

BANCO PATAGONIA S.A.

MINUTES OF BOARD MEETING No. 2621 (02.01.13):

A meeting of the Board of Directors of BANCO PATAGONIA S.A. was held on February 1st, 2013 at the offices located at Tte Gral Juan D. Perón 500, City of Buenos Aires. The undersigned Directors were present at the meeting. It is hereby stated for the record that Mr. Jorge Guillermo Stuart Milne and Mr. Jaime Osvaldo Tasat were attending through teleconference, in accordance with the provisions of section twelve of the Bylaws. Also present was Mr. Alberto Mario Tenailon, CPA, on behalf of the Statutory Audit Committee. At 05.30 p.m. a quorum was present, and the Vice-President stated that the meeting, having been duly convened, was ready to proceed with business and discuss the following Agenda:

1. Consideration of Financial Statements corresponding to the Company's fiscal year beginning on January 1 and ending on December 31, 2012, the Independent Auditors' Report and the Statutory Audit Committee's Report.
2. Consideration of the Annual Report corresponding to fiscal year ended as of December 31, 2012, including the Report on the degree of compliance with the Code of Corporate Governance. Consideration of Management Report under CNV Regulations, Chapter XXIII, 11.6.
3. Audit Committee - CNV 's Report.

ITEM NO. 1: CONSIDERATION OF FINANCIAL STATEMENTS CORRESPONDING TO THE COMPANY'S FISCAL YEAR BEGINNING ON JANUARY 1 AND ENDING ON DECEMBER 31, 2012, THE INDEPENDENT AUDITORS' REPORT AND THE STATUTORY AUDIT COMMITTEE'S REPORT.

To present this item on the Agenda, the Vice-President, Mr. Joao Carlos de Nobrega Pecego, informed that Banco Patagonia S.A. balance sheet corresponding to the Company's 89th fiscal year, ended on December 31, 2012, 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. 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 December 31, 2012, and the Exhibits that specify so, are presented with comparative balances as at end of prior year.

The Vice-President next stated that 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.

The Vice-President next proposed that, within legal terms, the Call to Shareholders' Meeting could be discussed at another Board Meeting. After brief discussion, and upon motion duly made, seconded and unanimously adopted, the Vice-President's proposal was approved.-----

Next, Mr. Renato Luiz Belineti Naegele 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

To the Directors and Shareholders of

BANCO PATAGONIA S.A.

Legal domicile: Tte. Gral. J. D. Perón 500

City of Buenos Aires

1. We have examined the accompanying balance sheet of BANCO PATAGONIA S.A. as of December 31, 2012, and the related statements of income, changes in shareholders' equity and cash Flows and their equivalent statements for the year then ended. In addition, we have audited the accompanying consolidated balance sheet of BANCO PATAGONIA S.A. and its subsidiaries as of December 31, 2012, and the related consolidated statements of income and cash flows for the year then ended, which are disclosed as supplementary information in Schedule I.
2. The Bank's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting standards established by the BCRA (Central Bank of Argentina). This responsibility includes: designing, implementing, and maintaining an adequate internal control system so that such financial statements are free from material misstatement whether due to errors or irregularities; selecting and applying appropriate accounting policies; and making accounting

estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements as a whole based on our audit.

3. We conducted our audit in accordance with auditing standards effective in Argentina and the "Minimum standards on external audits" issued by the BCRA. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures, on a selective test basis, to obtain judgmental evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, who, to this end, assesses the risks of material misstatement of the financial statements, whether due to errors, omissions or irregularities. In making these risk assessments, the auditor considers the Bank's internal control relevant to the preparation and fair presentation of the financial statements in order to select the appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system in place. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the judgmental evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. As described in note 5 to the accompanying financial statements, the financial statements mentioned in the first paragraph have been prepared by the Bank in conformity with the accounting standards established by the BCRA, which differ from the professional accounting standards approved by the CPCECABA (Professional Council in Economic Sciences of the City of Buenos Aires, Argentina) in certain valuation and disclosure aspects described and quantified in such note.
5. In our opinion, the financial statements mentioned in the first paragraph, fairly present, in all material respects, the financial position of BANCO PATAGONIA S.A. and the consolidated financial position of BANCO PATAGONIA S.A. with its subsidiaries as of December 31, 2012, and the results of operations and cash flows for the year then ended, in conformity with BCRA accounting standards and, except as mentioned in the fourth paragraph, with professional accounting standards effective in the City of Buenos Aires, Argentina.
6. As to the balance sheet of BANCO PATAGONIA S.A. and the consolidated balance sheet of BANCO PATAGONIA S.A. with its subsidiaries as of December 31, 2011, and the related statements of income, changes in shareholders' equity and changes in cash flows for the year then ended, presented for comparative purposes, we report that, on January 30, 2012, we issued an audit report that included qualifications for differences between the accounting standards established by the BCRA and the professional accounting standards effective in the City of Buenos Aires, Argentina, which are detailed in note 5 to the accompanying financial statements.

7. In compliance with current legal provisions, we inform that:
 - a) The financial statements mentioned in the first paragraph have been transcribed into the "Financial Statements" book and, in our opinion, were prepared, in all material respects, in conformity with the applicable BCRA standards, Argentine Business Associations Law provisions, and CNV (Argentine Securities Commission) regulations.
 - b) The stand-alone financial statements of BANCO PATAGONIA S.A result from books kept, in their formal respects, in conformity with current legal requirements and regulations of B.C.R.A. and in conformity with the provisions of CNV Resolution EMI No. 4,810 dated October 21, 2008.
 - c) We have performed the procedures on the prevention of money laundering and terrorist financing under the relevant professional standards issued by the Argentina Federation of Professional Councils in Economic Sciences.
 - d) As of December 31, 2012, liabilities accrued in employer and employee pension contributions on behalf of the National Social Security, resulting from the Bank's accounting books amount to ARS 23,017,726.12, none of which was due and payable as of that date.
 - e) During the fiscal year ended December 31, 2012, we billed audit services fees to the Bank, representing 100% of the total amount billed to the Bank on any and all accounts, 78% of the total amount of audit services billed to the Bank and its subsidiaries, and 78% of the total amount billed to the Bank and subsidiaries on any and all accounts.

City of Buenos Aires, February 1st, 2012. PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.,
C.P.C.E.C.A.B.A. Vol. 1 – Fo. 13. Pablo M. Moreno, Partner, Certified Public Accountant
(U.B.A.),C.P.C.E.C.A.B.A. Vol. 164 – Fo. 235.

Next, the attending Statutory Auditor, Dr. Alberto Mario Tenaillon, on behalf of the Statutory Audit Committee, stated that after reviewing Banco Patagonia S.A. documents relative to fiscal year No. 89, ended on December 31, 2012, including the Annual Report, said Committee issued their report, as follows:

"STATUTORY AUDIT COMMITTEE'S REPORT

To the Directors and Shareholders of

BANCO PATAGONIA S.A.

Legal domicile: Tte. Gral. J. D. Perón 500

City of Buenos Aires

Dear Sirs,

Dear Sirs,

1. We have examined the accompanying inventory and balance sheet of BANCO PATAGONIA S.A. as of December 31, 2012, and the related statements of income, changes in shareholders' equity and cash Flows and their equivalent statements for the year then ended, notes 1 through 24, exhibits A through L, N and O, and Schedule I supplementing them, the Report on the degree of compliance with the Code of Corporate Governance and the Letter to the Shareholders.
2. The Bank's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting standards established by the BCRA (Central Bank of Argentina). This responsibility includes: designing, implementing, and maintaining an adequate internal control system so that such financial statements are free from material misstatement whether due to errors or omissions or irregularities; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is limited to expressing an opinion on this documentation based on the work described in the following paragraph.
3. We performed this examination in accordance with effective statutory audit rules. Such rules require that the financial statements be examined in accordance with effective auditing standards and include verifying the agreement between the documents examined and the information on corporate decisions entered in minutes, as well as the compliance of such decisions with the law and bylaws as to formal and documentary aspects. To perform our professional task on the documents mentioned in the first paragraph, we have reviewed the audit carried out by the firm Pistrelli, Henry Martin y Asociados S.R.L. in their capacity as external auditors, who applied the "Minimum standards on external audits" issued by the BCRA and auditing standards effective in Argentina, having issued their report on February 1st, 2013.

An audit involves performing procedures, on a selective test basis, to obtain judgmental evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, who, to this end, assesses the risks of material misstatement of the financial statements, whether due to errors, omissions or irregularities. In making these risk assessments, the auditor considers the Bank's internal control relevant to the preparation and fair presentation of the financial statements in order to select the appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system in place. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management, as well as evaluating the overall presentation of the financial statements. Since the statutory auditor is not in charge of performing a management control, the review did not extend to the business decisions and criteria from the Bank's different areas as these matters are the exclusive responsibility of the Board of Directors. We believe that the judgmental evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

4. As described in note 5 to the accompanying financial statements, the financial statements mentioned in the first paragraph have been prepared by the Bank in conformity with the accounting standards established by the BCRA, which differ from the professional accounting standards approved by the CPCECABA (Professional Council in Economic Sciences of the City of Buenos Aires) in certain valuation and disclosure aspects described and quantified in such note.
5. Based on our work and on the report dated February 1st, 2013, issued by Pablo M. Moreno (partner of the firm Pistrelli, Henry Martin y Asociados S.R.L.), in our opinion, the financial statements mentioned in the first paragraph, present fairly, in all material respects, the financial position of BANCO PATAGONIA S.A. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with BCRA standards and, except for the effect of what is mentioned in fourth paragraph, with professional accounting standards effective in the City of Buenos Aires, Argentina.
6. In compliance with current legal requirements, we further report that:
 - a) In the exercise of the legality control within our competence, during the fiscal year ended December 31, 2012, we applied the remaining procedures described in section 294, Law No. 19,550, which we deemed necessary based on the circumstances, and we have no observations to make in this regard.
 - b) The financial statements of BANCO PATAGONIA S.A. mentioned in paragraph 1 result from books kept, in their formal respects, in conformity with current regulations, BCRA regulations, the provisions of CNV (Argentine Securities Commission) Resolution EMI No. 4,810 dated October 21, 2008, and the inventory has been transcribed into the "Inventory" book.
 - c) We have reviewed the Board of Directors' Letter to the Shareholders on which we have no findings as regards our area of competence, being subsequent event assertions the exclusive responsibility of the Board of Directors.

Regarding the report on the degree of compliance with the Code of Corporate Governance issued by the Entity's Board of Directors, in accordance with Resolution No. 606 of the Argentine Securities Commission, which will be filed with said body as an annex attached to the Annual Report, we hereby inform that from such analysis there has not appeared any evidence of lack of truth in the information submitted by the Board of Directors to this Statutory Audit Committee and included in that report.

- d) In conformity with CNV General Resolution No. 340 and supplementary standards on the independence of the external auditor and on the quality of the audit procedures applied by such auditor and the Bank's accounting policies, the auditor's report mentioned in the fifth paragraph includes a representation that auditing standards effective in Argentina have been applied; these standards include independence requirements and include no qualifications in connection with the application of such standards and professional accounting standards effective in the City of Buenos Aires, Argentina, considering the issues disclosed in the fourth paragraph.

City of Buenos Aires, February 1st, 2013. On behalf of the Statutory Audit Committee: Alberto M. Tenailon - Statutory Auditor.

ITEM NO. 2: CONSIDERATION OF THE LETTER TO THE SHAREHOLDERS CORRESPONDING TO THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2011, INCLUDING THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE'S REPORT: The Vice-President, Mr. Joao Carlos de Nobrega Pecego, then explained that the Financial Statements corresponding to the 89th fiscal year ended on 12.31.2012 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 Vice-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:

■ 2012 ANNUAL REPORT

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 89th corporate financial year ended on December 31, 2012 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 Profit, Report of the Independent Auditors and Report of the Statutory Audit Committee.

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1 ECONOMIC AND FINANCIAL SYSTEM CONTEXT

Economic Perspective of the World and the Republic of Argentina

In 2012 global economy reflected a downturn in world growth due to the deepening European crisis, the slow takeoff of U.S. economy (around 2% yearly) and some slowing down of the Chinese economy (still growing at significant rates).

Altogether, emerging economies exhibited an expansion higher than 5% during the year, somewhat lower as compared to 2011, but still enough to keep as the main driving force of global economy.

In this context, world trade also showed an important downturn, expanding just by 3%, almost half the growth rate of the previous year.

In 2012, risk was focused on the sovereign debt crisis of countries in the Euro area. However, by the end of the year risk of default has been reduced, thanks to the double rescue of Greece and Spain and the fiscal agreement signed by European leaders, which managed to preserve the monetary union under world pressure for deeper and longer lasting solutions.

In spite of this, the European reaction could not avoid a negative regional growth rate and a significantly high unemployment rate, above 11% for the whole Euro area, reaching peaks higher than 25% in Spain and Greece.

European recession and the downturn in Chinese economy also had an impact on U.S. economy, coupled with the political uncertainty of presidential elections. In this context, economic growth showed a recovery lower than expected; at the same time, markets had a moderately positive performance. The Federal Reserve promised to keep the federal rate lower than 0.25% for the next two years, while by the end of the year, the threat on federal debt limit could be overcome at the last minute, through a temporary agreement between democrats and republicans.

In spite of the lower world growth, capital flows to emerging market economies kept forceful. Estimated at USD 1,080 billion, it was close to 2011 levels, with a strong pick-up in momentum during the second semester. China lost some importance within total capital flows, which was set off by larger remittances to resource-rich emerging market economies, such as Africa, Asia and Latin America.

As regards the Republic of Argentina, a moderate growth in the economy in general has been the defining feature in 2012. In a context of reduced investment and foreign trade, public and private consumption managed to uphold the Gross Product positive trend. However, in spite of the downturn in growth rate, unemployment rate kept at levels similar to those of previous years.

On the other hand, spending higher than revenues gave rise to a marginal worsening in fiscal balance, which remains with negative figures. Financial needs of the Treasury, resulting from the financial deficit which included significant debt maturities, were met mostly with emission of money or with Central Bank reserves.

Again, the balance of trade showed a significant positive balance, associated to lower domestic demand and import quotas, while sales abroad were affected by a downturn in the Brazilian economy and a severe drought with a negative impact on the grain and by-products export balance. As to trade with Brazil, the deficit in bilateral balance was reverted in the last quarter.

This result had to do with maintenance of terms of trade at favorable levels, with high prices of agricultural commodities, specially soybean, which after reaching a maximum of USD 650 per ton in July, entered in a slow decline and closed the year at USD 525 (still higher than USD 440 at the close of 2011).

However, the significant trade surplus was not enough to guarantee a positive foreign exchange balance to allow the Central Bank to build up reserves; therefore, along the year regulatory measures on foreign exchange purchases oriented to savings, besides other controls on payments and collections abroad.

In this context, continuation of the foreign exchange policy known as administered floating exchange rate regime has been reflected in a gradual devaluation of the exchange rate, which had a tendency to acceleration towards the last two months, reaching ARS 4.9173 per US dollar by the end of 2012. Peso devaluation vs. the US dollar, at a 14.2% yearly rate, was in accordance with the Brazilian currency behavior, while the remaining regional currencies had slight appreciation as regards the US currency.

■ The Argentine Financial System and Capital Market

Volatility and some tight regulatory changes were the distinguishing feature of 2012 in the Argentine capital market and financial system as a whole.

The Central Bank's Charter was amended to grant the monetary authority new and significant regulatory tools designed to direct credit facilities, and powers to govern rates, terms and commissions of credit transactions. Also, financing margins to the public sector were enlarged and the monetary policy objectives were extended to include growth and employment purposes. During the second semester, the Central Bank used its new powers to remove the possibility to include cash as a component of liquidity requirements and to set limits to terms and interest rates of some credits oriented to productive investment.

Towards the end of the year, a law introducing many amendments to capital market rules was enacted. In accordance with international standards, the new statute unifies and demutualizes markets, and extends the scope and supervision powers of the regulatory body, the Argentine Securities Commission.

Finally, during the last two months, an adverse decision of the U.S. judicial system, which initially ordered the Argentine state to pay bondholders who rejected the debt restructuring, thus putting regular debt payments due in December at risk, set an alarm in the market of Argentine bonds that are listed in New York and the whole financial system, driving a dramatic surge of country risk. The appeal by the Argentine government was successful and managed to extend terms and postpone the effects of such judicial decision, thus bringing about a recovery in the value of domestic assets.

In short, volatility and price fluctuation were distinguishing features in the public security market in 2012. GDP-linked bonds could not avoid the general performance, and also experienced the impact of future estimations of economic growth, which are set below the value that triggers payment.

In spite of such financial stress and after some uneasiness about the pesification scheme carried out by some provinces on their foreign currency debt, the national government repaid approx. USD 5.7 billion, corresponding to the final maturity of Boden 2012 and the GDP-linked bond, among other securities. For this purpose, the country used Central Bank reserves as established in the 2012 National Budget. Thus, in spite of having acquired foreign currency in the amount of USD 9.2 billion during the year, the Central Bank reserves dropped some USD 3 billion in 2012, totaling USD 43.194 billion at year-end.

By the end of 2012, the BCRA reference exchange rate reached ARS 4.9173, representing a 14.27% depreciation. However, exchange controls imposed by the government were tightened to curb the outflow of foreign currency from the system and the fall of reserves, with a corresponding impact on a reduced volume of transactions in the local foreign exchange market (*Mercado Único y Libre de Cambio* or MULC).

Deposits in domestic currency grew by 38.15%; of the total amount, ARS 183.514 billion comes from the public sector and ARS 385.003 billion come from the private sector, while fixed-term deposits accounted for a total of ARS 221.543 billion in the period, as compared to ARS 166.373 billion in 2011, which represents an increase of 33.16%.

The Badlar rate (the average interest rate paid by private financial institutions for deposits > 1 million pesos) closed 2012 with an average of about 15.50%, having started 2012 at 17.50%.

Foreign currency deposits experienced a deep drop of 27% in 2012, going from USD 13.347 billion at the end of 2011 down to USD 9.779 billion in 2012.

Total loans in domestic currency increased by 28%, going from ARS 285.402 billion at the end of 2011 to ARS 396.425 billion in December 2012. This growth is explained in part by the credit facilities promoted by the national government, both the "National Bicentennial Loans at a 9.90% interest rate" and the "Credit Facility for Productive Investment" created by BCRA Communication "A" 5319, which established that financial entities holding more than 1% of the total deposits in the financial system must assign an amount equivalent to 5% of their deposits to the private sector (measured as an average as of June 2012) to the financing of 36-month term investment projects with a maximum interest rate of 15.01% per year (at least 50% of this amount must be assigned to small- and medium-sized enterprises – SMEs).

Finally, cash in the hands of the public increased by 38.6%, totaling more than ARS 210 billion, while the stock of BCRA bills and notes for the same period increased from ARS 65.209 billion in 2011 to ARS 82.755 billion in 2012, together with

a total of ARS 14 billion in repo transactions at 1 and 7 days, thus allowing the Central Bank to sterilize part of the monetary injection produced in the year, whether through foreign exchange purchases or through financing to the national public sector.

2 ■ HISTORY

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 the 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 2010, **Banco Patagonia** acquired GPAT Compañía Financiera S.A., 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 the controlling shareholder, Banco do Brasil, the aim being to continue business as one of the main banks in the Argentine Financial System.

Summary

- 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.
 - 1979** Shareholders Messrs. Stuart Milne and González Moreno establish Cambio Mildesa.
 - 1987** Shareholders Messrs. Stuart Milne and González Moreno acquire Finagen Compañía Financiera, owned by Volkswagen Argentina.
 - 1988** Finagen Compañía Financiera merges with Cambio Mildesa to become Banco Mildesa.
 - 1996** Banco Mildesa acquires 85% of the corporate capital of Banco de Río Negro.
 - 1997** Banco Mildesa and Banco de Río Negro merge, keeping the latter's name.
 - 1998** Banco de Río Negro acquires nine branches of former Banco Almafuerde, and a branch of former Banco Mayo.
 - 2000** Banco de Río Negro changes its trade name to **Banco Patagonia**.
 - 2001** **Banco Patagonia** S.A.I.F.E., a subsidiary of the Bank, begins doing business in Uruguay.
 - 2003** **Banco Patagonia** merges with Banco Sudameris Argentina and the latter, as the surviving institution, changes its trade name to **Banco Patagonia** Sudameris. In 2000, Banco Sudameris Argentina had acquired Banco Caja de Ahorro. In 1999, Banco Caja de Ahorro had merged with Banco Mercantil Argentino.
 - 2004** **Banco Patagonia** Sudameris takes on the assets, liabilities and staff of Lloyds TSB Bank plc Argentina Branch, which had taken in Banco de Tres Arroyos in 1998. **Banco Patagonia** Sudameris changes its name to **Banco Patagonia**.
 - 2007** **Banco Patagonia** starts listing in the Buenos Aires and Sao Paulo Stock Exchanges, thus becoming the first company not doing business in Brazil that goes public in the San Paulo Stock Exchange (BOVESPA).
 - 2010** **Banco Patagonia** acquires 99% of the stock capital of GPAT Compañía Financiera S.A. (former GMAC Compañía Financiera S.A.) in order to enlarge its business.
- Shareholders Messrs. Stuart Milne and González Moreno agreed to sell 51% of the outstanding corporate capital and votes of **Banco Patagonia** to Banco do Brasil.
- 2011** In April, the stock purchase agreement between **Banco Patagonia** and Banco do Brasil was executed, and 51% of the outstanding corporate capital and votes were transferred to the latter.

Pursuant to Argentine regulations, Banco do Brasil launched the Mandatory Public Offering in Argentina on all the remaining shares of **Banco Patagonia S.A.**

In October, such transaction was settled and the new shareholding structure of Banco Patagonia S.A. remained as follows: Banco do Brasil S.A. 58.9633%; Selling Shareholders Group 21.4127%; Province of Río Negro 3.1656% and Free Float 16.4584%.

3 ■ BANCO DO BRASIL

In April 2011, Banco do Brasil became the majority shareholder of **Banco Patagonia**, with a 58.96% ownership interest on the outstanding capital and votes per share as of December 31, 2012.

Banco do Brasil was first banking institution to operate in Brazil, with a history of more than 200 years in the neighboring country's financial system, and has the largest geographical distribution network, operating more than 5.362 branches.

Also, Banco do Brasil operates 19,144 customer desks within its own network, and 61,192 customer desks in the whole network.

It is the most important financial institution in Latin America. 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 nearly 114,182 people who make every effort to meet the demands of more than 58.6 million customers.

Information on Banco do Brasil's statement of financial position is available in its website www.bb.com.br.

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

Income for FY 2012

The 2012 fiscal year ended with income of ARS 884.6 million, which compared to the ARS 612.2 million for fiscal year 2011, accounts for a 44.5% increase. The following are the main changes in the composition of the company's profits.

Financial income increased by 56.8% as compared to 2011 (ARS 3.362,1 billion vs. ARS 2.143,6 billion). The main source of income was interest on loans granted to the non-financial private sector, due to the 48.6% increase in the lending portfolio volume (ARS 15.6342 billion vs. ARS 10.5203 billion).

Financial expenses were 62.3% higher than the amount recorded in 2011 (ARS 1.2122 billion vs. 747.0 million). Interest on term deposits grew by 62.8%, due to increased volume (ARS 8.8012 vs. 5.1053) and higher average annual rates (13.2% vs. 10.7%).

As a consequence of the above, the intermediation spread (difference between financial income and expenses) rose by 53.9% as compared to the previous year (ARS 2.1499 billion vs. ARS 1.3967 billion).

The uncollectibility charge on loans increased by 210.3% as a result of an increase in normal provisions due to a larger lending portfolio and the constitution of additional provisions to the ones required by the Central Bank on the consumption portfolio. The non-performing portfolio index was 1.05% as compared to 0.8% in the previous year. Furthermore, coverage of non-performing portfolio with provisions was 258.4%, as compared to 238.6% in 2011.

Net fee income increased by 32.3% in FY 2012, reaching ARS 844.2 million as compared to ARS 638.2 million in the previous year. All items recorded increases, with an outstanding performance of income related to deposit accounts and to the extension of loans and debit and credit cards.

Administrative expenses had a year over year change of 29.7%, rising from ARS 1.0942 billion to ARS 1.4189 billion, mainly due to the increase of the Company's operating expenses resulting from higher payroll expenses by virtue of the wage settlement agreements in the industry and of an increase in the payroll, and from an increase in operating expenses due to a larger corporate structure in accordance with the commercial structure and to the adjustment of prices paid to our suppliers.

Miscellaneous earnings (net of miscellaneous losses) increased by 50.5% (ARS 180.1 million vs. ARS 119.7 million), mainly due to permanent stakes in other companies, among which the ownership interest in GPAT Compañía Financiera S.A. is worth noting, with profits of 89.1 million in FY 2012 (99% of which belong to **Banco Patagonia**) vs. 43.3 million in FY2011.

ROE (Return on Equity)

As of December 31, 2012, the average return on equity in the year was 30.0% as compared to 27.4% in the previous year.

ROA (Return on Assets)

As of December 31, 2012, the average return on assets was 4.4%, as compared to 4.0% in the previous year.

Balance Sheet

As of December 31, 2012 the Company's total assets and liabilities grew by 39.1% and 39.7%, respectively, as compared to the previous year, reaching ARS 25.8234 billion and ARS 22.4566 billion, respectively. The main reason for such increase is the evolution of loans and deposits, as detailed below:

Changes in Loans

The non-financial private sector loan portfolio had a 48.6% year over year change, reaching ARS 15.6342 billion vs. ARS 10.5203 billion in the previous year. The financial system average growth stood at 30.4%. The lending portfolio grew both in trade and consumer credit facilities.

Commercial loans increased mainly in documentary credits, with an increase of ARS 2.1680 billion (50.0%) and authorized overdrafts, with an increase of ARS 1.5197 billion (91.5%).

As regards consumer loans, there was an increase of ARS 809.3 million (60.2%) in credit cards, and of ARS 709.1 million (36.3%) in consumer loans.

Furthermore, funding to the General Motors Argentina S.R.L. official dealers network continued, accounting for a loan portfolio of 701.6 million as of December 31, 2012.

Changes in Deposits

As of December 31, 2012 total deposits had a year over year change of 40.0% (ARS 5.3280 billion in absolute figures), reaching ARS 18.6452 billion, as compared to ARS 13.3172 billion in the previous year. Growth of the financial system as a whole stood at 29.1%.

Non-financial private sector deposits totaled ARS 16.5758 billion, accounting for a 44.9% change as compared to the previous year (ARS 5.1402 billion). Special mention deserves the ARS 3.6959 billion increase (72.4%) in term deposits. Checking account and savings account deposits had a positive change of ARS 737 million (34.2%) and ARS 561.6 million (15.2%), respectively. Total deposits accounted for 72.2% of the Company's total funding.

Liquidity Ratio

As of December 31, 2012 the Company's liquid assets (cash and cash equivalents and government and corporate securities) increased by 37.2% as compared to the previous year, going from ARS 4.7540 billion up to ARS 6.5209 billion. Furthermore, the liquidity ratio was 35.0% on total deposits, keeping at a level similar to 35.7% in 2011. Liquidity levels remained at the levels established in the policy set by the Board of Directors on this matter.

Debt-to-Income Ratio

As of December 31, 2012 the debt-to-income ratio measured in terms of shareholders' equity on total liabilities was 15.0%, as compared to 15.4% in 2011, standing at 13.2% for the financial system as a whole, and at 15.1% for private entities (1).

Shareholders' Equity on Net Assets (Leverage)

Leverage, defined as the quotient between shareholders' equity and net assets, reached 13.5% as of December 31, 2012, as compared to 14.0% of the previous year, while it stood at 12.0% for the financial system as a whole, and at 13.7% for private entities as a group.(1).

Fixed Capital

As of December 31, 2012, the fixed capital indicator, defined as fixed assets (fixed assets, miscellaneous and intangible assets) on total liabilities improved as compared to the previous year, standing at 1.3% as compared to 1.6% in the previous year.

Monetary Regulations

The Bank complies with the monetary regulations established by the BCRA and maintains a prudent behavior. As of December 31, 2012, **Banco Patagonia's** capitalization index had excess cash in the amount of ARS 1.0511 billion as compared to the requirements set by the BCRA.

In this regard, the capitalization ratio that relates RPC (accountable corporate liability) to risk-weighted assets reached 18.4 against 19.0% of the previous quarter. Said decrease was originated mainly in the rise of the Company's lending portfolio.

Balance Sheet and Profit and Loss Statement

The following is the Company's Balance Sheet and Profit and Loss Statement as of December 31, 2012, as compared to the financial years ended on December 31, 2011, 2010, 2009 and 2008.

(1) Source: BCRA September 2012

Balance Sheet (in thousands of ARS)	2012	2011	2010	2009	2008
Cash and Cash Equivalents	4,403,773	2,242,338	1,480,998	1,510,076	1,431,029
Loans	16,031,418	11,053,174	7,234,969	4,417,035	3,735,714
Other Receivables from Financial Intermediation	1,444,689	1,322,274	840,035	586,356	1,338,323
Receivables for Financial Leasing	636,635	491,174	233,263	137,170	184,006
Investments in Other Companies	394,959	273,062	206,983	79,744	71,070
Miscellaneous Receivables	491,101	405,570	417,568	199,247	148,202
Fixed Assets	225,897	199,695	176,057	103,010	96,636
Miscellaneous Assets	55,108	61,716	71,821	108,725	40,341
Intangible Assets	21,969	-	-	-	-
Items Pending Allocation	703	583	558	511	375
Total Assets	25,823,352	18,561,222	14,222,564	9,759,222	8,938,468

Balance Sheet (in thousands of ARS)	2012	2011	2010	2009	2008
Deposits	18,645,169	13,317,163	10,298,742	6,522,363	5,245,934
Other Liabilities for Financial Intermediation	2,821,237	2,070,508	1,295,742	788,026	1,745,190
Miscellaneous Liabilities	916,581	622,759	448,072	469,068	218,750
Provisions	71,020	66,993	68,054	64,091	58,683
Subordinated Corporate Bonds	-	-	-	61,200	112,288
Items Pending Allocation	2,559	1263	962	473	1,513
TOTAL LIABILITIES	22,456,566	16,078,686	12,111,572	7,905,221	7,382,358
SHAREHOLDERS' EQUITY	3,366,786	2,482,536	2,110,992	1,854,001	1,556,110
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	25,823,352	18,561,222	14,222,564	9,759,222	8,938,468

Profit and Loss Statement (in thousands of ARS)	2012	2011	2010	2009	2008
Financial Income	3,362,055	2,143,648	1,568,755	1,573,487	967,058
Financial Expenses	1,212,160	746,994	408,491	434,341	329,206
Gross Intermediation Spread	2,149,895	1,396,654	1,160,264	1,139,146	637,852
Uncollectibility Charge	301,301	97,103	53,859	66,732	31,655
Fee income	1,173,862	864,477	616,620	481,218	408,018
Expenses for Services	329,654	226,305	183,669	141,306	113,716
Administrative Expenses	1,418,880	1,094,152	861,800	659,858	562,661
Net Financial Intermediation Income	1,273,922	843,571	677,556	752,468	337,838
Miscellaneous Profits	217,861	152,910	102,585	63,839	80,478
Miscellaneous Losses	37,754	33,203	43,186	41,627	41,282
Net Income before Income Tax	1,454,029	963,278	736,955	774,680	377,034
Income Tax	569,385	351,032	255,551	325,854	110,288
NET PROFIT (LOSS) OF THE YEAR	884,644	612,246	481,404	448,826	266,746

Incoming or Outgoing Cash Flow Statement

The following is the statement of cash generation or allocation corresponding to fiscal year ended on December 31, 2012, as compared to the years ended on December 31, 2011, 2010, 2009 and 2008.

CASH CHANGES DURING THE YEAR (in thousands of ARS)	2012	2011	2010	2009	2008
Cash Flow from Operating Activities	1,842,611	561,152	195,505	261,755	252,930
Cash Flow (Allocated to) Generated by Investing Activities	-13,260	-2,396	-125,760	4,311	-23,461
Cash Flow (Allocated to) Generated by Financing Activities	140,095	66,169	-207,644	-332,503	14,916
Financial Income (Expense) and Holding Gains (Losses) and their equivalents	191,989	136,415	108,821	145,484	117,236
CASH (DECREASE)/INCREASE	2,161,435	761,340	-29,078	79,047	361,621

Preparation of Financial Statements in accordance with International Financial Reporting Standards

In 2007, the stock of **Banco Patagonia** was listed for the first time at the Buenos Aires and Sao Paulo (Brazil) Stock Exchanges. Therefore, the financial information included in the financial statements to be submitted before the Brazilian Securities Commission (CVM) must comply with the International Financial Reporting Standards (IFRS) so that

information is consistently issued in relation to other listed companies and investors are provided with sound information as required for decision making purposes.

To this effect, the guidelines established in the Framework of Definitions adopted by the IASB (International Accounting Standards Board) and the IFRS criteria are used; its contents do not operate as a replacement of but as a supplement to the aforementioned rules. IFRS include several standards and interpretations adopted by the Accounting Standards Board, as follows:

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS).
- Interpretations made by the International Financial Reporting Standard Interpretations Committee (IFRIC) or the former Standards Interpretations Committee (SIC).

In this regard, as from fiscal year 2007, the annual financial statements have been issued completely in compliance with said international standards, including the valuation of assets and liabilities, the allocation of profits and losses and presentation rules.

Besides, as from fiscal year 2012, quarterly condensed financial statements are issued in accordance with the above-mentioned rules.

In addition, it is informed that the BCRA has begun the analysis for the adoption of international standards in the preparation of financial information, which will be used by the entities of the Argentine financial system. This analysis will require training of employees, management and Board of Directors, the adaptation of information systems and procedure standards, etc. As of this date, the BCRA has not published the implementation schedule, which will take approximately four years.

5 ■ CONTROLLED COMPANIES

The Bank holds control on the 4 (four) companies described below:

- **Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión** channels the management of 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. Sociedad de Bolsa** (a stock broking company), which deals with securities trading on the Buenos Aires Securities Market. The company is a shareholder of that market, with one share entitling it to operate as a broker. The company renders services to the Bank and its customers, broadening the offer of products and playing an active role in transactions for the purchase/sale of securities, as well as the placement and subsequent sale of financial trusts and other securities.
- **Banco Patagonia (Uruguay) S.A.I.F.E.** 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 specific above-mentioned characteristics, under the supervision of the Central Bank of Uruguay. In May 2011, the Board of Directors approved the conversion of the institution into a Bank, pursuant to the provisions of Uruguayan Law No. 15,332 and requested the relevant authorization from the BCRA, the Uruguayan Ministry of Economy and Finance and the Uruguayan Central Bank. On this date, the authorizations are being processed.
- **GPAT Compañía Financiera S.A.** performs activities that include the extension of auto loans to private customers (both individuals and legal persons) for the purchase of new and used cars, mainly those sold by dealers making part of the General Motors de Argentina S.R.L. network, and the rendering of administration services of the portfolio of credits granted by **Banco Patagonia** to GM dealers.

The 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.

Note 9 to 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

In 2012, the Mutual Fund Investment business kept growing, with an increase of 54.2% on total administered network as compared to the previous year, reaching the amount of ARS 45.139 billion by the end of 2012.

Concerning composition of investments per type of Fund, by the end of 2012 the net assets administered as term and cash Funds accounted for 38.0% of the total, as compared to 40.0% in 2011. Fixed income funds continued the upward trend of last years, and their market share increased by 62% during FY 2012 vs. 63% in FY 2011.

As of December 31, 2012, the company had managed net assets in the amount of ARS 1.1985 billion, ranking in the seventeenth position in the Mutual Funds Ranking.

FY 2012 closed with profits amounting to ARS 9.2 million, mainly arising out of increased income for management fees and financial income and holding gains generated by the investment portfolio. The company holds assets for ARS 36.2 million and liabilities for ARS 4.1 million. Networth as of the closing date was ARS 32.1 million.

■ **PATAGONIA VALORES S.A. Sociedad de Bolsa**

In spite of the volatile international context originated by the crisis in developed countries, most stock exchanges in the world closed FY 2012 with positive results. In this regard, the Merval index had a rise of 1.6%, with an outstanding recovery in the last month of 2012.

Actual volume in 2012 totaled ARS 242.3 million, representing a rise of 16.6% as compared to the volume transacted in 2011. This increase is explained mostly by the 28% rise in the volume of government securities negotiated; the other items experienced either drops or slight rises.

Total financing obtained by companies through the capital market in 2012 was 4.1% lower than in the previous year; as regards large companies, it had a 5.4% annual reduction due to a decrease of almost 40% in the issued amount of financial trusts, a change that was set off in great part by the 80.4% increase in the issue of corporate bonds. It should be noted that the amount of corporate bonds and short-term securities issued by large companies was the largest in the last 5 years.

In this context, the company closed FY 2012 with profits of ARS 2.4 million, mainly due to financial income and holding gains from the Company's investment portfolio.

As of December 31, 2012, the company holds assets for ARS 21.6 million and liabilities for ARS 2.1 million. Shareholders' equity as of the closing date was ARS 19.5 million.

■ **Banco Patagonia (Uruguay) S.A.I.F.E.**

In 2012, the Uruguayan subsidiary recorded income for USD 10,156.88. As of December 31, 2012, the deposits portfolio from non-residents in Uruguay reached USD 75.7 million, vs. USD 66.7 million in the previous year, accounting for a 13.5% increase.

The Company holds assets for USD 87.5 million and liabilities for USD 75.9 million. Shareholders' equity at fiscal year-end amounted to USD 11.6 million, maintaining a capital excess, in terms of the required capital, and calculated on the basis of risk assets, of USD 7.1 million as per the rules of the Central Bank of Uruguay.

■ **GPAT COMPAÑÍA FINANCIERA S.A.**

Evolution of the automobile industry in Argentina has been outstanding over the last years. Although there was a slight backward trend in 2012, figures were still very encouraging; this industry has become one of the drivers and most dynamic sector of the Argentine economy.

In 2011, in accordance with data provided by the Association of Automobile Dealers of the Republic of Argentina, new license numbers hit an all-time record, with 858,024 licensed vehicles, turning 2011 into the year with most sales in the Argentine automobile industry. In 2012, according to the same source, licensing reached 840,678 vehicles, equivalent to a reduction of about 2%.

Auto loans granted to buyers, in accordance with the Association of Financial Companies for Automotive Brands (Asociación de Financieras de Marcas Automotrices), had a year-over-year increase of about 5%, with more dynamic growth during the last quarter. Saving plans and brand financial companies were responsible for the highest figures in this growth.

GPAT closed FY 2012 with a new all-time record in new loans, reaching a total of 34,248 pledged loans, equivalent to ARS 1.238 billion. GPAT's market share, in competition with banks and other financial entities, was higher than 70% as regards pledged loans associated to Chevrolet vehicles, and has turned into the market leader in volume of auto loans granted.

Regarding the management of credit facilities granted by **Banco Patagonia S.A.**, in 2012 the total volume of vehicles administered by GPAT through the floor planning program reached 100,113 units, equivalent to more than ARS 8.000 billion.

Fiscal year 2012 closed with profits in the amount of ARS 89.1 million, which, in comparison with the amount of ARS 43.3 million gained in FY 2011, represents a 105.8% increase, mainly due to net fee income, which rose from ARS 59.6 million in 2011 to ARS 124.2 million in 2012, accounting for a 124.2% change. As of December 31, 2012, GPAT holds assets for ARS 1.6046 billion, liabilities for ARS 1.2848 billion and its Shareholders' Equity amounts to ARS 319.8 million.

6 ■ PROFIT DISTRIBUTION PROJECT

The following Profit Distribution Project for the year ended on December 31, 2012 is submitted for the Shareholders' consideration:

Item	Amount (in ARS thousand)
Retained Earnings To Earnings Reserve	884,644

- Legal Reserve (20% of 884,644)	176,929
Subtotal 1	707,715
Less: Off balance sheet adjustment, item 2.1.2. to 2.1.6., BCRA Com. "A" 5072	-
Subtotal 2	707,715
Balance to be distributed	707,715
Distributed Earnings To Optional Reserve - Optional Reserve for Future Profit Distribution	707,715
Retained Earnings	-

7 ■ CORPORATE GOVERNANCE

The Bank, according to Resolution 606/2012 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

Over the years, the Bank has been keeping an outstanding performance in the Argentine financial system, ranking seventh in terms of aggregate deposits, eighth in terms of shareholders' equity, and sixth in terms of aggregate loans among private banks, according to the last publication released by the Argentine Central Bank on September 30, 2012.

The Bank has a nationwide physical distribution network which allows meeting its customers' needs and attracting potential customers. It is one of the few institutions that maintains a physical presence in all Argentine provinces. Its distribution network is balanced between the Buenos Aires Metropolitan Area and the provinces of our country.

Banco Patagonia operates as a universal bank with a significant presence in the segments of individuals, micro-, small- and medium-sized companies, as well as in the large companies and corporate segment. Through a wide distribution network, the Bank efficiently offers a varied range of products and services to more than 890,000 active customers.

Among the most distinctive features, the Bank's sound financial standing and a wide range of financial and capital market products are to be highlighted, turning it into one of the leading institutions in the structuring, placement and management of financial trusts with public offering.

When it comes to strategy, the Bank has focused on providing loan service to individuals and small- and medium-sized companies, segments that offer significant opportunities for business growth, as well as to clients in the corporate area, a segment with strengthened development during this year, through the offer of a relevant number of products.

■ Outlook

The Bank's goals for 2013 include the consolidation of its position as one of the leading banks in the Argentine Financial System, with emphasis on the provision of services to individual clients, micro and small companies, and large companies with which to perform both lending and borrowing transactions, and focus on:

- Continuing with the expansion of the distribution network in order to provide more personalized services to the whole customer portfolio.
- Consolidating the marketing of financial products and services to Brazilian companies doing business in Argentina and to Argentine multinational companies with commercial relations in Brazil.
- Maintaining the quality of services offered to our customers, in order to build up existing customers' loyalty.
- Following-up on market opportunities in order to win new customers and enlarge our present product portfolio.
- Maximizing 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 management.

Regarding the economic and financial strategy, the focus is to keep the Bank's position as one of the most sound and profitable banks in the Financial System, with emphasis on:

- a prudent management of risk policies, in order that the loan portfolio may grow, minimizing the non-performing portfolio and, consequently, the need to constitute provisions;

- undertaking an efficient management of resources and maintaining an adequate management and control of expenses by deploying, throughout the organization, result-based management criteria;
- to maintain a diversified, stable, and low-cost funding structure, privileging deposits of individuals and companies (micro, small and medium-sized companies) as the main funding source.

■ Aspects related to the Bank's Organization, Decision-making, and Internal Control System

The main responsibilities and duties of the Board of Directors, the Statutory Audit Committee, and the various Bank committees 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. Thus, the Board is responsible for the execution of resolutions adopted by the Shareholders' Meetings and for the performance of activities specially delegated into it by the shareholders.

It is also responsible for establishing the business strategy, and must approve the general and special policies in order to achieve the sound administration of such business.

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, 2013:

Name	Position	Elected in
Jorge Guillermo Stuart Milne	President	2011 ¹
João Carlos de Nobrega Pecego	Vice-President	2011 ¹
Renato Luiz Belinetti Naegele	Vice-President	2012 ²
Claudemir Andreo Alledo	Vice-President	2011 ¹
Aldemir Bendine	Vice-President	2011 ¹
Paulo Rogerio Caffarelli	Vice-President	2012 ²
Jaime Osvaldo Tasat	Regular Director	2012 ²
Carlos Alberto Giovanelli	Regular Director	2011 ¹
Valmir Pedro Rossi	Alternate Director	2011 ¹
Admilson Monteiro García	Alternate Director	2011 ¹

¹ Appointed by the Shareholders' Meeting held on April 27, 2011.

² Appointed by the Shareholders' Meeting held on April 26, 2012.

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 include 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. On 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, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2012:

Name	Position	Elected in ²
Alberto Mario Tenaillon	Regular Statutory Auditor	2012
Héctor Rossi	Regular Statutory	2012

² Appointed by the Shareholders' Meeting held on April 26, 2012.

	Auditor		
María Lucía Denevi Artola	Regular Auditor	Statutory	2012
Cesar Iraola	Alternate Auditor	Statutory	2012
María Cristina Tapia Sasot	Alternate Auditor	Statutory	2012
Jorge Lorenzo	Auditor		2012
	Alternate Auditor	Statutory	

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 operate 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-: it must be composed of three regular directors; two of them must be independent directors, pursuant to the rules of the CNV (the Argentine Securities Commission). 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) and can be reelected.

According to Decree No. 677/2001, the powers and duties of the Bank Audit Committee -CNV- include the following: (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 as regards 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.

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.

Global Risk Committee: the main purpose of this Committee is 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. Besides, the Committee will be informed of the positions on each risk and compliance with policies. The scope of its duties extends to the Bank and its affiliated companies.

Operational Risk Committee: its aim is to guarantee that processes and procedures are in place for each business unit, oriented to the operational risk management of products, activities, processes, and systems of the financial institution, by securing that the managerial surveillance process adapts to inherent risks. Every six months at least, it must report to the Board of Directors on the main aspects related to operational risk management.

Committee on Control and Prevention of Money Laundering and Terrorism Financing: It is in charge of planning, coordinating and securing compliance with the policies established by the Board of Directors in this regard. 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.

IT Security Committee: it is responsible for submission to the Board of Directors of policies on IT security and monitoring their enforcement. This committee is also in charge of the preparation 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.

IT Committee: it is in charge of 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.

The Bank has established other Committees, namely:

Executive Committee: it is responsible for analyzing and approving the granting of credit facilities as submitted for consideration by the Bank's Committees and monitoring the management of the business areas.

Business Committee: it analyzes commercial proposals, defines commercial strategies to be adopted by the various commercial areas and analyzes the features of potential new products.

Capital Market Committee: its role is to assess all capital market transactions with current or potential customers that request services and/or loans, through transactions of price advances, placement or firm commitment underwriting.

Finance Committee: it is in charge of issues related to the management of the Bank's financial assets and liabilities.

Committee on Non-Performing Corporate Banking: its duty is to evaluate delinquent customers of the Corporate segment, define the applicable procedure and follow-up.

Committee of Compensations and Incentives to Staff: this Committee is responsible for overseeing that the system of compensations 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.

Quality Committee: it is responsible for the gradual and progressive implementation of the “quality management system”, pursuant to the provisions of ISO 9001:2000 international standard, in accordance with the guidelines established by the Board of Directors on this matter. Some of its duties include preparing and performing the follow-up of the strategic quality plan, approving the quality goals of each product or service offered by the Bank, approving quality records and indicators to be used, preparing annual reports on quality, defining the products or services to be verified for quality testing, and selecting the certifying entity.

Description of the Bank's Internal Control System

Internal control consists of five interrelated components. Additional details on them are provided below:

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. This implies taking the necessary actions to face the risks involved in the achievement of the Bank's goals. Control activities are performed throughout the Bank, i.e., at all levels and departments. They include activities such as: approvals, authorizations, verifications, reconciliations, operating performance reviews, assets security, and task segregation.

The Bank has written policies and procedures in place about its main processes and transactions, either in hard copies (handbooks of organization and procedure) or on electronic means (Intranet), making them available to the whole staff through the Organization and Processes Area.

Information and Communication

This control focuses on the kind and quality of the information generated by the Bank, which must be identified, captured, and disclosed properly and timely so that the relevant staff may comply with their duties. This information refers to internally generated data and also to information related to external affairs. Both are 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. This is achieved by monitoring activities under way, by separate assessments or through a combination of both.

■ Dividend Policy

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Payment of Dividends as per the BCRA Regulations

BCRA Communication "A" 5072 and complementary regulations govern the general procedure for profit distribution. In accordance with the above provisions, distribution must be authorized by the BCRA and is possible provided there is no financial assistance from the B.C.R.A. due to illiquidity or shortage in the minimum paid-in capital or minimum cash requirements, among other previous conditions that must be met.

Financial entities must request authorization to pay dividends from the BCRA Superintendence at least 30 business days in advance of the date of the Shareholders' Meeting that will consider such payment.

Profit Distribution

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.

The Bank has paid cash dividends in the last seven financial years and it is the 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 as of December 2008, 2009, and 2010.

FY	Dividends per outstanding share (in ARS)	Total payment of dividends (in ARS thousand)	Percentage of profits
2008	0.1823	133,373	50.00%
2009	0.3120	224,413	50.00%
2010	0.3347	240,702	50.00%

On January 27, 2012, the BCRA issued Communication "A" 5273, which amended the rules on profit distribution, establishing that the maximum amount to be distributed may not exceed any surplus of the paid-up minimum stock capital, considering, for this purpose only, a 75% incremental adjustment to the requirements and deducting the above-mentioned adjustments. This provision means that it is impossible to distribute profits through payment of cash dividends to shareholders for FY 2011 results. Therefore, the Bank constituted an optional reserve for future distribution of profits.

Taking into account the application of the above provisions on the date of issue of these Financial Statements, the Entity's Board of Directors will propose the constitution of an optional reserve for future profit distribution, in accordance with the details provided in item 6 of this Annual Report.

■ Compensation Policy for the Board of Directors and for Executive Offices

Pursuant to the provisions of section 9 of the By-laws, 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.

As regards 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 2012, provisions were constituted to meet the payment of such variable compensations.

■ RETAILER BUSINESS

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This area is in charge of the administration of the Retail Area trade resources through the following segments:

■ INDIVIDUALS

Furthering the business model that oriented this segment over the last years, in FY 2012 the focus kept placed on strengthening the "client vision", going deeper into the specific features of each segment.

In this regard, each value proposal was optimized in order to maximize the clients' experience in accordance with their requirements and expectations.

In February 2012, the MasterCard Black credit card was added to the Plus Premium package, thus broadening the products offered to the High Income Segment. Besides, preferential benefits were developed, including both discounts in this client group's most relevant consumption fields, and the launching of "Experiences Plus", a travel program with unique and exclusive proposals.

In 2012, the Plus segment grew by 43%, and the average income per client followed the same trend.

Besides, a specific proposal for the Business and Professional segment was launched. This segment is composed of self-employed individuals and a package was designed and the attention model amended to meet their special needs.

Young people is still strategic for the Bank: through the Patagonia Universitaria product we seek to establish the first contact with the Bank. As these young clients enter the job market, their relation with the Bank gets deeper through the value proposal that most identifies them.

The benefits strategy has been strengthened and is in force on nationwide scale. New commercial alliances with the most important malls and shopping centers in the country were established, with more than 50 agreements signed. Also, agreements were made with the most relevant supermarket and house appliances chains of the domestic market and with more than 50 brands of clothing throughout the country, and more than 3,000 commercial agreements were signed, covering all goods.

Client loyalty is a fundamental pillar of the Entity's business model. The Club Patagonia loyalty program continues growing steadily, both as to the variety of products added to its prize catalogue and as to the use and value assigned by the clients: more than 100,000 products were traded.

Along this loyalty efforts, in 2012 the "Patagonia Plus" (Patagonia Más) program was launched, with exclusive benefits in the areas that most interest member clients, which are advised through text messages to their cell phones.

Along 2012, cross-selling efforts were made regarding clients originated at GPAT Cía. Financiera as a result of their purchase of new vehicles from more than 100 GM dealers throughout the country. More than 12,000 clients obtained their Visa Auto credit card, with differential benefits in auto-related areas, which adds to the already wide array of benefits offered by **Banco Patagonia**.

Measures to improve the collection of clients' contact data were adopted to increase efficiency in communication, and management tools were improved regarding commercial actions to implement dynamic and customized offers.

New services were added to alternative channels (Home Banking, ATM's, Self-Service Terminals, Telemarketing), such as application for consumer loans, and online exchange of Smiles miles under the Gol Linhas Aereas program. Actions were also performed to promote the use of these channels.

In FY 2012, the Segment oriented to Individuals increased its loan portfolio by 38%, driven by the strong growth in the credit cards portfolio (64%) and consumer loans (38%). More than 250,000 lending products were sold, a figure which accounts for a 20% increase in product placement as compared to 2011. As to the deposits portfolio, a 22% increase was recorded.

Transactional Products

Credit and Debit Cards

Purchases with credit cards went up 34% as compared to 2011, while purchases with debit cards increased by 23%.

The addition of the MasterCard Black card to the wide portfolio of credit cards offered by the Bank was meant to supplement to offer to the High Income clients segment. Associated benefits included Club Patagonia extra points for each purchase and payment in 18 installments with no interest for tourism.

Additionally, all the regulatory amendments established by the Administration of the Federal Revenue (AFIP) and the BCRA were timely and duly implemented, the e-mailing of all credit cards statements was put into practice and the limits for withdrawal with debit cards were updated.

Accounts and Packages

In 2011 the focus was strengthened on the High-Income segment. This strategy had begun in the previous year and the offer of products and services to these clients was renewed in order to meet their financing and purchasing preferences. Also, the offer of products and services to the Business and Professional segment was enlarged to customize attention to this niche of clients.

Patagonia Club

Along 2012 the objective that Club Patagonia becomes the channel par excellence to achieve client loyalty was pursued, and several significant features were implemented. Examples are the online exchange of Gol Linhas Aéreas miles, via Patagonia E-bank; promotions for Club Patagonia extra points for purchases made with Visa Platinum, MasterCard Black and Visa Auto; welcome promotions to new Payroll Services clients and exclusive promotions designed for special dates, such as Mother's Day, Father's Day, Children's Day, Back-to-School and Exchange Center with exclusive prizes in Las Grutas and Bariloche city, during the summer and winter seasons, respectively.

Lending Products

Placement of Personal Loans was a paramount factor in the growth of the assets portfolio. The average balance of personal loans grew by 38% as compared to the previous year. Along this line, it is worth noting the marketing of loans to be repaid from payroll, mainly under Decree No. 14/12 (oriented to National Public Bodies), by means of an active commercial campaign and the addition of new agreements.

Also, the conditions of Patagonia Anticipo (advances) were improved (automatic admission and increased credit limits), allowing clients using the Payroll Services to obtain an advance of up to 50% of their monthly salaries.

Products to Attract Funds

In 2012, deposits went up by 22%, with an outstanding growth of 51% in time deposits. Time deposits placed through Alternative Channels increased their share to 32% of the total portfolio. Besides, structured products went up by 173%.

Insurance

In line with the strategy of providing a complete and comprehensive proposal including a large range of products and coverage provided by prestigious Insurance Companies in the market, in 2012 the insurance business kept its sustained growth, doubling the income of the previous year and increasing its sales by 43%. The new motorcycle insurance was added to satisfy the clients' demand.

Payroll Services

In 2012, **Banco Patagonia** kept its market share of 8% in the Payroll Service of the Financial System; the private sector maintains a sustained growth, performing client solicitation, retention and loyalty actions, and is a supplement to the public sector, which holds an important share.

The Bank offers a specialized service to the various client segments through highly trained payroll services officials who, based on the Commercial Platform of the Network of Agencies, pursue the objective of enlarging the base of clients-companies and of achieving a better position and identification for the Bank.

The needs of employees working for companies and national agencies are channeled through the Integral Branch Network and Electronic Channels. The attention model and personalized service is a distinguishing feature of the Bank, providing a high standard product that helps achieve an efficient level of cross-selling thanks to the offer of products and services, all of which adds to the profitability of this line of business.

In July 2012, the National Executive Power published Decree No. 1187/2012, establishing that implementation of payroll services to the employees working for the national public sector jurisdictions and agencies had to be made through Banco de la Nación Argentina. When the regulation to this decree was issued, the Bank began working on the gradual transfer of the above services, aiming to maintain the relation with current clients.

In order to meet the growing demands of clients in the various segments, new services were added to the Internet channel, related both to deferred and online payment.

Banco Patagonia continued to enlarge the University Program which, along with the Corporate Social Responsibility Area, has the mission to build a long-term project with each College to strengthen the academic, scientific, research and university outreach areas.

In 2012, the Bank renewed the Quality Management System Certification for the Payroll Services, confirming the Bank's commitment to offer an efficient service in each of the several segments. The ISO 9001 certification was granted by TÜV Rheinland company for the processes of service marketing and implementation, delivery of the standard product of accreditation in the Branch, periodic payment of salaries and customer services.

Goals for 2013 - Individuals

- To deepen the attention model oriented to High Income clients.
- To consolidate the value proposal oriented to the Business and Professional segment.
- To add new benefits so as to consolidate Club Patagonia, the Bank's loyalty program.
- To facilitate access to clients through alternative channels and make alliances with public and private agencies.
- To enlarge the client base for payroll services, oriented to private companies working in various fields (SMEs, large companies, corporate business and private universities).
- To add new features to the web services oriented to payroll service clients.
- To continue training commercial officials to perform fund attracting operations.

■ **NETWORK AND DISTRIBUTION**

■ **Branch Network**

■ **Electronic Channels and Alternative Sale Channels**

Branch Network

The Branch Network keeps growing in accordance with the business plan established by the Entity and with the implementation of the personalized service model which is a distinctive feature of business management. Currently, the Branch Network is made up of 187 customer desks all over the country, managed by sixteen Regional Managers. It is a key objective to expand the presence of the Bank in strategic markets, which will allow it to become closer to customers and to establish new commercial relationships.

A branch, defined as a Comprehensive Management Unit, is the channel through which business is developed and combined in accordance with each customer segment. The Branch Manager is the natural leader and drives the growth of each of the segments into which the branch operates: Individuals, SMEs, Large Companies and Agro.

In 2012, expansion of the Network was the product of the opening of 14 branches: Cerrito (City of Buenos Aires), Tribunales (City of Buenos Aires), Venado Tuerto (Santa Fe), Villa María (Córdoba), Luján de Cuyo (Mendoza), Tortuguitas (Buenos Aires Metropolitan Area), Luján (Buenos Aires), Orán (Salta), Monserrat (City of Buenos Aires), Berazategui (Buenos Aires Metropolitan Area), Coronel Suárez (Buenos Aires), Chivilcoy (Buenos Aires), Rawson (Chubut) and Plottier (Neuquén), 1 mini-bank at Chexa plant (Córdoba), 1 customer center (Library of Congress). At present, work is in progress to open 15 new branches, to be located in strategic areas in the national territory.

Along the year, the Caleta Olivia Branch (Santa Cruz) was relocated, and the Córdoba Branch is in the process of being relocated. Extensions and improvements were made in several branches; furthermore, the layout of some branches was adapted in order to add new services in accordance with the customers' needs and to increase the services offered, amongst them, safe boxes and electronic channels. Such branches are: Allen - Almagro - Av. Entre Ríos - Barracas - Bariloche Onelli - Belgrano - Boedo - Florida Street - Clínicas - Comodoro Industrial - Comodoro Rivadavia - Escobar - La Rioja - Lomas de Zamora - Mataderos - Mendoza - Munro - Olleros - Once - Panamericana - Puerto Deseado - Quilmes - Rincón de los Sauces - Río Grande - Santa Rosa - Trelew - Tucumán - Ushuaia - Villa Luro and headquarters. Thirty-two new Self-Service Terminals (SSTs) were installed. Sixty-one additional ATMs were installed. As every year, preventive and corrective maintenance tasks were performed in order to keep the branch premises in good working conditions.

The network employs 1,835 individuals, who play commercial and operative roles and apply the service model oriented to customer relationship management as a business developer. The employees' work is supported by a strong permanent training plan.

As a definition of the Business Model, the growth and development of human resources working for the trading platforms and back-office of each branch is strategic. The employees took part in the training programs defined for each role, which contributed to fill key vacant positions, such as Branch Comprehensive Managers, Regional Assistant Managers, Business Executives, Business Officers, Administrative Assistants, among others, thus favoring the internal promotion process. Training was provided by means of classroom and remote workshops through a modern e-learning platform.

The outstanding training actions carried out during the year include: the Investment Officers Program, the Programs on Commercial Capabilities, designed for Business Officers working in the various commercial segments; besides, training oriented to Branch managers, Regional Assistants and Regional Managers was continued, considering them as the main drivers of the commercial coaching model. Specific workshops were carried out to strengthen the role of Cashiers, Operative and Commercial Assistants, and Administrative Assistant, with emphasis on the harmonization of concepts, instructions and policies. Furthermore, the activities in the Luzuriaga Training Center continued, taking advantage of the specific equipment for real-time simulation of all operations performed in a branch, which is designed for the training of just-hired cashiers and back office employees.

As of December 2012, the Branch Network had a total of 187 customer desks, with 460 ATMs and 223 Self-Service Terminals, distributed as follows:

- 160 Branches;
- 27 Customer Service Centers;
- 368 ATMs in branches;
- 92 ATMs in other locations.

Electronic Channels and Alternative Sale Channels

The degree of utilization of these channels on the part of customers maintained an upward trend.

At present, the Bank offers have multiple channels for customer service; transactions and sale designed to meet the needs of both individuals and companies. Electronic channels include:

- the Patagonia 24 ATM Network;
- self-service terminals;
- the Patagonia on-line telephone banking;
- the Patagonia e-bank Internet banking service;
- Patagonia Móvil, to perform banking operations through mobile phones.

Patagonia 24 ATMs

By the end of 2012, the Patagonia 24 ATM network was composed of 460 ATMs, covering not only the Branch Network but also strategic locations, distributed by geographical areas as follows:

- 114 in the City of Buenos Aires;
- 65 in Great Buenos Aires;
- 281 in the provinces.

As a result of the installation of new devices and technological updates, in 2012 the Bank's ATM network grew by 15% as compared to the previous year. This process of expansion will continue in 2013 with the replacement of a significant part 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.

As part of the commercial activities leading to consolidate the Bank's presence in touristic areas, facilitating our customers' regular operations, Patagonia 24 ATMs were installed at Cerro Catedral, near the city of Bariloche (Rio Negro), and in the summer season in Las Grutas (Rio Negro) and Villa Gesell (Buenos Aires),

Self-Service Terminals (SST)

In order to improve the offer of electronic services and the quality of customer service, in 2012 the Bank went on with an ambitious plan for the installation of self-service terminals. As of December 2012, the Bank had 223 SST's in operation, which accounts for a 17% increase as compared to the previous year.

Service improvement was evident as more than 260,000 deposit and credit card payment transactions were carried out in the lobbies of the Bank's branches. In addition, these transactions were most required during the branch non-working hours, the Bank being one of the few entities which offers these services during this off-time.

Patagonia e-bank

Access to the transactional channels Personal E-banking and Corporate E-banking is gained through the website www.bancopatagonia.com, the contents of which are oriented to an easy access to the Bank's products, news and benefits.

In 2012, the Bank recorded over 210,000 active customers in this channel, representing a 35% growth as compared to 2011. As in previous years, the customers' most valued transactions were transfers and payment of taxes and bills, which increased by 30% for the same period as of October 2012.

Moreover, the types of transactions that can be performed through this channel have diversified, adding new value-added operations, with emphasis on the possibility to join the Patagonia Más and Immediate Transfers services.

Patagonia Mobile

This service was launched in May 2007 under the name of Banelco Móvil and a version specially customized for the Bank was implemented in 2010. In 2012, with the application available throughout all market sectors, the number of users grew at a fast pace.

It is a distinctive service by which customers can make queries, pay bills, and order money transfers easily and quickly through their mobile phones, at any time and from any place.

Patagonia Map

This service was launched in May 2010 under the name of Banelco Map and a version specially customized for the Bank was implemented in 2012. Since its launching, the number of users who have downloaded the applications is growing rapidly, since it is available to all market sectors. It is a geo-localization service by means of which customers may locate all ATM's, branches and benefits offered by the Bank in a simple and fast manner through their mobile phones, at any time and from any place.

Patagonia Investment Center

In 2012, the Investment Center increased its portfolio by 27% as compared to 2011, making FY 2012 the one showing the fastest growth in the history of this sector from its beginnings in 2007.

As of year-end, 11% of all time deposits (*PF Tradicional*, *PF Renta* and *PF Renta Plus*) under Individuals Banking had been placed through the Investment Center. The average amount of time deposits has increased by 25% as compared to 2011, reaching ARS 100,000.-

Telemarketing

This channel closes the sale of Personal Loans by telephone, reaching an aggregate of ARS 92 million, which accounts for 4.35% of the Bank's total. Also a total of ARS 128 million were managed and directed to the branches through this channel. Total sale of transactional products (cards, additional cards, packages) reached 7,400 products this year.

Patagonia On Line

During FY 2012 telephone banking answered a total of 9.5 million telephone calls. This facility answered 100,000 queries, procedures and questions made through the Internet. Reactive sale of insurance policies (*Protección 24*, life, personal injuries, home and protected belongings) accounts for 47% of the total insurance policies sold by the Bank.

Goals for 2013 – Network and Distribution Area

- To continue with the expansion of the Branch Network through the opening of new branches and customer desks in places which are considered key markets for business development, as well as to detect new potential locations oriented to future growth.

- To continue working towards the formation of high-performance teams, developing training programs that provide employees with the tools required to maintain high quality standards of customer service, maximizing the channel's profitability and generating personal and professional satisfaction.
- To deepen the Business Comprehensive Management Model focused on the customer, which leads to an increased business volume and profitability from current customers, as well as to winning new clients with emphasis on a distinctive customer service quality.

■ CORPORATE BUSINESS

This Area is responsible for the commercial relationship with the Entity's clients through:

■ CORPORATE SEGMENT

FY 2012 was the first full fiscal year in which the Corporate Segment operated at **Banco Patagonia**. The segment was created during the last quarter of 2011 with the purpose of providing services to companies that have a commercial relation with Brazil. It is organized into five business segments:

- Automobile industry, Auto Parts and Transportation;
- Trade, Technology and Services;
- industries, Chemical Industries and Laboratories;
- Infrastructure and Iron and Steel;
- Oil, Agro-business, Fertilizers and Foodstuff.

The loan portfolio experienced a dramatic growth, and closed FY 2012 with lending transactions in the amount of ARS 2.088 billion, meaning that these transactions doubled as compared to the previous year.

The goal set for 2012 for the deposits portfolio was largely exceeded, reaching a total of ARS 2.207 billion, with accounts for a 614% growth as compared to the close of FY 2011 (ARS 309 million). Within this portfolio, the growth of time deposits is worth noting, resulting from the addition of new clients for this kind of transactions.

Reciprocity relations were maintained with the customer portfolio in order that **Banco Patagonia** may become a relevant operative entity as to the variety of products and services offered to economic groups.

At the close of FY 2012, 20,972 employees working for Corporate businesses have their salaries deposited at **Banco Patagonia**, which meant the addition of 8,126 new clients and a 63% growth.

Goals for 2013 – Corporate Segment

- To continue enlarging the market share in lending transactions, with the purpose of ranking **Banco Patagonia** within the five most important banks in the system.
- To attain sustained growth in the Payroll Services business, with the payment of salaries to employees working for corporate businesses.
- To deepen the relation with current customers, so as to enable the growth of transactional business, mainly Cash Management and Foreign Trade.

■ COMPANIES SEGMENT

In 2012, **Banco Patagonia** continued to consolidate as one of the main Banks in the financial system oriented to the Companies Business.

In this regard, during 2012 the new Commercial Service Model launched in 4Q11 was consolidated, with all members of the commercial team, composed of Business Officers for each of the business segments, reporting to a Branch Comprehensive Manager.

Also in 2012 strong support was lent to the development of the SMEs Executive Office, with the addition of new resources that facilitated the launching the multiple commercial actions and the drive of the community business, generating strong synergy with other commercial areas of the Bank, such as agro-business and large companies. The result of this management model translated into a significant growth of transactional business, with the addition of more than 2,440 new operating clients.

The loan portfolio grew from December 2011 (ARS 5.674 billion) to December 2012 (ARS 8.270 billion), representing a 46% year over year growth.

As regards borrowing transactions, a larger share as operative and transactional Bank was attained, with a 44% year over year increase, from ARS 2.571 billion as of December 2011 up to ARS 3.714 billion by the end of this year.

The Bank worked hard in cross-selling on existing and new customers, and achieved an annual fee turnover of ARS 361 million, representing a 61% increase as regards FY 2011.

The exchange trading business reached an aggregate volume of USD 3.481 billion.

The total number of clients in this segment as of December 2012 was 24,785, which represents an increase of 11%, largely exceeding the performance in FY 2011.

By virtue of the global business agreement with GM, through GPAT Compañía Financiera the Bank continued to finance General Motors Argentina official dealers and carrying out significant transactional business with them. As of December 2012, this Program reached an average balance of ARS 653 million in the Bank's Lending Portfolio.

As part of the development of actions oriented to obtaining customers' loyalty, several events and commercial actions were performed. These actions provided direct contact between customers and the Bank's executives.

The Companies Area is divided into three large business segments:

■ Large Companies

As from the launching of the new service model by the end of 2011, this year's challenge has been that under the comprehensive viewpoint, branches and locations that have large companies as clients may be serviced locally, through the manager and official in each branch. Additionally, in this process four branches servicing Large Companies were consolidated: Buenos Aires, Rosario, Córdoba and Mendoza, where the volume of transactions led to the establishment of a specific structure, within the comprehensive model.

The goal was to work regarding strategies, business plans, budgets, training processes and to become a link to other central areas, in order to contribute to the development of various commercial actions to support the Branch Network. With this goal in mind, emphasis was placed in the work with regional manager, branch managers and officials, making regular visits to branches and companies, following up on the business process and seeking permanent feedback in search of specific needs.

Joint and strategic work was developed with Regional Managers regarding proposals to improve the credit process, the results of which will have a direct impact on the time devoted to the analysis of credit files and the response time to the Entity's clients.

Likewise, as a result of this interaction with branches, needs were detected that drove initiatives to be developed with the centralized areas of Loans, Products and Operations for the launching of new products and the improvement of processes, among them: CPD pledge, foreign trade electronic slip, leasing circuit workflow, which are already in operation.

New and successful commercial actions were launched, such as Acción Aguinaldo, which was a tool to consolidate relations with current clients in the Payroll Services and also served as an incentive to incorporate new clients for this product. Each of these actions included the centralized qualification of 300 clients for more than ARS 120 million, reaching a placement amount of ARS 55 million; each company to which the action was targeted also got the Corporate Card product, thus improving cross-selling in the segment.

Specially as regards the Payroll Services, commercial actions were carried out to incorporate new agreements and 6,019 new clients.

In accordance with the terms of BCRA Communication "A" 5319, the goal of closing the loans established by its provisions as of December 31 was attained.

Also within the above-mentioned commercial actions, the campaign "*Tasa Especial CPD*" was launched to work with clients having idle credit facilities, which had recorded no transactions during the last quarter. Commercial relations were reactivated and more than ARS 1 billion in check purchases were negotiated.

Work was also carried out together with the SMEs Executive Office in the development of commercial alliances, which resulted in the addition of new clients for all segments in the Bank's business.

The loan portfolio grew from December 2011 (ARS 3.895 billion) to December 2012 (ARS 5.629 billion), representing a 45% year over year growth and reaching the proposed goals.

Also, a larger share as operative and transactional Bank was attained, with a 67% year over year increase, from ARS 1.122 billion as of December 2011 up to ARS 1.877 billion by the end of this year regarding borrowing transactions.

The Bank worked hard in cross-selling on existing and new customers, and achieved an annual fee turnover of ARS 171 million, representing a 38% increase as regards FY 2011.

The exchange trading business reached an aggregate volume of USD 2.680 billion.

As of December, Banco Patagonia reached 2,826 active customers, turning it into one of the successful banks in this segment within the financial system.

■ Small and Medium Enterprises (SMEs)

During FY 2012, the structure of the SMEs Executive Office was consolidated, in order to place **Banco Patagonia** as an entity strongly oriented to the commercial and credit servicing of small and medium enterprises in Argentina.

Banco Patagonia has defined goals to render adequate services to the sub segments known as massive (natural or legal persons with an annual turnover lower than ARS 5 million per year) and expert (natural or legal persons with an annual turnover ranging from ARS 5 million to ARS 30 million per year). Additionally, an area was established with the responsibility to develop business alliances and communities in order to generate clients through the value chains of clients in the Corporate and Large Companies segments and, finally, a position was created to implement the marketing and communication strategies, as well as to define the need for products.

Several commercial actions were implemented and managed to successfully consolidate an upward trend in the addition of new clients (81% more active clients were added this year as compared to the previous one); these actions also generated a larger number of transactions in the segment general portfolio, through the placement of products and services.

These campaigns accounted for most of the new clients in the segment (28% of the clients incorporated during the year were generated through these actions) and for the steep increase in the number of commercial cards, since in FY 2012 Banco Patagonia focused on the marketing of this product (in FY 2012 the card stock grew 84% as compared to the previous year, and approx. 55% of new cards come from these campaigns).

Regarding these commercial actions, the focus on the increase of transactional business related to stores is worth mentioning: as of December 2012, 16% of the credit card purchases that were credited is derived from campaigns specifically designed for this purpose.

When it comes to the various communication and training actions carried out during this fiscal year, the education programs, workshops and focus groups must be mentioned, in which about 300 employees in the Branch Network working for the SMEs business development took part. Also worth mentioning is the creation of a micro-site within the Bank's Intranet to generate a space for interaction with the Branch Network, and the development, together with the Organizational Human Development Executive Office, of a space dedicated to the internal magazine "*Punto de Encuentro*", to communicate advances and news.

As regards business volume, in this fiscal year the loan portfolio increased by 36%, reaching an average assets balance of ARS 1.216 billion as of December 2012. Also in 2012, the Bank took active part in programs promoted by the Secretariat of Small and Medium Enterprises (SePyME), which offered interest rate subsidies and had a very good performance in the placement of loans to the sector.

Furthermore, loans granted under Communication "A" 5319 of the Argentine Central Bank had a significant impact, favoring the productive development of SMEs. These loans, together with the ones offered by the Bank, fully supplied the sector financing needs, both for investment and working capital projects.

Actions were begun to increase the clients' transactional operation level and to attract their credit balances and investments. Average deposits as of December 2012 reached the amount of ARS 1.702 billion (in which balances at sight represent 68% and time deposits account for 31% of the aggregate amount).

Evolution of fee income, along the lines of the clients' higher operation levels, recorded a total amount of ARS 166 million in the year, which implies a 44% growth as compared to the previous year.

■ **Agro-business**

The Bank continued supporting the sector development, resulting in a significant increase of 48% in the loan portfolio during FY 2012 as compared to the previous year, totaling ARS 1.425 billion. It should be noted that there was a significant increase in purchases made with the Agro Card, 23% higher as compared to the previous year. This was the result of the agreements for a zero interest rate for cardholders (several financing schemes) and of the opening of branches in clearly agricultural areas, such as Venado Tuerto, Villa María and Orán.

During this year several actions for client solicitation were implemented. Besides, the Bank was present in livestock auctions and visited several agricultural fairs, in order to increase the number of clients and improve cross-selling among current clients.

As regards training and communication, mention should be made of the Specialization Course on Agro-business given in all branches which operate with clients in the agriculture and farming businesses, or that may have those clients in future, in order to train the employees and teach how that business works, so that Managers and Officials may use and understand the same language as the clients. A link was created in the Intranet so that the branches may print directly all the forms to be handed to the clients for settlement of loans, signature of documents, collateral, etc. This turned the transactions in the branch network more agile.

Goals for 2013 – Companies Segment

- To place the strategic focus on the Payroll Services to companies, carrying out actions and making coordinated efforts to allow a strong growth in the individual client base.

- To continue focusing on the Small and Medium Enterprises business, having as main strategy the strong growth in the client and business base, on the basis of an adequate segmentation and an offer in line with credit and transactional products.
- To consolidate the SMEs segment as the channel through which **Banco Patagonia** may attract individual clients at large scale.
- To consolidate the presence of the Companies Area in the Agribusiness and Large Companies segment, at the most relevant geographical regions in terms of GDP generation and demographic concentration.
- To boost transactional business, focusing on the development and improvement of products that meet the clients' needs.
- To favor development of alliances and communities through our clients in the Corporate and Large Companies segments.

■ CORPORATE AND TRANSACTIONAL PRODUCTS

Development of Transactional Products

The ISO 9001 certification was renewed for the sixth consecutive period for the Payments to Suppliers service, one of the distinguishing features of the product to continue being competitive in an ever more demanding market.

Improvements were made to the suppliers' web platform, with the focus on providing more information on payments and an additional security level in the delivery of checks in branches.

Between January and November 2012, a total of 851,400 payments were made for an aggregate amount of more than 16 billion pesos, 13% higher as compared to the same period in 2011.

The service known as "Revenue Account" was used to perform a total of 889,500 deposits for a total amount of over ARS 19 billion, growing 34% from the same period in 2011.

As regards the revenue service provided at the cashiers, the development of a new application for deposit processing was completed; this innovation made it possible to homogenize the settlement methodology, minimizing errors and providing faster processing and better information quality.

Corporate Credit Cards

During FY 2012, the commercial card range was enlarged. The portfolio now includes 7 Visa Argentina products, and the Central Account Card was launched, oriented to the organization of travelling expenses, since it allows the companies to reconcile expenses, obtain an exact detail and free the executives' corporate card for use only in entertainment expenses.

The Commercial Card portfolio includes other 3 MasterCard products. Thus, the Bank offers products with distinctive features to provide differential services to meet the needs of small and medium enterprises, large companies, corporations and agencies. The first ready-to-use commercial card system was implemented.

Turnover went from ARS 180 million up to ARS 265 million, accounting for a 47% increase, with a total of 326,000 transactions, 43% more than in 2011. The increase was fueled by the promotions (discounts and installments) and benefits granted to clients through the Club Patagonia mileage program for the SMEs and Companies segments, and the extension of financing terms for the Agribusiness segment.

Patagonia Stores

The Patagonia Stores product was re-launched, to include information related to the Bank's web page oriented to the external client; training spaces were provided for the internal client and processes and information generation were optimized. There was an increase of 32% in the business as paying bank, equivalent to ARS 1.601 billion, originated in the crediting of purchases in the amount of ARS 6.681 billion.

Checking Accounts

In order to gain greater competitiveness and market share, the Bank began to operate the banking packages known as *Patagonia Empresario*, *Patagonia Empresario Plus* and *Patagonia Empresa*, all of them oriented to the SMEs segment, including a differentiated product offer, distinctive features and special fees.

During FY 2012 work was performed to train business officials and executives on the opening of checking accounts for legal persons, and handbooks for the various kinds of legal persons were updated.

Marketing for Companies

In FY 2012, the assistance to the Branch Network continued with the provision of brochures with contents related to products. A tri-fold brochure related to the SMEs segment was launched and the ones oriented to Foreign Trade, Leasing, Commercial Cards, Agribusiness and Collections and Payments were updated.

Also the bi-monthly newsletter "*Hablemos de Negocios*" was published, with distribution to the clients along the checking account and commercial credit card statements. This year a flyer was enclosed into the envelopes which contain the Business and Corporate Cards for delivery, with information on benefits and promotions offered by commercial cards.

Foreign Trade

Commercial and communication actions were deployed to launch the new product known as Electronic Slip, a payment instrument for transfers abroad. The most important of such actions were breakfasts to which the main clients of our Branch Network were invited, the follow-up in the implementation of the new electronic service, marketing pieces and internal training on the product for selling and information purposes.

As regards developments, the consultation stages were completed on payment of Argentine imports of goods, payment orders; information on documentary collections and letters of credit was improved.

Besides, the training and advisory plan oriented to internal and external clients was continued, including classroom teaching and e-learning. For the first time there was distance training to Banco do Brasil's clients.

Lending Products

A distinguishing feature of FY 2012 was a reduction in general activity during the first semester and a significant recovery in the volumes transacted during the second one, specially as from the publication of Communication "A" 5319 of the Argentine Central Bank, governing the above-mentioned credit facilities for productive investment.

The automobile sector managed to keep all-time high selling figures, though somewhat lower than those recorded in 2011, which marked a record for the industry. In accordance with this behavior, the floor planning financial assistance to the 53 General Motors de Argentina official dealers reached significant amounts, exceeding the ARS 8,4 million on more than 100,000 financed units.

During the first semester, 405 leasing operations were made in the amount of ARS 109 million, while in the second semester, more than 1,000 operations were closed for an amount exceeding ARS 270 million (62% within the terms and conditions of the above-mentioned Communication). In spite of the recovery experienced during the second semester, the volume transacted resulted 18% lower than that of the preceding year, which set a record for the leasing industry. However, the bank managed to keep its market share of 7,8% and the 6th place in the ranking of leasing companies.

The management of important credit and subsidy facilities was continued, both in relation to the international market (IFC) and the domestic market (Sepyme, among others), oriented to assisting companies in the financing of short- and medium-term investment and working capital. The Bank took part for the first time in the Bicentennial Productive Financing Program, with a cash disbursement of ARS 40 million at a 5-year term.

Besides, the first transactions with importers were made under the credit facility known as BNDES (the Brazilian Development Bank) Exim Post-shipping. Total amount of agreements is USD 3.7 million.

Corporate Products Commercial Assistance

In 2012, the focus was placed on the development of Corporate Products, keeping a commercial assistance team to provide service to centralized areas (Corporate, Finance and Public Sector).

Information was provided to the branch network on the various products offered by the Entity, in order to follow-up on the marketing of those products to the SMEs and Large Companies segments.

Specialized commercial assistance was provided to clients in the Corporate, Public Sector, Finance and Foreign Trade segments; large clients received professional advice in accordance with their needs.

Finally, specialized advice was provided in regard to Cash Management business.

Goals for 2013 - Corporate and Transactional Products

- To issue the Business Commerce Card.
- To establish a dynamic channel for signing in for the products offered by the entity.
- To design incentive plans to attract stores.
- To offer all transactional and consultation services through the electronic channel Patagonia e-bank Companies.
- To increase market share.
- To have active participation in the creation of special products and circuits, in line with the new business proposals generated by the various executive offices of the Bank.
- As regards the leasing product, to achieve a market share of 10% and a portfolio exceeding ARS 750 million.

■ CAPITAL MARKET

Banco Patagonia ranked as one of the leading entities in the placement of securities (corporate bonds and financial trusts) in the Argentine market, with a total placement of over ARS 3.4 billion.

During the year, financial transactions were organized in the aggregate amount of ARS 3.965 billion. Additionally, the Bank was the first placement agent to use Siopel, the software for electronic trading supported by the Mercado Abierto Electrónico (Electronic Over-the-Counter Market or MAE).

Financial Trusts

In 2012, 26 issues of financial trusts were organized and placed at the primary market for a total amount of ARS 2.232 billion. This amount accounts for a 28% increase as compared to 2011. During this fiscal year, **Banco Patagonia** reached a market share of 15%, keeping its leading position in the domestic market. To this date, the Bank took part in 291 transactions for more than ARS 11.3 billion. The trustor customer portfolio includes companies such as CMR Falabella, Ribeiro, Banco Piano and other relevant companies in the consumption financing segment.

Regarding the trust administration activity, the Bank kept the mark “Excellent” (top mark) for Argentine trustees awarded by Standard & Poor’s, and it was the first entity to achieve this mark as trustee in Argentina.

Corporate Bonds

As regards the issue of short- and long-term debt for clients, in this fiscal year 11 issues of corporate bonds were organized and placed, in the total amount of ARS 1.2 billion. The issued volume accounts for a steep increase as compared to ARS 331 million placed in FY 2011. The entity ranked among the main four placement agents for these financial instruments in the Argentine market, with a market share of about 7%. The organization of issues of debt instruments for clients accounted for a major contribution to the income of this sector in this fiscal year.

Syndicated Loans

In FY 2012 eight syndicated transactions were organized for a total amount of ARS 472 million. **Banco Patagonia** acted as organizer and agent bank in 7 of these credit transactions. Special mention deserves the organization of two syndicated transactions under the provisions of BCRA Communication "A" 5319 governing Credit Facilities for Productive Investment.

Goals for 2013 – Capital Market

- To continue providing our clients with an outstanding service, and gain more experience in the various financing tools through the capital market.
- To maintain the leading position, adding new clients for trust operations, corporate bonds and syndicated loans.

■ ADMINISTRATION AND FINANCE

This Area is responsible for the management of the Bank's general business and financial resources through:

■ FINANCE

This area includes four specific business segments:

- Financial Transaction Desk
- Financial Entities, and Financial Companies that are neither Banks nor Institutions
- International Relations and Correspondent Banks
- Safekeeping Department

Financial Transaction Desk

The volatile and uncertain context in which markets operated in 2011 had an impact on the main world economies, and led to an extremely cautious handling of the various financial portfolios, with a trend to keep liquid assets in them. In the domestic market, to the above adverse conditions several facts must be added that worsen the scenario: the first-instance decision against Argentina issued by a U.S. judge on the outcome of the debt restructuring; the takeover of YPF's capital stock by the national government; and the tougher rules for access to the foreign exchange market implemented in 2012. All of these gave rise to variable behavior in the main economic indicators: a 16% rise of the Merval index; a rise in the sovereign risk, which went from 922 base points in 2011 to 1,400 base points in 2012 at 5 years; the devaluation of the nominal exchange rate of 14.1%; the drop of the Badlar rate (the average interest rate paid by private and/or public banks for deposits > 1 million pesos or US Dollars) and the rise of the retailer interest rate (time deposits of up to ARS 100 thousand); a drop of the main lending rates, etc.

Besides, the restrictions for the sale of securities with settlement in foreign currency, coupled with the prohibition on the purchase of foreign currency for savings purposes imposed by the national government, had a negative impact on the daily volume of financial transactions closed in the domestic market.

In this regard, during the last quarter the area was directly involved in the training of officials working in the branch network in order to provide the branches with investment officials who can raise financial awareness in prospective clients within a specific segment.

The institutional time deposit portfolio that is managed by this Area grew from ARS 2.8 billion as of the end of FY 2011 to more than ARS 5.1 billion as of the end of FY 2012.

Financial Entities, Financial Companies that are neither Banks nor Institutions

There was a consolidation of the Bank's position as leader in the market for the segment of Financial Institutions, Non-banking Financial Entities and Institutions. The vast experience in the rendering of service to this client segment is supported by a deep knowledge into the portfolio, the associated business and a high quality standard of the offered products and services, which set a clear distinction with other competitors in the market.

Business dynamics during FY 2012 followed the evolution showed by economic activity in general, such as it is reflected in the growth in factoring transactions, credit assistance to car financial companies, the performance of trust business and the expansion of institutional investors portfolio.

In all cases, the commercial relation with the active customer portfolio was promoted, with development of cross-selling of the various products and services, which resulted in an increase in profitability of about 40% as compared to the previous year.

International Relations and Correspondent Banks

Foreign exchange regulations implemented by the end of 2011 provoked a reduction in international business. However, after the first months of 2012, foreign trade transactions easily regained momentum.

Although 2012 was a fiscal year immersed in an adverse international context, with a changing domestic scenario, the Bank had an excellent response from its correspondent banks, which made it possible to meet the clients' needs for international products. Besides, multilateral bodies such as the International Finance Corporation and the Inter-American Investment Corporation maintain their support to our entity through their financial facilities.

In this regard, it should be noted that the Bank is analyzing new credit facilities offered by development banks that meet medium- and long-term financing needs. Being part of the Banco do Brasil Group has strengthened our positioning abroad.

At the domestic level, the addition of credit facilities from BNDES (the Brazilian Development Bank) and the Proex program turned the Bank into one of the main institutions that channel commercial flows with Brazil, the main regional trading partner of Argentina. Banco Patagonia seeks to be considered as the domestic referent for regional banks within Argentina.

Safekeeping Department

In 2012, the Bank continued promoting the custody and settlement of marketable securities and bonds, both in the domestic and the international market, implementing a design that is specifically chosen for the institutional customer segment.

As a result of the authorization granted by the BCRA to the Bank in 2008 to act as custodian in accordance with Communication "A" 2923, as complemented and amended, the Bank continued in the custody business for the Insurance Companies segment.

Moreover, the Bank renewed its commitment to its customers, making its best efforts towards the constant improvement in service and support through the specialization of the members of our team, achieving a high standard of proficiency and efficiency. Attesting to this, in 2012 the Entity kept the ISO 9001 quality certification on all processes involved in the Custody of Securities product, placing the Entity at a high level within an extremely competitive market.

Goals for 2013 - Finance

- To continue promoting the current standing within the Financial Entities, Banks and Institutions segment.
- To explore new business alternatives for the different sectors that make up this area.
- To support clients in the provision of the international products they require.
- To maintain and deepen relations with correspondent banks.
- To identify business opportunities for the Bank and for current clients.
- To continue increasing the profitability of the custody product through the solicitation of new business opportunities.
- To increase the custody portfolio in the segment of institutional clients.

■ . PUBLIC SECTOR

In FY 2012 the Bank consolidated relations with the National, Provincial and Municipal Public Sectors, strengthening established institutional links.

As a result of the support lent to the new authorities and of the consolidation of already established relations, new clients performed significant syndicated transactions that will enable future business with all the value chain of each of them.

In the area of universities, **Banco Patagonia** furthered the relations with higher education institutions, and enlarged the offer of financial services through the incorporation of the National University of Moreno and Arturo Jauretche, as well as professional bodies related to this segment. The activity related to the qualification level and allocation of credit facilities made it possible to continue with commercial actions that are sustainable over time.

As regards Armed and Security Forces, the commercial actions carried out resulted in a rise in the volume of transactional operations, with the addition of new institutions throughout the country. As to credit assistance and qualification, clients were renewed and added to the active portfolio.

As the financial agent of the province of Rio Negro, the Bank produced several solutions to maximize the efficiency of government administration, along the lines of its objectives. In FY 2012, 180 revenue collection agencies were opened only in the territory of the Province of Rio Negro, and over a 3-month period there was an increase of almost 50% in transactions performed in the bank's branches. Besides, new collection agreements were renewed and signed with several provincial and municipal bodies.

As regards financing, a reciprocal assistance agreement was signed with the province to provide SMEs with credit facilities with a subsidy interest rate, designed for productive investment and purchase of capital goods. Furthermore, credit assistance for the purchase of capital goods was lent to many municipalities in the province, with the purpose of renewing their motor vehicle fleets.

Goals for 2013 – Public Sector

- To support the Public Sector's changing needs, analyzing significant lending transactions with a cross-selling designed to boost business for the Bank as a whole, focusing the efforts on the branch network and the growth of the Individuals segment.
- To take advantage of the Bank's distinctive nature as an expert in channeling the Public Sector's needs, gaining the experience and products that Banco do Brasil has been developing over the years.
- To add new clients to the sector and increase the current clients' profitability.

■ RISK MANAGEMENT

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In FY 2012 the Bank kept consolidating the comprehensive and independent risk management model that has been carried out since the establishment of the Risk Management Executive Office, pursuant to the guidelines set by the Argentine Central Bank and to the best international practices in this matter.

Besides, the Board of Directors approved the creation of the Executive Office for Prevention of Asset Laundering, which reports to the Board, especially to the Compliance Officer, and keeps a matrix relation with the Risk Management Executive Office. The aim of this new office is to develop and propose methodologies, tools and procedures intended to avoid that the Bank is used for asset laundering and terrorist financing purposes.

Financial Risks

The main steps forward in 2012 as regards the implementation of a risk management model for the risks of credit, liquidity, market and interest rate were the following:

- Design and preparation of a set of risk tolerance limits as from the identification of the main risks to which the entity is exposed. Upon approval, these limits are regularly monitored and the results are informed to the Global Risk Committee and to the Board of Directors.
- Update of the Handbook of Risk Management Policies, as a framework of the model adopted by the Entity, including the rules in force for stress tests and their respective contingency plans.
- Drafting of several daily, weekly and monthly reports and disclosure thereof to the Board of Directors and senior officers, in order to identify, measure, monitor and mitigate the risks to which the entity is exposed.
- Preparation and performance of stress tests for scenarios of varying degree of severity, in order to assess the potential impact before stress situations and foresee contingency actions in the management of the various risks.
- Under a consolidated risk management process, a set of risk tolerance limits was designed and prepared for GPAT Compañía Financiera S.A., in accordance with the limits in force in the entity.

Operational Risk

The Entity has implemented an operational risk management system in line with the requirements established by the BCRA in its Communication "A" 4793, as amended. The system includes an adequate organizational structure, policies and procedures approved by the Board of Directors, and a comprehensive system for the administration of all tasks related to the management of this risk.

Information Technology Risk

The entity performs and keeps records of the risk analysis of information systems, IT technology and associated resources, in accordance with the guidelines established by the BCRA in its Communication "A" 4609. The results of such analysis are formally reported to the Board of Directors through various committees, in order to correct any weakness that may expose the entity to certain levels of risk.

Money Laundering and Terrorism Financing Risk

The Entity has established the necessary policies, procedures and tools to secure compliance with regulations in force on the control and prevention of asset laundering and the financing of terrorism. Such measures are updated regularly in accordance with any amendments to regulations or any changes in the context, and with the development or alteration of the products and services offered by the Entity.

In 2012, with the purpose of deepening the culture relative to the prevention of money laundering, the Board of Directors approved the creation of an Executive Office with exclusive competence on this matter. The aim of this new office is to develop and propose methodologies, tools and procedures intended to avoid that the Bank is used for asset laundering and terrorist financing purposes.

Besides, the new Executive Office for the Prevention of Asset Laundering reports to the Board of Directors, especially to the Compliance Officer, and keeps a matrix relation with the Risk Management Executive Office.

Also, the Assistant General Managers and two Vice-presidents were appointed as members to the Committee on Control of Prevention and Control of Asset Laundering and Terrorist Financing, thus involving senior officers in prevention issues.

Additionally, the Committee on Control and Prevention of Money Laundering and Terrorism Financing established the decentralization of the analysis on all prevention alerts. In accordance with this scheme, the Branch Network is responsible for analyzing the asset laundering prevention alerts, with three authorization levels for the close of an alert: Account Officer, Manager and Integral Regional Manager. Amendments to the alert administration system were introduced to allow the automatic appointment of the commercial officer who is responsible for the alert.

Internal regulations are updated in accordance with the current legislation, and alert analysis is monitored, patrimonial and transactional profiles are followed-up, and reinforced measures are adopted regarding high-risk clients. Events that are to be informed to the FIU (Financial Information Unit) as Suspicious Operations Reports are assessed jointly by the General Assistant Managers before being considered by the Committee on Control and Prevention of Money Laundering and Terrorism Financing. This work is carried out jointly with the Branch Network and contribute to the development of the "Know your Client" policy, and a campaign was launched to update/add data to the Bank's systems on Final Beneficiaries and Corporate Structures of the Entity's clients.

The Bank also takes preventive measures regarding international operations, and controls each of the locations observed by the FATF or other international bodies, checking against international lists and non-cooperative countries, through a SWIFT message automatic filtering system.

■ TRANSACTIONS AND TECHNOLOGY

The following are the main developments of technological systems and implementations made during FY 2012

Upgrade and Equipment Replacement

In FY 2012 the production hardware was updated and the contingency hardware was replaced, with the resulting enlarged processing capacity under a new version of an operating system. Also increased was the processing capacity of servers running for the E-bank, Individuals, SST's and IVR channels.

Start-up of the Data Processing Department at Banco Patagonia's Corporate Premises

Moving of the equipment which was previously installed at the contingency center provided by IBM was completed to the offices located at Banco Patagonia's corporate premises.

After the move, replacement of hardware and migration to a new operating system, the switch process was successfully performed from the equipment located at IBM Martínez premises to the contingency equipment, which is now the production equipment.

Revision of Night-shift Processes to Detect Opportunities for Performance Improvement

Night-shift processes are permanently analyzed in order to improve them, through detection of those with exceedingly long duration and relocation of others. The goal is to execute processes in the shorter possible time, keeping high quality standards.

IP Infrastructure for Automatic Teller Machines

More than 250 ATMs were equipped with IP technology.

Communications Network

The bandwidth used by the branch network was extended to improve connectivity. Also the bandwidth for the E-bank Individuals and E-bank Companies electronic channels was enlarged.

Changes in the Technology and Systems Area

Clarity, a system that under internationally accepted methodologies and practices provides efficient capabilities to manage projects and resources in the systems area, was implemented. The solution was operational in a very short time and was rapidly adopted for area management.

In this context, a new process was begun for the proposal, authorization and prioritization of IT solutions that do away with intermediate steps and provide faster answers.

A Plan for Young Professional People in the Technology and Systems Area

After establishing the need for a plan involving young professional people for the Technology and Systems area and following-up on its design, the first exercise was successfully completed and resulted in the hiring of new employees for the area.

Online Payment of Salaries

A facility for the real-time, online payment of salaries was implemented and is being used by clients. This functionality allows to pay salaries on a case-by-case basis or through lists, directly from the company's premises.

E-bank Companies

New features related to Cash Management and Foreign Trade were implemented. In the case of foreign trade transactions, it is possible to make consultations and operate through payment orders, transfers, letters of credit and collections.

Monitoring Cash Management at ATMs

A system was implemented to monitor cash replenishing, dispensing and remnant at ATMs and analyze their historic behavior. The purpose of this tool is to support cash management to minimize excess cash and avoid empty ATMs.

Implementation of the "Patagonia Más" Program

Benefits are informed to cardholders through SMS and e-mail.

Analytical CRM and Commercial Management System for the Companies Segment

Both systems were adapted for operation in the Companies Segment. New data are collected at registration to obtain a better qualification and commercial segmentation, such as number of employees, credit card activity and corporate structure.

The scope goes from segmentation or selection of customers and potential customers, through direct and independent use of the corporate data warehouse, use of the available credit rating, definition of product offers to each segment, distribution of lists of prospects for various channels to the management and registration stages.

E-statement

The function to accept e-statements through e-mail was implemented for E-bank Individuals.

Implementation of the Tax Surcharge on Overseas Credit Card Purchases

The regulation issued by the tax revenue authority establishing a 15% tax surcharge on overseas purchases was implemented.

Goals for 2013 – Operations and Technology

- To improve IT system availability ratios in order to minimize the downtime caused by infrastructure maintenance tasks, organize night-shift processes and reduce incidents.
- To continue expanding the data channels between headquarters and branches, in order to get everywhere with more and better communication services.
- To develop solutions to facilitate customer service.
- To introduce the changes that are necessary as a result of new regulations.

■ ORGANIZATIONAL HUMAN DEVELOPMENT

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In FY 2012 several actions and programs were promoted, intended to support the employees' professional growth within the organization and to generate deeper links between the Bank and its staff.

Furthermore, by the end of October 2012 a Corporate Climate Survey the main purpose of which was to learn the opinion and degree of satisfaction of **Banco Patagonia's** staff as regards the many aspects that contribute to everyone's daily work.

Upon completion of the process with a high level of participation, the survey results and the steps to be taken in accordance with them were communicated and work will be carried out along 2013 in this direction.

Jobs and Career Opportunities

In 2012 business needs were addressed through employee-oriented policies and actions.

Development opportunities generated at all levels of the organization attest to this policy, accounting for more than 200 actions oriented to the development of employees who could be promoted to new positions through internal search (23 searches) or internal promotions. In line with this process, the Career Orientation Channel provided personalized advice to 39 employees, with a total of 129 consultations since its creation; part of them answered to the Organization's various needs.

New employees were incorporated through specialized recruitment processes, accounting for an increase of more than 2.90% as compared to the previous year; the increased number of employees is a need resulting from the sustained growth of the Bank's organizational structure.

Training and Development

Training actions carried out during the year were aimed at providing essential tools for the more efficient performance of the duties assigned to every office and position within the Bank.

Training was provided to a great number of employees through courses, workshops, scholarships and special programs. In this regard, 43 scholarships were granted for graduate studies, 6 for the Bank Management Program offered by Universidad

Torcuato Di Tella and ADEBA (the Association of Argentine Banks), 14 for post-graduate education or masters degrees, and 26 for other academic programs organized by ADEBA and the Argentine Catholic University.

In 2012, 169 external training activities to which the entity's employees attended were carried out on matters related to the industry, and 34 internal training programs were given, totaling more than 2,000 in-class training. Besides, in 2012 the offer of e-learning courses was increased by 23% as compared to the previous year, with a total of 59 activities based on this platform, which allows teaching an updated curriculum throughout the country.

Furthermore, by the end of October 2012 the Career Plan for Administrative Assistants and Principal Cashiers was launched. The purpose of this new program is to identify and train those employees who, given their potential, may fill vacancies in future openings of the Bank in the provinces, in accordance with the Branch Network development program. Two editions of this program were organized, in which 15 employees took part.

Program for Young Professionals

In line with the learning and training actions carried out in the institution, in the second quarter the tenth edition of the Program for Young Professionals closed, with 9 participants from different places of the country.

Attendees from the bank or the market in general rotated through different areas and branches to learn about organizational dynamics. Upon completion of the program, these young professionals were admitted to various branches as Business Executives.

During the second fortnight of September a new edition of the Program was launched, with the participation of 10 young professionals coming from the provinces. This edition is intended to drive actions oriented to achieving a better integration of the young professionals to the Branch Network, with emphasis on a revolving schedule providing for a longer period at the Branches and less time in central areas, follow-up by tutors holding the position of Branch Managers and intensive training in commercial management matters.

It is expected that upon completion of the program, the participants will get back to their home cities to add value to the organization as a result of the training received.

Performance Management

In 2012, the Meta 4 assessment module was implemented, and the Performance Management process can now be completed through the new Employee Self-Management system. For the ninth year in a row, Performance Management allowed to add value to daily activities, having the employees' development as its main purpose.

Internal Communication

In 2012 efforts were made towards the management and administration of communications oriented to the Bank's personnel. Outstanding actions included the publication of new issues of the in-house magazine "*Punto de Encuentro*" and the kids supplement "*Chicos al Ataque*", which are distributed to the staff and offer renewed contents and design.

Also an internal brochure was published to inform on the career opportunities within the Bank, and all Development Actions carried out within the Branch Network in 2012 were published.

In turn, following up on the Corporate Climate Survey, several communication pieces were designed and a tri-fold brochure was distributed to all the staff, informing on the main results of the survey and the next steps to be taken in their regard.

Besides, news was communicated through internal mail (Bptodos) and through the Organizational Human Development section in the Intranet, which totaled more than 570,000 pages visited throughout the year. The most visited sections were: "Internal Searches", "Discounts for Employees" and "Birthdays".

Bulletin boards also were part of various communicational campaigns launched during the year, with information of subjects such as 2012 Corporate Climate Survey, Employee's Self-Management, New Career Opportunities, Next Branch Openings, etc. all of them informed through institutional posters. As every year, this sector took part in the preparation and revision of contents for the Corporate Social Responsibility Report.

Focus on Quality

Actions were continued to foster the employees' active cooperation through the Quality Referents Program, composed of 258 members throughout the country, accounting for a 14.2% growth in 2012.

In turn, the Employees' Suggestion Program received 1,109 suggestions up to date (370 initiatives have been implemented or are under implementation and 528 under analysis). Two aspects regarding the Suggestion Program should be highlighted: the highest level of participation by employee over the last three years was attained, and a comparison (benchmark) survey that was made with large companies that have also implemented similar programs showed that the Bank has obtained a good level of suggestions per employee, which increased by 35.5% as compared to 2011.

In turn, new and different spaces for dialogue, reflection, training and improvement were created through the Quality Breakfast Program, Branch Visit Program, Training Courses, and Workshops, among other activities designed to promote the disclosure and active data collection. Thanks to these programs, it was possible to put new improvement actions into practice.

Along the year, around 200 quality activities were carried out, with the participation of more than 700 employees (60% up from 2011) from various levels and sectors. These activities focused on a comprehensive vision of business, the attitude towards customer service, and the coverage of the Bank's quality plan.

Besides, objective quality measures for customer service were implemented. In this regard, the Survey on the Quality of External Customer Service was carried out for the third consecutive year.

When it comes to the ISO 9001 management system, joint work was performed with the Operative Means Executive Office and involved areas to review the certified processes: Payment to Suppliers, Payroll Services and Custody of Securities; the certification process for Customers' Complaints Service was completed.

The Committee on Quality fostered several initiatives with a view to attaining the proposed goals.

Relation with Employees

In 2012 several recreational activities were developed and a benefits program intended for the Bank's employees was continued.

The catalogue of recreational activities was enlarged with the addition of novel options in photography, arts, theatre, cooking and yoga. A Photo club was implemented on a web platform, bringing together employees from various locations that share this hobby. Also conferences on first-aid (CPR) and healthy eating habits were organized, both in Buenos Aires and in several branches in the provinces.

As in previous years, the Bank took part in several marathons, some of them held with charitable purposes, through employees in the running team and other members of the organization. Some of the most important ones were the marathons organized by UNICEF, Fiestas Mayas, Chevrolet, YMCA/UTN, Avellaneda and Hospice San Camilo.

In October, the Family Day was celebrated, with the participation of 1,700 employees and their families who enjoyed an amusement park and more than 500 people sharing a day full of kids activities throughout the country. Besides, employees' children could visit and share tea-time at the offices or branches where their parents work.

Several actions were oriented to employees' kids, such as presents given on Children's Day for kids up to 12 years old, the Drawing Contest in which 227 children took part and provided an opportunity for the winners to illustrate the Christmas cards sent to the Bank's customers and suppliers.

The institutional year-end party was organized in the city of Bahia Blanca, and employees from the area were invited. Besides, the new year was celebrated with a meeting in the City of Buenos Aires, to which employees from that City and Greater Buenos Aires were invited, and other locally-organized meetings in the provinces also took place.

Lastly, the Employee Assistance Program continued to lend assistance to employees and their direct relatives going through adverse situations such as accidents, illness and private issues. Since the date of creation, the Program has provided relief in more than 400 cases.

Goals for 2013 – Human and Organizational Development

- To continue enlarging the scope of employees' professional training and their career opportunities regardless of geographical barriers, so as to meet the challenge posed by the organization's growth and expansion.
- To consolidate the concept of internal and external customer service based on proactive personal attitudes and collaboration across sectors.
- To drive a productive use of the information obtained from the Bank's various programs and activities which points to aspects that must be improved, thus consolidating the different channels that take part in information reception, flow and treatment, based on an integrated vision of business processes.
- To develop actions leading to corporate climate improvement.
- To promote different actions oriented to the continued fostering of internal communication within the entity.

9 ■ CORPORATE SOCIAL RESPONSIBILITY

In 2012, **Banco Patagonia** continued to generate and promote corporate social responsibility policies related to education, culture, sports and environment. For that purpose, actions and programs for the promotion of various organizations were carried out, thus generating planned social investment for each of them, respecting at all times an ethic, transparent and communicative environment and fostering social, economic and environmental development.

Institutional Actions and Programs

Education

- Sponsorship of educational and productive projects through the Tax Credit System: In 2012, 5 projects were sponsored for an amount higher than ARS 700,000 in the provinces of Jujuy, Misiones, Córdoba, Buenos Aires and Formosa.
- The programs of Fundación Cruzada Patagónica received continued support, keeping the 45 scholarships to young people from Rio Negro who, due to long distances, must travel to the Agro-technical Comprehensive Study Center run by the Foundation in Neuquén.
- Development of the Universities Program was continued, and education and research scholarships to the main national universities of the country were granted, IT classrooms was donated and outreach areas received support intended for sports and cultural programs.
- The Outstanding Young People Prize reached its fourth edition. It is a joint enterprise with the Universidad Tecnológica Nacional (UTN) and the Argentine Navy, consisting of study trips to the Puerto Belgrano Navy Base, where the students holding the best scores from each Regional UTN have the chance to become familiar with the facilities and put their knowledge into practice.
- Nationwide sponsorship of the educational program "TC2000 Goes to School" ("TC2000 va a la escuela").
- The scholarship program "*Becas Cimientos*" was implemented in the provinces of Rio Negro, Neuquén and Catamarca.
- Together with Junior Achievement, support was lent to high school students in the last years, under the program "*Socios x Un Día*", in the provinces of Tucumán, Córdoba and Rosario. The students shared a working day with employees in several branches, to get an insight into the labor world.
- For the third year in a row the Bank was the main sponsor of "*Concurso Nosotros Queremos...*", a contest organized by the NGO Inclusión Social Sustentable in Córdoba and Mendoza, in which more than 1,400 students took part, with social and environmental projects. This year, the provinces of Neuquén and Buenos Aires also took part.

Culture

- The employees' holistic and creative capacities were fostered. Drawing, poetry and photography contests were organized, and tickets for various cultural events were handed by drawing lots.
- Cultural activities designed for employees were added. This year, tickets were handed for the opera season organized by Buenos Aires Lírica at the Teatro Avenida.
- Support to the San Martin Theater Friends' Foundation (Fundación Amigos del Teatro San Martin) and other institutions promoting cultural events for non-profit purposes.
- In 2012, 14 cultural projects were sponsored under the terms of the Patronage Law – Cultural Promotion System of the City of Buenos Aires.

Sports

- The Bank supported benefit-oriented marathons organized by Hospice San Camilo, the National Technology University and University of Avellaneda.
- The New Special Olympics were also sponsored, to support young disabled athletes in several sports.

Environment

- Support to the Green Helmets Association: handicapped young people were granted scholarships and are currently studying to become Environment Specialists.
- Fundación Cuidemos Nuestra Casa: in Puerto Deseado, Santa Cruz, support was lent to educational projects at primary and secondary school level, oriented to the care and preservation of the environment and the practice of social values. Besides, the Bank supported the *Fundación para la finalización del Centro*, a foundation that promotes the building of a downtown area by the banks of the Deseado River, Province of Santa Cruz.
- The internal campaign oriented to raise awareness on the rational use of paper was continued.
- The electronic issue of Visa and Amex credit card statements was promoted, in an attempt to minimize printed statements.
- Waste Electrical and Electronic Equipment (WEEW): as a result of technological advancement and substitution of IT equipments, electric and electronic devices are discarded and disposed of through sustainable management practices. This kind of waste is managed by a certified operator.
- The Hospital Garrahan plastic cap donation program was continued. This year more than 200 kg were donated.

Corporate Volunteering

- Volunteering by employees for Children's Day was promoted, and employees donated toys to various institutions throughout the country.
- Corporate volunteering was extended to several provinces; work with *Un Techo Para Mi País Argentina* was performed and 6 houses for families in extremely poor situation were built. One house was built in Neuquén with the participation of volunteers from the Alto Valle de Río Negro and Neuquén Branches, one house was built in Córdoba and four houses in the province of Buenos Aires. Some 90 volunteers took part in this program. Besides, the Bank donated another 7 houses to *Un Techo Para Mi País*, to be built by volunteers from that organization and from high schools.

Support to Social Economy Local Development

As a Bank with wide geographical distribution throughout the country, we supported several local development initiatives in places where the institution is present, fostering entrepreneurship and strengthening regional social economies. In this sense, several actions were promoted, such as:

- Support to programs organized by various national universities and their outreach areas.

- Together with *Fundación Impulsar*, the Contest "*Villa La Angostura Emprende*" was organized. More than 30 entrepreneurs took part in a two-month training course, and 11 projects were selected, of which 4 were granted micro-credits.

CSR Promotion

In the search of promoting and spreading the CSR management model, the Bank renewed its membership in the Argentine Institute of Corporate Social Responsibility (IARSE) and continued taking part and consolidating its institutional representation in the main CSR working sessions.

In 2012, the IARSE III International CSR Conference and the III CSR and Sustainability National Forum organized by the Argentine Network were sponsored.

The Intranet and corporate website included information on the CSR programs promoted by the Bank, in order to make them known to several interest groups.

An outstanding campaign to make our CSR programs known in the local and national media and social networks was launched.

Finally, the Fifth Report on Social Responsibility was drafted, including the Bank's programs on sustainability in the economic, social, and environmental fields.

Banco Patagonia Museum

In 2012 work on the institutional museum went on. Several guided visits were given to our customers, employees and educational institutions.

Four exhibitions were organized within the MostrARTE Program, which provides room at the Bank's Museum to employees who want to exhibit their artistic production. The year was closed with an acknowledgement to those employees who participated in this cycle.

We have also organized to Cultural After Office events in emblematic places of the city of Buenos Aires, to which 75 employees attended.

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.

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				
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	x			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. 26.831 (former Act No. 17.811, section 73) must give their opinion. Furthermore, any financial assistance granted to related companies or persons is subject to certain limits established by the Argentine Central Bank ("BCRA") as a ratio of Accountable Equity Responsibility (RPC) and the "CAMELBIG" rating system (applied by the BCRA Foreign Exchange and Financial Institutions Regulatory Agency), and the type of financing in question. The Statutory Audit Committee must draft a quarterly report on compliance with this system.
Recommendation I.2: To secure that mechanisms are in place to avoid conflicts of interest.	x			The Entity has developed mechanisms to avoid conflicts of interest, which include as their main aspects the existence of a Code of Ethics, binding on all senior managers and the remaining employees, and the definition of potential conflicting situations, on which the duty to avoid any kind of conflict between personal interests and the Bank's or its clients' business interests is established. The acts of the Board of Directors and the Statutory Audit Committee are limited by express provisions of the Business Companies Act, section 271 and related provisions.
Recommendation I.3: To avoid undue use of privileged information.	x			The Entity has established an internal policy on information publicity and disclosure. Said policy has been approved by the Board of Directors and notified to the whole organization. The policy applies to all persons working for the Bank, regarding written and oral communication. All persons having information on development of the Bank's business must treat it as strictly confidential, provided the same has not been disclosed and that due to its importance it may have an impact on the placement of negotiable securities or the course of their negotiation.
PRINCIPLE II. TO SET THE FOUNDATIONS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER.				
Recommendation II.1: To secure that the Governing Body is in charge of the management and supervision of the Issuer and its strategic orientation.				
II.1.1				
II.1.1.1	x			The Board of Directors approves the annual business plan, as well as the Entity's budget, which are submitted to the BCRA under the provisions of BCRA Communications "A" 4914 and 5343.
II.1.1.2	x			The annual business plan approved by the Board of Directors and submitted to the BCRA includes the investment policy for the period.
II.1.1.3	x			The Board of Directors has approved a Code of Corporate Governance for the Entity that embodies the guidelines published by the BCRA and the Argentine Securities Commission ("CNV").
II.1.1.4	x			The Board of Directors approves the selection, assessment and compensation of senior managers, with the assistance of the Executive Office of Organizational Human Development.
II.1.1.5	x			The Board of Directors has approved the Organization Handbook, including a detail of each Executive Office's missions and functions, thus establishing a clear division of responsibilities throughout the organization.
II.1.1.6	x			Banco Patagonia's Board of Directors has established that internal candidates shall have precedence to fill any vacancy. For that purpose, it has designed extensive internal and external training, promoting the staff's education and assessing current needs in accordance with the positions to be filled in future.
II.1.1.7	x			The Board of Directors has approved a Social Responsibility

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total ⁽¹⁾	Partial ⁽¹⁾		
				policy that defines the scope, geographical application, strategy, area structure and functions, to manage the Organization's CSR.
II.1.1.8		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. The Board is studying a draft policy on fraud prevention, to be approved during the first quarter of 2013.
II.1.1.9	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 a wide variety of internal and external training activities. Besides, both Directors and managers take an active part in various industry and bank association 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				
II.1.3	x			The Board of Directors receives all the information needed to take decisions. Some of the Directors are members of the Entity's Committees, and information on the matters on which the Board must decide or about which it must be informed is available reasonably in advance to be assessed.
II.1.4	x			All matters that are submitted to the Governing Body's consideration include clear rationale for the need to approve them, as well as of the economic impact the proposal may bring about.
Recommendation II.2: To secure effective control of corporate management.				
II.2.1	x			Monthly monitoring of the global management of each of the areas is performed in accordance with the budget, and any deviations are analyzed, if necessary.
II.2.2	x			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.
Recommendation II.3: To disclose the process for evaluation of the Governing Body's performance and its impact.				
II.3.1	x			The Bylaws provide for the constitution and operation of the Board of Directors. Each of the members complies with all its provisions, and their roles are described in section 13 of the Bylaws.
II.3.2	x			At the time of the call to Shareholders' Meeting, before it is held, the Financial Statements to be considered at such meeting are made available. Also the Annual Report is submitted to the shareholders' consideration; such report includes detailed information of the most significant events occurred during the fiscal year. Every year, the Shareholders' Meeting approves the Board of Directors' management and the goals attained. The last Shareholders' Meeting was held on April 26, 2012.
Recommendation II.4: That external and independent members are a significant proportion of the Governing Body's members.				
II.4.1	x			Banco Patagonia's corporate capital is divided into 3.1656% class "A" shares (Province of Rio Negro) and 96.8344% class "B" shares, of which 16.44% represent shares placed by public offer. The Shareholders' Meeting determines the number of directors, between a minimum of seven (7) and a maximum of nine (9): one represents class "A" shares (Province of Rio Negro) and the remaining ones, class "B" shares. At least two of the directors appointed by class "B" shareholders must be independent; the proportion of independent members is related to the percentage of listed corporate capital.
II.4.2	x			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 last Shareholders' Meeting appointed nine Regular Directors, two of whom were independent

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
				members. The independence of Board members has not been objected to, and there have been no abstentions due to conflicts of interest over the year.
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.				<p>Although Banco Patagonia has not established an Appointments Committee, any appointment to and removal from the Board is decided by the Regular Shareholders' Meeting, as provided for in section 234 of the Business Companies Act; the provisions of such Act, of the Financial Entities Act and the Bylaws governing the prohibitions and incompatibilities to be elected as Director are fully observed.</p> <p>Additionally, BCRA regulations that establish that at least 80% of Board members must have experience in financial activities, and that the directors' background information must be submitted for approval at least 60 days in advance of the date established for the holding of the Shareholders' Meeting that will consider their appointment, or within 10 days after said meeting, are complied with.</p> <p>Until the BCRA does not advise the financial institution on approval of the proposed director, said director may not take office. Notwithstanding this, the Director appointed by class "A" common shares—province of Rio Negro— may take office while the BCRA processes the above-mentioned authorization, and appointment of such Director is considered conditional upon BCRA authorization.</p> <p>Appointment of senior managers are decided by the Board of Directors. The appointed managers must meet the same requirements on prohibitions and incompatibilities as Directors. Besides, in the case of Assistant General Managers, their background information is submitted to the BCRA for authorization. Qualifications and previous experience in financial matters must be proved.</p> <p>As it was mentioned above, Banco Patagonia follows the guidelines established in BCRA regulations to appoint Board members or managers with decision-making powers on operative matters, for the performance of which they are the main responsible officers. In this regard, the aspects related to the setting of guidelines for the appointment of such officers are defined in BCRA regulations.</p>
II.5.1			x	
II.5.1.1				
II.5.1.2				
II.5.1.3				
II.5.1.4				
II.5.1.5				
II.5.2				
II.5.2.1.				
II.5.2.2				
II.5.2.3				
II.5.2.4				
II.5.2.5				
II.5.2.6				
II.5.2.7				
II.5.3				
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.		x		In line with the provisions of the Business Companies Act that establish that any individual who is engaged in activities in competition with the Company may not be a director in the Company, the Bank's policy on this matter establishes that individuals who are Board members or counselors in other financial institutions of Argentina, or in companies that control or are controlled by other Argentine financial entities, may not be members of the Bank's Board of Directors. Furthermore, section 272 of the Business Companies Act provides that in case a director has a conflict of interest with the Bank, he or she must disclose said conflict to the Board and statutory auditors and abstain in the discussion of that matter, under the penalty of incurring the liability established in section 59 of that Law. No violation of those provisions has occurred. No limits apply to members of the Statutory Audit Committee, in accordance with the provisions of the Business Companies Act.
Recommendation II.7: To secure training and development of members of the Governing Body and senior managers of the Issuer.				
II.7.1		x		Eighty percent of Board members in financial institutions must have a high degree of specialization and expertise in financial matters, to the BCRA's satisfaction. All members of the Board of Directors are approved by the Central Bank. Furthermore, senior managers must meet qualification requirements and have attended several training courses over the year. Furthermore, in order to update these officers' expertise, as from fiscal year 2013 Banco Patagonia will organize specific training programs for Board members, including matters such as internal control, risk management, corporate governance, corporate social responsibility, international accounting standards, money laundering and other related subjects.
II.7.2	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.

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total ⁽¹⁾	Partial ⁽¹⁾		
PRINCIPLE III. TO SECURE AN EFFECTIVE POLICY FOR IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE OF CORPORATE RISK.				
Recommendation III: The Governing Body must establish a policy for the comprehensive management of corporate risk and monitor the proper implementation thereof.				
III.1	x			<p>The Bank has implemented internal control and risk management policies in line with the best practices on these matters. Internal control is composed of five interrelated segments: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.</p> <p>Any risks inherent to the Bank's operation are managed through a continuous process of risk identification, measurement and control which is subject to limits and other risk controls. The main types of risks to which the Bank is exposed are those related to credit risk, liquidity risk, market risk, and operational risk.</p> <p>The Entity has implemented a comprehensive risk management process in accordance with the guidelines suggested in Communication "A" 5203 and along the lines of best banking practices, as recommended by the Basel Committee.</p> <p>The Risk Management Executive Office is responsible for the comprehensive management of the risks to which Banco Patagonia and its Controlled Companies are exposed, and reports to the Board of Directors so as to guarantee independence from business areas. Identification, assessment, control and mitigation of each of the above main risks are handled by policies on the management of credit, liquidity, market and interest rate risks, policies on operational risk management and policies on IT assets risk management. These policies describe which areas and committees must take action, the mechanisms and tools to manage each specific risk, as well as the actions to be adopted for mitigation and implementation thereof.</p>
III.2	x			<p>The Entity has created Committees to deal with risk management:</p> <ul style="list-style-type: none"> - Global Risk Committee: the main purpose of this Committee is to propose to the Board the strategies 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, including the follow-up of the main aspects related to operational risk. The Committee is composed of two Vice-presidents, the Assistant General Manager of Administration and Finance, the Assistant General Manager of Operations and Technology and the Executive Officer of Risk Management. - Operational Risk Committee: its aim is to guarantee that processes and procedures are in place for each business unit to manage the 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 Assistant General Manager of Administration and Finance, the Assistant General Manager of Operations and Technology, the Assistant General Manager of the Commercial Area, the Assistant General Manager of the Retail Business Area, and the Executive Officer of Risk Management and the Executive Officer of Management of Operational Risk and Compliance.
III.3	x			<p>The Executive Office of Risk Management, reporting to the Board, is the area with responsibility for the comprehensive management and monitoring of the various risks assumed by Banco Patagonia and its 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.</p>
III.4	x			<p>Policies for comprehensive risk management were drafted in accordance with the provisions of BCRA Communications "A" 5201, 5203, 4793, and 4609, and amendments thereto.</p> <p>Said 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	x			<p>The Board is informed of the results of risk management actions through the Global Risk Committee and Operational Risk Committee, in which</p>

	Compliance		Non-compliance (1)	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
				at least one Director is a member. Risk management actions carried out by the Executive Offices allowed the institution to comply with the guidelines established by the BCRA in its respective communications. The main identified risks are included within the tolerance limits defined in the respective risk management policies. Besides, the results of risk management actions are included in the Entity's financial statements, complementary notes and exhibits thereto.
PRINCIPLE IV. TO SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION THROUGH INDEPENDENT AUDITS				
Recommendation IV: To secure independent and transparent performance of the duties entrusted to the Audit Committee and the External Audit.				
IV.1	x			The Audit Committee –CNV- is presided over by an independent member of the Governing Body. Besides, the president of the Committee (an independent member) may cast a tie-breaking vote, if necessary, on matters discussed by the Committee.
IV.2		x		The Internal Audit Manager is invited to all meeting of the Audit Committee –CNV- and is a member of the Audit Committee –BCRA. 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. 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	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	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 condition. Additionally, regarding the external auditors' rotation, BCRA regulations are observed, providing that auditors may not work simultaneously for more than one financial institution and that they may not act as auditors for more than five consecutive fiscal years in any given institution. For fiscal year 2013, the Board approved to submit to the Shareholders' Meeting a proposal on the hiring of a new external auditing firm.
PRINCIPLE V. TO OBSERVE THE SHAREHOLDERS' RIGHTS.				
Recommendation V.1: To secure that shareholders have access to information on the Issuer.				
V.1.1	x			Quarterly conference calls to which investors are invited are organized to announce results. Besides, the Bank has an Investor Relations area devoted to answering any requests that may be filed.
V.1.2	x			The Bank's website, www.bancopatagonia.com.ar , includes a special section in which investors have access to the Bank's public information, and an e-mail address to which they can write with their queries. Furthermore, the Investor Relations Area is available to answer any doubt investors may have.
Recommendation V.2: To promote active participation by all shareholders.				
V.2.1	x			The Entity performs the procedures to call and advise the holding of the Shareholders' General Meeting, complies with local rules on the matter and includes holders abroad of Brazilian Depository Receipts and American Depository Receipts in the procedures.
V.2.2		x		Although the Entity has not implemented specific rules, as from the

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total ⁽¹⁾	Partial ⁽¹⁾		
				Notice of Shareholders' Meeting the documents to be submitted for consideration (Financial Statements, Annual Report and Report on the Code of Corporate Governance) are made available at the Entity's offices.
V.2.3	x			The Entity has implemented several mechanisms so that minority shareholders may propose matters to be discussed at Shareholders' Meetings, though no instances of such participation have occurred in the last meetings.
V.2.4		x		Calls are made including all shareholders, without any distinction among them. Given the high percentage of shareholders attending the last Shareholders' meetings (98.8888% of shareholders were present at the meeting held in 2012, and 80.3353% were present at the meeting held in 2011), the Entity did not consider it necessary to apply any promotion policies.
V.2.5		x		Board members are bound by the Entity's policies as from the time of accepting their positions.
Recommendation V.3: To secure the principle of equal rights regarding shares and votes.	x			All of the Entity's shares are entitled to one vote each. The principle of equal rights regarding shares and votes is secured. The number of outstanding shares at the close of the last three fiscal years has not changed.
Recommendation V.4: To establish mechanisms for the protection of all shareholders in the event of takeover.	x			The Entity operates under the system of mandatory tender offer.
Recommendation V.5: To increase the percentage of outstanding shares over capital stock.			x	At present the Entity does not maintain a 20% dispersion. The percentage of shares in the market at the close of FY 2012 was 16.4417%; at the close of FY 2011, it was 16.4584%; and at the close of FY 2010, it was 24.8634%. The reduction in the number of free float shares as from FY 2011 is a consequence of the takeover, since our majority shareholder had to make a mandatory tender offer. The Issuer's Board of Directors will study a larger dispersion percentage under favorable market conditions.
Recommendation V.6: To secure a transparent dividend policy.				
V.6.1	x			The Entity has established a dividend distribution policy that is published in the Annual Report to the Financial Statements. It is the Bank's policy that the Board of Directors proposes to the Shareholders' Meeting the distribution of 50% of the net realized income of the year as dividend, to be paid in cash after authorization by the BCRA and deduction of any items mentioned in the Bylaws, taking into account the income of 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.
V.6.2	x			The Board of Directors drafts a proposal on profit distribution and constitution of reserves, if applicable. Such proposal is published in the Board's Report; the last proposal was included as item 3 in the agenda discussed by the Shareholders' Meeting held on April 26, 2012.
PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY.				
Recommendation VI: To disclose to the community information on the Issuer and provide a direct communication channel with the company.				
VI.1	x			Banco Patagonia has a public website providing relevant information, and accepts queries from the public at large (www.bancopatagonia.com.ar/relacionconinversores).
VI.2		x		Banco Patagonia issues a Corporate Social Responsibility Annual Report, available through its website, including the actions and programs carried out by the Bank in support of education, culture, sports, environment and specific actions of corporate voluntary services, with national scope. Over the next fiscal year, said Report will be verified by the external auditors.
PRINCIPLE VII. TO ADOPT A FAIR AND RESPONSIBLE COMPENSATION POLICY.				
Recommendation VII: To establish clear compensation policies for members of the Governing Body and				

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total ⁽¹⁾	Partial ⁽¹⁾		
senior managers, with special attention to the limitations imposed by regulations or the Bylaws in the event of profits or losses.				
VII.1	x			The Entity has established a Committee of Compensations and Incentives to Staff.
VII.1.1		x		The Committee is composed of three non-independent Board members and of the Executive Officer of Organizational Human Development.
VII.1.2			x	It has no independent members.
VII.1.3	x			Members of the Committee who are also Board members have sufficient expertise and knowledge into the matter. The Executive Officer of Organizational Human Development is also a member of this Committee as the maximum authority working for the area that has special competence on this matter.
VII.1.4	x			The Committee's internal regulations establish that its members must meet at least twice a year.
VII.1.5			x	The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' compensations. It is the Shareholders' Meeting right to establish such fees (see item VII.4).
VII.2				
VII.2.1	x			This is one of the Committee's duties.
VII.2.2		x		This year, the Committee of Compensations and Incentives to Staff approved payment of a bonus, additional to the fixed compensation, to all staff in accordance with their performance over the last year. The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' compensations.
VII.2.3	x			This is one of the Committee's duties.
VII.2.4			x	Not within the Committee's competence.
VII.2.5			x	Not within the Committee's competence.
VII.2.6		x		The matters discussed at the Committee meetings are 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			x	This Committee is not in charge of considering the compensation to be paid to Board members.
VII.3				
VII.4	x			As it was previously mentioned, establishment of Board members' fees is not a duty of this Committee; such fees are fixed every year by the Shareholders' Meeting, taking into account the limitations established by the Business Companies Act. When deciding such fees, the responsibilities, time devoted to performance of duties, experience, and professional reputation are taken into account. There is no policy that grants other kind of benefits such as an ownership interest in the shareholders' equity or any other variable compensation.
PRINCIPLE VIII. TO PROMOTE CORPORATE ETHICS.				
Recommendation VIII: To guarantee ethical behavior within the Issuer.				
VIII.1	x			Banco Patagonia's Board of Directors has approved a Code of Ethics applicable throughout the organization, in order to facilitate knowledge and understanding of the ethical principles and behavior each of the organization members must observe, complying with the highest standards of behavior, working with efficiency, quality and transparency, and laying the foundations for ethical behavior towards clients, control bodies and the community at large.
VIII.2	x			Besides the telephone customer service, through which any query or complaint may be channeled for registration and referral to the relevant area, Banco Patagonia has implemented 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. which are received and considered by the Bank's authorities keeping strict confidentiality.
VIII.3		x		The Entity has created an area intended to receive and channel any complaint, query or report, and the responsible party's data (name, telephone and e-mail) are published at the BCRA website. Besides, the Entity has a special investigations area, in charge of fraud prevention, analysis and resolution, and, as it was mentioned in item II.1.1.8, the

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
				Board will adopt a policy on fraud prevention over the next fiscal year.
PRINCIPLE IX: TO ENLARGE THE SCOPE OF THE CODE.				
Recommendation IX: To promote inclusion of provisions in the Bylaws related to the best practices of governance.	x			The Board of Directors understands it is not necessary to include in the Company's Bylaws, either in whole or in part, the provisions of the Code of Corporate Governance. The Bylaws provide for the constitution and operation of the Board of Directors, and the body's rights and duties are detailed therein. The Code of Corporate Governance approved by the Board of Directors is a dynamic instrument, designed to be updated and amended regularly.

(1) Mark the correct option with a cross.

(2) In the event of total compliance, inform how the 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.

THE BOARD OF DIRECTORS

ITEM NO. 3: MANAGEMENT REPORT UNDER CNV REGULATIONS, CHAPTER XXIII, 11.6: Next, discussion on this item on the Agenda took place, and Vice-President, Mr. Joao Carlos de Nobrega Pecego, reminded the Directors present at the meeting that publicly traded companies are under the obligation to submit a Management Report along with their interim and annual financial statements, in accordance with current CNV regulations. The Vice-President further informed that a draft Management Report as of 12.31.12 had been requested to the Administration Manager and that said Report consisted of a summary of the Bank's activities and the main accounts in the Balance Sheet. After extensive discussion, the Management Report submitted for consideration is unanimously approved, filed as a support documentation and fully transcribed in the Book of "Financial Statements". It was further resolved to file it before the relevant control authorities. Also the Independent Auditors have prepared a report about the Management Report, being acknowledged.

ITEM No. 4: AUDIT COMMITTEE'S REPORT - CNV: The Vice-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 Decree No. 677/2001, and General Resolution No. 400/02, section 16, paragraph C, of the Argentine Securities Commission (CNV). 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 06.30 p.m.

Signatures: Jorge G.Stuart Milne, Joao C.de Nobrega Pecego, Renato L.Belineti Naegele, Carlos A.Giovanelli, Jaime O. Tasat, Alberto M.Tenaillon.-----