellent results.

On the eve of future bidding of the service of financial agent of the Province of Río Negro, a contract extension was agreed by up to 180 days or until the finalization of the bidding process. On February 7, 2017, the Banco Patagonia showed like the only bidder in the process of the service of financial agent of the Province of Río Negro.

Targets for 2017:

- ✓ Continue developing the relation with the Province of Río Negro as Financial agent.
- ✓ Incorporate new customers of the segment.
- ✓ Increase the presence of the Banco and deepen the relation with the segment.

- **Technology, Communications and Systems**

One of the main Bank focus is the investment and development of the technology area, which answer the demands of the market and develop the entity towards a more digital bank, for this reason we were executing a strategic plan of Technology defined in terms of 5 years since the 2015.

During 2016, we make progress in the unified Front End projects, a process focused on new Business Process Management (BPM) tools, development of a new Mobile app, implementation of a new Home Banking platform, a new management system of collection and arrears and of a new Money-desk system, among other developments.

It was concluded the renovation plan of technology infrastructure of Data Processing Center that include, among other, greater capacity of memory and processing, renovation of storage, libraries of safeguarding data and telecommunications links.

Targets for 2017

- ✓ Contribute to the execution of the Strategic Plan by means of the execution of the strategic IT action lines, as well as cooperating in the execution of the other areas of the Bank.
- ✓ To continue with the implantation of new systems about the application architecture target, that includes: the Internet Platform and P Mobile Banking platform for the Individuals clientele, to continue with the automatization of process in the Branches Network through the unified Front-End and utilization of BMP tools.
- ✓ To give support to implementation of a new digital offer that distinguishes us in the market. To continue reinforcing the telecommunications service with the Branch Network and third parties, through migration to more modern technologies, enabling better connectivity capacity.

■ Processes and Transaction Support

The different operative processes go along with the effective development of business and facilitate the suitable support of commercial operations. Within the organization structure, the Superintendency of Operations and Processes Support enables the improvement of the command ranges, reporting levels, functional organization of the structure, specialization per segment and a general structure prioritization.

Record Digital

During 2016, in order to ensure the right conservation of the information, to reduce the need of storage space, to guarantee the access to documentation properly and on time, safeguarding the security and confidentiality, and allowing the simultaneity in the consult of the documents, it was consolidated the process of Digitalization in centralized areas.

In this manner, it was implemented the second stage of the project of Digitalization that involved the development of the tool Digital Record, where all the admission records digitalized since September, 2015 are stored.

This tool allows visualizing online the records and indicates for each procedure what is the documentation requested. This not only generates a better impact in the customer service, since it is only needed basic documentation (like the DNI) just once, but reduces considerably the number of documents in custody and facilitates the management of the procedures inside the Banco.

Product Delivery

In 2016, it was developed a new system of Delivery of kits of products, credit and debit cards, which incorporate the sending messages using SMS and and-mails to customer, informing the permanent status of the product and improving thus the first customer's experience with the Bank.

Lean philosophy - Working Cells

As a preponderant part of the plan of constant optimization of the efficiency and improvement of process was started a marketing research looking for tools that is allowing us to carry out a better management of our process.

In May of 2016, it was initiate the Lean project, whose first scope has included the analysis, development and implementation of a assistance model of the Individuals segment, based in the management of cells directly concerned with specify groups of branches.

The branches were gathered with the regions, creating cells of permanent attention improving the communication and resolution of problems based in the better knowledge of the problematic of the branches involved.

With this implementation, it was possible to reduce considerably the time of resolution on the procedures and meet the services contracts agreed with branches network, looking at an increase of productivity that can to reach to 30%, in accordance with the best practices.

Paperless Sale

The dematerialization of the record implies the reformulation of the admission process of retail portfolio products, making them integrally digitals, without need of printed forms for the signature of the customer, without photocopies of documentation presented and eliminating the physical safekeeping of records.

It is an innovative project that positioned us in the market as the first Argentine bank that is implementing this type of technology of graphometric signature.

This technology allows us to generate documents in digital format, whose are visualized in electronic devices and the signature on this electronic support have the same biometric data that the paper-based signature, it may be verified its similarity with the physical signature. In addition, the signature is indivisible of the document where was made bringing high levels of security.

The implementation of generation of 100% digital records is in pilot stage, including the elaboration of forms in intelligent and autocompleted way.

Thus, the paper use will be eradicate in the setting of the customer record, projecting only to this effect process an annual saving of over 8 million of sheets and with a considerable decrease of the storage of physical records and minimizing the environmental impact. This number must increase considerably as long as other process to be added to this way of working.

The Biometric Signature is an excellent system of personal identification, which is applicable in many processes providing saving in paper, logistic, space and time and improving the customer's experience in the product acquisition.

BPM

The Business Process Management (BPM) is a methodology, whose objective is to improve the efficiency and the optimization of the business processes through the management of the processes that must design, model, organize, document and optimize continually.

The first process analyzed is the admission of Packages, including the full automatization of the process, its traceability and generating improvements in the efficiency of the process to generate the admission on line. Subsequently, it is add the customer rating, allowing providing a unique and customized service.

The implementation in branches is expected in 2017, forecasting an important increase of the efficiency that will reflect a saving in terms of resources in central areas and a reduction in the lead time of up 50%, which will lead in a better level of customer satisfaction.

Targets for 2017

- ✓ Improve the customer's experience with the implementation of the new process of product delivery
- ✓ Incorporate the digitalization to the current processes.
- ✓ Consolidate the management of autonomous cells with service agreements according to the customers' expectations.
- ✓ To improve the customer's experience, even adopting new technologies of the world digital and the automatization of processes.

Loans, Foreign Trade and Exchange

During 2016, similar to the previous fiscal year, we continued working in the introduction of improvements to credit analysis processes with the objectives of to obtain greater efficiency in the same and improving the indicator of irregular portfolio. As relevant fact highlights the improvement in the total indicator of irregular portfolio over the active portfolio; reaching a ratio of 0.97% at the end of the year, which was a decrease from 18% in the previous year.

The consumption portfolio showed a significant expansion percentage compared to the volume of 2015. It was obtained a growth of 47% and, simultaneously, an improvement in the ratio irregulars which was 2.16%, showing a setback of 23% compared to December 2015.

To get these indicators were fundamental the advances obtained in the application of strategies of different rating for each segment, taking into account the utilization of predictive models and the exploration of data with advanced statistic technics, allowing us to optimize the actions of credit assistance as likewise the credit recovery management.

In accordance with the objectives of the Bank, also, during the current year, it was got the implementation of a new multi-segment credit analysis platform (includes Individuals, SMEs and Agro segment) which unify the treatment of the credit application for all customers (individuals and companies). This tool allows us: to improve the efficiency of the analysis process, homogenize criteria, reducing significantly the process time for a request in branches network and diminishing the answer time by the area of Credit Analysis. In this way, we contribute in order to account with processes and tools which allows us to be in conditions of qualify a greater volume of customers and prospects without assume larger acquisition costs.

Compared to the commercial portfolio, the Bank kept its position with a level of default below the average of the financial system reaching a ratio of 0.44%, showing a setback of 29% compared to the previous year. To get this index and guaranty the quality of the active portfolio, the analysis process is carried out concertedly with commercial areas, understanding that this complementary approach ensure us a greater comprehension of the

evolution of the business of our customers, consequently minimizing the loss risk. Likewise, the decisions on credit are based in a professional evaluation with different levels of credit authorization, and highlight the deep knowledge about the customer and of the economic sector in which they are carried out.

About this last aspect, it was consolidated the sector specialized in analysis of economic sectors their perspectives, ensuring this way that the analysis areas have a proper flow of information on the context of each economic activities developed by our clientele, contributing then to development of strategies of credit rating sustainable over time.

Likewise, it was implemented a model of internal rating system for the commercial portfolio (Credit Rating), in order to categorize the same with an objective and homogeneous criteria in correlation to capacity of repayment of our customers. This type of structuring, besides allowing sizing the credit risk of the portfolio; allows future commercial applications to set up strategies of differenced pricing for categories of risk.

On the other hand, facing to setting of greater economic openness and accompanying the private investment, we were developed a protocol for the investment project analysis in order to obtain a proper and rapid answer. Also, we were defining an analysis processes more efficient to follow participating as an active player in financing direct to Public Sector, whether through the assistance to Provinces, Municipalities or other agencies, or in indirectly through the financing to suppliers of the sector by services or public works.

Furthermore, we continued to strengthen our commitment of provide products and services responsible social and environmentally through the application of analysis criteria that include the evaluation of the impact of social and environmental risks.

With relation to Foreign Trade, in the first stage, the Central Bank was introduced significant changes in the rules which govern the functioning of the foreign exchange since 2002, aimed at a greater flexibility in the exchange transactions. As of these regulatory changes, different actions of customer loyalty were carried out: training in all the country by Comex virtual classrooms, Trade New, among other. Likewise, it was necessary to adapt the circuits, procedure manuals, forms and systems of each process and to capacitate the staff involved.

During 2016, it was implemented a Quality Management System on processes of Foreign trade and Exchange, in accordance with the norm ISO 9001:2015 with focus on risk management and the customer satisfaction. Thus, it was created a competitive advantage for the next year, being the first and unique Bank of the Argentine market that obtained this certification.

The activity of sale and implementation of the product "electronic ticket" was continued, reached 43% here over the total amount of transfers abroad and 35% of participation over the total payment orders received from abroad.

In a year where the number of transactions was reduced when compared to the previous year, the Bank showed in this business an annual growth of 60% in commissions and of 43% in traded volume in US dollars.

- **Department of Credit Recovery**

The Department of Credit Recovery has the mission of the regularization and/or cancelation, whether via judicial or extrajudicial of all credit granted by the Bank. Likewise, is responsible of the consultancy and accompaniment of the network and commercial department for the active customers management face the difficulty to fulfil the obligations, along the instrumentation of all guarantee associated to credit.

To reach their objectives, the Department is structure in specialized sectors, in accordance with the customer segment:

- Credit Recovery-Individuals; include the areas of Management irregulars (active customers up to 90 days of non-compliance with the obligations in their debts) and Default of customers (debtors with more than 90 days in arrears)
- Credit Recovery-Companies; assist the Corporate, Companies, SMEs and Agribusiness portfolios.
- Guarantees, it is an area that ensure the instrumentation of the guarantees requested and granted by the Bank, as well as its correspondent efficacy face an eventual execution, providing likewise consulting and support to different business areas.

During 2016, the Department of Credit Recovery was obtained important advances in all their segments. In the Individuals and Companies areas, it was implemented a new Management Arrears Tool which made more effective the following and administration of the nonperforming loan portfolio. With regard to the Guarantee area, it highlights the support to Public Sector, the programs of customers communities linked and the launch of lines of mortgage loans UVA and PROCREAR.

- **Human Development and Corporate Atmosphere**

Focused on the encouragement of the integral development of the 3.434 employees and the strengthening of their sense of belonging to Banco Patagonia, during 2016 from the Superintendency of Human Development and Corporate Atmosphere, different programs and internal communication, training, development actions and benefits and awards were encouraged.

Corporate Atmosphere

During 2016, Internal Communication and Corporate Atmosphere Management worked hard to provide a space for dialogue for all Branches network. Thanks to the Program of Visits to Branches, it was organized a meeting in 183 of them, generating a space of discussion with every one of their employees. Similarly, it was continued Program Breakfasts at the Central Office, with the participation of 363 employees.

With focus on the relationship of the employees with their children, at the event "A Different Day", in October, 1.200 people met at the Teatro Ópera, where they enjoyed music, games and activities with invited artists. In addition, during the week, it was carried out diverse activities in all provinces to share with children. More than 1.300 people participated of these events.

On other side, all employees with children up to 11 years old receive an allowance for summer camp expenses. There are also allowances for employees with disabled children. In addition, there is a special allowance in case of death of the employees' direct relatives.

In this sense, the support to employees in difficult circumstances is very much important. During this year, the EAP handled more than 215 cases; the Bank continued to support employees and their direct relatives in critical situations, such as cases of accident, illness or other special problems. During 2016, also it was launched mortgage loans for employees.

In terms of events and integration, in the Bank, it was carried out the Banco Patagonia Tournaments, in both branches and Central. Each region of branches has its day of activities where, in addition of men's and the women's soccer and volley championships, it was promoted the integration of all employees with an invitation to encourage their peers and enjoy a lunch at the closing activities.

As all years, workshops were organized in all country for employees interested in different activities, like yoga, cookery, photography, art, pastry, CPR and first aids.

The Organization offer gifts to employees in significant moment of their lives, such as birth of a child. In addition, school kits were delivered at the time of the coming back to school, and also toys for Children's Day and different rewards as a recognition of their career at the Bank (on the 25th, 30th, 35th and 40th anniversary working in the bank)..

For employees that graduate in the university, the bank gives a present in recognition.

At the end of 2016, there were carried out two institutional parties: the first, for the Rosario Region, congregated 130 employees of all their branches; while the second was held for all employees of Buenos Aires and Central branches. Over 1300 people enjoyed the night with their peers. In addition, there were carried out local parties in different regions of the provinces.

Internal Communication

During 2016, it was deployed the communication campaign "Tenemos Valores", whose main objective was to divulgate the corporative philosophy and their eight values among all bank's employees. The company review denominated "Punto de Encuentro" was transformed in a fully digital and interactive publication, avoiding the paper use and to reach all the company computers.

The collaboration social network Yammer has continued acquiring users, with about 700 active peoples. Some events and campaigns were communicated mainly via this mean, like the Meeting of Managers 2016 and the Second Digital Workshop.

Through to year-end, it was implemented a new mean of internal communication: the digital billboards. In a first stage, all floor of the Central account with a screen that allow remote updating, audiovisual and attractive content for all publics. This will be implemented in stages for all Bank, replacing gradually the paper billboards.

Training and Development

In order to reach the objectives of the organization, the Training Plan was centered in to strength the tools of the Branches Network. In the Internal Training Program, more than 31 thousand classroom training hours were dictated for employees among Sale Culture Program, Business School and languages. This year, it was empowered the eLearning, with 32 and-learnings developed and more than 22 thousand hours held by employees.

Relating to External Training Programs, it was carried out 56 subscriptions that totaled 968 hours. The year 2016 ended with an average of 15.74hs of training by employee.

In this sense, the realization of the 4° Program of the Business School Training oriented to new Branch Managers was very important, developed jointly with the Universidad de San Andrés and the 1° edition of the Program of Business School Training for New Officials Large Companies and Agribusiness, developed jointly with the University CEMA. In total, 57 employees participated.

In the case of the employees' development, the performance management is a key process that promotes the people's growth, the improvement of the communication, and contributes to reach the objectives of the company. This year, it was implemented the first stage of the new model, which includes for the first time the Objectives Setup and the evaluation by Competitions and Objectives.

Focusing on talent retention and leadership promotion, it was carried out the implementation of a Model of Talent Management in order to identify the talent and acquire the loyalty of employees. The Process, in its first stage, includes different public: 106 Area Heads of Central Office and 356 Officials of the Companies Segment (Executive of Business, Official SMEs, Official Agribusiness and Official Large Companies), reaching a total of 462 employees. To this effect, 32 sessions of Talent Review were carried out; where the objective was to provide evidences about the aspects that the Employees must plan, define and implement specific Development Plans. In total, 96 hours of sessions of Talent Review were carried out, where 53 Evaluators participated.

Jobs and Career Opportunities

During 2016, 332 new employees were incorporated to the Bank and there were more than 170 internal promotions. This year, more than 90% of said promotions were to and within the Branches Network, meeting the business demands.

Through the Labor Orientation Channel, 33 advice requests received a response to the employees' inquiries about their career plan in the organization. In total, 95 internal researches were generate during the year.

9. Corporate Social Responsibility

CSR's strategy is the commitment Banco Patagonia takes with its groups of interest to provide simple and clear responses to their needs, ensure the transparency of the corporate governance, promote the employees' development and support the regional economies growth.

In this context, the social investment strategy intends to promote and support projects together with different organizations, in order to create value in the communities where the Bank is present.

Some of the main actions carried out during 2016 are highlighted below.

Education

During 2016, support was granted to formal education, by means of scholarships to secondary school to 90 students of Neuquén, Río Negro, Catamarca, Buenos Aires and Chaco. By means the Scholarship Programs of the Fundación Cimientos (28 scholarships) and of the Asociación Demos (4 scholarships), which include monetary support, customized educational support and gatherings for exchange among the scholarship holders.

We also supported the education of 45 youths from Neuquén and Río Negro, through scholarships to attend the Agro technical School of the Fundación Cruzada Patagónica in Junín de los Andes, which include living expenses, school equipment and accommodation. Likewise, it was granted scholarships to youths in partnership with different nonprofit organizations: Cascos Verdes, Colegio Madre Teresa and the Fundación Nuestra Señora del Hogar for students of the Colegio Universitario Pantaleo. In addition, scholarships to youths with diminished intellectual capacities were granted through the Association Cascos Verdes, in order to collaborate that they conclude their studies of Environmental Specialists.

Another working line within the Education area is students' training and learning. In 2016, it was promoted the Contest "Nosotros queremos" (We want) along with the Fundación Inclusión Social Sustentable exclusively in Río Negro, and together with other companies in Córdoba, Corrientes, Mendoza, and CABA. The objective of this initiative is to promote the development of commitment and responsibility actions with the community of secondary school students. In Río Negro, more than 910 students from 39 schools participated, submitting 60 projects.

In addition, the Reading Marathon organized by the Fundación Leer was sponsored, through this initiative during one day, thousands of people read simultaneously across Argentina together with children to communicate to the society about the benefits of reading. In the line of this effort to promote reading, the Bank donated 3 reading corners to schools in Río Negro providing more than 600 books to more than 400 children.

As part of the commitment with society that the Bank has as a financial institution, 66 Workshops of Financial Inclusion and Tax Culture were conducted together with ADEBA (Association of Private Banks) and Rentas (Revenue Authority) from Río Negro. We carried out ludic activities for students of 5°, 6° and 7° grade of 32 from 40 primary schools situated in 24 locations in Río Negro. Through games, the students are educated about the tax and banking functions.

We supported the educational program “Partners for one day” of the Fundación Junior Achievement in the cities of Córdoba and Rosario, to introduce the youths in the world of work. Besides, along with this Foundation, it was developed the Personal Economy Program, that showed the value of planning and establishing objectives for proper making decisions for the personal economy. This program is destined to ninth grade students of primary school, also first, second and third year of high school, for this reason, it was dictated 10 courses in three school of Cipolletti (C.A.N.D.M. 15, 17 and 30). The program is divided in 5 sessions and an interactive final seminar, which includes activities that allowing all the learnings “into practice”.

To promote the financial education in old age, it was designed the program “Un Click de Confianza” together with educational consultant Foro 21. The objective is that old people can incorporate knowledge of and-banking: utilization of automatic teller machines, debit card and totem. Practice workshops were dictated in General Roca and Cipolletti (Río Negro), benefiting to 50 retirees.

Through the Program Universities, promoted together with the Public Sector Management, it is encouraged the development of the students from 16 national universities in the country, by means of training and research scholarships, and supporting the outreach areas in sport events, cultural programs, training meetings (training, congresses, conferences and workshops, for students as well as for the community), prize and recognition awards (to academic merit, to entrepreneurship, etc.), equipment and the implementation of actions of social investment in the communities close to the Universities.

In 2016, we invited 16 higher learning institutions that are part of the Universities Program to participate of “Banco Patagonia Emprende”. To promote the entrepreneurship of young university students, the Bank launch this program together with NXP Labs accelerator, through which the students presented projects that propose an innovation of base digital for the financial sector. The 16 finalist projects were selected to participate, during three days, of a Training plan and visits, to learn to undertake since the experience. The last day, they visited the Banco Patagonia where they learn more about the technologic developments of the Bank and present their projects to a jury that indicates the winners.

Culture

Within the Regime of Cultural Promotion of the Autonomous City of Buenos Aires, and from the Law of Patronage, the sponsorship of 5 cultural projects was completed. Besides, support was granted to the Collegium Musicum to carry out concerts in the Museo Sarmiento, the Metropolitan Cathedral and the Museo Casa de Ricardo Rojas.

Sports

In line with the support to sport activities for social purposes, the Bank sponsored the Calfucura Rugby Club, contributing with the construction of a sports venue to prevent addictions, educate in health, and generate space of contention through the sport and social space. Besides, we offered scholarships and educational mentoring, to generate opportunities of access to tertiary and university education through the implementation of a scholarship program for the players that conclude the high school.

Besides, together with the Organización Nuevas Olimpiadas Especiales (Organization New Special Olympics), we supported the participation of youths with disabilities was supported, in different sports.

Local development and entrepreneurship

Entrepreneurism was encouraged through the support to growth of local entrepreneurs that wanted to develop their business. Their activities are the maintenances of many families and generators of employments, contributing to development of the regional economies.

The Program of Strengthening for Entrepreneurs was carried out together with Nobleza Obliga in six localities of the Province of Río Negro with the support of the Agency of Development of the Ministry of Economy of the Province of Río Negro and the different Municipalities (Bariloche, El Bolsón, Allen, Cipolletti, Villa Regina and General Roca). In the two days of this free course, 230 people participated to increase the ability and capacity of the entrepreneurs in planning, execution, monitoring, sustainability, articulation, transmission and the introduction to concept of collective financing. Likewise, it was included the following of the projects for those that participated of the platform of crowdfunding of Nobleza Obliga with the assistance of the technic team of the CREAR.

Together with the Fundación Impulsar, more than 60 entrepreneurs of Berazategui were coached, which participate of a local entrepreneurship program and through the Program for Entrepreneurs Patagonia in Junín (Buenos Aires). This last calls to those interested in launch idea or strength its current productive or of services project. This action includes free training in formulation of business plans, financial help to five better projects and mentoring to assist the entrepreneurs during a year, working by the sustainability and success of their business.

As part of the actions of local development, together with ALTEC, 10 solar panels were donated in cities of the southwestern area of the department of 25 of Mayo and the northeast area of the department Ñorquinco (Río

Negro). Likewise, we supported the second Theoretical and Practical Workshop for field staff designed by the Entity Rural Paso de los Libres, to promote the rural development.

Finally, through the Program of Equipping Río Negro Community Institutions was carried out donations to “Kawell Anay Centro de Equinoterapia” in Catriel and to Comedor Laura Vicuña in Gral. Roca.

Environment

New communication items were generated for the Programa de Separación de Residuos (Waste Separation Program) at the Central Office and branches of the City of Buenos Aires. We also strengthened the internal campaign intended to generate awareness about the rational use of paper, and at the same time, we kept on encouraging the electronic issue of credit card statements, and also, environmental messages were included in the internal campaign of personnel record digitalization. Thus, we are seeking to minimize the use of paper.

We still continue with the collection and later donation of plastic bottle caps to the Hospital Garrahan, as part of the recycling campaign of the Foundation of said hospital. Likewise, it was carried out the donation of technologic devices out of service to the Asociación Civil Basura Cero wich recycle and reutilize the same to social purposes.

In order to promoter the environmental conscience in the Entity, it was supported the annual action of Fundación Vida Silvestre “La Hora del Planeta”, the Patagonia Eco Film Fest in Puerto Madryn and the publication of the Guide of identification of 50 birds more frequents in the Natural Reserve Urbana Cotesma of San Martín of the Andes held by the Foundation Conservación Patagónica.

Corporate Volunteering

This Program is aimed to accompany the collaborators´ generous spirit and to contribute to the consolidation of the community awareness. The collaborators are invited to donate their time and efforts, and the Bank deals with the funding and coordination of the activity.

In 2016, the volunteering actions were the following:

- Building houses together with the Fundación TECHO. 55 volunteers from 17 branches and 18 sectors built 5 houses in Buenos Aires and Tucumán. For each house built, the Bank donated another one, and were donated houses in Cipolletti and Córdoba, thus helping 14 families.
- Organizing orchards together with the Fundación Huerta Niño. 60 volunteers of the branches Mar del Plata Independencia, Mar del Plata Luro, Mar del Plata Puerto, Ushuaia, Río Grande, Villa Mercedes, Río Cuarto, Corrientes and Resistencia planted community orchards in 4 schools of Mar del Plata, Córdoba, Corrientes and Ushuaia, with the purpose of helping to relieve malnutrition and child malnutrition.
- Accompanying youths to implement their projects with social and community impact within the 15º Concurso Nosotros Queremos (15th Contest We Want) of the Fundación Inclusión Social Sustentable (Sustainable Social Inclusion Foundation) and Banco Patagonia. Nineteen volunteers from the branches Roca, Roca Centro, Río Colorado, Viedma, Viedma Centro, The Bolsón, San Antonio Oeste and the Department Regional Integral Alto Valle accompanied 59 teams integrated by 900 secondary school students.
- Experience exchange within the program “Socios x un Día” (Partners for one day) of the *Fundación Junior Achievement*. Six volunteers of the branches Rosario, Oroño, Córdoba, Godoy Cruz, Mendoza Barrio Cívico and Mendoza shared one day together with 8 secondary school students, to inspire the youths to continue with their studies and to facilitate their incorporation to the world of work.
- *Proposal of institutions, raising and delivery of donations*. In 2015, it was delivered toys to more than 6.000 children. They were donated by collaborators and the Bank, beneficiating 65 institutions proposed.

CSR Promotion

The Eighth Corporate Social Responsibility Report was drafted in accordance with the Global Reporting Initiative GRI G4 guidelines on sustainability reports.

In turn, a plan was devised to communicate all programs through traditional channels such as Intranet and the corporate web, in order to keep interest groups informed. Simultaneously, the projects were disclosed through local and national media and different social networks.

The Board of Directors thanks customers, suppliers, financial institutions, and specially, members of the bank staff for their support and effective cooperation during this year. Buenos Aires, February 15, 2017.

THE BOARD OF DIRECTORS

REPORT ON THE DEGREE OF COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
PRINCIPLE I. TO DISCLOSE THE RELATION BETWEEN ISSUER, THE BUSINESS GROUP OF WHICH ISSUER IS THE LEADER AND/OR A MEMBER, AND ITS RELATED PARTIES				
<p><u>Recommendation I.1: to secure disclosure by the Governing Body of policies applicable to the relation of Issuer with the business group of which Issuer is the leader or a member, and its related parties.</u> Answer whether:</p> <p>Issuer has a <u>an internal rule or policy governing the authorization of transactions between related parties</u> -in accordance with Law No. 17811, sect. 73-; or operations performed with shareholders and members of the Governing Body, senior managers and statutory auditors, within the Business Group of which Issuer is the leader and/or a member.</p> <p>Explain the main guidelines of such internal rule or policy.</p>	x			<p>The Board of Directors has established a policy regarding the "execution of acts or agreements between Banco Patagonia and a related party for a significant amount", the main items of which provide that, before entering into an agreement with a related party for an amount higher than 1% of the shareholders' equity, the areas that are responsible for assisting the Board regarding compliance with the provisions for authorization of these transactions in accordance with sections 72 and 73, Act No. 26831 must give their opinion.</p> <p>After the Board of Directors, or any of its members, receives for authorization a transaction with a related party for an amount higher than 1% of the shareholders' equity, it must require the Audit Committee to review such transaction, and to issue an opinion within five business days stating whether the conditions under which the transaction is proposed to be made are reasonably adequate in accordance with market conditions. The Board of Directors may, if deemed necessary, require the opinion of independent assessing firms.</p> <p>If from the requested opinion it should appear that the conditions of the transaction are not considered as reasonably fair under market conditions, the transaction shall be submitted to the previous approval by the shareholders' meeting.</p> <p>If the conditions of the transaction are considered as reasonably fair under normal and regular market conditions, the Board of Directors shall approve it and state, in the relevant minutes, the vote cast by each Director. The Audit Committee's opinion, and the independent assessing firm's opinion, if applicable, is/are placed at the shareholders' disposal on the business day after the Board has adopted the corresponding resolution.. Besides, the transaction is reported to the market and the authorization is filed with the Argentine Securities Commission and the Buenos Aires Stock Exchange, in accordance with the provisions of the Public Offering Transparency System.</p> <p>Any credit facility, whatever its amount, granted to related companies or individuals is subject to certain limits established by the Argentine Central Bank ("B.C.R.A.") as a ratio of Accountable Equity Responsibility and the "CAMELBIG" rating system (applied by the B.C.R.A. Foreign Exchange and Financial Institutions Regulatory Agency), and the type of financing in question. The Statutory Audit Committee must issue monthly reports on compliance with this system.</p>
<p><u>Recommendation I.2: To secure that mechanisms are in place to avoid conflicts of interest.</u> Answer whether:</p> <p>any regulations in force notwithstanding, Issuer has clear policies and specific procedures to <u>identify, handle and solve conflicts of interest</u> which may arise among members of the Governing Body, senior managers and statutory auditors, in their relation with Issuer or with persons related to Issuer.</p> <p>Describe any relevant aspects thereof.</p>	x			<p>The acts of the Board of Directors and the Statutory Audit Committee are limited the Business Companies Act, section 271, and related provisions of the Business Companies Law No. 19550</p> <p>The Code of Corporate Governance adopted by Banco Patagonia establishes that when any shareholder's interests conflict with those of the Bank, at the time of considering a matter at the Shareholders' Meeting that shareholder must abstain from taking part in the consideration and voting of such a matter; the abstention and the reasons thereof shall be recorded in the relevant Minutes. Additionally, the Code creates the duties</p>

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
				<p>of loyalty and diligence that are binding upon Directors acting in the Public Offering environment, and establishes that those Directors shall abstain from taking decisions in the event of a conflict of interest preventing them from discharging their duties in a proper and objective manner.</p> <p>Notwithstanding, the Banco Patagonia has a Code of ethics, applicable to all its members, which includes an item about the "conflict of interest", where it has identified possible cases of conflict between the personal and business interests, or of its customers which should be avoided. In those cases where arising interpretive questions from such Code, they will be resolved in the context of the Ethics Committee.</p> <p>Additionally, Banco Patagonia enforces a Code of Conduct, applicable to all employees while working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the duty of loyalty binding upon all persons concerned, in order to avoid possible conflicts of interest.</p>
<p><u>Recommendation 1.3: To avoid undue use of privileged information.</u> Answer whether:</p> <p>Any regulations in force notwithstanding, Issuer has policies and mechanisms to avoid undue use of privileged information by members of the Governing Body, senior managers, statutory auditors, controlling shareholders or shareholders exerting a significant influence, and the remaining persons mentioned in Decree No. 677/01, sections 7 and 33.</p> <p>Describe any relevant aspects thereof.</p>	x			<p>The Entity has implemented an internal policy on publicity and disclosure of information that is applicable throughout the Entity and its controlled companies. This policy was approved by the Board of Directors and communicated throughout the organization. The policy imposes the duty of confidentiality upon any individual who, by reason of his/her position, activity or relationship, has information on the development of the Bank's or its controlled companies' business, provided that information has not been publicly disclosed, and which due to its importance may have an impact on the placement of negotiable securities or the course of their trading in the markets.</p> <p>Likewise, the Entity's Code of Ethics devotes one clause to the confidential nature of information, which all Entity's members must respect. The Code of Conduct, applicable to all employees while working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the aspects related to the use or privileged or confidential information and the duty of confidentiality.</p>
PRINCIPLE II. TO SET THE FOUNDATIONS FOR A SOUND MANAGEMENT AND SUPERVISION OF ISSUER				
<p><u>Recommendation II.1: to secure that the Governing Body is in charge of the management and supervision of Issuer and its strategic orientation.</u> Answer whether:</p>				
<p>II.1.1 the Governing Body approves:</p>				
<p>II.1.1.1 the strategic or business plan, as well as the management goals and annual budgets,</p>	x			<p>The Board of Directors approves the Business Plan and Projections in accordance with B.C.R.A. regulations.</p> <p>The Business Plan includes the definition of the business strategy and the implementation of policies and projection of goals and objectives set for accomplishment thereof.</p> <p>Projections reflect the impact of the Business Plan on the Balance Sheet and on compliance with prudential regulations, by means of the projection of values, under assumptions furnished by the B.C.R.A.</p> <p>Additionally, the Board of Directors annually approve the budget for the next fiscal year, carrying out a monthly monitoring thereof.</p>

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
II.1.1.2 the policy on investments (in financial assets and capital goods) and financing,	x			The Business Plan and Projections approved by the Board of Directors, as explained in item II.1.1.1., include the investment policy.
II.1.1.3 the corporate governance policy (compliance with the Code on Corporate Governance),	x			The Board of Directors approved a Code of Corporate Governance, including the guidelines published by the Argentine Central Bank and the Argentine Securities Commission ("CNV"), which is subject to semiannual revision and updating, if applicable. The Board of Directors and Senior Management are responsible to enforce its provisions.
II.1.1.4 the policy on selection, assessment and compensation of senior managers,	x			<p>The Manual on Human Development and Corporate Climate, approved by the Board of Directors, describes the functions, processes and practices related to the selection, evaluation and compensation of all of the Bank's employees.</p> <p>The purpose of the policy on selection and admittance of personnel, in general, is to employ trained individuals in accordance with the Bank's needs, through a selection process that gives priority to capability, professional ethical conditions and non-discrimination criteria on any grounds, in order to generate development opportunities that may benefit internal candidates if they have proper qualifications for the position to be filled.</p> <p>As regards compensations, the Board of Directors has approved a Compensation Policy the main purpose of which is to manage the employees' comprehensive compensation, based on the principles of internal equity and external competitiveness, in accordance with legal rules in force.</p> <p>Regarding the evaluation of employees, the Entity has implemented a Performance Management process that intends to design actions oriented to maximize the employees' performance and to gain his/her involvement.</p>
II.1.1.5 the policy on assignment of responsibilities to senior managers,	x			<p>In order to assign responsibilities to all managerial levels, in accordance with the approved business model, and to secure more streamlined and efficient processes and operations, the Board of Directors has approved an organizational macrostructure, reflected in the missions and functions of each area as established in the Organization Manual.</p> <p>Additionally, the Code of Corporate Governance defines the overall responsibilities of Senior Management or first-line managers.</p>
II.1.1.6 the supervision of plans for the succession of senior managers,	x			The Manual on Human Development and Corporate Climate approved by the Board establishes that internal candidates shall have priority in any process leading to cover vacant positions. For that purpose, it has designed extensive internal and external training, promoting the staff's continuing education and assessing current needs in accordance with the positions to be filled in future.
II.1.1.7 the policy on corporate social responsibility,	x			In the Banco Patagonia, the Corporate Social Responsibility is the volunteer commitment that was assumed by the Organization and its interest groups, to provide simple and clear responses to their needs; ensure the transparency of the corporate governance; promote the employees' development, and accompany the growth of the regional economies. To carry out such management, the Board of Directors has approved a policy,

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
				establishing the guidelines to carry out targeted actions in the areas of culture, education, sport and environment, defining the territorial scope, strategy, area structure and its functions.
II.1.1.8 the policies on the comprehensive management of risks and internal control and fraud prevention,	x			The Board of Directors is the highest authority responsible for establishing a strategy that is adequate for comprehensive risk management, must approve the policies on this matter and is also in charge of the entity's internal control. In this sense, it was approved, inter alia, policies on management of credit, liquidity, market, interest rate, strategic, reputational, operational, technologic and model risk, as well as on management of frauds, illicit and irregularities and on the prevention of money laundering and terrorist funding.
II.1.1.9 the policy on continuing training and education for members of the Governing Body and Senior Managers, If such policies are in place, describe the main aspects thereof.	x			Banco Patagonia's Board of Directors promotes the permanent training of all of the organization's members. Every year a budget for training is approved, including an extensive choice of internal and external training activities. Besides, both Directors and managers take an active part in various industry and bank associations' forums, as well as conferences and events led by economists and banking specialists. Please see item II.7.1. in this regard.
II.1.2 if deemed relevant, mention other policies applied by the Governing Body that have not been referred to, and describe their main aspects.	x			<ul style="list-style-type: none"> - Code of Banking Practices: provides a framework for the relation between clients and the Entity regarding the rendering of banking services. - Personal data protection: sets the regulations to secure proper treatment of the clients' personal information. - Policy on treatment of users of financial services: establishes procedures and guidelines for the proper working and control of customer service. - Policy on the quality of individual and customer data: establishes the guidelines and procedures of identification, register, storage and updating of individual and customer data. - Policy on Prevention and Control of Money Laundering and Terrorism Financing: establishes guidelines and procedures to minimize the risks related to this matter and secure compliance with applicable regulations. - Code of Conduct: applicable to all employees in exercise of its activities related to the role of Clearing and Settlement Agent and Integral Negotiation Agent, establishes the policy and the procedures related to applicable ethical and legal standards (see VIII.1.). - Policy on Publicity and Disclosure of Information: it sets the guidelines to be followed when providing any relevant public information in a timely and proper manner. - Policy on Minimum Requirements for the Disclosure of Information: it sets the guidelines for disclosure of information in accordance with the Central Bank of Argentina's rules on Market Discipline. - Policy on the Denouncement Channel Management (see VIII.2)
II.1.3 Issuer has established a policy to secure availability of relevant information for decision-making purposes by the Governing Body, and a direct consultation line with managerial levels, which is symmetrical to all members (executive officers, external and independent); such policy also provides	x			Banco Patagonia's organizational structure, as well as the working of several Committees and the strategic selection of their members, were designed not only to secure a clear assignment of responsibilities, but to secure as well that the Board of Directors and managerial levels have the necessary information in time to take decisions which

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
for disclosure of relevant information fairly in advance to allow for an adequate analysis thereof. Explain.				<p>are sufficiently supported by such information.</p> <p>The Board of Directors meetings are held at least once a month, they are notice 48 business hours before, and the responsible area, the Secretary of the Board of Directors, provides the administrative support for the data backups of the matters that must be approved or taken notice, which are available to all members of said Body and the Supervisory Commission, at the time of the notice.</p> <p>In the Committees, created by the Board of Directors under its supervision, participate at least a Vice-president and the leading manager of the corresponding area. Subsequently, the Board of Directors, in its meetings, is informed of the matters considered by each Committee and is provided with the relevant supporting documents.</p>
II.1.4 Matters submitted to the Governing Body's consideration include an analysis of the risks associated to the decisions that may be adopted, taking into account the corporate risk level defined as acceptable by Issuer. Explain.	x			<p>The Banco Patagonia has Policies and Procedures Handbooks for the Integral Risk Management.</p> <p>Furthermore, with the Board's approval, thresholds and ceilings are set for exposure to each of the significant risks. All matters that are submitted to the Board's consideration are previously analyzed by the Global Risk Committee (CRG) and the Operational Risk Committee (CRO), so that the Board receives any the necessary technical and methodological information, along with the foreseeable economic and/or financial impact of such matters.</p> <p>The Bank's internal regulations describe the process to be followed for consideration and submission of matters to the Board of Directors, including a detailed explanation on the reasons that make approval necessary, as well as the economic impact of the matter and the authorizations to be obtained.</p>
<u>Recommendation II.2: to secure an effective control of Issuer's management.</u> Answer whether: The Governing Body verifies				
II.2.1 compliance with the annual budget and business plan,	x			<p>The Board of Directors created an Executive Office of Strategic Planning and Budget, reporting directly to the Board, which is responsible for drafting the annual budget and business plan, perform management control, detect any departure from its provisions and carry out variance analysis.</p>
<p>II.2.2 senior managers' performance and their compliance of the goals set regarding their responsibilities (profits expected vs. profits achieved, financial qualification, financial reporting quality, market share, etc.).</p> <p>Describe any relevant aspects of the Entity's policy on management control with a detail of the techniques employed and frequency of the monitoring performed by the Governing Body.</p>	x			<p>In order to monitor the Bank's management, the Board verifies the implementation of strategies and policies, compliance with the budget and the operations plan, and monitors the managers' performance as regards the established goals and planned revenue. A balanced scorecard is distributed among Directors and senior managers every month to summarize the evolution of the main variables, business lines and indexes, and to compare them with budgeted parameters.</p>
<u>Recommendation II.3: to disclose the process for evaluation of the Governing Body's performance and its impact.</u> Answer whether:				
II.3.1 each member of the Governing Body complies with the provisions of the Bylaws and the Internal Regulations, if applicable. Detail the main guidelines of the Internal Regulations. State the level of compliance with provisions of the Bylaws and Internal Regulations.	x			<p>The By-laws regulates the constitution and operating of the Board of Directors, its attributions are clarified in the article 13 thereof and in its Operating Internal Regulations. Every one of its members observe observes its provisions, in its integrity.</p> <p>The objective of the Regulation is regulating the functioning and activities of the Board of Directors, the exercise of its attributions, rights</p>

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
				and obligations by its members. Likewise, the specific functions of the Body were detailed in the Code of Corporate Governance.
<p>II.3.2 the Governing Body report their results taking into account the objectives set at the beginning of the period, so that shareholders may assess the level of compliance with such objectives, including both financial and non-financial matters. Additionally, the Governing Body submits a diagnosis of the level of compliance with the policies mentioned in Recommendation II, items II.1.1. and II.1.2.</p> <p>Detail the main aspects of the <u>assessment by the Shareholders' General Meeting on the degree of compliance with established objectives by the Governing Body</u> and of the policies mentioned in Recommendation II, items II.1.1 and II.1.2, stating the date of the Shareholders' Meeting that considered such assessment.</p>	x			<p>Every year, the Board of Directors submits the results of their activities by issuing an audited Financial Statements and Annual Report, which are available to the shareholders before the Shareholders' Meeting that is to consider such documents. As provided for in the Business Companies Law, the Annual Report is complementary to the Financial Statements and is submitted by the Board to the Shareholders, including a detail of outstanding events during the year, the reasons for the present business situation, future projections and the reasons for significant changes in assets, liabilities and profit/loss. The Statutory Audit Committee must issue an opinion on the Board's Annual Report, and Shareholders may request any explanation and/or additional information they deem necessary.</p> <p>Notwithstanding, before each Shareholders Ordinary Annual Meeting, the Board of Directors carry out a performance self-assessment as Body.</p> <p>On the Shareholders' Meeting considers the Board's management and the acts performed by its members, which, until today's date, have been approved without any objection being raised. The last Shareholders' Meeting that approved the Board's acts was held on April 27, 2016.</p>
<p><u>Recommendation II.4: that external and independent members are a significant proportion of the Governing Body's members.</u> Answer whether:</p>				
<p>II.4.1 the proportion of executive, external and independent members (the latter defined by this Committee) of the Governing Body bears a relation to the Issuer's capital structure. Explain.</p>	x			The Shareholders Meeting has designated nine Regular Directors. In 12-31-16 and at that date of issue of present report, two of them have the condition of independent. The Banco Patagonia considers that is related with the structure of its capital, which 16.45% corresponds to stocks placed in public offering.
<p>II.4.2 During this year, the Shareholders' Meeting decided on a policy oriented to maintaining a proportion of at least 20% of independent members on the total number of members in the Governing Body.</p> <p>Describe the relevant aspects of such policy and of any shareholders' agreement so as to explain how members of the Governing Body are appointed and for how long. State whether the independence of the Governing Body's members has been objected in the year, and whether there have been any abstentions due to conflicts of interest.</p>	x			<p>In accordance with the Bylaws, the Board of Directors is composed of a minimum of seven and a maximum of nine Regular Directors, who are elected for a three-year term. The Shareholders' Meeting has appointed nine Regular Directors, one representing the province of Rio Negro, holder of class A shares, and eight representing class B shares.</p> <p>In 12-31-16 and at that date of issue of present report, two of them remained independent, having thus more than 20% of Independent Directors over total members.</p> <p>The independence of Board members has not been objected to, and there have been no abstentions due to conflicts of interest over the year.</p>
<p><u>Recommendation II.5: to be committed to rules and procedures for the selection and proposal of members to the Governing Body and of senior managers.</u> Answer whether:</p>				
<p>II.5.1 Issuer has established an <u>Appointments Committee:</u></p>		x		Banco Patagonia follows the guidelines established in B.C.R.A. regulations to appoint Board members or managers. Thus, any aspects related to the setting of guidelines for the appointment of these officers are defined by that Body, which shall evaluate their legal capacity, qualifications, competence, probity, experience in financial activities and possibility of dedication.

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
				<p>The designations and removals of the Board of Directors are resolved by Shareholders Ordinary Meeting, in accordance with the terms of the art. 234 of the General Corporations Law N° 19.550, complying with the said Law, the Financial Institutions Act, the CNV rules and the By-laws, in terms of prohibitions and incompatibilities to serve as Director.</p> <p>Appointment of Superintendents and Senior Managers is decided by the Board of Directors. The appointed Superintendents and Managers must meet the same requirements on prohibitions and incompatibilities as Directors.</p> <p>In order to the Board of Directors can certify that its members and the members of the Supervision Commission and the Senior Management, preserve the antecedents described in the first paragraph, annually, a procedure was carried out to verify said conditions.</p>
II.5.1.1 composed of at least three members of the Governing Body, with a majority of independent members,				Not applicable.
II.5.1.2 presided over by an independent member of the Governing Body,				Not applicable.
II.5.1.3 composed of members with qualifications and experience on human capital policies				<p>Not applicable.</p> <p>Banco Patagonia has created a Superintendency of Human Development and Corporate Climate, staffed with specialists in human capital matters, who are responsible for the coordination of policies on the development of individuals within the Organization, and for providing them with career opportunities.</p>
II.5.1.4 that meets at least twice a year				Not applicable.
II.5.1.5 the decisions of which are not necessarily binding on the Shareholders' General Meeting, but are of consultative nature regarding the selection of members of the Governing Body.				Not applicable. Appointment of Directors is the exclusive power of the Shareholders' Meeting.
II.5.2 In case an Appointments Committee is in place, such Committee:				
II.5.2.1. verifies the annual review and assessment of its internal regulations and suggests any amendments for approval to the Governing Body,				Not applicable.
II.5.2.2 proposes the development of criteria (qualifications, experience, professional reputation, ethics, etc.) for the selection of new members to the Governing Body and of senior managers,				Not applicable. See note II.5.1
II.5.2.3 identifies the candidates to the Governing Body to be proposed by the Committee to the Shareholders' General Meeting,				Not applicable.
II.5.2.4 suggests members of the Governing Body who will compose the various Committees of such Body, in accordance with their background,				<p>Not applicable.</p> <p>The composition and attributes of each Committee are approved by the Board of Directors.</p>
II.5.2.5 recommends that the Board President is not at the same time the Issuer's General Manager,				<p>Not applicable.</p> <p>Banco Patagonia's President is not the Entity's General Manager.</p>
II.5.2.6 secures that CVs of Board members and senior managers are available on the Issuer's website, and that the Directors' term of office is made public,.				<p>Not applicable.</p> <p>The composition of the Board of Directors and the expiry of their mandates are published in the Financial Information Highway of the CNV.</p>

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
II.5.2.7 verifies the existence of a plan for the succession of members of the Governing Body and senior managers.				Not applicable. Selection of members to the Board of Directors is the exclusive power of the Shareholders' Meeting. As regards senior managers, the performance management process allows to identify the officers' individual performance, thus generating key information to spot opportunities for development and talent retention. It is the Entity's policy to prioritize internal candidates when they have proper qualifications for the position to be filled.
II.5.3 If relevant, mention any policies implemented by the Issuer's Appointments Committee that have not been mentioned in the above item.				Not applicable.
<u>Recommendation II.6: To assess the convenience that members of the Governing Body and/or statutory auditors and/or members of the Surveillance Committee perform other functions in other Issuers.</u> Answer whether: Issuer sets a limit for members of the Governing Body and/or statutory auditors and/or members of the Surveillance Committee to perform duties in other entities that are not a part of the business group of which Issuer is the leader or a member. Specify such limit and detail whether it was breached during the year.	x			Individuals who fall within the inability or incompatibility criteria established in the Business Companies Law No. 19550 or in the Financial Entities Law No. 21526, or in CNV rules, may not be members of the Board of Directors or the Statutory Audit Committee. The Bank's Bylaws forbid that any individual who has an employment or professional relationship, either paid or not, at the National, Provincial or Local Public Administration, except in the case of the teaching profession, or who is a director or administrator of a legal person that is in default with any financial institution may become a member of the Board of Directors. Banco Patagonia considers it is not necessary or convenient to establish additional limits for Directors, or limit the possibility of members of the Statutory Audit Committee to perform as such in other companies.
<u>Recommendation II.7: To secure training and development of members of the Governing Body and senior managers of Issuer.</u> Answer whether:				
II.7.1 Issuer has Continuing Training Programs related to the Issuer's existing needs targeted to members of the Governing Body and senior managers, including subjects related to their roles and responsibilities, the comprehensive management of business risks, know-how of the business and its regulations, the dynamics of corporate governance and corporate social responsibility. In the case of members of the Audit Committee, international accounting standards, audit and internal control standards and specific regulations governing capital markets. Describe the programs offered during the year and their degree of compliance.	X			All members of the Board of Directors are subject to BCRA's approval, to be granted upon assessment of their legal capacity, qualifications, competence, probity, experience in financial activities and possibility of dedication; such conditions must be maintained throughout their term. Besides, senior managers shall meet general conditions regarding qualification and experience that are necessary to manage the line of business under their supervision. Notwithstanding the above, considering the importance of continuing refresher courses, senior managers have taken several training courses over the year.
II.7.2 Issuer encourages, by means other than those mentioned in II.7.1, members of the Governing Body and senior managers to keep continuously trained in order to complement their expertise and add value to Issuer. State how such encouragement is implemented.	x			Banco Patagonia regularly organizes conferences by economists and other professional people specialized in banking and financial matters, and invites Board members and managers to attend them; these officers also participate in several industry forums and associations.
PRINCIPLE III. TO SECURE AN EFFECTIVE POLICY FOR IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE OF CORPORATE RISK				
<u>Recommendation III: The Governing Body must establish a policy for the comprehensive management of corporate risk and monitor the proper implementation thereof.</u> Answer				

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
whether:				
<p>III.1 Issuer has established policies on the comprehensive management of corporate risks (related to achievement of strategic, operative, financial goals, financial reporting, legislation and regulations, etc.). Describe any relevant aspects thereof.</p>	x			<p>The Bank has implemented internal control and risk management policies in line with the best practices on these matters.</p> <p>Internal control is composed of five interrelated segments: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.</p> <p>Some risks are inherent to the activities carried out by the Entity; those are managed through an ongoing process of identification, measurement and control using several indicators. The main risks which the Entity is exposed include: credit, liquidity, interest rate, market, operational, technologic and model risk. Also, the concentration, reputational and strategic risks are monitored by the Entity.</p> <p>The Entity has implemented a comprehensive risk management process for which the Executive Office of Risk Management is responsible, in accordance with the guidelines suggested by the Argentine Central Bank, observing the lines of best banking practices, as recommended by the Basel Committee. This Executive Office reports to the Superintendence of Internal Controls and Risk Management, thus securing its independence from business areas.</p> <p>The identification, evaluation, control and mitigation of each of the main risks are governed by policies and procedure manuals that describe the participating areas and committees, the mechanisms and tools to manage each specific risk, as well as mitigation actions and implementation mechanisms.</p>
<p>III.2 There is a Risk Management Committee within the Governing Body or the General Manager's Office. Provide information on the existence of manuals of procedure and detail the main risks that are specific to Issuer or its activities, and mitigation actions that were implemented. If such Committee does not exist, describe the supervisory role played by the Audit Committee regarding risk management.</p> <p>Additionally, specify the degree of interaction between the Governing Body or its Committees and the Issuer's General Manager's Office, as regards the comprehensive management of corporate risks.</p>	x			<p>The Entity has established the following Committees to deal with risk management:</p> <ul style="list-style-type: none"> - Global Risk Committee: the main purposes of this Committee are to propose to the Board a strategy to manage market, interest rate, liquidity and credit risks, as well as to establish the global exposure limits to said risks. This Committee also keeps track of the position of each risk and of compliance with policies. This body is integrated by the President of the Entity, two Vice-presidents, the Superintendent of Internal Controls and Risks Management, the Superintendent of Finances, Administration and Public Sector, the Superintendent of Credits, Foreign Trade and Business Advisory. Moreover, the Executive Manager of Risk Management and the Manager of Financials Risks participate without right to vote. - Operational Risk Committee: its purpose is to propose to the Board the policies, strategies and manuals oriented to the management of the product operational risk of the financial institution's products, activities, processes, and systems, securing that the managerial oversight process is adequate to inherent risks. This Committee is composed of one Vice-president, the Superintendent of Internal Controls and Risk Management, the Superintendent of Processes and Operations Support, the Superintendent of Infrastructure, the Superintendent of Technology, Communications and IT, the Executive Manager of Risk Management and Operational Risk and Technology Manager.
<p>III.3 There is an independent position within the Issuer's General Manager's Office that is responsible for the implementation of policies on comprehensive risk management</p>	x			<p>The Executive Office of Risk Management, reporting to the Superintendency of Internal Controls and Risk Management, is the area charged with the responsibility for the comprehensive management and monitoring of the various risks assumed by</p>

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
(position of Risk Management Officer or similar role). Specify.				Banco Patagonia and its local subsidiaries, and for compliance with internal policies and regulations in force on this matter; it must develop and propose policies, circuits and procedures to mitigate and control risks. This Executive Office is independent from business areas.
III.4 Policies on comprehensive risk management are constantly updated in accordance with recommendations and methodologies on the matter. Specify such policies.	x			<p>Policies for comprehensive risk management were drafted in accordance with the BCRA. provisions on corporate governance and risk management.</p> <p>BCRA. communications embody the international standards established by the Basel Committee, and the policy on IT assets risk management follows the provisions of ISO 27005 standard.</p> <p>Such policies are updated in accordance with new developments by the above bodies.</p>
III.5 The Governing Body discloses in the financial statements and annual report the results of the supervision of risk management efforts performed jointly with the General Manager's Office. Specify the main items of such information.	x			<p>The Board is informed of the results of risk management efforts through the Global Risk Committee and Operational Risk Committee, in which at least one Director is a member. Allow the institution to comply with the guidelines established by the BCRA. in its relevant communications.</p> <p>Besides, the results of the risks management were presented in the financial statements of the Entity, its notes and tables attached. Furthermore, the Entity publishes in its webpage the report of "Market Discipline" in accordance with the standards established by the BCRA in its Com. "A" 6143.</p> <p>By such means, the more important characteristics were published in the process of identification, measurement, monitoring and control of risks, as well the support tools for this department.</p>
PRINCIPLE IV. TO SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION THROUGH INDEPENDENT AUDITS				
<u>Recommendation IV: To secure independent and transparent performance of the duties entrusted to the Audit Committee and the External Audit. Answer whether:</u>				
IV.1 At the time of appointing the members of the Audit Committee, the Governing Body, considering that most of them must be independent members, assesses the convenience that an independent member is the president of such Committee.	x			The Audit Committee CNV is composed of three directors; two of them must be independent directors in accordance with CNV regulations. An independent member of the Governing Body presides over the Audit Committee CNV. Besides, the president of the Committee (an independent member) may cast a tie-breaking vote, if necessary, on matters discussed by the Committee, as provided for in its Internal Regulations. In case of absence of the President of the Committee, the Vice-president (member independent) also has double voting rights.
IV.2 There is an internal audit position reporting to the Audit Committee or to the President of the Governing Body, responsible for assessing the internal control system. State if the Audit Committee or the Governing Body performs an annual assessment of the performance of the internal audit area and of the degree of independence of their professional task, in the understanding that professional people responsible for such role are independent from the remaining operative areas and comply with the independence requirements regarding		x		<p>The Entity has an Internal Audit Management. The Internal Audit Manager is invited to all meetings of the Audit Committee CNV and is a member of the Audit Committee BCRA.</p> <p>The Audit Committee, in compliance with CNV regulations, drafts an annual report to assess certain matters related to the issue of accounting information, internal control systems, the application of information policies on risk management, revision of internal audit plans, the degree of independence of their professional tasks and a performance evaluation, through an analysis of their work methodology and annual Report, as well as of all issued reports.</p>

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
controlling shareholders or related entities that have a significant influence on Issuer. Specify also whether the internal audit positions carry out their responsibilities in accordance with international standards on internal audit issued by the Institute of Internal Auditors (IIA).				Although the Entity has not adopted a specific program to secure and improve quality, in general the Internal Audit Executive Office discharges its duties in accordance with international rules on the professional practice of internal audits, since BCRA regulations follow that international framework.
IV.3 Members of the Audit Committee perform an annual assessment of the qualifications, independence and performance of the external auditors, who were appointed by the Shareholders' Meeting. Describe any relevant aspects of the procedures employed to perform such an assessment.	x			The Audit Committee, in compliance with CNV regulations, drafts an annual report to assess, among other matters, the external audit independence, working plans and performance; such assessment is carried out through an analysis of the various services rendered, the issued reports, interviews carried out and/or the reading of requested documents and an evaluation of the composition of invoiced fees.
IV.4 Issuer has established a policy on the rotation of members of the Statutory Audit Committee and/or the External Auditor; in the latter's regard, state if the rotation includes the external auditing firm or only the natural persons.	x			In accordance with the Bylaws, members of the Statutory Audit Committee hold their office for one year and may be re-elected, since the knowledge of the institution they acquire over the years is considered as a paramount asset. Rotation of external auditors is established by BCRA regulations, which provide that a partner with signing authority may not perform functions in more than one financial entity at the same time and that they may not act as auditors for more than five consecutive fiscal years in any given institution. With regard to the CNV Rule, at that date of issue of present report, the rule does not require the rotation of the audit firms. Also, said rule establish that associates responsible by audit can exercising its job on an ongoing basis by term of seven years. For the fiscal year 2016, the Shareholders Meeting approved the designation of an external audit firm, which has been in place since 2013.
PRINCIPLE V. TO OBSERVE THE SHAREHOLDERS' RIGHTS				
<u>Recommendation V.1: To secure that shareholders have access to information on Issuer. Answer whether:</u>				
V.1.1 The Governing Body promotes regular information meetings with the shareholders, in coincidence with presentation of interim financial statements. Explain and state the number and frequency of the meetings held during the year.	x			Banco Patagonia has an Investor Relations area responsible for keeping relations with potential and existing institutional investors, analysts, credit rating agencies and investment banks. In 2016 four telephone conference calls were made to disclose quarterly and/or annual profits/losses.
V.1.2 Issuer has established mechanisms to inform investors and a specialized area to answer their queries. Additionally, it maintains a website which shareholders and other investors can consult, including a channel through which they can interact. Provide details.	x			The Banco Patagonia publishes and maintains updated its accounting, institutional and/or of market discipline data, through its website (www.bancopatagonia.com.ar), the Financial Information Highway (AIF) of the Argentine Securities Commission (www.cnv.gob.ar), the Newsletter of the Buenos Aires Stock Exchange (BCBA) and the Brazilian Securities Commission (www.cvm.gov.br), as applicable. Through its Investor Relations Area, dedicated to attention of such customers, (investors@bancopatagonia.com.ar), maintains permanently an open channel for its investors.
<u>Recommendation V.2: To promote active participation by all shareholders.</u>				

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
Answer whether:				
V.2.1 The Governing Body adopts any measure to promote participation of all shareholders at the Shareholders' General Meetings. Explain, setting the measures required by law apart from the ones voluntarily implemented by Issuer for the benefit of its shareholders.	x			<p>The Entity carries out procedures of notification and announcement of the realization of the Shareholders Ordinary Meeting, does not only accomplishing local rules (procedures ruled by the General Corporations Law N° 19.550, and by the Law N° 26.831 of Capital Market, regulated by the Resolution N° 622/13 of the CNV), but also extends this procedure for the holders of Brazilian Depositary Receipts and American Depositary Receipts in abroad.</p> <p>There are no limitations that restrict the participation of the minority shareholders at the Meetings.</p> <p>The Meetings held in 2016 and 2015 were attended by shareholders with 95.71% and 98.87% respectively, indicating great level of participation.</p>
V.2.2 The Shareholders' General Meeting has Internal Regulations to secure that information is available to shareholders sufficiently in advance for decision making purposes. Describe the main guidelines of such Regulations.	x			<p>Banco Patagonia considers that the regulation set by the Business Companies Law No. 19550, Argentine Securities Commission regulations and Act governing the Capital Market are sufficient and adequate as regards availability of information for decision taking by the shareholders.</p> <p>The Entity complies with the above rules and is committed to its shareholders, and therefore guarantees that information to be considered at the Shareholders' Meetings is made available as from the call to meetings, reported to the market on the same day of approval, and published not earlier than 45 days and not later than 20 days from the date of the meeting of the celebration of the Assembly</p>
V.2.3 There is effective application of mechanisms implemented by Issuer so that minority shareholders may submit matters to consideration by the Shareholders' General Meeting, in accordance with regulations in force. Explain the results.	x			<p>The Entity has implemented several mechanisms established in local regulations on this matter, so that minority shareholders may submit matters to be discussed at Shareholders' Meetings, though no instances of such participation have occurred in the last meetings.</p>
V.2.4 Issuer has established policies to promote participation of the most relevant shareholders, such as institutional investors. Specify.	x			<p>The notification is equally sent to all shareholders, accomplishing the current regulations, without distinguishing among the different types of investors. Due the high percentage of audience in the last Meetings of Shareholders, attended in 2016 and 2015 by shareholders with 95.71% and 98.87%, respectively, is not considered as necessary the application of incentive policies.</p>
V.2.5 At Shareholders' Meetings in which appointments to the Governing Body are proposed, before votes are cast (i) each candidate's position regarding the adoption or non adoption of a Code of Corporate Governance, and (ii) the grounds for such position, are disclosed.	x			<p>The Code of Corporate Governance, adopted by the Banco Patagonia, contains the guidelines and policies approved by its Board of Directors for the good practice of governance. The accomplishment thereof is a requirement to perform its job and is responsible, together with the Senior Management, to ensure its compliance. The same is revised every six months and submitted for approval of the Board of Directors.</p> <p>The members of the Board of Directors at the time of to accept their position, adopt and must meet the policies of the Entity, thus is not considered necessary neither demandable by law to express their position on this matter in the Shareholders Meeting .</p>
<u>Recommendation V.3: To secure the principle of equal rights regarding shares and votes.</u> Answer whether: Issuer has established a policy to promote the principle of equal rights regarding shares and votes. State how the breakdown of	x			<p>The social capital of the Banco Patagonia is integrated by shares Class A and class B, both class correspond to ordinary shares that grant the right to 1 vote by share. The composition of stocks in circulation by class does not modified in the last three years, in accordance with the terms of the Law N°</p>

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
outstanding shares per class has changed over the last three years.				19.550; preference shares may not be issued, after the Entity has been authorized to make public offering of its shares. In March 29, 2016, the General Inspection of Justice recorded an social capital reduction in 119.500 shares Class "B" subscribed, ordinaries of V\$N 1 and a vote by share, representatives of the 0,016% of the social capital in portfolio and acquired in accordance with the terms of the article 68 of the Law N° 17.811.
<u>Recommendation V.4: To establish mechanisms for the protection of all shareholders in the event of takeover.</u> Answer whether: Issuer operates under the system of mandatory tender offer. If this is not the case, state if there are alternative mechanisms established in the Bylaws, such as tag along or any others.	x			The article 90 of the Law of Capital Market N° 26.831 establishes the enforceability to observe the Public Offering Regimen of compulsory acquisition for all equity issuers.
<u>Recommendation V.5: To encourage Issuer's dispersion of shares.</u> Answer whether: Issuer has a share dispersion of at least 20 percent regarding its common stock. If that is not the case, Issuer has established a policy to increase its share dispersion in the market. State the percentage of share dispersion as a percentage of the Issuer's corporate capital and how it has changed over the last three years.			x	The percentage of free float shares at the close of FY 2014, 2015 and 2016 was 16.46. The Issuer's Board of Directors will study a larger dispersion percentage under favorable market conditions.
<u>Recommendation V.6: To secure a transparent dividend policy.</u> Answer whether:				
V.6.1 Issuer has established a policy on dividend distribution which is included in the Bylaws and has been approved by the Shareholders' Meeting, establishing the conditions to distribute dividends, either in cash or in shares. If such policy exists, state criteria, frequency and conditions that must be met for dividend payment.	x			Section 20 of the Bylaws sets the destination of net realized income resulting from the annual Financial Statements approved by the Shareholders' Meeting. The Entity has implemented a policy on profit distribution the purpose of which is to maintain a proper balance between any amounts to be distributed and the Bank's policies on investment and expansion. The amount to be distributed is to be paid in cash, upon the BCRA's approval. The BCRA established that profits may be distributed provided the Entity is not within certain situations expressly defined, and set the methodology to calculate the amount to be distributed and the limits that cannot be exceeded. Item 6 of the attached Annual Report includes the Earnings Distribution Proposal submitted by the Entity's Board of Directors.
V.6.2 Issuer has documented processes for the drafting of a proposal on destination of Retained Earnings arising out of the constitution of reserves required by law, the Bylaws, voluntary reserves, carry forward and/or payment of dividends. Explain such processes and state in which Minutes of Shareholders' General Meeting the distribution or not of dividends (either in cash or in stock) was approved, if not established in the Bylaws.	x			Banco Patagonia uses documented processes to draft the profit distribution proposal, in accordance with BCRA regulations and the Entity's internal policy. Such proposal is submitted to the Board's consideration and approval thereof is documented in the minutes of Board's meeting, Financial Statements and the Annual Report. The Board of Directors submits the proposal to the Shareholders' Meeting, which will finally decide to approve or amend it. It should be noted that distribution of a cash dividend can only be carried out with the BCRA previous authorization. In the Shareholders Meeting held in 04-27-16, the destination of the results in 12-31-15 was approved, including the dividends payment in cash of \$ 52.728. - thousand. In the Shareholders Meeting held in 25-7-

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
				16, the dividends payment in cash of 1.662.533.-, thousand in pesos was approved by partial release of the discretionary reserve for future profits sharing, which summed to amount approved in the Meeting of 04-27-16, result in an total of \$ 1.715.261. - thousand.
PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
<u>Recommendation VI: to disclose information on Issuer to the community and provide a direct communication channel with the company.</u> Answer whether:				
VI.1 Issuer has a publicly available, updated website which provides not only relevant information on the company (Bylaws, business group, composition of the Governing Body, financial statements, annual report, etc.) <u>but can also channel users' queries in general.</u>	x			The Banco Patagonia has a public access website, (www.bancopatagonia.com.ar), which not only provides corporate, accounting and/or of market discipline information permanently, but also inform about its attention channels. As much through its lines of telephonic attention as a form to complete in its webpage, or by letter, the users can send their doubts, complaints or consults. Additionally, is published the name and email address of the regular and alternate responsible of attention to clientele.
VI.2 Issuer publishes an annual Social and Environmental Responsibility Balance Sheet, duly examined by an independent external auditor. If so, state the scope or legal or geographical coverage and the site where it is available. Specify the rules or initiatives that have been adopted to carry out the policy on Corporate Social Responsibility (Global Reporting Initiative and/or the United Nations Global Compact, ISO 26.000, SA8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Equator Principles, etc.).	x			Banco Patagonia issues, since 2007, a Corporate Social Responsibility Annual Report, available through its website http://www.bancopatagonia.com.ar/institucional/rse.shtml . The Report includes any business actions carried out which have an economic, social or environmental impact. The Report also includes programs related to the community in the areas of education, sports, culture, social development and entrepreneurship, and environment. Specific actions of corporate voluntary services are also included. As of 2013, the RSE report is carry out in accordance with the GRI recommendations and guidelines. In 2016, it was published the report that includes the economic, social and environmental management of the fiscal year 2015, in accordance with the instruction G4 of the Global Reporting Initiative. The information reported correspond to all national territory where the Bank operates. In turn, the Report is verified by the Independent Accountant.
PRINCIPLE VII. TO ADOPT A FAIR AND RESPONSIBLE COMPENSATION POLICY				
<u>Recommendation VII: To establish clear compensation policies for members of the Governing Body and senior managers, with special attention to the limitations imposed by regulations or the Bylaws considering the Entity's profits or losses.</u> Answer whether:				
VII.1 Issuer has established a Compensations Committee:	x			The Entity has established a Committee of Compensations and Incentives to Staff.
VII.1.1 composed of at least three members of the Governing Body, with a majority of independent members,		x		It is integrated by four members of the Body of Administration Non-independent (the President of the Board of Directors and threes Vice-presidents), and by the Superintendent of Human Development and Corporate Atmosphere.
VII.1.2 presided over by an independent				

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
member of the Governing Body,			x	No independent member is part of this Committee.
VII.1.3 composed of members with sufficient qualifications and experience on human resources policies,	x			Members of the Committee, who are also Board members, have sufficient expertise and knowledge into the matter. Besides, the Superintendent of Human Development and Corporate Climate is also a member of this Committee, as the highest authority working for the area that has special competence on this matter.
VII.1.4 that meets at least twice a year	x			The Regulation of the functions of the Committee establishes that its members must hold meetings at least twice a year, requirement accomplished in 2016, when they hold meetings four times.
VII.1.5 the decisions of which are not necessarily binding on the Shareholders' General Meeting or on the Statutory Auditing Committee, but are of consultative nature regarding the compensation of members of the Governing Body.			x	The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees. In accordance with the provisions of Argentine legislation, it is the Shareholders' Meeting right to establish such fees (see item VII.4).
VII.2 In case a Compensations Committee is in place, such Committee:				
VII.2.1 secures that there is a clear relationship between key officers' performance and their fixed and variable compensation, considering the risks they assumed and management thereof,	x			It is Banco Patagonia's policy that employees' compensations are competitive and reflect an adequate compensation, thus promoting motivation, talent hiring and retention. The Committee on Compensations and Incentives to Staff analyses and approves the compensation for Senior Managers and the amounts to be distributed as performance bonus. The Committee must take into account the information included in the annual report issued by the Global and Operational Risk Committee, in order to weight the organizational economic results as compared to compliance with the risk limits defined by the Board of Directors. Thus, it will promote a close relation between the performance of senior managers and economic bonuses granted to them, considering the risks assumed and managed during the fiscal year.
VII.2.2 oversees that the variable part of the compensation the Governing Body's members and senior managers receive is related to the Issuer's medium- and/or long-term performance,		x		The Committee on Compensations and Incentives to Staff approves the payment of an annual bonus taking into account the prudent assumption of risks and an assessment of each individual's performance, including first-line managers. In order to mitigate potential risks, the Bank does not promote any general policy on short-term economic incentives related to future income of uncertain realization. The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees.
VII.2.3 reviews the competitive stand of Issuer's policies and practices as compared to compensations and benefits offered by similar companies, and recommends changes, or not,	x			One of the duties of this Committee is to approve policies related to compensations. In order to monitor and guide compensation practices, the Bank relies on surveys and reports issued by external consultants specialized in this matter.
VII.2.4 defines and discloses the policy on retention, promotion, dismissal and suspension of key staff,			x	Not within the Committee's competence.
VII.2.5 informs the guidelines to determine retirement plans for the Governing Body's members and senior managers,				Not applicable. Banco Patagonia does not implement any retirement plan.
VII.2.6 regularly informs the Governing Body and Shareholders' Meeting on the		x		The matters discussed at Committee meetings are

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
actions performed and the matters discussed during its meetings,				recorded in minutes that are submitted to the Board of Directors for their information; it is the Board's duty to submit these matters to the Shareholders' Meeting, if applicable.
VII.2.7 secures attendance of the President of the Compensations Committee at the Shareholders' General Meeting that is to approve compensations for the Governing Body's members, in order to explain the Issuer's policy on compensation of such members and senior managers.		X		All members of the Committee of Compensations and Incentives to Staff are presents in the Shareholders Meeting (Its members are listed in the item VII.1.1.). The management of the compensations to the body of administration is not an attribute of this Committee (See the explanation in the item VII.4.).
VII.3 If relevant, state the policies applied by the Issuer's Compensations Committee that have not been mentioned in the above item.				Not applicable.
VII.4 If no Compensations Committee is in place, explain how the duties described under VII.2 are performed within the Governing Body.	x			Although consideration of directors` fees is not a duty of this Committee, the Board of Directors of Banco Patagonia has approved a policy on the matter that establishes that it is the Shareholders` Meeting duty to fix such fees, in accordance with the Business Companies Law No. 19550, section 261. When deciding such fees, the responsibilities, time devoted to performance of duties, experience, and professional reputation are taken into account. This criterion is based on the belief that the compensation level should be the one considered necessary to hire, retain and motivate Directors who meet the required conditions to perform the relevant duties Such monthly fees are included in the budget. There is no policy granting other kind of benefits, such as an ownership interest in the shareholders' equity or any other variable compensation.
PRINCIPLE VIII. TO PROMOTE CORPORATE ETHICS				
<u>Recommendation VIII: to guarantee ethical behavior within Issuer. Answer whether:</u>				
VIII.1 Issuer has a Corporate Conduct Code. State its main guidelines and whether it is disclosed to the public at large. Such Code is signed at least by the members of the Governing Body and senior managers. State if compliance with its provisions by suppliers and clients is encouraged.	x			The Board of Directors of Banco Patagonia has approved a Code of ethics, communicated to all Organization, in order to facilitate the knowledge and understanding of the ethics and conduct principles that each member of the Bank must follow in its performance, adhering to best rules of conduct, working with efficiency, quality and transparency, the basis for ethical behavior with customers, suppliers, agencies of control and the community, where the Bank operates. Also, establishes guidelines to avoid all conflict of interest, both personal and of business, of the Bank or its customers Additionally, the Banco Patagonia has a Code of Conduct, applicable to all of employees performing activities related to the role of Clearing and Settlement Agent and Integral Negotiation Agent, which establishes the policies and procedures associated to ethical and legal standards applicable.
VIII.2 Issuer has established mechanisms to receive reports on any unlawful or non-ethical conduct, either in person or through electronic means, and guarantees that information transmitted is treated as strictly confidential and duly recorded and filed. State whether the	x			The Board of Directors of the Banco approved a Policy of Denouncement Channel Management "Línea Ética", (Ethic Hotline) for all of its employees, making possible to them to denounce the occurrence of irregularities or behaviors against the principles of institutional integrity. For that purpose, it was implemented a new

	Compliance			Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾	Non-compliance ⁽¹⁾	
reception and assessment of such reports is made by the Issuer's staff or by external and independent professional staff to better protect the author of such reports.				<p>Denouncement Channel, denominated "Línea Ética", as a formal, secure, anonymous and confidential channel, through which is handled the denouncements received, about acts or behaviors that can be contrary to dispositions established in the Code of ethics, the corporate values and/or the legal and internal regulations.</p> <p>Likewise, the Board of Directors of Banco Patagonia approved a policy to handle fraud, and unlawful and irregular acts. This policy describes the procedure to be followed by the Special Investigations Area at the time of detecting or being informed of fraudulent conduct, irregular circumstances or conduct, through the channels provided for this purpose.</p> <p>The Bank's website or the Customer Service Telephone Center channel any claim or request, which are duly recorded and sent to the corresponding sector.</p> <p>Banco Patagonia also implemented an e-mail address investigacionesespeciales@bancopatagonia.com.ar and a Suggestion Box (P.O. Box 38, 1000, Central Mail Office) to which any (personalized or anonymous) query may be sent, regarding matters such as internal processes, working methodologies, customer service, undesirable behavior by members of the organization, clients or prospective clients, the Bank's products and services, etc. Such queries are received and considered by the Bank's authorities and kept as strictly confidential matters.</p>
VIII.3 Issuer has established policies, processes and systems to manage and resolve the reports mentioned in item VIII.2. Describe the most relevant aspects thereof and state the degree of involvement of the Audit Committee in such resolution, especially in any reports related to financial reporting internal control issues and to behavior of the Governing Body's members and senior managers.	x			<p>The Banco Patagonia has a Handbook for Management of the Denouncement Channel (Línea Ética), that describes the operative circuit of the line, and the different stages involved in the process. The denouncements can be made through the following means: (i) Telephone; (ii) Web Form; (iii) e-mail.</p> <p>The Entity has created an area intended to channel any complaint, query or report, and the responsible party's data (name, telephone and e-mail) are published at the B.C.R.A. and the Entity website. Besides, the Entity has established a Special Investigations area, in charge of fraud prevention, analysis and resolution, and, as it was mentioned in item II.1.1.8, and VIII.2 the Board of Directors adopted a policy on the prevention of fraudulent, unlawful and irregular acts.</p>
PRINCIPLE IX: TO ENLARGE THE SCOPE OF THE CODE				
<u>Recommendation IX: to promote inclusion of provisions in the Bylaws related to the best practices of governance.</u> Answer whether: The Governing Body assesses whether the provisions of the Code of Corporate Governance must be included, either in part or in whole, in the Bylaws, as well as the general and specific responsibilities of the Governing Body. State which provisions have been actually included in the Bylaws since the Code effective date until this date.	x			<p>The By-laws regulates the constitution and operating of the Board of Directors, and its attributions are detailed in the article thirteen thereof, and in the Operating Internal Regulations of the Body. In turn, in the Code of Corporate Governance was detailed the specifics functions of said Body. Said Code includes certain provisions of the By-laws, but the Board of Directors understands that is not necessary neither convenient to reflect, in its totality, in the By-Laws, since it was approved by the Board of Directors as its policy of corporate Governance, subject to semi-annual review, in order to keep him updated in function of the evolution of the new practices, and/or of the rules on this matter.</p>

⁽¹⁾ Mark the correct option with a cross.

⁽²⁾ In the event of total compliance, inform how Issuer complies with principles and recommendations embodied in the Code of Corporate Governance.

⁽³⁾ In the event of partial compliance or non-compliance, explain the reasons and mention the actions the Issuer's Governing Body will implement to include the non-adopted measures over the following fiscal year, if any.

3. AUDIT COMMITTEE'S REPORT – CNV IN COMPLIANCE WITH PROVISIONS OF ACT N° 26,831, SECTION 110, AND CNV RULES, TITLE II, CHAPTER III, SECTION 18, PARAGRAPH C, AS AMENDED:

The President informed that the Audit Committee – CNV has submitted for consideration by the attendees the report on matters falling under its jurisdiction, issued in accordance with the provisions of Act N°26,831, section 110, and CNV General Resolution No. 622/2013, Title II, Chapter III, section 18, paragraph C. After extensive discussion, the report under analysis is unanimously approved, filed as support documentation and fully transcribed in the Book of "Minutes of the Audit Committee – CNV" No. 1, duly registered with the IGJ (the Corporations Authority).-----

There being no further business to come before the meeting, the meeting was adjourned at 04:00 p.m.-----

Signatures: João C. De Nobrega Pecego (for himself and in behalf of Carlos A. Araujo Netto), Claudio de Oliveira Borsa, Rubén M. Iparraguirrer. Ernesto J. Cassani, Fabián G. Gatti and Monica M. Cukar.