

BANCO PATAGONIA S.A.

MINUTES OF BOARD MEETING No. 2643 (02.06.14):

A meeting of the Board of Directors of BANCO PATAGONIA S.A. was held on February 6th, 2014 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. Claudemir Andreo Alledo was attending through means of simultaneous transmission of sound, images and words, in accordance with the provisions of section twelve of the Bylaws and regulations in force, delegating his signature to this Act on Mr. João Carlos de Nobrega Pecego. Also present was Ms. Mónica María Cukar, on behalf of the Statutory Audit Committee. At 06.15 p.m. a quorum was present, and the 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, 2013, 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, 2013, including the Report on the degree of compliance with the Code of Corporate Governance.
3. Consideration of Management Report under CNV General Resolution N° 622/2013, Title IV, Chapter III, section 4.
4. Audit Committee - CNV 's Report, in compliance with the provisions of Act N° 26,831, section 110, and CNV General Resolution N° 622/2013, Title II, Chapter III, section 18, paragraph C.

ITEM NO. 1: CONSIDERATION OF FINANCIAL STATEMENTS CORRESPONDING TO THE COMPANY'S FISCAL YEAR BEGINNING ON JANUARY 1 AND ENDING ON DECEMBER 31, 2013, THE INDEPENDENT AUDITORS' REPORT AND THE STATUTORY AUDIT COMMITTEE'S REPORT.

To present this item on the Agenda, the President, informed that Banco Patagonia S.A. balance sheet corresponding to the Company's 90th fiscal year, ended on December 31, 2013, 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, 2013, and the Exhibits that specify so, are presented with comparative balances as at end of prior year.

The 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 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. João Carlos de Nobrega Pecego 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:

" REPORT OF THE AUDITORS ON FINANCIAL STATEMENTS

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 performed a review of the Statement of Financial Position of Banco Patagonia S.A. as of December 31, 2013, and the accompanying statements of income, changes in shareholders' equity and cash flows and their equivalent statements, notes 1 through 26, exhibits A, B, C, D, E, F, G, H, I, J, K, L, N and O for the fiscal year then ended, disclosed for comparative purposes with financial information as of December 31, 2012. Furthermore, we have performed a review of the Statement of Financial Position of the Entity and its controlled companies mentioned in note 1 to the consolidated financial statements as of December 31, 2013, the accompanying consolidated statements of income and cash flows and their equivalent, notes 1 to 6 and exhibit I, for the fiscal year ended on that date, disclosed as supplementary information for comparison with the previous fiscal year.

2. The Bank's Board of Directors and Management are responsible for the preparation and fair presentation of the financial statements mentioned in paragraph 1. in accordance with the accounting standards established by the Central Bank of the Republic of Argentina (B.C.R.A.). Their responsibility includes (a) the design, implementation and maintenance of an adequate internal control system so that financial statements do not include significant misstatements due to error or irregularities; (b) the selection of appropriate accounting policies; and (c) the preparation of accounting estimates that are reasonable under 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 the Republic of Argentina, including the procedures established under the "Minimum Standards on External Audits" issued by the B.C.R.A. These standards require that we plan and carry out the audit to obtain reasonable assurance that the financial statements do not contain significant errors. 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 are selected in accordance with our professional judgment, including a risk assessment that the financial statements do not include significant misstatements due to error or irregularities. In making this risk assessment, 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 assessing the accounting principles used, any significant estimates made by the Board of Directors and Management, as well as evaluating the overall financial statement presentation. We consider that the audit evidence we have obtained is sufficient and adequate to support our professional opinion.
4. The Entity's Board of Directors and Management have prepared the financial statements mentioned in paragraph 1 in compliance with the provisions of B.C.R.A. regulations, which implies a certain degree of departure from the provisions of professional accounting standards in force in the City of Buenos Aires, as described in Note 3 to the stand-alone financial statements.
5. In our opinion, the financial statements mentioned in the first paragraph present fairly, in all material respects, the equity and financial position of the Entity as of December 31, 2013, the results of its operations, changes in shareholders' equity and cash flow and equivalents for the year then ended, as well as the consolidated equity and financial position of the Entity and its controlled companies as of December 31, 2013, the consolidated results of their operations and cash flow and equivalents for the year then ended, in conformity with B.C.R.A. accounting standards and, except as mentioned in the fourth paragraph, with professional accounting standards effective in the City of Buenos Aires, Republic of Argentina.
6. The financial statements as of December 31, 2012 for the year then ended, presented for comparative purposes, were audited by another independent public accountants' firm, expressing an unqualified opinion regarding compliance with the accounting standards established by the B.C.R.A. and a qualified opinion due to differences from the professional accounting standards in force in the City of Buenos Aires, Republic of Argentina, for reasons similar to the ones described in paragraph 4, dated February 1, 2013.
7. In compliance with current legal provisions, we inform that:
 - we have applied the procedures on prevention of asset laundering and terrorist financing established in the professional standards issued by the Professional Association of Certified Accountants of the Autonomous City of Buenos Aires;
 - the financial statements mentioned in paragraph 1. are in compliance with the provisions of the Business Companies Act and the rules on accounting documents issued by the B.C.R.A. and the Argentine Securities Commission (CNV), are posted to the Balance book and were derived from the Entity's accounting records, which are kept in all formal aspects in accordance with legal provisions in force; the information systems that were used to generate the information included in the financial statements maintain the security and comprehensiveness conditions on the basis of which they were duly authorized;
 - the consolidated financial statements mentioned in paragraph 1. have been prepared, in all significant aspects, in accordance with the consolidation rules established by Communications "A" 2227 and 2349 of the B.C.R.A., which are presented in notes 1 to 6 of said consolidated financial information;
 - as of December 31, 2013 there is no evidence of non-compliance, in any significant aspects, of the monetary and technical regulations established by the B.C.R.A. on the consolidated bases informed to such control agency;
 - as of December 31, 2013, the liabilities accrued for employee and employer contributions to the Argentine Integrated Pension Fund System appearing from the Bank's accounting records amounted to ARS 28,872,050, none of which was due as of that date;

- as part of our examination we have read the Information Review required by the Argentine Securities Commission and have no significant observations to make on the matters that fall under our competence;
- as of December 31, 2013, the Entity has a minimum shareholders' equity and net offsetting entry as required by CNV rules, as mentioned in Note 16 to the financial statements;
- pursuant to the requirements of General Resolution No. 400 issued by the CNV:
 - the quotient between total professional audit services rendered by our firm for the issuance of reports on financial statements, and other special reports or certificates on accounting or financial information, invoiced to the Entity, and the total amount invoiced to the Entity for any other services, including the above-mentioned audit services, during the year ended on December 31, 2013 is 91%;
 - the quotient between the above-mentioned total professional audit services invoiced to the Entity and the total audit services invoiced to the Entity and its controlling and related company is 76%; and
 - the quotient between the above-mentioned total professional audit services invoiced to the Entity and the total amount invoiced to the Entity and its controlling and related company for all services, including audit services, is 66%.

City of Buenos Aires, February 6, 2014. KPMG, C.P.C.E.C.A.B.A. - Vol. 2 – Fo. 6. Mauricio G. Eidelstein, Partner, Public Accountant (U.B.A.), C.P.C.E.C.A.B.A. Vol. 120 – Fo. 228.”

Next, the attending Statutory Auditor, Ms. Mónica Cukar, on behalf of the Statutory Audit Committee, stated that after reviewing Banco Patagonia S.A. documents relative to fiscal year No. 90, ended on December 31, 2013, 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, 2013, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, notes 1 through 26, exhibits A through L, N and O, and Schedule I supplementing them, the Report on the degree of compliance with the Corporate Governance Code and the Letter to the Shareholders.
2. The Bank's Management is responsible for the preparation and fair presentation of the financial statements mentioned in paragraph above, 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 KPMG, firm member of international KPMG, 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 06, 2014.

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 are selected in accordance with the auditor's professional judgment, including a risk assessment that the financial statements do not include significant misstatements due to error or irregularities. In making this risk assessment, 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 assessing the accounting principles used, any significant estimates made by the Board of Directors and Management, as well as evaluating the overall financial statement presentation.

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 3 to the accompanying financial statements, the financial statements mentioned in 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 06, 2014, issued by Mauricio G. Eidelstein (partner of KPMG, firm member of international KPMG), 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, 2013, 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 the 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, 2013, we applied the remaining procedures described in section 294, Law No. 19,550, which we deemed necessary based on the circumstances, including among others, controlling the creation and subsistence of directors' guarantees, and we have no observations to make in this regard.
 - b) The financial statements of BANCO PATAGONIA S.A. mentioned in the first paragraph result from books kept, in their formal respects, in conformity with current regulations, BCRA regulations, and the provisions of CNV (Argentine Securities Commission) Resolution EMI No. 4,810 dated October 21, 2008. 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.

With regard to the Report on the degree of compliance with the Corporate Governance Code issued by the Bank's Board of Directors in compliance with Section 1, paragraph a.1), Chapter I, Section I, Title IV of the CNV Standards (t.o. 2013), and which shall be submitted to that agency as a separate exhibit to the Letter to the Shareholders, we report that from the analysis conducted we found no indications that the information furnished by the Board of Directors to this Statutory Auditors' Committee and included in that Report is lacking in truthfulness.
 - d) In conformity with Law N° 26.831, Section 105, and CNV Standards (t.o. 2013) Section 21, Chapter III, Title II and paragraph d) final part, Chapter I, Title XII, 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 external auditor's report mentioned in the fifth paragraph includes a representation that professional auditing standards effective in Argentina, including independence requirements, have been applied and does not include any 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.
 - e) We do not have any significant objections to make as regards the matters within our competence about the information included in note 16 to the attached financial statements as of December 31, 2013 regarding CNV requirements on minimum shareholders' equity and offsetting entry.
 - f) We have applied the procedures on prevention of asset laundering and terrorist financing established in the relevant professional rules issued by the Professional Association of Certified Accountants of the Autonomous City of Buenos Aires, Republic of Argentina.

City of Buenos Aires, February 6, 2014. On behalf of the Statutory Audit Committee: Mónica M. Cukar - Statutory Auditor, Public Accountant (UBA) C.P.C.E.C.A.B.A. Vol 147 – Fo. 66."-----

ITEM NO. 2: CONSIDERATION OF THE LETTER TO THE SHAREHOLDERS CORRESPONDING TO THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2012, INCLUDING THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE'S REPORT: The President, then explained that the Financial Statements corresponding to the 90th fiscal year ended on 12.31.2013 having been approved, the Letter to the Shareholders, which includes the Compliance with the Corporate Government Code's Report, for the year ended as of that date should be considered.

Therefore, the President presented the Letter to the Shareholders to the Board for consideration and stated that the Directors and Statutory Auditors were familiar with the contents thereof since the document had been distributed in advance. Next, the President proposed that the Letter to the Shareholders be considered as read and approved, and fully included in the Minutes of the meeting. After extensive discussion, the Letter to the Shareholders was unanimously approved as per the following text:

BANCO PATAGONIA

■ 2013 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 90th corporate financial year ended on December 31, 2013 to the Shareholders for their consideration, which consists of the Annual Report, Balance Sheet, Profit and Loss Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flow and Cash Flow equivalents, the complementary notes, exhibits and Table I, Profit Distribution Proposal, Report of the Independent Auditors and Report of the Statutory Audit Committee.

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1. □ ECONOMIC AND FINANCIAL SYSTEM CONTEXT

. Economic Perspective of the Republic of Argentina and the World

In 2013, the global economy performed similarly to 2012 and grew slightly below last year (around 2.4%). The deceleration resulted from a slower pace at emerging economies and developed countries. Global trade expanded slower as well, showing once again a growth rate of approximately 3%.

Despite the weak recovery of the economy and less fears of default by the Eurozone countries, the unemployment rate continued increasing in that zone, particularly in countries like Spain and Greece. It also went up, although mildly, in larger economies like Germany, France and Italy. There are some signs showing a slowdown in the increase of the unemployment rate, but it is still one of the major problems in the Eurozone.

Within the framework of a slower global growth, the irregular performance of the US economy became a focus of attention. A poor beginning of 2013 resulted in a reversal of the growth of the major global economy. The GDP amounted to approximately 1.7%, after having grown 2.8% in 2012.

However, the recovery signs observed in the second half of the year were translated into optimism about the future economy. The Federal Reserve announced that unconventional monetary incentives would be reduced as from 2014. Consequently, international interest rates showed a clear upward trend and the US dollar appreciated all around the world.

In the aggregate, Argentina's trade partners performed better than in 2012, because their economies (weighted by their share in the Argentine foreign trade) grew close to 3%, i.e., 0.2% more than in 2012. The upswing was driven by the Brazilian economy, which grew around 2.4% in 2013, after having grown only 1% in 2012. However, Brazil grew less than expected, particularly towards the end of the year, seriously affecting the demand for Argentine products.

In the Republic of Argentina, the economy grew throughout 2013, and registered a growth rate of around 5%, mostly fueled by a very good agricultural campaign, strong private consumption and increased capital expenditure.

The steepest growth took place in the second and third quarters of 2013. The new period of economic growth helped reverse the incipient increase in the unemployment rate observed at the beginning of the year. Preliminary figures show an unemployment rate of less than 7% for 2013 - similar to 2012 and close to the lowest of the last decade.

Public spending outpaced public revenue, resulting, once again, in a fiscal imbalance. However, the amount of debt payable this year was lower than in 2012, and so the financial needs of the Treasury were not much higher than last year's. A much greater use of Argentine pesos was offset by a lower use of international reserves to pay the national external public debt.

In an environment of a fast growing economy with a need to increase imports of energy, despite the quotas, imports went up by approximately 10% to get close to USD 75 billion. Even when a portion of the harvest was stockpiled by farmers, exports left the downturn of last year behind and increased by approximately 4%.

The increase in imports resulted in a reduced trade surplus, but still a considerable amount (USD 9 billion in 2013 vs. USD 12.4 billion in 2012).

The foreign currency (trade) balance amounted to USD 6 billion in 2013, while the services balance showed a deficit of around USD 10 billion.

Sales of foreign currency amounted to USD 5.5 billion and, together with the payment of external debt and a depreciation in gold stock, reduced the international reserves of the BCRA by USD 12.691 in 2013.

. The Argentine Financial System

In 2013 the Argentine capital market and financial system witnessed a volatility that affected both of them as a whole. In early 2013, the price of risk assets went down, but recovered significantly since August, although its fluctuations were steep.

Within the framework of a managed floating exchange policy, the BCRA accelerated the devaluation of the Argentine peso in late 2013, which registered a 32.6% depreciation against the US dollar during 2013.

Private deposits denominated in Argentine pesos went up around 30% this year and reached an average of ARS 483 billion as of December 2013. The Argentine-peso denominated deposits of the public sector increased by 23% and totaled ARS 183 billion. Time deposits showed the sharpest increase in private deposits, totaling ARS 220 billion as of December 2013 - up 35% from December 2012.

The deposits denominated in US dollars decreased in 2013, although at a slower pace. The deposits in foreign currency made by the private sector contracted USD 6.689 billion in December 2013 - down 14% from December 2012.

The BADLAR (interest rate paid by private financial institutions on deposits over one million Argentine Pesos) ended 2013 with an upward trend. It averaged 20.24% in December 2013, 4.85 percentage points above the average of December 2012. The BCRA continued charging 9% and 9.5% for 1 and 7-day swaps, respectively, for the fourth year in a row. But as of the end of 2013, it increased the rate on LEBAC (BCRA bills) auctions to 16.89%.

In 2013, the amount of peso-denominated loans to the private sector went up 34%, from ARS 338.697 billion in December 2012 to ARS 454.873 in December 2013. On the other hand, US dollar denominated loans fell by 30%, because companies were more interested in borrowing in Argentine pesos than in foreign currency.

One of the major factors for the increase of loans in Argentine pesos was the continuous expansion of the "Productive Investment Facility" approved in 2012, which provided that the Financial Institutions that hold over 1% of total deposits in the financial system must allocate, every six months, an amount equivalent to 5% of the deposits from the private sector to finance 36-month investment projects, charging a capped interest rate (in 2013 the capped annual interest rate amounted to 15.25%). As of December 2013, total loans under this facility amounted to ARS 55 billion, and approximately 55% of such amount had been granted to companies with a smaller relative size.

Consumer lines (personal loans and credit cards) increased by around 36%, representing 40% of the Argentine peso-denominated loans to the private sector.

Finally, the amount of Argentine pesos held by the public averaged ARS 198.86 billion in December 2013, going up by 23% from December 2012. Holdings of BCRA's Bills and Notes (including those issued for swaps) increased slightly (11%) to ARS 110.546 billion in 2013. This evidences less intervention by the BCRA, because monetary aggregates increased at a slower pace as a result of the sale of foreign currency (and the resulting absorption of Argentine pesos) during the year.

The following regulations affected the financial system the most:

Financial Services Protection: with the purpose of protecting the users of the financial system, the BCRA continued issuing standards to regulate fees and to increase the transparency of the charges, expenses, insurance rates, fees, interest rates and any other concept charged to users for the services and products marketed by Banks.

Market Discipline: to promote market discipline, so that all market players may evaluate the information regarding capital, risk exposure, risk assessment processes and capital adequacy of financial institutions, the BCRA approved the minimum disclosure requirements ("Market Discipline - Minimum Disclosure Requirements") establishing the statutory information to be published by the financial institutions in their web pages.

The BCRA tightened the requirements on the security measures to be taken to serve the users of financial services.

In line with the implementation of the Basel regulations, the BCRA modified its Business Plan to include changes, such as the calculation of the economic capital and the assessment of the adequacy of such capital, among others.

In 2013, the development and expansion of MSMEs continued being financed through a "productive investment facility" to which at least 5% of the deposits in Argentine pesos must be allocated.

In the second half of 2013, the financing of working capital related to investment projects was authorized. In December 2013, the BCRA, expanded the productive investment facility for 2014 (2014 quota), with characteristics similar to the ones approved under the original facility. Under the productive investment facility, mortgages may be granted to individuals, and investment projects, infrastructure works and exports of capital goods for clients not covered by the definition of MSME may be financed, up to an amount equivalent to 50% of the quota amount. The capped annual nominal interest rate will be 17.50%, at least for the first 36 months, except for personal mortgages, where the capped period is reduced to the first 12 months. Once such period is over, if such rate is not longer charged, a floating rate may be charged, but it shall not be more than 300 basis points over the total Argentine peso-denominated BADLAR.

The financing agreements must be fully signed as of June 30, 2014, and may be disbursed in a single payment, not later than such date, or staggered, not later than December 31, 2014. Disbursements under this facility may only be staggered if so justified by the characteristics of the project to be financed.

With respect to the Capital Market, the New Capital Market Act was regulated in the third quarter of 2013. It intends to centralize and expand the monitoring and supervision of the Argentine Securities and Exchange Commission (CNV, by its acronym in Spanish). Under such Act, the participation of the various market players will be secured in order to meet the compliance and adherence targets set in the whereas clauses of the Act.

In March 2010, the US Congress passed an act known as FATCA (Foreign Account Tax Compliance Act). The purpose of the FATCA is to avoid tax evasion by US citizens and, to that effect, it imposes liabilities on financial institutions. Certain payments to a financial institution that chooses not to sign in to the FATCA regime shall be subject to a 30% withholding. The Act becomes effective on July 1, 2014, and so we are working on signing the corresponding agreements.

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 Rio Negro.
- 1997** Banco Mildesa and Banco de Rio Negro merge, keeping the latter's name.
- 1998** Banco de Rio Negro acquires nine branches of former Banco Almagro, and a branch of former Banco Mayo.
- 2000** Banco de Rio 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 Rio 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, 2013.

Banco do Brasil was the first banking institution to operate in Brazil, with a history of more than 200 years, and has the largest geographical distribution network, operating more than 5,416 branches.

Also, Banco do Brasil operates 19,248 customer desks within its own network, and 65,269 customer desks in the whole network, doing business in 24 countries.

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

Banco do Brasil employs nearly 112,653 people who make every effort to meet the demands of more than 61.0 million customers.

Institutional information on Banco do Brasil and its statement of financial position as of September 30, 2013 is available in its website www.bb.com.br.

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

Income of FY 2013

Fiscal year 2013 resulted in profits for ARS 1.2297 billion, which, compared with ARS 884.6 million gained in fiscal year 2012, represent a 39.0% increase. The main change in the composition of the Bank's result is described below:

Financial income increased 57.7% when compared with the prior year. Most of it came from interest on loans to the non-financial private sector (as a consequence of a 22.1% increase in the volume of loans), a higher income from forward transactions, and an appraisal of the foreign currency asset position.

Financial expenses were 81% higher than in 2012. Interest paid on time deposits went up 80.6%, due to an increase in their volume (ARS 11.7609 billion vs. ARS 10.1425 billion) and their annual average rate (16.2% vs. 13.2%). Additionally, interest paid on other financial intermediation went up ARS 51.5 million, mainly due to the payment of interest on unsubordinated corporate bonds.

Consequently, the intermediation spread went up 44.6% when compared with 2012.

The charge for bad loans went up 74.3% due to higher regular allowances (a direct consequence of a greater volume of loans) and the supplementary allowances set in addition to the minimum allowances required by the BCRA. The allowance/bad loans ratio went up when compared with the prior year (274.4% in 2013 and 259% in 2012).

Net fee income increased went up 24.2% in 2013, due to the increase in fee-generating transactions, particularly those from deposit accounts, new debit and credit cards, and loans.

Administrative expenses increased 26.7% YoY (from ARS 1.4189 billion in 2012 to ARS 1.7979 billion in 2013), mainly due to an increase in personnel expenses resulting from collective bargaining agreements and an increase in the payroll, higher operating expenses resulting from the Bank's larger structure -consistent with its marketing strategy-, and price increases in the services provided by third parties.

Other income (net of other losses) increased 37.5%, mainly due to the income from permanent interest in other companies. In the latter case, the interest in GPAT Compañía Financiera S.A. should be highlighted, because this company earned 102.8 million profits in 2013 (**Banco Patagonia** has a 99% share in this result) compared with the 89.1 million in 2012.

ROE (Return on Equity)

As of December 31, 2013, the average net return on stockholders' equity was 30.9%, compared with 30.0% in 2012.

ROA (Return on Assets)

As of December 31, 2013, the average return on assets was 4.7%, compared with 4.4% in the prior year.

Statement of Financial Position

As of December 31, 2013, the Bank's total assets and liabilities increased 17.9% and 15.1%, respectively, when compared with 2012, reaching ARS 30.1464 billion and ARS 25.5499 billion, respectively. The increase was driven by changes in loans and deposits, as described below:

Changes in Loans

The portfolio of loans granted to the non-financial private sector increased 22.1% YoY, totaling ARS 19.0863 billion. The sharpest increases were observed in commercial lines for advances and documents and consumer loans under credit cards.

We continued providing financing to the official dealer network of General Motors Argentina S.R.L. As of December 31, 2013, the loans outstanding totaled 465.3 million.

Changes in Deposits

As of December 31, 2013, total deposits increased 18.4% YoY (ARS 3.2419 billion in absolute terms) and amounted to ARS 22.0670 billion, compared with ARS 18.6452 billion as of December 31, 2012.

Deposits from the non-financial private sector totaled ARS 19.3554 billion, a 16.8% increase when compared with the prior year. An increase of ARS 1.1351 billion (12.9%) in time deposits and ARS 836.6 million in savings accounts (19.7%) should be highlighted. Deposits in current accounts went up ARS 676.9 (23.4%). Total deposits accounted for 73.2% of the Bank's total funds.

Liquidity Ratio

As of 31 December, 2013, the Bank's liquid assets (cash and equivalents and government and private securities) increased 18.9% when compared with the previous year. The liquidity ratio reached 35.1% over total deposits, being quite close to the 35.0% of 2012. Liquidity was maintained at the levels set by the policy adopted by the Board of Directors.

Debt-to-Income Ratio

As of 31 December, 2013, the debt-to-income ratio measured as equity over total liabilities reached 18%, compared with 15.2% in 2012. (1).

Shareholders' Equity on Net Assets (Leverage)

Leverage results from dividing the shareholders' equity by net assets. As of December 31, 2013, it amounted to 15.3%, compared with 13.5% in 2012, and to 12.3% for the whole financial system and 13.9% for private institutions(1).

Locked-up Capital

As of December 31, 2013, the locked-up capital ratio, i.e. fixed assets (property, plant and equipment, miscellaneous and intangible assets) over total liabilities, improved to 1.2% from the 1.4% registered in 2012.

Regulations

The Bank complies with the monetary regulations established by the BCRA and maintains its long-standing prudential criteria. As of December 31, 2013, **Banco Patagonia's** capitalization index showed a capital surplus of ARS 1.9269 billion when compared with the requirements of the BCRA. The capitalization index increased 83.3% when compared with the prior year (ARS 1.0511 billion). This results from the implementation of Communiqué "A" 5369 and supplementary provisions on January 1, 2013, which superseded the provisions on minimum capital requirements for interest rate risks, despite the fact that the Bank continues managing this risk.

Among other issues, the amendments implied changes to risk weighting factors and to the treatment of bad debts, and included the concept of "credit risk hedging", which specifically assesses the treatment to be given to any collateral received.

Similarly, the capitalization ratio that relates the Bank's regulatory capital (*Responsabilidad Patrimonial Computable - RPC*) to risk-weighted assets amounted to 20.1% compared with 18.4% in the prior year. The increase mainly derived from a larger volume of loans.

Structure of the Financial Position and Profit and Loss Statements

The Bank's Statement of Financial Position and Statement of Income as of December 31, 2013, compared with fiscal years ended on December 31, 2012, 2011, 2010 and 2009 are shown below.

(1) Source: BCRA, November 2013

Financial Structure (in ARS thousand)	2013	2012	2011	2010	2009
Cash and Cash Equivalents	5,758,004	4,403,773	2,242,338	1,480,998	1,510,076
Government and Corporate Securities	1,993,708	2,117,100	2,511,636	3,560,312	2,617,348
Loans	19,187,829	16,031,418	11,053,174	7,234,969	4,417,035
Other Receivables from Financial Intermediation					
	1,074,756	1,444,689	1,322,274	840,035	586,356
Receivables for Financial Leasing	920,203	636,635	491,174	233,263	137,170
Equity interest in other companies	527,975	394,959	273,062	206,983	79,744
Miscellaneous Receivables	369,598	227,768	405,570	417,568	199,247
Fixed Assets	234,063	225,897	199,695	176,057	103,010
Miscellaneous Assets	44,973	55,108	61,716	71,821	108,725
Intangible Assets	34,443	21,969	-	-	-
Items Pending Allocation	842	703	583	558	511
TOTAL ASSETS	30,146,394	25,560,019	18,561,222	14,222,564	9,759,222

Financial Structure (in ARS thousand)	2013	2012	2011	2010	2009
Deposits	22,067,025	18,645,169	13,317,163	10,298,742	6,522,363
Other Liabilities for Financial Intermediation	2,482,854	2,821,237	2,070,508	1,295,742	788,026
Miscellaneous Liabilities	873,360	653,248	622,759	448,072	469,068
Provisions	123,538	71,020	66,993	68,054	64,091
Subordinated Corporate Bonds	-	-	-	-	61,200
Items Pending Allocation	3,146	2,559	1,263	962	473
TOTAL LIABILITIES	25,549,923	22,193,233	16,078,686	12,111,572	7,905,221
SHAREHOLDERS' EQUITY	4,596,471	3,366,786	2,482,536	2,110,992	1,854,001
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	30,146,394	25,560,019	18,561,222	14,222,564	9,759,222

Profit and Loss Statement (in ARS thousand)	2013	2012	2011	2010	2009
Financial Income	5,303,358	3,362,055	2,143,648	1,568,755	1,573,487
Financial Expenses	2,193,564	1,212,160	746,994	408,491	434,341
Gross Intermediation Spread	3,109,794	2,149,895	1,396,654	1,160,264	1,139,146
Uncollectibility Charge	525,253	301,301	97,103	53,859	66,732
Fee income	1,512,008	1,173,862	864,477	616,620	481,218
Expenses for Services	463,363	329,654	226,305	183,669	141,306
Administrative Expenses	1,797,916	1,418,880	1,094,152	861,800	659,858
Net Financial Intermediation Income	1,835,270	1,273,922	843,571	677,556	752,468
Miscellaneous Profits	349,817	217,861	152,910	102,585	63,839
Miscellaneous Losses	102,244	37,754	33,203	43,186	41,627
Net Income before Income Tax	2,082,843	1,454,029	963,278	736,955	774,680
Income Tax	853,158	569,385	351,032	255,551	325,854
NET PROFIT (LOSS) OF THE YEAR	1,229,685	884,644	612,246	481,404	448,826

Incoming or Outgoing Cash Flow Statement

The following is the statement of cash generation or allocation corresponding to fiscal year ended on December 31, 2013, as compared to the years ended on December 31, 2012, 2011, 2010 and 2009.

CASH CHANGES DURING THE YEAR (in ARS thousand)	2013	2012	2011	2010	2009
Cash Flow from Operating Activities	582,804	1,842,611	561,152	195,505	261,755
Cash Flow (Allocated to) Generated by Investing Activities	15,756	-13,260	-2,396	-125,760	4,311
Cash Flow (Allocated to) Generated by Financing Activities	154,206	140,095	66,169	-207,644	-332,503
Financial Income (Expense) and Holding Gains (Losses) and their equivalents	601,465	191,989	136,415	108,821	145,484
CASH (DECREASE)/INCREASE	1,354,231	2,161,435	761,340	-29,078	79,047

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. Consequently, financial information included in the accounting statements to be submitted to the Brazilian Securities Commission (Comisión de Valores Mobiliarios de Brasil - CVM) has to be disclosed in accordance with International Financial Reporting Standards (IFRS), as per Instruction No. 480 that provides for the registration of issuers of securities that are admitted to negotiation in regulated markets.

For this purpose, the guidelines established in the Concept Release adopted by the International Accounting Standards Board (IASB) and the definitions in the IFRS are taken into account, as established in several rules and interpretations made by the I.A.S.B. as follows:

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

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 8 to the Bank's Financial Statements details the equity balances and income/loss for transactions carried out with the above controlled companies, which were all performed under market conditions.

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

The Mutual Investment Funds industry in Argentina experienced significant growth in 2013; total equity managed by the Funds stood at ARS 45.139 billion at the beginning of the year and reached ARS 72.884 billion as of December 2013, accounting for a 61.47% increase as compared to the close of FY 2012.

Concerning composition of investments per type of Fund, by the end of 2013 the net assets administered by Mutual Funds as term deposits and cash accounted for 32% of the total, as compared to 38% by the end of 2012. Fixed income funds continued the trend of last years, and their market share in the Mutual Funds Industry increased by 45% by the end of 2013.

FY 2013 closed with profits amounting to ARS 11.1 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 65.1 million and liabilities for ARS 35.3 million. Shareholders' equity as of the closing date was ARS 29.8 million.

□ PATAGONIA VALORES S.A. Sociedad de Bolsa

In FY 2013, the MERVAL index had a 88.9% rise, measured in pesos, and a 42.3% measured in dollars, representing the highest annual rise since 2009. Total traded volume reached ARS 367.842 billion, accounting for a 51.8% rise as compared to the total amount in 2012. Considering its significance within the total traded volume, the 58% rise in Government Securities (ARS 262.865 billion) and the 90.3% rise in traded shares (ARS 18.945 billion) are to be acknowledged.

The most heavily traded shares during the year were Grupo Financiero Galicia (17.6%), Tenaris (16%) and YPF (14.6%).

Corporate funding through the capital markets instruments reached ARS 10.495 billion, accounting for a 34.6% increase as compared to the total recorded in FY 2012. When analyzing the breakdown of this amount, issuance of Corporate Bonds (USD 5.127 billion) is to be noted, as well as financial trusts placements (USD 4.668 billion).

In this context, the company closed FY 2013 with profits of ARS 1.7 million, mainly due to financial income and holding gains from the Company's investment portfolio.

As of December 31, 2013, the company holds assets for ARS 23.9 million and liabilities for ARS 2.7 million. Shareholders' equity as of the closing date was ARS 21.2 million.

□ BANCO PATAGONIA (URUGUAY) S.A.I.F.E.

In 2013, the Uruguayan subsidiary recorded loss for USD 251,594.13. As of December 31, 2013, the deposits portfolio from non-residents in Uruguay reached USD 85.3 million, vs. USD 75.7 million in the previous year, accounting for a 12.7% increase.

The Company holds assets for USD 96.8 million and liabilities for USD 85.4 million. Shareholders' equity at fiscal year-end amounted to USD 11.4 million, maintaining a capital excess, in terms of the required capital, and calculated on the basis of risk assets, of USD 6.9 million as per the rules of the Central Bank of Uruguay.

□ GPAT COMPAÑÍA FINANCIERA S.A.

The Argentine automobile industry closed its best year ever, setting a new record regarding the sale of new units. In accordance with the Association of Automobile Dealers of the Republic of Argentina, 955,023 vehicles were licensed in 2013.

FY 2013 was marked by intense activity and a significant expansion of the automobile industry and the auto-loan market, with a steep rise of sales to dealers and the public at large, and a wide range of financing products and plans.

Furthermore, during this year national production, exports and sales to dealers improved by 3.5%, 4.8% and 16.1%, respectively. (Source: Automobile Factory Association).

Auto loans levels, 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 21%. Savings plans and manufacturers' credit facilities had a leading role in such growth.

GPAT closed FY 2013 with a new all-time record in new auto-loans, reaching a total of 36,644 loans, equivalent to a total amount of ARS 1,712 billion.

In FY 2013 an excellent performance was reached on the basis of exclusive and differentiated financial plans and products, and joint work with the Chevrolet Dealers' Network and General Motors de Argentina S.R.L.

GPAT's market share, in competition with banks and other financial entities, was higher than 70% as regards auto loans associated to Chevrolet vehicles, and has turned into the market leader in Chevrolet vehicles regarding volume of auto loans granted, thus exceeding any expectation prevailing at the beginning of the year.

As regards wholesale financing, it was already mentioned that **GPAT's** activity is the management of credit facilities granted by **Banco Patagonia S.A.**

In 2013 the total volume of vehicles administered by GPAT through the floor planning program reached 104,544 units, equivalent to an amount higher than ARS 10 billion.

Fiscal year 2013 closed with profits in the amount of ARS 102.8 million, which, in comparison with the amount of ARS 89.1 million gained in FY 2012, represents a 15.4% increase, mainly due to income from auto loans, which rose from ARS 177.8 million in 2012 to ARS 270.1 million in 2013, accounting for a 51.9% change. As of December 31, 2013, GPAT holds assets for ARS 2.1423 billion, liabilities for ARS 1.7197 billion and its Shareholders' Equity amounts to ARS 422.6 million.

6. □ PROFIT DISTRIBUTION PROPOSAL

The following Profit Distribution Proposal for the year ended on December 31, 2013 is submitted for the Shareholders' consideration:

Item	Amount (in ARS thousand)
Retained Earnings	1,229,685
To Earnings Reserve	
- Legal Reserve (20% of 1,229,685)	245,937
Subtotal 1	983,748
Less:	
Off balance sheet adjustment, item 2.1.1 to 2.1.6. BCRA Revised Text "Profit Distribution"	2,138
Subtotal 2	981,610
Balance to be distributed	981,610
Distributed Earnings	
To Optional Reserve	
- Optional Reserve for Future Profit Distribution	529,758
To cash dividends	451,852
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

In 2014, **Banco Patagonia** will continue to strengthen its position as one of the leading banks in the Argentine Financial System, oriented to individuals, small- and medium-sized companies, large companies and the corporate segment.

In order to render services that are highly valued by clients and to achieve a greater share in regions with high potential for the business, the network of branches continued to be extended to provide enlarged coverage all over the country.

In addition, the focus will be maintained on the marketing of financial products and services to Brazilian companies doing business in Argentina and to Argentine multinational companies with commercial relations in Brazil, mainly through the Corporate Business Unit.

Furthermore, 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, will keep being the entity's goals.

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

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

In 2014, **Banco Patagonia** expects to maintain excellence in service, strengthen the institution's experience in several financing tools through the capital market, and maintain its leading position, incorporating new clients to the trust, corporate bonds and syndicated loans segments.

In 2013, 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 4.4 billion.

Likewise, taking into account syndicated transactions, the **Capital Markets Management** organized financial transactions in the amount of nearly ARS 5.25 billion.

As regards financial trusts, 26 issuances were organized and placed in the market for a total amount of ARS 2.635 billion. This amount accounts for an 18% increase as compared to the amount securitized in 2012.

During this fiscal year, Banco Patagonia reached a market share of 13%, keeping its leading position in the domestic market. To this date, the Bank took part in 317 transactions for more than ARS 13.8 billion.

Regarding trust management, 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.

As regards the issuance of short- and long-term debt for clients, in this fiscal year 10 issuances of corporate bonds were organized and placed, in the total amount of over ARS 1.8 billion. The issued volume accounted for a 50% increase as compared to the amount placed during FY 2012.

In FY 2013 six syndicated transactions were organized for a total amount of ARS 850 million. **Banco Patagonia** acted as organizer and agent bank in 4 of these credit transactions.

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

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

The Bank's Board of Directors

Responsibility over the Company's Strategy

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

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

In accordance with the provisions of the Company's Bylaws, one regular director is to be appointed by the holder of Class "A" common shares, the Province of Rio Negro, which may also appoint an alternate director; while the remaining regular directors are to be appointed by holders of Class "B" common shares, who may also appoint alternate directors. The following table includes information on the members of the Bank's Board of Directors, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2013:

Name	Position	Elected in
Jorge Guillermo Stuart Milne	President	2011 ²
João Carlos de Nobrega Pecego	Vice-President	2011 ¹
Renato Luiz Belinetti Naegele	Vice-President	2012 ³
Rubén Miguel Iparraguirre	Vice-President	2013 ⁴⁻⁵
Aldemir Bendine	Vice-President	2011 ¹
Paulo Rogério Caffarelli	Vice-President	2012 ²
Jaime Osvaldo Tasat	Regular Director	2012 ²
Carlos Alberto Giovanelli	Regular Director	2011 ¹
Osvaldo Dadone	Regular Director	2013 ³⁻⁶
Admilson Monteiro García	Alternate Director	2011 ¹
Claudemir Andreo Alledo	Alternate Director	2013 ⁴

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

² Appointed by the Shareholders' Meeting held on April 27, 2011.

³ Appointed by the Shareholders' Meeting held on April 26, 2012.

⁴ Appointed by the Shareholders' Meeting held on April 24, 2013.

⁴ Appointed by the Shareholders' Meeting held on October 24, 2013.

⁵ Ad referendum of approval by BCRA. At present, still occupies the position of Superintendent of Finance, Administration and Public Sector.

⁶ Ad referendum of approval by BCRA.

submitted in writing by shareholders representing at least 2% of the capital stock. While carrying out these duties, the Statutory Audit Committee does not control the Bank transactions or assess the merits of the decisions made by its directors

The following table includes information on the members of the Bank's Statutory Audit Committee, appointed by the Shareholders' Meeting held on April 24, 2013, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2013:

<i>Name</i>	<i>Position</i>		<i>Elected in</i>
Alberto Mario Tenaillon	Regular Auditor	Statutory	2013
Héctor Rossi Camillión	Regular Auditor	Statutory	2013
Mónica María Cukar	Regular Auditor	Statutory	2013
Cesar Iraola	Alternate Auditor	Statutory	2013
Cristina Tapia Sasot	Alternate Auditor	Statutory	2013
Jorge Lorenzo	Alternate Auditor	Statutory	2013

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 is 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.

In accordance with the provisions of Law No. 26.831, on Capital Markets, section 110, and General Resolution No. 622/2013, section 18, paragraph C, Chapter III, Title II, of the Argentine Securities Commission, the Audit Committee – CNV is entrusted with the following powers and duties: (i) issuance of an opinion on the proposals made by the Board of Directors on appointment of the Bank's external auditors and controlling their status as independent members; (ii) supervision of the operation of the internal control system as well as of the administrative-accounting system of the Bank; (iii) supervision of compliance with the policies related to information on risk management of the Bank; and (iv) issuance of a justified opinion 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.

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.

Information Technology 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 drafting of proposals to the Board of Directors with regard to preventive measures oriented to minimizing the risks related to IT security or to corrective actions, if applicable.

Committee on Control and Prevention of Money Laundering and Terrorism Financing

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.

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. Every two months at least, it must report to the Board of Directors on the main aspects related to operational risk management.

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.

The Entity 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 segments and studies the strengths and weaknesses of potential new products.

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 Corporate Banking delinquent customers, 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.

Dividend Policy

Payment of Dividends as per the BCRA Regulations

BCRA Communication "A" 5072 and complementary regulations govern the general procedure on 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.

Furthermore, profits may be distributed only as far as gains are recorded after performing off-balance sheet deductions from retained earnings, among other items, of the amounts of reserves that must be constituted by virtue of legal or by-law provisions, the net positive difference between the book value and the value established by the Entity for public debt instruments and/or monetary regulation instruments the volatility of which is not published or has a present value published by the BCRA.

Profit Distribution Proposal

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

The Bank has paid cash dividends for 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 at December 2009, and 2010.

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

On January 27, 2012, the BCRA issued Communication "A" 5273, still in force as of this date, 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. The above Resolution made it impossible to distribute profits through payment of cash dividends to shareholders for FY 2011 and 2012 results. Therefore, the Bank constituted an optional reserve for future distribution of profits.

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

Compensation Policy for the Board of Directors and for Executive Offices

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

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 2013, provisions were constituted to meet the payment of such variable compensations.

Internal Controls and Risk Management

Internal control is made up of five interrelated components:

Control Environment

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

Risk Assessment

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

Control Activities

Control activities are the policies and procedures that help secure the execution of the guidelines developed by Management. This implies taking the necessary actions to face the risks involved in the achievement of the Bank's goals. Control activities 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.

Regarding **risk management**, in FY 2013 the Bank kept consolidating the comprehensive and independent risk management model adopted some time ago, in compliance with the guidelines set by the Argentine Central Bank and to the best international practices on this matter.

Banco Patagonia considers that risks should be understandable, measurable, controllable and assumable, in order to secure that the Entity has the ability to counterbalance and, eventually, absorb or transfer such risks.

In FY 2013, the Financial Risk Management Executive Office worked to reinforce, improve and consolidate the structure, work and reports that make up the management of market, credit, liquidity and interest rate risks of Banco Patagonia.

The structure of this Management Office was consolidated to comply with the guidelines provided by Communications "A" 5203 and 5398 of the Argentine Central Bank. This Executive Office has now an adequate organizational structure and is implementing the policies and procedures approved by the Board of Directors.

New risk tolerance limits were defined, and some were adapted to existing limits as from the assessment of the main risks to which the Entity is exposed. These limits are regularly monitored and the results are informed to the Global Risk Committee and to the Board of Directors.

Several daily, weekly and monthly reports and disclosure thereof to the Board of Directors and senior officers were drafted, in order to identify, measure, monitor and mitigate the risks to which the entity is exposed.

Furthermore, the Capital Self-Assessment Process was developed, in order to measure the economic capital requirements for each of the risks identified by **Banco Patagonia**.

Stress tests for scenarios of varying degree of severity were developed and carried out, in order to assess the potential impact of stress situations and foresee contingency actions in the management of the various risks (**Banco Patagonia** and GPAT Compañía Financiera S.A.).

The Policy Manual for Risk Management to be applied by GPAT Compañía Financiera S.A. was also drafted.

The Entity has implemented an operational risk management system in line with the requirements established by the BCRA in its Communication "A" 4793 and complementary regulations. 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.

Banco Patagonia performs and keeps records of the risk analysis of information systems, IT technology and associated resources, in accordance with the guidelines established in BCRA 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. In FY 2013 the Bank complied with the provisions of BCRA Communication "A" 5374, which replace Section 6 (Electronic Channels) of Communication "A" 4609.

The Entity has established the necessary policies, procedures and tools to secure 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 offered products and services. In order to secure compliance with regulations in force on this matter, the Bank has a client matrix that was developed from a risk-based viewpoint and a comprehensive structure of preventive duties and responsibilities in accordance with the organizational model.

In FY 2014, the Entity intends to develop more advanced risk management tools, methodologies and models, in accordance with the recommendations issued by the BCRA and international bodies specialized in the matter, with the purpose of continually improving the risk management model.

Organizational Structure

Along the lines of the Bank's growth and the strategy designed by its Board of Directors, in March 2013 a new organizational structure was approved.

The new structure will contribute to streamline the decision-taking process, create value for the clients, comply with recommendations on corporate governance and boost **Banco Patagonia's** organizational commitment.

Eight Superintendencies reporting directly to the Board of Directors were established:

- Superintendency of Business with Companies
- Superintendency of Business with Individuals
- Superintendency of Branch Network and Channels
- Superintendency of Finance, Administration and Public Sector
- Superintendency of Credit Facilities, Foreign Trade and Business Consultancy
- Superintendency of Infrastructure, Technology and IT
- Superintendency of Human Development and Corporate Climate
- Superintendency of Internal Controls and Risk Management

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

- *Executive Office of Legal Matters*
- *Executive Office of the Board of Directors*
- *Internal Audit Executive Office*
- *Planning and Strategic Projects Executive Office*

The Bank's strategy is to promote its client base diversification, with emphasis in obtaining and keeping Payroll Services clients from private companies, high-income individuals and companies (Corporate, Large Companies, SME and Agro), with the offer of the Bank's various products and services.

These Business Units –Individuals, Companies, Corporate, Finance and Public Sector- base their development on the support given by the Branch Network and Channels.

□ **Branch Network and Channels**

The 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. At present, it is directed from fifteen Comprehensive Regional Management Offices.

It is a key objective to expand the presence of Banco Patagonia in strategic markets, which will allow it to become closer to customers and to establish new commercial relationships.

A branch is defined at present as a Comprehensive Management Unit, i.e. the channel through which business is developed and combined in accordance with each customer segment. The Branch Comprehensive 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 2013, the Network grew as the result of the opening of 15 branches: Salta Sur (Salta); San Francisco (Cordoba); Carmen de Patagones (Province of Buenos Aires); Olavarría (Province of Buenos Aires); Caseros (Province of Buenos Aires); Rafaela (Santa Fe); Concepción (Tucumán); Reconquista (Santa Fe); Lamarque (Río Negro); Chilecito (La Rioja); Puerto Madero (City of Buenos Aires); Trenque Lauquen (Province of Buenos Aires); Colonia Caroya (Córdoba), Pilar Industrial (Province of Buenos Aires); and Laferrère (Province of Buenos Aires). Besides, the Cordoba branch was relocated.

Extensions and improvements were made in several branches; furthermore, the layout of some other 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: Rosario (Santa Fe), Monte Grande (Buenos Aires) and Roca Centro (Río Negro). Forty-nine new Self-Service Terminals (SSTs) were installed, and 98 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 1,977 individuals, who are supported by a strong permanent training plan and play commercial and operative roles to apply the service model oriented to customer relationship management as a business developer.

As in previous years, and 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 are strategic. Each of the employees took part in the training program defined for each role, which contributed to fill key vacant positions, such as Comprehensive Branch Managers, Business Officers, Business Executives and administrative positions, thus favoring the internal promotion process.

An outstanding training action of the year was the **Training Program for New Branch Managers**, carried out jointly with the University of San Andres to provide comprehensive training for future managerial responsibilities.

As of December 2013, the Branch Network had a total of 199 customer desks, with 497 ATMs and 272 Self-Service Terminals, distributed as follows:

- 174 Branches;
- 25 Customer Service Centers (including 1 temporary Customer Service Center);
- 411 ATMs in branches;
- 86 ATMs in other locations.

Electronic Channels

As in previous years, the degree of utilization of these means on the part of customers recorded an upward trend. At present, we have multiple channels for customer service, transactions and sales designed to meet the needs of both individuals and companies. These channels include:

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

Patagonia 24 ATMs

By the end of 2013, the Patagonia 24 ATM network was composed of 497 ATMs (411 located in branches and 86 in other locations), covering not only the Branch Network but also strategic locations, distributed by geographical areas as follows:

- 117 in the City of Buenos Aires
- 72 in Great Buenos Aires
- 308 in the provinces

As a result of the installation of new devices and technological updates, in 2013 the Bank's ATM network grew by 7% as compared to the previous year. This process of expansion will continue in 2014 with the replacement of a significant number of the installed ATMs and with the installation of new ones, both in zones where the Bank has no presence whatsoever and in branches with a high level of demand for transactions. Almost 50 million transactions were performed through this channel in 2013.

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

Self-Service Terminals (SST)

In 2013 the self-service terminal installation plan was continued, representing an important means to provide better service to clients who process their operations in branches. As of December 2013 there were 272 SSTs installed, which means a growth of 49 units as compared to 2012.

In FY 2013, more than 3 million transactions related to deposits and card payments were made through the terminals installed at the lobby of the branches. In addition, it was noted that 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.

Intelligent Self-Service Terminals were also installed, with the advantage of online crediting, the convenience of extended hours to make immediately available deposits, as well as the reduction of processing times and paper consumption, since no envelopes are necessary to make such deposits.

Patagonia e-bank

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

The e-banking for Individuals recorded over 240,000 active customers, accounting for a 10% growth as compared to 2012. As in previous years, the customers' most valued transactions were transfers, payment of taxes and bills, and mobile phone recharge, which increased by 15% as compared to October 2012.

Moreover, in FY 2013 the types of transactions that can be performed through this channel have been diversified, adding new value-added operations, such as mobile phone recharge using Club Patagonia points.

As regards Corporate e-banking, in 2013 there were more than 12,500 active customers, which accounts for a 19% growth as compared to the same month in 2012. The segment that makes the heaviest use of this channel to perform transactions are SMEs, which account for more than 75% active clients in the channel.

The transactions most valued by companies are fund transfers, payroll services and payment to suppliers, which grew by 23%, 25% and 6%, respectively, as compared to the same period in 2012.

Furthermore, in 2013 work was carried out to reinforce safety measures in the channel, in accordance with the provisions of B.C.R.A. Communication "A" 5374. Additionally, projects were begun to incorporate new value-added services and to

improve those which are offered at present; special mention should be made to improvements in Foreign Trade (Electronic Sale Ticket in Reales –BRL- and Payment Orders).

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. It is a distinctive service through which customers can make queries, pay bills, order money transfers, and recharge their mobile phones easily and quickly.

Social Networks

Banco Patagonia is present in social networks since February 2009, when a Youtube channel was set up to publish tutorials and institutional videos. In July 2010 a Twitter official account was created, and finally in February 2012 a Facebook Fan Page was established. The last channels are a tool for direct communication with our clients and a service point different from the traditional channels used by the Bank.

Alternative Channels

Sales Force

This is a direct sale channel focused on the solicitation of new clients and cross-selling of the Bank's clients. In 2013, support was given to all branches to implement new Payroll Services for Large Companies, Corporate, Debt Restructuring with Public Bodies, Armed Forces, Security Forces and Discount Codes in strategic areas of the provinces.

Sales teams kept their good standard and adapted quickly to the business needs that appeared during the year. Specific training was required on selling techniques, and the channel consolidated for the distribution of the bank's products.

Customer Relations Center

Telemarketing

This area managed more than 10,000 consumer loans for a total amount of ARS 210 million, and sold more than 7,000 transactional products (credit cards and additional credit cards, packages and insurance).

Investment Center

In FY 2013 the Investment Center's portfolio grew by 27% as compared to 2012. 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 term deposit certificate in the year reached ARS 130,000, totaling 2,500 certificates and making a total active portfolio of ARS 340 million.

Patagonia On Line

The Telephone Banking sector processed 7 million queries and answered 100,000 mails received. As part of a process of ongoing improvement, during the last quarter special attention to companies using the Payroll Service was begun, thus improving the services rendered to this client segment. Reactive sale of insurance (home, protected belongings and P24) accounts for 41% of the Bank's total sales of these kinds of insurance.

□ Targets of the Branch Network and Channels for 2014

- ✓ To continue expanding the Network through the opening of new customer desks in locations that are considered as key places for business development, besides detecting new potential areas for 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.
- ✓ To consolidate the value proposal through electronic channels, implementing new services for Individuals and Companies through Business Units.
- ✓ To continue developing the features of alternative service channels to win new clients and sale present and future products.

□ INDIVIDUALS

In order to consolidate the competitive position, in 2013 the strategy was focused in the solicitation of new clients, the maximization of profits from the present portfolio and the consolidation of relations with clients, thus generating customer loyalty and permanency.

The **Executive Office of High Income Clients** was established, in order to develop a differential and preferential proposal for this segment.

Growth in the open market was higher in 2013, through the generation of specific actions that set the pace of **Banco Patagonia** in this line of business.

More than 25,000 new clients were gained in the year through GPAT Cia Financiera, financing the purchase of new cars from General Motors' dealers throughout the country. This proposal was supplemented by the product **Patagonia Auto**, offering differential benefits in related lines.

The **BPFan** campaign was launched. All employees invited friends, family and acquaintances to become clients through a specially designed array of products and services. More than 27,000 new clients were gained.

Patagonia Entidades was established, offering a set of solutions and benefits both to Entities (schools, universities, associations, etc.) and their members. This proposal helped strengthen the relationship with professional people through their class associations.

Patagonia Universitaria was once again the link to young people establishing their first relation with the Bank. This is meant as the basis for a long-term relationship that will grow with the students' career.

Additionally, **Banco Patagonia** focused its Payroll Services on private sectors.

In accordance with the provisions of Decree No. 1187/2012 published by the National Executive Power, payment of salaries in national public agencies, the Armed Forces and Security Forces migrated to Banco Nacion. In 2013 efforts were made to accomplish an orderly migration to lend peace and transparency to the clients, with the intention of building up loyalty and providing services.

In order to maximize the relation with present clients, the Bank strengthened its selling actions, based on Commercial Intelligence to design an offer of customized products and services adapted to the profile of each universe.

Additionally, in line with the policy to maximize profits from clients, the use of E-statements was promoted both for accounts and credit cards, as well as the use of electronic channels such as Homebanking, ATMs and Telephone Banking. These actions were also based on a social awareness of sustainability and care of the environment.

Building up customer loyalty was also a priority in 2013. The range of benefits and their geographical distribution were increased. **Club Patagonia** was improved to streamline the exchange process and the catalogue of prizes was enlarged, with focus on travel and vouchers. **Patagonia Más** also had a sustained growth in the use of discounts, and was highly valued by member clients.

As a support for the commercial strategy oriented to gaining new clients, the Bank had a stronger presence in the media, especially in dates such as Mother's Day and Father's Day.

Also, the Events and Sponsorship Program strengthened its actions in the sports area and was present in the TC 2000 touring car racing series sponsoring the Chevrolet team. The Economic Sessions Plan was developed at national level and clients were invited to share a view on the political and economic panorama with first-level specialists.

Patagonia Point was designed as a clients-only space available in entertainment and tourist areas. This new concept was deployed by **Banco Patagonia** in the winter season at Cerro Catedral, Bariloche, province of Rio Negro. The summer season brought again actions in Las Grutas, Rio Negro, oriented to promotions and entertainment.

By the end of 2013, **Banco Patagonia** gained approximately 45,000 new clients and totals more than 915,000 clients throughout the country.

Products developed by the Individuals Business Unit fall under the lending and investment categories.

Products

Payroll Services

In 2013 a new service was added to the Payroll Services Executive Office: providing commercial advice and support to Transactional Products and Services through its Commercial Support Officers coming from the former Corporate Products Executive Office.

The new structure is a result of the union of Payroll Services Officers and Transactional Officers, and is intended to provide advice and support both to the Branch Network and the Business Units in charge of Companies, Corporate, Finance and Public Sector. The SME business is delegated into the branches so as to gain greater and more effective relations with SMEs in each region.

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

In order to meet the demands of clients from various segments, new tools were added to streamline the processes related to the opening of accounts and the payment of salaries, with focus on the use of electronic channels.

At the same time, the Universities Program was strengthened to focus on private education as an area to be developed. The Corporate Social Responsibility Area agrees with each University on a long-term project to strengthen relations between both institutions.

In 2013 the follow-up audit on the Quality Management System was successfully carried out. This audit has been implemented for the Payroll Services since 2009 and is certified by TÜV Rheinland. The certification confirms our commitment to offer an efficient service based on the clients' satisfaction and with focus of the continuing improvement of the process.

Loans

Consumer Loans were of utmost importance in the growth of the lending portfolio and accounted for the set-off of this portfolio as a result of the assignment of transactions with clients under Decree No. 1187/12 agreements. The average balance of personal loans grew by 14% compared to the previous year. Loans to be repaid from payroll, governed mainly by Decree 14/12 (targeted to national public agencies), had a great performance, with a 24% share on total loan annual placement.

Some highlights of FY 2013 are the implementation of the discount code in the province of Catamarca and the Rio Negro Judiciary, the placement of transactions through alternative channels —promoting consumer loans through E-bank and Tas, and telephone selling efforts leading to online settlement of transactions and a streamlined trading circuit by means of indirect channels.

At the same time, the Bank continued to manage significant financing facilities in the domestic market (Sepyme, Calidad San Juan, Credit Facility for Productive Investment, etc.) intended to finance companies' short- and medium-term investment and working capital needs. An agreement on interest rate subsidy was signed with the province of Rio Negro for an amount of USD 30 million.

Foreign Trade

In order to assist and advice clients regarding their foreign trade activities, an Advisory Foreign Trade Office was established and is staffed by specialists in foreign exchange regulations and international payment means.

The Bank also kept working on analysis and execution of several stages within the Patagonia e-bank Companies electronic channel, a development of significant commercial importance that provides clients with consultation and transactional modules to manage their foreign trade activities through the web.

Throughout the year clients were informed of news on foreign exchange, services and products through the Trade News communication channels, sent over Patagonia e-comex and the Bank's website.

The Bank kept managing and following up on existing international financing facilities (IFC and CII), and a new credit facility was signed with Société de Promotion et de Participation pour la Coopération Economique S.A. (PROPARCO) in the amount of USD 20 million. This facility is targeted to clients in the agricultural, cattle-raising and agroindustry business. To date, 7 sub loans were disbursed in the amount of USD 7.9 million.

Leasing

The BCRA continued the credit facilities for Productive Investment (Communication "A" 5319, 5380 and 5449), which extended the use of this financial tool by the Bank's clients, especially micro-, small- and medium-sized companies).

Support circuits and systems were improved in order to adequately handle the sharp rise in the volume of transactions, some of which will have an impact on FY 2014.

Means of Payment and Benefits

In 2013, sales of credit cards (both cardholders and additional cardholders) managed to exceed 30% of the established goal. The credit card related lending portfolio reached a YoY 31% growth.

On the other hand, the bank's expenses (credit and debit cards) grew by 30% compared to last year, while income from this business grew by 26%, also compared to last year.

As a complement to the array of services related to payment means, the Visa Entities credit card was launched, offering exclusive benefits targeted to attracting natural persons who already own a credit card as well as the Entities of which such persons are members.

The relation with GPAT Cia Financiera, a related company, was strengthened through the issuance of the Patagonia Auto credit card to all individuals who were granted an auto-loan and met the requirements to be cardholders.

Loyalty Program and Benefits

In 2013 the Bank continued to strengthen the value proposal and benefits offered to all clients through a significant country-wide coverage and important discounts in items and relevant dates (supermarkets, fuel, clothing, tourism, home appliances, back to school, Father's Day, Mother's Day, summer and winter season, New Year's Eve, etc.). The network includes more than 5,000 shops in the country.

At the same time, the **Patagonia Más** benefit and discount program was strengthened. Member clients received at least 15 promotions every month with discounts and incremental benefits.

The **Club Patagonia** loyalty program also played an important role in the process of retention and loyalty building. New products and services were added to its prize catalogue, including exclusive offers such as vouchers, mobile phone recharge and credit card benefits. In 2013 more than 90,000 prizes were exchanged.

Insurance Business

In 2013 the sale of insurance grew by 40% compared to last year. In order to strengthen the Bank's value proposal and with focus on a comprehensive coverage designed and oriented to the various clients' segments, four new kinds of life insurance and accident insurance were launched and new risks began to be covered, such as unemployment insurance for consumer loan clients.

Existing products were also improved and adapted to market trends and the clients' needs, in order to lend full protection to their goods and lives.

Finally, several actions were performed to update and train officials and referents working for customer service channels, in order to improve the quality of customer service and optimize selling opportunities.

Structured Products - Custody

In 2013, the Bank continued promoting the custody and settlement of marketable securities and bonds, both in the domestic and international markets, 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. In 2013 the customer portfolio related to insurance companies grew by 20%.

Moreover, the Bank renewed its commitment to its customers, making its best efforts towards a 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, 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.

Accounts and Packages

The Bank continued to work to attract to clients and efforts were made to retain the existing ones. Through various actions, the offer of products to clients of the various business units and segments was consolidated under the product package model, intended to cover their consumption and financing needs, especially targeted to High Income customers.

Regulations governing accounts were amended, which called for significant changes in processes and systems in order to achieve compliance.

Deposits

In 2013 deposits grew by 19% compared to 2012. Part of this growth was due to an increase of term deposits, which accounted for 51% of total deposits, which grew by 18%, especially in the SMEs, Individuals and Public Sector segments.

Growth in term deposits was taken by various channels, among which the Alternative Channels accounted for 42% of the total portfolio.

The Bank offers several types of term deposits (Traditional, Renta, Renta Plus, Withdrawal Before Maturity, etc.), of which PF Renta grew 188% as compared to the previous year.

In 2013 nearly 13,000 safe boxes were rented, thus keeping the 72% level.

Cash Management

In 2013 the Remote Deposit product was added to the Cash Management Collection service. This new tool – targeted to Large Companies and Corporations – allows to client to set off checks directly from their offices through image digitalization, and offers extended hours to make deposits with online access to information on checks and images.

The number of Cash Management Collection agreements grew 18%, exceeding the 2012 figures by 6%. Fees grew by 30%.

The ISO 9001 certification was renewed for the seventh 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.

In 2013 978,500 transactions were performed, accounting for a 15% growth compared to 2012. Fee volume also increased by 43% compared to the previous year.

A commercial action was carried out regarding the Companies segment, in order to increase the percentage of compensation through new subscribers to the Datanet product. As a result, Banco Patagonia is now one of the banks with more than 1,500 clients, increasing 50% the monthly compensation for commercialization.

As regards Patagonia E-bank Companies, the CBU (single banking code) consultation was added, which offers clients the possibility to obtain the CBU for each working account and to print or e-mail such information.

❑ **Targets of Individuals for 2014**

- ✓ To launch the High Income product with a differential service model.
- ✓ To strengthen the attraction of new clients in the open market through implementation of new retail sale channels and new benefits and discounts per segment and product.
- ✓ To continue increasing the product's profitability through the attraction of new business opportunities.

❑ **COMPANIES**

The commercial relation with the clients is channeled through the following departments:

■ **Corporate Segment**

The year 2013 was the second year of operation for the Unit. Banco Patagonia organized its Corporate Business Unit in the last quarter of 2011 with the intention of serving the companies that had commercial relations with Brazil.

The Unit is made up by an Executive Manager and five Business Departments: Automotive, Auto parts and Transport; Commerce, Technology and Services; Chemical Plants and Laboratories; Infrastructure and Iron and Steel; and Oil, Agribusiness, Fertilizers and Foodstuffs. The purpose is to serve the specific needs of each economic sector as fast and effectively as possible.

In 2013, the loan portfolio increased significantly (47.9%) when compared with 2012, while deposits remained at the same level of last year, evidencing the stronger relation we built with the clients attracted for these types of transactions.

Actions were taken to generate reciprocity relations with the client portfolio, so that **Banco Patagonia** may become a significant operating institution in terms of the array of products and services offered to economic groups.

■ **Enterprise Segment**

In 2013, **Banco Patagonia** continued growing significantly in this segment, focusing its activities on serving SMEs, Agribusiness and Large Companies and reinforcing its appropriate position in the financial market.

By focusing on SMEs, the number of clients active in this segment increased and reached 30,681 (up 24% from December 2012). Strong relations were developed, retaining clients and building loyalty.

The Payroll Services product (payment of wages through bank accounts) outperformed its target and covered 137,241 clients, accounting for a 22% increase from the 112,360 clients as of December 2012.

Loans went up an average 25% YoY as of December 2013.

Deposits increased an average 24% YoY after an aggressive campaign and commercial actions taken to attract the same.

By getting new customers and cross-selling, the annual turnover of the Segment increased 42% from December 2012.

Another major target achieved in 2013 was the number of loans granted under the Productive Investment Facility of the BCRA (Communications "A" 5380 and "A" 5449), which let us be close to our new and old clients in the development and growth of their businesses.

We reached a global business agreement with GM and, through GPAT Compañía Financiera, we continued financing the official dealers of General Motors Argentina and closing large businesses with them.

• **Large Companies**

As of December 2013, there were 3,007 active clients, being **Banco Patagonia** one of the banks with the largest presence and activity in this segment.

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The Regional Managers and the Loans Executive Manager worked together to improve the analysis and loan approval processes and cycles, with results that have had a direct impact on shortening our time for analysis and improving our response time to clients.

In line with these proposals, the Branch Managers and Business Officers worked together with the support of Regional Managers to enhance the commercial offer of the Bank, focused on balancing credit risks, guarantees and packages.

The commercial area put emphasis on the delinquency rates and focused on early detection to improve recoveries. As a result of this effort, more due and payable debts were refinanced faster, and clients with better collateral were identified, thus optimizing the delinquency ratios.

With respect to special campaigns, several actions were carried out to identify opportunities for improvement, such as clients with idle facilities, and to provide Datanet to clients that were using this module with other banks.

The productive investment facilities (BCRA Communications "A" 5380 and "A" 5449) granted to this segment were focused on reciprocity of business, particularly in the case of funds disbursed (Payroll Services). The Payroll Services covered 73,000 clients.

The loan portfolio went up 13.1 % YoY as of December 2013.

Deposits increased 11.8% YoY, from ARS 1.784 billion in December 2012 to ARS 1.994 billion as of the end of 2013.

As a result of an aggressive cross-selling action on existing clients, our annual commissions amounted to ARS 243 million - a 39% increase from 2012.

- **Small and Medium Enterprises (SMEs)**

In 2013, we sustained our efforts to position **Banco Patagonia** as a financial institution clearly identified with Small and Medium Enterprises in Argentina.

The SME Management standardized the strategic concept of the business, simplified the working methods, and improved management information to implement the Bank's strategy. SME officers visited all the branches in the country and met with business officers and, together, they visited clients and prospects.

A new package was launched for the segment. It combines the services and benefits of the Retail and Business segments and aims at what the Bank has defined as "target client", reinforcing the efforts to establish a relation with Merchants (clients that are paid credit/debit card vouchers through the Bank).

Additionally, and as a result of a joint effort with the Product Development Department, a complete and competitive product was launched for Organizations (Clubs, Schools, Associations, Homeowners associations, etc.). Both the organizations and their members may benefit from this product, because it provides an integral offer for the Consumer and Enterprise Segments.

In terms of volumes of business, the loan portfolio averaged ARS 1.774 billion as of December 2013. We may highlight that the Bank's allocation of productive investment lines (BCRA Communications "A" 5380 and "A" 5449) resulted in good performing loans for the SME segment.

As of December 2013, average deposits totaled ARS 2.377 billion - up 40% from last year. . They consisted of 67% sight deposits and 33% time deposits.

In line with the larger customer base and the subsequent increase in the number of transactions, service fees went up and totaled ARS 233 million in 2013, representing a 44% increase from 2012.

- **Agribusiness**

Agribusiness still shows a huge potential to be developed by the Enterprise Segment all around the country.

The activity of this sector in the 2012-2013 campaign was shaped by a moderate decrease in grain prices, a severe drought in the Northern area for the second year in a row, and the increase in the price of live cattle towards year-end. At the end of the season, the volume of grains harvested increased significantly, but the general profitability level of the sector was impaired.

The greater need for working capital by farmers resulted in a higher volume of sales for the Bank. Loans to this sector averaged ARS 2.145 billion, representing a 50% increase from 2012. In 2013, all farmers chose to be financed in Argentine pesos and not in US dollars, as they have historically done.

The agreements signed through the **Tarjeta Agropecuaria** agribusiness card were one of the highlights of the year. The volume of operations increased when compared with 2012 and totaled ARS 205 million. The penetration expectations were met, since 45% of the clients now have a **Tarjeta Agro**.

With respect to long-term special financing facilities, the PROPARCO (Société de Promotion et de Participation pour la Coopération Economique S.A) line was promoted. This facility is intended to finance agricultural-livestock investment projects.

The results were also satisfactory in terms of the evolution of the portfolio of clients. New branches were opened this year in areas completely dedicated to agriculture, and the move was key for the strategy. In 2013, 230 new clients were added, thus reaching a total number of 1,353 active clients as of year-end.

Several commercial actions were carried out in collaboration with the Corporate segment to attract clients, and the Bank was present at various events organized by this sector, such as rural exhibitions, livestock auctions and several trade fairs. Our intention is to be close to prospects and increase cross-selling to existing clients.

❑ **Targets of Enterprise for 2014**

- ✓ To continue incorporating active clients in all segments, particularly Corporate, by means of a competitive offer of loan and transactional products.
- ✓ To put more strategic emphasis on the Payroll Services for Enterprises, building up client loyalty, increasing the rate of return of each client, and significantly expanding the Consumer client base in the open market.
- ✓ To strengthen the Agribusiness segment through the development and expertise of the Bank's officers, by opening branches in specific locations, developing products and having a greater presence in the events organized by the agricultural sector.
- ✓ To continue providing support to the productive development of our clients, mainly SMEs, being close to their need for working capital and investment, and taking special advantage of the programs promoted by the BCRA.
- ✓ To strengthen the relation with the existing clients so as to grow in the number of transactions, particularly in the Cash Management and Foreign Trade areas.

❑ **FINANCE**

In 2013, the domestic stock market grew 42%, when measured in US dollars, and the volume of transactions increased 51%. This performance is in line with the behavior of developed international markets, since the United States and Europe closed the year with increases higher than 25% in average.

In line with the market performance and the objectives of **Banco Patagonia**, the volume of currency futures increased in the fourth quarter of the year. To take advantage of the momentum, the Bank also started to operate as stock agent at ROFEX (Rosario Financial and Agricultural Derivatives Exchange), with the purpose of strengthening its position in the Agribusiness segment.

Banco Patagonia improved its position in the purchase and sale of government and corporate securities, ranking among the top 10 banks in terms of volume of business as of November 2013.

In 2013, the Trading Desk changed its structure to adapt the same to the Bank's positioning objective and to continue growing in this segment. Three working teams were organized (trading, sales and balance management) to gain more specialization and build up a closer relationship with clients.

These changes are expected to have a significant impact on the business position and dynamics in 2014.

The Financial and Non-banking Financial Institutions and Institutional Entities sector is the leader in serving clients that need financial, transactional and investment services. Its quality standard for financial products and services is very high and developed in a careful environment of operational support.

The Bank offers a wide array of financial assistance products through factoring, structured and syndicated loans, issuance of publicly traded bonds and trusts.

This year we worked on strengthening the relation with institutional investors, providing them with global custody services, transactional services, and attracting their investment portfolio.

Additionally, this area gives commercial support to the Trading Desk (when dealing with other Financial Institutions in the market), Financial Companies, Lending Institutions and Institutional Investors, by providing Treasury products.

An International Business Department was created in 2013. Its major function will be to manage lending facilities for the Bank and its clients through commercial banks and international institutions (CAF, IDB, ICC, PROPARCO, FMO, IFC, among others). It will also be focused on strengthening our interaction with Banco do Brasil and its foreign operating units, to be able to identify business opportunities and support the Bank's clients in the projects they may have outside Argentina.

At international level, **Banco Patagonia** was once again supported, at all times, by its correspondent banks, which let it cope with the needs and transactions of its clients in relation to the international facilities required by them. Multilateral lending institutions like the International Finance Corporation and the Inter-American Investment Corporation have continued supporting the Bank through their financing facilities. Additionally, the first financial loan from Proparco to **Banco Patagonia** was disbursed.

❑ **Targets of Finance for 2014**

- ✓ To continue with a conservative policy in the management of assets and liabilities, maintaining adequate liquidity and profitability ratios.

- ✓ To maintain a diversified portfolio of financial products and services, highly competitive in terms of price and scope.
- ✓ To develop new service alternatives for the various sectors in the department, putting emphasis on institutional clients.
- ✓ To give further advice and service to the Enterprise commercial areas in topics related to international operations with correspondent banks.
- ✓ To maintain and strengthen the relation with correspondent banks, to provide more support to our clients in international businesses.

□ PUBLIC SECTOR

In 2013, we have been working on strengthening the specialized service model for the sector, either by ensuring the loyalty of the clients with a long-term relation with the Bank or by building new relations with national, provincial and local agencies.

To that effect, a new service model was developed. It is adapted to a region-based distribution that better serves the Branch Network and create synergies.

New clients were attracted after negotiations with provincial and municipal governments. Some of them closed lending transactions with the Bank that helped, and will help, develop new businesses in the future targeted at services to the payroll and to the Enterprises and SMEs that are suppliers to these clients.

Banco Patagonia continued developing its ties to Institutes of Advanced Studies and expanded its array of financial products. By putting more emphasis on the rating level and allocation of lending facilities, we may keep on developing sustainable commercial actions. Deposits have grown steadily, as well as the management of the budgetary resources of such institutions.

The commercial actions targeted at the Armed and Security Forces segment resulted in a higher volume of transactions. Likewise, this operation shows new investment clients and other new clients that became active or renewed their relation with the Bank in their search for financial assistance and credit rating.

The Bank's role as Financial Agent of the province of Río Negro has gained strength, giving support to the client's demand in a very dynamic and changing environment.

After reaching an agreement with the province of Río Negro, a branch office was opened in Lamarque and 13 ATMs and 9 SSTs were installed, thus totaling 20 branches, 97 ATMs and 37 SSTs in such province.

Several financing transactions were made with municipalities and government-owned companies in the Alto Valle, Cordillera and Viedma regions, where deposits also went up.

□ Targets of Public Sector for 2014

- ✓ To provide customized solutions to the Public Sector, giving support to the sector through transactions that fuel the growth of both parties.
- ✓ To be focused on strengthening the specialized service model with the purpose of increasingly expanding the business at national, provincial and municipal level.
- ✓ To maximize the profits of the business with a comprehensive vision, trying to generate an impact on the Public Sector Business Unit and in other Business Units as well, particularly the Consumers Segment.

□ Infrastructure, Technology and IT

To implement the business strategy formulated by the Board of Directors, several software development and technological implementation actions were carried out. Some of them are described below.

In the first four months of the year, the whole production of the Bank was served from the Contingency Data Processing Center. All branches were provided with service, ATMs, SSTs, consumer and corporate Home Banking and batch, daily, weekly and monthly processes were run and printed out seamlessly.

This proved the Bank has capacity enough to process its daily and usual operations from its alternative data processing center, for as long as needed and with the same efficiency as if processed by the main facility.

ATMs were migrated to the new IP technology, as well as the hardware platform and the software version related to that technology. The new platform will have chat rooms available for all workstations. The same technology was used in a new money desk system, not only for modernization purposes, but also to provide high availability to the main system and the operations of dealers.

The communication service contract was renegotiated and the bandwidth in the Branches Network was expanded to improve connectivity. The bandwidth of the electronic channels used for e-bank Consumers and e-bank Business was also expanded. WIFI was installed in the Av. de Mayo facilities, providing connectivity to the whole building.

ServiceDesk was deployed and implemented. This is an internationally-known product that replaced in-house development tools used for Incident, Applications, Problem and Change Management.

The Client Service systems were adjusted to comply with the provisions of BCRA Communications "A" 5388, 5460 and 5374. To that effect, procedures, forms and manuals were amended.

A risk matrix was designed and implemented. Based on the analysis of various factors, the matrix determines the risk profile of each client in terms of money-laundering risks.

In 2013, the Business Continuity Policy was prepared and approved. Following the guidelines of this policy, the Business Continuity Plan (BCP) was implemented. The BCP includes strategies to be followed in case of unavailability of systems or human resources and critical suppliers, or if the access to the working place or working in there becomes impossible. Similarly, different contingency positions were created at various departments in the Bank.

The implementation of the BCP was made under an intensive training program (both in general and in particular, depending on the groups involved), supported by communication actions aimed at promoting knowledge of the Plan and raising awareness throughout the Bank.

The Information Security Management System (ISMS) was recertified under ISO 27001. It covers the activities that control the logical access to information and monitoring and maintenance of the controls required to appropriately provide confidentiality and integrity services to both internal and external customers. The result of the second review was very positive and there was no "nonconformity" to the standard.

Finally, the follow-up and certification audits of the Quality Management System (QMS) under ISO 9001 were successful. This QMS was implemented for Cash Management – Payments, Payroll Services, Securities Custody and Complaints and Claims Management. None of the certified processes showed "nonconformities".

The plan for 2014 is to continue improving the availability rates of the IT services to minimize the downtime dedicated to infrastructure maintenance tasks, night processing and incident reduction, and to continue expanding the data links between the home office and the branches, so as to reach all locations with better and improved communication services.

□ **Human Development and Corporate Climate**

As a result of the Bank's sustained growth, and in accordance with the structure changes occurred in 2013, the internal development of employees was pursued, promoting new actions to generate more labor opportunities and focus on the Branch Network.

In 2013 the Internal Communications and Corporate Climate Executive Office was created as an answer to the need to work with emergent individuals, as appearing from the Survey on Corporate Climate carried out by the end of 2012.

Some of the main purposes of this new Executive Office are to manage corporate climate, detect emergent individuals, design, promote and follow-up actions, generate communication channels to promote and ease integration processes and further the employees' sense of belonging.

Corporate Climate

Banco Patagonia promotes several recreational activities intended to strengthen integration bonds among the employees and opportunities to exchange experiences. The program of benefits for employees and their families went on. Some of the most outstanding activities and benefits were:

Photo Club

During its second year, the use of a web platform was promoted to integrate employees throughout the country who share the passion for photography and can exchange their work and experience with styles. Awards were given to photographs with the best technique and framing.

Marathons

The Bank was present again in several marathons, some of them benefit-oriented. Employees took part at the Chevrolet, YMCA-UTN and Avellaneda marathons, while their families could join them at the Hospice San Camilo marathon.

“Nuestros hijos se expresan en estas fiestas” Drawing Contest

This year 188 children between 4 and 12 years old took part in the contest to make Christmas related drawings. Winning drawings were used to illustrate the Christmas cards sent to the Bank's customers and suppliers.

Family Day

In October there were several celebrations. In Buenos Aires 1,700 people enjoyed the day with their families in a theme park; in the provinces, more than 700 guests also celebrated by taking part in several events. Besides, the employees' children visited their parents' working places.

New Year's Eve Celebrations

Two institutional parties were given, one in the city of Neuquen and the other in Rosario, in which employees from the regional branches took part. Besides, a party was organized in the City of Buenos Aires, to which more than 1,200 employees attended. Other local parties were given in other cities throughout the country.

First Aid Conferences

First aid conferences were organized in order to raise awareness on the main aspects of first-aid, recommendations when faced to critical situations and basic resuscitation maneuvers.

Presents to Employees

The Bank offered presents to its employees on the most important days of their lives, such as births, graduation, Children's Day, Acknowledgment of Career and school supplies.

Employee Assistance Program

During FY 2013 the Bank continued to support employees and their direct relatives in critical situations, such as cases of accident, illness or other special problems. Since its establishment, the Program has provided relief in more than 550 cases.

Day Care Center

The Bank pays an allowance for day care costs to employees who have children below elementary school level. Besides, employees with children up to 12 years old have an allowance for summer camp expenses. There are also benefits for employees with disabled children. Also, there is a special allowance in case of death of the employees' direct relatives.

Life Insurance

Life insurance, additional to the mandatory one, is available for all employees.

Internal Communication

In 2013 efforts were made towards the management and administration of communications oriented to the Bank's personnel; focus was also placed on innovation.

Outstanding actions include publication of new issues of the in-house magazine "Punto de Encuentro", which reached more than 3,000 copies.

The main news in the Branch Network, such as the opening of new branches, were communicated, as well as different internal development actions, many of them brought about by the customer desks opening.

Besides, news was communicated through internal mail (**Bptodos**) and through the Human Development and Corporate Climate section in the Intranet.

Bulletin boards also were part of various communicational campaigns carried out during the year, with information of subjects such as Volunteer Campaigns, Performance Management, BPFAN, New Career Opportunities, etc. As every year, this sector took part in the preparation and revision of contents for the Corporate Social Responsibility Report.

Jobs and Career Opportunities

In 2013 300 employees were hired and there were more than 250 internal promotions. Nearly 76% of these promotions were related to the Branch Network, and intended to be an answer to growing business needs.

As part of the policies and actions oriented to internal development, several Internal Searches were published and the Career Orientation Channel provided advice related to the coverage of the Organization's various needs.

Training and Development

Training actions carried out during 2013 were aimed at providing tools for the more efficient performance of the duties assigned to every office and position within the Bank.

One of the outstanding events in the year was the launching of Banco Patagonia's **new School of Business**, featuring its first **Training Program for New Branch Managers**.

The main purpose is to provide comprehensive training and tools so that candidates may fill, in future, a position as Branch Managers, to follow the projected growth of the Bank's Branch Network through education, and to generate new development opportunities for those working in the organization who have the required potential and strive to build up their careers within the Network.

This Program was developed in conjunction with the University of San Andres, and includes matters related to Business Management/Operations, Commercial Management, Risk Management and Staff Management. It provides for 108 training hours and one month training in Branches.

The program ended in December and, of its 26 participants, 6 were already appointed as Branch Managers, the remaining appointments being still pending.

Besides, more than 180 employees enrolled in external training activities on matters related to the industry, and 24 internal training programs were given, totaling more than 2,100 in-class training.

Besides, in 2013 the offer of **e-learning** courses was increased, with a total of 17,700 training hours, which allows teaching an updated curriculum throughout the country.

This year the Program for Young Professionals closed, with the appointment of 9 participants to different positions within the Branch Network after receiving intensive training to perform their duties.

This program won a prize awarded by Grupo Brasil in the category job creation, within the Integration Contest organized by that institution.

Finally, in 2013 training was provided to a great number of employees through courses, workshops, scholarships and special programs. In this regard, 36 scholarships were granted for graduate studies, 16 for post-graduate education or masters degrees, and 19 for other academic programs organized by ADEBA and the Argentine Catholic University.

Focus on Quality

The **Quality Referents Program** is composed of 269 members throughout the country. The program had a 4.3% growth in 2013, accounting for a 93% coverage, which means that the Bank has at least one Quality Referent by branch and/or executive office.

In turn, 1,550 suggestions were channeled through the Employees' Suggestion Program, of which 580 initiatives have been implemented or are under implementation. 2013 saw the highest level of involvement by employee over the last three years.

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. In 2013, 175 quality activities were carried out, with the participation of more than 450 employees from various levels and sectors.

Clients' suggestions are being received through the new Customer Service Quality Survey, which is carried out for the fourth year in a row.

The intention for 2014 is to provide employees with stronger development tools, training and opportunities to carry out their career plans in line with the Bank's growth. At the same time, the concept of customer service quality is pursued, promoting proactive personal attitudes and a constant effort towards collaboration among the Bank's various areas.

9. □ CORPORATE SOCIAL RESPONSIBILITY

Banco Patagonia, as a federal bank that is present in all Argentine provinces, stands as a social actor that promotes projects related to Education, Culture, Sports and Environment through its Social Responsibility strategy.

In order to carry out these projects, the Bank works through alliances with renowned and qualified social organizations. Projects are selected taking into account the criteria established by the Bank in accordance with the values promoted by the organization, such as regional economies development, transparency and integration of vulnerable groups.

Institutional Actions and Programs

Education

Within the Tax Credit Project organized by INET (the National Institute for Technological Education) twelve education projects with career opportunities were sponsored. These projects were carried out in Buenos Aires, Catamarca, Chubut, Formosa, Río Negro, Salta, Santa Fe and Santiago del Estero.

Working together with Fundación Cruzada Patagónica, 45 high school scholarships were awarded to young people from the province of Rio Negro who must travel over 50 km to the Agro-technical Comprehensive Study Center in that province.

The Universities Program and the Payroll Services Executive Office awarded education and research scholarships to the main national universities of the country, IT classrooms were donated and outreach areas received support intended for sports and cultural programs.

The Outstanding Young People Prize reached its fifth 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 who obtained the highest scores from each Regional UTN have the chance to become familiar with the facilities and put their knowledge into practice.

The Bank was beside Fundación Leer in its 11th Marathon Reading, which this year reached more than 4.2 million children, young adults and adults who could read in more than 13,272 educational facilities, in more than 2,600 places throughout the country.

Through Becas Cimientos, 29 young people from the provinces of Rio Negro, Neuquen and Catamarca received the Bank's support.

The educational program entitled "Socios por un Día", oriented to students graduating from high school, promotes sharing a working day, so as to have a glimpse into the world of labor. This activity was carried out in the cities of Cordoba and Rosario.

The Bank also sponsored "Nosotros Queremos" in the provinces of Cordoba, Mendoza, Neuquen and in the City of Buenos Aires, a contest organized to promote the sense of commitment and responsibility towards the community in students who are taking the Specialization Course.

Culture

In 2013, 22 cultural projects were sponsored under the terms of the Patronage Law – Cultural Promotion System of the City of Buenos Aires.

New premium 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, for special performances by the Fundacion Amigos del Teatro San Martin and for concerts organized by Collegium Musicum in the Teatro Larreta.

Cultural projects in several communities in which the Bank is present were supported through the branches located in those provinces.

Sports

The Bank supported benefit-oriented marathons organized by Hospice San Camilo, the YMCA-UTN Aerobic Contest, the Chevrolet Marathon and the University of Avellaneda Marathon.

Also, the New Special Olympics were sponsored, to support young disabled athletes in several sports.

Equipment for sport practice was donated to the Rugby Viedma Club in the province of Rio Negro. This club is carrying out a program for the social inclusion of vulnerable young people through sports.

Environment

Handicapped young people who are currently studying to become Environment Specialists were granted scholarships through the Green Helmets Association.

Support was lent to environment education projects promoted by Fundacion Cuidemos Nuestra Casa in the city of Puerto Deseado, province of Santa Cruz.

The Bank continued the internal campaign aimed at raising awareness on the rational use of paper. At the same time, the electronic issuance of Visa and Amex credit card statements was promoted in order to minimize use of paper. ..

Waste Electrical and Electronic Equipment (WEEW) is managed through a certified operator, who is responsible for sustainable final disposal.

This year more than 200 kg of plastic caps were donated to Hospital Garrahan for their recycling campaign.

In summer, at the Las Grutas seaside resort, province of Rio Negro, recreational activities were organized to reduce, reuse and recycle waste and promote the care and preservation of the environment.

Corporate Volunteering

On Children's Day, the Bank organized a campaign and invited its employees to donate toys to various institutions that take care of low income children. The institutions are proposed by the employees and the Bank assigns a certain amount of money to buy and donate new toys. More than 1,000 toys were donated to 19 institutions in 2013.

Corporate volunteering was extended to several provinces; work with TECHO (Un Techo Para Mi País Argentina) was carried out. The TECHO volunteer program is being developed since 2011 and more than 500 volunteers have joined up to date; 30 houses were built and the same number were donated to TECHO. In 2013 the Bank reached new communities in the provinces of Salta, Corrientes and Misiones.

Support to Social Economy Local Development

As a Bank with wide geographical presence throughout the country, several local development initiatives were supported, fostering entrepreneurship and strengthening regional social economies.

In this regard, several actions were carried out, such as support to programs organized by various national universities and their outreach areas.

The Contest "Tres Arroyos Emprende" was organized with Fundacion Impulsar, with the purpose of awakening an entrepreneurial sense in young adults older than 18 and of strengthening the Bank's commitment to the development of regional economies. More than 15 projects were submitted, of which 4 were selected to receive micro-loans financed by the Bank.

By the close of this year, the project had been added to the Observatory of Good Practices, Fundacion Compromiso. Besides, the project is participating for the Beyond Banking award, a program of the Inter-American Development Bank.

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 working sessions on CSR and Sustainability.

In 2013, the CSR International Conference organized by IARSE, “Understand, Comprehend, Lead: The Power of Inspiration” and the National Forum on CSR and Sustainability, “Responsible Management in Complex Environments”, organized by MoveRSE, were sponsored. The Intranet and corporate website continued to publish information on the CSR programs promoted by the Bank, in order to make them known to several interest groups.

CSR programs are also given publicity in local and national mass media and on the social networks.

Finally, the Sixth Report on Social Responsibility was drafted, including the Bank's programs on sustainability in the economic, social, and environmental fields. This reports lends more importance to matters on corporate governance, transparency and risk management, relationship and dialog with interest groups, and strengthening of volunteer actions, in line with market trends.

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

Buenos Aires, February 06, 2014

THE BOARD OF DIRECTORS

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

	Compliance		Non-compliance ⁽¹⁾	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
PRINCIPLE I. TO DISCLOSE THE RELATION BETWEEN ISSUER, THE BUSINESS GROUP OF WHICH ISSUER IS THE LEADER AND/OR A MEMBER, AND ITS RELATED PARTIES				
<p><u>Recommendation I.1: to secure disclosure by the Governing Body of policies applicable to the relation of Issuer with the business group of which Issuer is the leader or a member, and its related parties.</u> Answer whether: Issuer has a <u>an internal rule or policy governing the authorization of transactions between related parties</u> -in accordance with Law No. 17.811, sect. 73-; or operations performed with shareholders and members of the Governing Body, senior managers and statutory auditors, within the Business Group of which Issuer is the leader and/or a member.</p> <p>Explain the main guidelines of such internal rule or policy.</p>	x			<p>The Board of Directors has established a policy regarding the "execution of acts or agreements between Banco Patagonia and a related party for a significant amount", the main items of which provide that, before entering into an agreement with a related party for an amount higher than 1% of the shareholders' equity, the areas that are responsible for assisting the Board regarding compliance with the provisions for authorization of these transactions in accordance with sections 72 and 73, Act No. 26.831 must give their opinion.</p> <p>The procedure is the following: after the Board of Directors, or any of its members, receives for authorization a transaction with a related party for an amount higher than 1% of the shareholders' equity, it must require the Audit Committee to review such transaction, and to issue an opinion within five business days stating whether the conditions under which the transaction is proposed to be made are reasonably adequate in accordance with market conditions. The Board of Directors may, if deemed necessary, require the opinion of independent assessing firms.</p> <p>If from the requested opinion it should appear that the conditions of the transaction are not considered as reasonably fair under market conditions, the transaction shall be submitted to the previous approval by the shareholders' meeting.</p> <p>If the conditions of the transaction are considered as reasonably fair under normal and regular market conditions, the Board of Directors shall approve it and state, in the relevant minutes, the vote cast by each Director. The Audit Committee's opinion, and the independent assessing firm's opinion, if applicable, is/are placed at the shareholders' disposal on the business day after the Board has adopted the corresponding resolution, and shareholders are informed thereof through the Market Bulletin. Besides, the transaction is reported to the market and the authorization is filed with the Argentine Securities Commission and the Buenos Aires Stock Exchange, in accordance with the provisions of the Public Offering Transparency System.</p> <p>Any credit facility, whatever its amount, granted to related companies or individuals is subject to certain limits established by the Argentine Central Bank ("B.C.R.A.") as a ratio of Accountable Equity</p>

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	Total ⁽¹⁾	Partial ⁽¹⁾		
				Responsibility and the "CAMELBIG" rating system (applied by the B.C.R.A. Foreign Exchange and Financial Institutions Regulatory Agency), and the type of financing in question. The Statutory Audit Committee must issue monthly reports on compliance with this system.
<u>Recommendation I.2: To secure that mechanisms are in place to avoid conflicts of interest.</u> Answer whether: any regulations in force notwithstanding, Issuer has clear policies and specific procedures to <u>identify, handle and solve conflicts of interest</u> which may arise among members of the Governing Body, senior managers and statutory auditors, in their relation with Issuer or with persons related to Issuer. Describe any relevant aspects thereof.	x			The Entity has developed mechanisms to avoid conflicts of interest, which include mainly the enforcement of a Code of Ethics, which is binding on all senior managers and other employees, and the definition of potential conflicting situations, in 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 the Business Companies Act, section 271, and related provisions.
<u>Recommendation I.3: To avoid undue use of privileged information.</u> Answer whether: Any regulations in force notwithstanding, Issuer has policies and mechanisms to avoid undue use of privileged information by members of the Governing Body, senior managers, statutory auditors, controlling shareholders or shareholders exerting a significant influence, and the remaining persons mentioned in Decree No. 677/01, sections 7 and 33. Describe any relevant aspects thereof.	x			The Entity has established an internal policy on publicity and disclosure of information. 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. Any person having information on development of the Bank's business must treat such information 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 trading.
PRINCIPLE II. TO SET THE FOUNDATIONS FOR A SOUND MANAGEMENT AND SUPERVISION OF ISSUER				
<u>Recommendation II.1: to secure that the Governing Body is in charge of the management and supervision of Issuer and its strategic orientation.</u> Answer whether:				
II.1.1 the Governing Body approves:				
II.1.1.1 the strategic or business plan, as well as the management goals and annual budgets,	x			<p>The Board of Directors approves the Business Plan and Projections in accordance with B.C.R.A. regulations.</p> <p>The Business Plan includes the definition of the business strategy and the implementation of policies and projection of goals and objectives set for accomplishment thereof.</p> <p>Projections reflect the impact of the Business Plan on the Balance Sheet and on compliance with prudential regulations, by means of the projection of values, under assumptions furnished by the B.C.R.A.</p> <p>Additionally, every year the Board approves the budget covering the following three fiscal years.</p>
II.1.1.2 the policy on investments (in financial assets and capital goods) and financing,	x			The Business Plan and Projections approved by the Board of Directors, as explained in item II.1.1.1., include the investment policy.
II.1.1.3 the corporate governance policy (compliance with the Code on Corporate Governance),	x			The Board of Directors has approved a Code of Corporate Governance that embodies the guidelines published by the B.C.R.A. and the Argentine Securities Commission ("CNV"), which is reviewed and updated every year. Securing compliance with its provisions is part of the Board of Directors' competence, and is documented in the minutes of the Board of Directors.

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
II.1.1.4 the policy on selection, assessment and compensation of senior managers,	x			<p>The Board of Directors approves the methodology used for the selection, assessment and compensation of Superintendents and Senior Managers, with the assistance of the Superintendency of Human Development and Corporate Climate.</p> <p>The purpose of this policy on selection and admittance of personnel, in general, is to employ trained and motivated individuals to carry out their responsibilities, preserve human qualities and ethical conditions, privilege personal merits and professional conditions, and give priority to internal candidates if they have proper qualifications for the position to be filled.</p> <p>As regards compensations, the main purpose of the policy is to preserve internal equity among officers, and to adopt a competitive stand regarding the external market. For such purpose, the Entity has implemented a Performance Management process to identify the employees' individual development, which also uses data from market surveys. Thus, any measure taken regarding compensations has to be supported by information originating in these two tools.</p>
II.1.1.5 the policy on assignment of responsibilities to senior managers,	x			As Banco Patagonia is going through an expansion and growth process, in order to assign responsibilities to all managerial levels and to secure more streamlined processes and operations, the Board of Directors has approved an amendment to the organizational structure, reflected in the missions and functions of each area as established in the Organization Manual.
II.1.1.6 the supervision of plans for the succession of senior managers,	x			Banco Patagonia 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 continuing education and assessing current needs in accordance with the positions to be filled in future.
II.1.1.7 the policy on corporate social responsibility,	x			Corporate Social Responsibility is a voluntary commitment of Banco Patagonia and its stakeholders. The Board of Directors has approved a policy on such matter, providing the guidelines to perform specific actions in the culture, education, sports and environment areas, and to define the area's territory, strategy, organizational structure and roles.
II.1.1.8 the policies on the comprehensive management of risks and internal control and fraud prevention,	x			The Board of Directors is the highest authority responsible for establishing a strategy that is adequate for comprehensive risk management, must approve the policies on this matter and is also in charge of the entity's internal control. In FY 2013 the Board approved a policy to handle fraud, unlawful and irregular acts, applicable both to the Entity and its subsidiary companies.
II.1.1.9 the policy on continuing training and education for members of the Governing Body and Senior Managers, If such policies are in place, describe the main aspects thereof.	x			Banco Patagonia's Board of Directors promotes the permanent training of all of the organization's members. Every year a budget for training is approved, including an extensive choice of internal and external training activities. Besides, both Directors and managers take an active part in various industry and bank associations' forums, as well as conferences and events led by economists and banking specialists. Please see item II.7.1. in this regard.
II.1.2 if deemed relevant, mention other policies applied by the Governing Body that have not been referred to, and describe their main aspects.	x			<p>The following are other policies applied by the Board of Directors:</p> <ul style="list-style-type: none"> - Code of Banking Practices: provides a framework for the relation between clients and the Entity regarding the rendering of banking services. - Personal data protection: sets the regulations to secure proper treatment of the clients'

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	Total ⁽¹⁾	Partial ⁽¹⁾		
				<p>personal information.</p> <ul style="list-style-type: none"> - Policy on treatment of users of financial services: establishes procedures and guidelines for the proper working and control of customer service. - Quality policy: sets conducts and regulations to promote a culture of quality within the organization, in line with the vision, mission and values of Banco Patagonia. - Policy on Prevention and Control of Money Laundering and Terrorism Financing: establishes guidelines and procedures to minimize the risks related to this matter and secure compliance with applicable regulations.
<p>II.1.3 Issuer has established a policy to secure availability of relevant information for decision-making purposes by the Governing Body, and a direct consultation line with managerial levels, which is symmetrical to all members (executive officers, external and independent); such policy also provides for disclosure of relevant information fairly in advance to allow for an adequate analysis thereof. Explain.</p>	x			<p>Banco Patagonia's organizational structure, as well as the working of several Committees and the strategic selection of their members, were designed not only to secure a clear assignment of responsibilities, but to secure as well that the Board of Directors and managerial levels have the necessary information in time to take decisions which are sufficiently supported by such information.</p> <p>The Board of Directors meets at least once a month, and information on the subjects it must approve or acknowledge is available fairly in advance for assessment. Some of its members are also members of some Committees, governed by internal regulations, and the Board in its meetings is informed of the matters handled by each Committee and presented with the relevant support information.</p>
<p>II.1.4 Matters submitted to the Governing Body's consideration include an analysis of the risks associated to the decisions that may be adopted, taking into account the corporate risk level defined as acceptable by Issuer. Explain.</p>	x			<p>Banco Patagonia has established Policies and Procedures for Risk Management; a Global Risk Committee and an Operational Risk Committee are responsible for application of their provisions. The Board of Directors has approved thresholds and limits for exposure to each significant risk, and a pattern of the powers to authorize such exposure. All matters that are submitted to the Board of Directors' consideration include clear rationale on the need to approve them, as well as of the economic impact the proposal may bring about.</p>
<p><u>Recommendation II.2: to secure an effective control of Issuer's management.</u> Answer whether: The Governing Body verifies</p>				
<p>II.2.1 compliance with the annual budget and business plan,</p>	x			<p>The Board of Directors has created the Budget and Information Executive Office, reporting directly to the Board, which is responsible for drafting the annual budget and business plan, perform management control, detect any departure from its provisions and carry out variance analysis.</p>
<p>II.2.2 senior managers' performance and their compliance of the goals set regarding their responsibilities (profits expected vs. profits achieved, financial qualification, financial reporting quality, market share, etc.).</p> <p>Describe any relevant aspects of the Entity's policy on management control with a detail of the techniques employed and frequency of the monitoring performed by the Governing Body.</p>	x			<p>In order to monitor the Bank's management, the Board verifies the implementation of strategies and policies, compliance with the budget and the operations plan, and monitors the managers' performance as regards the established goals and planned revenue. A balanced scorecard is distributed among Directors and senior managers every month to summarize the evolution of the main variables, business lines and indexes, and to compare them with budgeted parameters.</p>
<p><u>Recommendation II.3: to disclose the process for evaluation of the Governing Body's performance and its impact.</u> Answer whether:</p>				
<p>II.3.1 each member of the Governing Body complies with the provisions of the Bylaws and the Internal Regulations, if applicable. Detail the main guidelines of</p>	x			<p>The Bylaws provide for the constitution and operation of the Board of Directors. Each member complies with all the provisions, and their roles are described in section 13 of the Bylaws.</p>

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	Total ⁽¹⁾	Partial ⁽¹⁾		
the Internal Regulations. State the level of compliance with provisions of the Bylaws and Internal Regulations.				
<p>II.3.2 the Governing Body report their results taking into account the objectives set at the beginning of the period, so that shareholders may assess the level of compliance with such objectives, including both financial and non-financial matters. Additionally, the Governing Body submits a diagnosis of the level of compliance with the policies mentioned in Recommendation II, items II.1.1. and II.1.2.</p> <p>Detail the main aspects of the <u>assessment by the Shareholders' General Meeting on the degree of compliance with established objectives by the Governing Body</u> and of the policies mentioned in Recommendation II, items II.1.1 and II.1.2, stating the date of the Shareholders' Meeting that considered such assessment.</p>	x			<p>Every year, the Board of Directors submits the results of their activities by issuing an Annual Report and audited Financial Statements, which are available to the shareholders before the Shareholders' Meeting that is to consider such documents. As provided for in the Business Companies Law, the Annual Report is complementary to the Financial Statements and is submitted by the Board to the Shareholders, including a detail of outstanding events during the year, the reasons for the present business situation, future projections and the reasons for significant changes in assets, liabilities and profit/loss. The Statutory Audit Committee must issue an opinion on the Board's Annual Report, and Shareholders may request any explanation and/or additional information they deem necessary.</p> <p>Additionally, the Shareholders' Meeting considers the Board's management and the acts performed by its members, which, until today's date, have been approved without any objection being raised. The last Shareholders' Meeting that approved the Board's acts was held on April 24, 2013.</p>
<u>Recommendation II.4: that external and independent members are a significant proportion of the Governing Body's members. Answer whether:</u>				
<p>II.4.1 the proportion of executive, external and independent members (the latter defined by this Committee) of the Governing Body bears a relation to the Issuer's capital structure. Explain.</p>	x			<p>Banco Patagonia's corporate capital is divided into 3.1656% class "A" shares (held by the Province of Rio Negro) and 96.8344% class "B" shares, of which 16.44% represent shares placed by public offer.</p> <p>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.</p>
<p>II.4.2 During this year, the Shareholders' Meeting decided on a policy oriented to maintaining a proportion of at least 20% of independent members on the total number of members in the Governing Body.</p> <p>Describe the relevant aspects of such policy and of any shareholders' agreement so as to explain how members of the Governing Body are appointed and for how long. State whether the independence of the Governing Body's members has been objected in the year, and whether there have been any abstentions due to conflicts of interest.</p>	x			<p>In accordance with the Bylaws, the Board of Directors is composed of a minimum of seven and a maximum of nine Regular Directors, who are elected for a three-year term. The Shareholders' Meeting has appointed nine Regular Directors, one representing the province of Rio Negro, holder of class A shares, and eight representing class B shares; of the latter, two are independent directors, accounting for more than 20% of independent Directors representing this class.</p> <p>The independence of Board members has not been objected to, and there have been no abstentions due to conflicts of interest over the year.</p>
<u>Recommendation II.5: to be committed to rules and procedures for the selection and proposal of members to the Governing Body and of senior managers. Answer whether:</u>				
<p>II.5.1 Issuer has established an <u>Appointments Committee:</u></p>		x		<p>Banco Patagonia follows the guidelines established in B.C.R.A. regulations to appoint Board members or managers with decision-making powers on operative matters, for the compliance of which they are the main responsible officers. Therefore, any aspects related to criteria for the appointment of such officers are already defined in B.C.R.A. regulations.</p> <p>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</p>

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				Act and the Bylaws are fully observed. Appointment of Superintendents and Senior Managers is decided by the Board of Directors. The appointed Superintendents and Managers must meet the same requirements on prohibitions and incompatibilities as Directors.
II.5.1.1 composed of at least three members of the Governing Body, with a majority of independent members,				Not applicable.
II.5.1.2 presided over by an independent member of the Governing Body,				Not applicable.
II.5.1.3 composed of members with qualifications and experience on human capital policies	x			Banco Patagonia has created a Superintendency of Human Development and Corporate Climate, staffed with specialists in human capital matters, who are responsible for the coordination of policies on the development of individuals within the organization, and for providing them with career opportunities.
II.5.1.4 that meets at least twice a year				Not applicable.
II.5.1.5 the decisions of which are not necessarily binding on the Shareholders' General Meeting, but are of consultative nature regarding the selection of members of the Governing Body.				Not applicable. Appointment of Directors is the exclusive power of the Shareholders' Meeting.
II.5.2 In case an Appointments Committee is in place, such Committee:				
II.5.2.1. verifies the annual review and assessment of its internal regulations and suggests any amendments for approval to the Governing Body,				Not applicable.
II.5.2.2 proposes the development of criteria (qualifications, experience, professional reputation, ethics, etc.) for the selection of new members to the Governing Body and of senior managers,	x			Selection of members to the Board of Directors is the exclusive power of the Shareholders' Meeting. As regards the selection of senior managers, Banco Patagonia's goal is to employ trained and motivated individuals to carry out their responsibilities, preserve human qualities and ethical conditions, privilege personal merits and professional conditions.
II.5.2.3 identifies the candidates to the Governing Body to be proposed by the Committee to the Shareholders' General Meeting,				Not applicable.
II.5.2.4 suggests members of the Governing Body who will compose the various Committees of such Body, in accordance with their background,				Not applicable.
II.5.2.5 recommends that the Board President is not at the same time the Issuer's General Manager,	x			Banco Patagonia's President is not the Entity's General Manager.
II.5.2.6 secures that CVs of Board members and senior managers are available on the Issuer's website, and that the Directors' term of office is made public.			x	Publication of CVs on the website will be assessed during the current fiscal year.
II.5.2.7 verifies the existence of a plan for the succession of members of the Governing Body and senior managers.		x		Selection of members to the Board of Directors is the exclusive power of the Shareholders' Meeting. As regards senior managers, the performance management process allows to identify the officers' individual performance, thus generating key information to spot opportunities for development and talent retention. It is the Entity's policy to prioritize internal candidates when they have proper qualifications for the position to be filled.
II.5.3 if relevant, mention any policies implemented by the Issuer's Appointments Committee that have not been mentioned in the above item.				Not applicable.
<u>Recommendation II.6: to assess the convenience that members of the Governing Body and/or statutory auditors and/or members of the</u>	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

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<p><u>Surveillance Committee perform other functions in other Issuers.</u> Answer whether:</p> <p>Issuer sets a limit for members of the Governing Body and/or statutory auditors and/or members of the Surveillance Committee to perform duties in other entities that are not a part of the business group of which Issuer is the leader or a member. Specify such limit and detail whether it was breached during the year.</p>				<p>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.</p> <p>Banco Patagonia considers it is not necessary or convenient to establish additional limits for Directors, or limit the possibility of members of the Statutory Audit Committee to perform as such in other companies, in accordance with the provisions of the Business Companies Act.</p>
<p><u>Recommendation II.7: to secure training and development of members of the Governing Body and senior managers of Issuer.</u> Answer whether:</p>				
<p>II.7.1 Issuer has Continuing Training Programs related to the Issuer's existing needs targeted to members of the Governing Body and senior managers, including subjects related to their roles and responsibilities, the comprehensive management of business risks, know-how of the business and its regulations, the dynamics of corporate governance and corporate social responsibility. In the case of members of the Audit Committee, international accounting standards, audit and internal control standards and specific regulations governing capital markets. Describe the programs offered during the year and their degree of compliance.</p>		x		<p>Eighty percent of Board members in financial institutions must have a high degree of specialization and expertise in financial matters, to the B.C.R.A.'s satisfaction. All members of the Board of Directors are approved by the Central Bank. Besides, senior managers must meet general suitability conditions. Notwithstanding the above, considering the importance of continuing refresher courses, senior managers have taken several training courses over the year.</p>
<p>II.7.2 Issuer encourages, by means other than those mentioned in II.7.1, members of the Governing Body and senior managers to keep continuously trained in order to complement their expertise and add value to Issuer. State how such encouragement is implemented.</p>	x			<p>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.</p>
PRINCIPLE III. TO SECURE AN EFFECTIVE POLICY FOR IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE OF CORPORATE RISK				
<p><u>Recommendation III: the Governing Body must establish a policy for the comprehensive management of corporate risk and monitor the proper implementation thereof.</u> Answer whether:</p>				
<p>III.1 Issuer has established policies on the comprehensive management of corporate risks (related to achievement of strategic, operative, financial goals, financial reporting, legislation and regulations, etc.). Describe any relevant aspects thereof.</p>	x			<p>The Bank has implemented internal control and risk management policies in line with the best practices on these matters.</p> <p>Internal control is composed of five interrelated segments: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.</p> <p>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 Entity is exposed to are credit risk, liquidity risk, market risk, interest rate and operational risk, as well as concentration risk, reputational risk and strategic risk.</p>

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
				<p>The Entity has implemented a comprehensive risk management process in accordance with the guidelines suggested by the Central Bank of the Republic of Argentina, 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 Superintendency of Internal Controls and Risk Management, 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>
<p>III.2 There is a Risk Management Committee within the Governing Body or the General Manager's Office. Provide information on the existence of manuals of procedure and detail the main risks that are specific to Issuer or its activities, and mitigation actions that were implemented. If such Committee does not exist, describe the supervisory role played by the Audit Committee regarding risk management.</p> <p>Additionally, specify the degree of interaction between the Governing Body or its Committees and the Issuer's General Manager's Office, as regards the comprehensive management of corporate risks.</p>	x			<p>The Entity has established the following Committees to deal with risk management:</p> <ul style="list-style-type: none"> - Global Risk Committee: the main purposes of this Committee are to propose to the Board a strategy to manage market, interest rate, liquidity and credit risks, as well as to establish the global exposure limits to said risks. This Committee also keeps track of the position of each risk and of compliance with policies, including the follow-up on the main aspects related to operational risk. The Committee is composed of two Vice-presidents, the Superintendent of Internal Controls and Risk Management, the Superintendent of Finance, Administration and Public Sector, the Superintendent of Credits, Foreign Trade and Business Advisory, and the Executive Manager 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 Superintendent of Internal Controls and Risk Management, the Superintendent of Finance, Administration and Public Sector, the Superintendent of Credits, Foreign Trade and Business Advisory, the Superintendent of Infrastructure, Technology and IT, and the Executive Manager of Risk Management.
<p>III.3 There is an independent position within the Issuer's General Manager's Office that is responsible for the implementation of policies on comprehensive risk management (position of Risk Management Officer or similar role). Specify.</p>	x			<p>The Executive Office of Risk Management, reporting to the Superintendency of Internal Controls and Risk Management, is the area charged with the responsibility for the comprehensive management and monitoring of the various risks assumed by 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>
<p>III.4 Policies on comprehensive risk management are constantly updated in accordance with recommendations and methodologies on the matter. Specify such policies.</p>	x			<p>Policies for comprehensive risk management were drafted in accordance with the B.C.R.A. provisions on corporate governance and risk management. B.C.R.A. 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. Such policies are updated in accordance with new developments by the above bodies.</p>
III.5 The Governing Body discloses in				

	Compliance		Non-compliance ⁽¹⁾	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
the financial statements and annual report the results of the supervision of risk management efforts performed jointly with the General Manager's Office. Specify the main items of such information.	x			The Board is informed of the results of risk management efforts through the Global Risk Committee and Operational Risk Committee, in which at least one Director is a member. Risk management actions carried out by the Executive Offices allow the institution to comply with the guidelines established by the B.C.R.A. in its relevant communications. The main identified risks are 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				
<u>Recommendation IV: To secure independent and transparent performance of the duties entrusted to the Audit Committee and the External Audit. Answer whether:</u>				
IV.1 At the time of appointing the members of the Audit Committee, the Governing Body, considering that most of them must be independent members, assesses the convenience that an independent member is the president of such Committee.	x			The Audit Committee CNV is composed of three directors; two of them must be independent directors in accordance with CNV regulations. An independent member of the Governing Body presides over the Audit Committee CNV. Besides, the president of the Committee (an independent member) may cast a tie-breaking vote, if necessary, on matters discussed by the Committee, as provided for in its Internal Regulations.
IV.2 There is an internal audit position reporting to the Audit Committee or to the President of the Governing Body, responsible for assessing the internal control system. State if the Audit Committee or the Governing Body performs an annual assessment of the performance of the internal audit area and of the degree of independence of their professional task, in the understanding that professional people responsible for such role are independent from the remaining operative areas and comply with the independence requirements regarding controlling shareholders or related entities that have a significant influence on Issuer. Specify also whether the internal audit positions carry out their responsibilities in accordance with international standards on internal audit issued by the Institute of Internal Auditors (IIA).		x		The Internal Audit Manager is invited to all meetings of the Audit Committee CNV and is a member of the Audit Committee B.C.R.A. 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 B.C.R.A. regulations follow that international framework.
IV.3 Members of the Audit Committee perform an annual assessment of the qualifications, independence and performance of the external auditors, who were appointed by the Shareholders' Meeting. Describe any relevant aspects of the procedures employed to perform such an assessment.	x			The Audit Committee, in compliance with CNV regulations, drafts an annual report to assess, among other matters, the external audit independence, working plans and performance; such assessment is carried out through an analysis of the various services rendered, the issued reports, interviews carried out and/or the reading of requested documents and an evaluation of the composition of invoiced fees.
IV.4 Issuer has established a policy on the rotation of members of the Statutory Audit Committee and/or the External Auditor; in the latter's regard, state if the rotation includes the external auditing firm or only the natural persons.	x			In accordance with the Bylaws, members of the Statutory Audit Committee hold their office for one year and may be re-elected, since the knowledge of the institution they acquire over the years is considered as a paramount asset. Additionally, regarding the external auditors' rotation, B.C.R.A. regulations are observed, which provide that auditors may not work simultaneously for more than one financial institution and that they may not

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	Total (1)	Partial (1)		
				act as auditors for more than five consecutive fiscal years in any given institution. The Shareholders' Meeting held in 2013 approved the hiring of a new external auditing firm. The regulations of the Argentine Securities Commission on this matter are also observed.
PRINCIPLE V. TO OBSERVE THE SHAREHOLDERS' RIGHTS				
<u>Recommendation V.1: To secure that shareholders have access to information on Issuer. Answer whether:</u>				
V.1.1 The Governing Body promotes regular information meetings with the shareholders, in coincidence with presentation of interim financial statements. Explain and state the number and frequency of the meetings held during the year.	x			Banco Patagonia has an Investor Relations area responsible for keeping relations with potential and existing institutional investors, analysts, credit rating agencies and investment banks. In 2013 four telephone conference calls were made to disclose quarterly and/or annual profits/losses.
V.1.2 Issuer has established mechanisms to inform investors and a specialized area to answer their queries. Additionally, it maintains a website which shareholders and other investors can consult, including a channel through which they can interact. Provide details.	x			The Bank's website, www.bancopatagonia.com.ar , includes a special section through which investors can consult 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.
<u>Recommendation V.2: to promote active participation by all shareholders. Answer whether:</u>				
V.2.1 The Governing Body adopts any measure to promote participation of all shareholders at the Shareholders' General Meetings. Explain, setting the measures required by law apart from the ones voluntarily implemented by Issuer for the benefit of its shareholders.	x			The Entity performs the procedures to call to, 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. 98.88% of the total number of shareholders attended the Meeting held in 2012, and the two meetings held in 2013 recorded attendance of 98,87% and 98.86%, respectively, which shows the shareholders' significant participation.
V.2.2 The Shareholders' General Meeting has Internal Regulations to secure that information is available to shareholders sufficiently in advance for decision making purposes. Describe the main guidelines of such Regulations.	x			Provisions of the Business Companies Act, Argentine Securities Commission regulations and the new Act governing the Capital Market are sufficient and adequate as regards availability of information for decision taking by the shareholders. Banco Patagonia complies with the above rules and is committed to its shareholders, and therefore guarantees that information to be considered at the Shareholders' Meetings is made available as from the call to meetings, reported to the market on the same day of approval, and published not earlier than 45 days and not later than 20 days from the date of the meeting.
V.2.3 There is effective application of mechanisms implemented by Issuer so that minority shareholders may submit matters to consideration by the Shareholders' General Meeting, in accordance with regulations in force. Explain the results.	x			The Entity has implemented several mechanisms established in local regulations on this matter, so that minority shareholders may submit matters to be discussed at Shareholders' Meetings, though no instances of such participation have occurred in the last meetings.
V.2.4 Issuer has established policies to promote participation of the most relevant shareholders, such as institutional investors. Specify.	x			Calls to shareholders' meetings include all shareholders, without any distinction among them. Given the high percentage of shareholders attending the last Shareholders' meetings (98.88% of shareholders were present at the meeting held in 2012, while 98.87% and 98.86% were present at the two meetings held in 2013), the Entity does not consider it necessary to apply any promotion policies.
V.2.5 At Shareholders' Meetings in which appointments to the Governing	x			At the time of accepting their appointment, members of the Board of Directors adopt the Entity's policies, and

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Body are proposed, before votes are cast (i) each candidate's position regarding the adoption or non adoption of a Code of Corporate Governance, and (ii) the grounds for such position, are disclosed.				there is no regulation to require that they state their position on this matter at the Shareholders' Meeting.
<u>Recommendation V.3: to secure the principle of equal rights regarding shares and votes.</u> Answer whether: Issuer has established a policy to promote the principle of equal rights regarding shares and votes. State how the breakdown of outstanding shares per class has changed over the last three years.	x			The corporate capital of Banco Patagonia is made up of class A shares and class B shares; both classes are common stock entitling their holders to 1 vote per share, which guarantees the principle of equal rights regarding shares and votes. The breakdown of outstanding shares per class has not changed over the last three years.
<u>Recommendation V.4: to establish mechanisms for the protection of all shareholders in the event of takeover.</u> Answer whether: Issuer operates under the system of mandatory tender offer. If this is not the case, state if there are alternative mechanisms established in the Bylaws, such as tag along or any others.	x			The Entity operates under the system of mandatory tender offer governed by Act No. 26.831.
<u>Recommendation V.5: To encourage Issuer's dispersion of shares.</u> Answer whether: Issuer has a share dispersion of at least 20 percent regarding its common stock. If that is not the case, Issuer has established a policy to increase its share dispersion in the market. State the percentage of share dispersion as a percentage of the Issuer's corporate capital and how it has changed over the last three years.			x	The percentage of free float shares at the close of FY 2013 was 16.46%; at the close of FY 2012, it was 16.44%; and at the close of FY 2011, it was 16.4584%. The change in the number of free float shares compared to 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.
<u>Recommendation V.6: To secure a transparent dividend policy.</u> Answer whether:				
V.6.1 Issuer has established a policy on dividend distribution which is included in the Bylaws and has been approved by the Shareholders' Meeting, establishing the conditions to distribute dividends, either in cash or in shares. If such policy exists, state criteria, frequency and conditions that must be met for dividend payment.	x			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 B.C.R.A. 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. In spite of the above, the B.C.R.A. 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. The Entity exceeds the requirements of Minimum Capital in force, including the requirements related to operational risk, and is in a position to make a profit distribution through payment of a cash dividend. Item 6 of the attached Annual Report includes the Earnings Distribution Proposal submitted by the Entity's Board of Directors.
V.6.2 Issuer has documented processes for the drafting of a proposal on destination of Retained Earnings arising out of the constitution of reserves required by law, the Bylaws, voluntary reserves, carry forward and/or payment of dividends. Explain such processes and state in which Minutes of Shareholders' General	x			Banco Patagonia uses documented processes to draft the profit distribution proposal, in accordance with B.C.R.A. regulations and the Entity's internal policy. Such proposal is submitted to the Board's consideration and approval thereof is documented in the minutes of Board's meeting, Financial Statements and the Annual Report. The Board of Directors submits the proposal to the Shareholders' Meeting, which will finally decide to

	Compliance		Non-compliance ⁽¹⁾	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
Meeting the distribution or not of dividends (either in cash or in stock) was approved, if not established in the Bylaws.				approve or amend it. It should be noted that distribution of a cash dividend can only be carried out with the B.C.R.A. previous authorization. The last resolution on destination of profits was adopted in item 3 of the Shareholders' Meeting, held on April 24, 2013.
PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
<u>Recommendation VI: to disclose information on Issuer to the community and provide a direct communication channel with the company.</u> Answer whether:				
VI.1 Issuer has a publicly available, updated website which provides not only relevant information on the company (Bylaws, business group, composition of the Governing Body, financial statements, annual report, etc.) <u>but can also channel users' queries in general.</u>	x			Banco Patagonia has a publicly available website (www.bancopatagonia.com.ar) which not only provides relevant updated information on a permanent basis but also includes detailed information on service channels. Both through its telephone service lines and a form to be filled in the website, or by mail, users can send their queries, claims or questions. Besides, the names and e-mail addresses of the effective and substitute officers responsible for customer service are published.
VI.2 Issuer publishes an annual Social and Environmental Responsibility Balance Sheet, duly examined by an independent external auditor. If so, state the scope or legal or geographical coverage and the site where it is available. Specify the rules or initiatives that have been adopted to carry out the policy on Corporate Social Responsibility (Global Reporting Initiative and/or the United Nations Global Compact, ISO 26.000, SA8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Equator Principles, etc.).	x			Banco Patagonia issues 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. During this fiscal year said Report will be examined by the external auditors.
PRINCIPLE VII. TO ADOPT A FAIR AND RESPONSIBLE COMPENSATION POLICY				
<u>Recommendation VII: to establish clear compensation policies for members of the Governing Body and senior managers, with special attention to the limitations imposed by regulations or the Bylaws considering the Entity's profits or losses.</u> Answer whether:				
VII.1 Issuer has established a Compensations Committee:	x			The Entity has established a Committee of Compensations and Incentives to Staff.
VII.1.1 composed of at least three members of the Governing Body, with a majority of independent members,		x		The Committee is composed of three non-independent members of the Governing Body and the Superintendent of Human Development and Corporate Climate.
VII.1.2 presided over by an independent member of the Governing Body,			x	No independent member is part of this Committee.
VII.1.3 composed of members with sufficient qualifications and experience on human resources policies	x			Members of the Committee, who are also Board members, have sufficient expertise and knowledge into the matter. Besides, the Superintendent of Human Development and Corporate Climate is also a member of this Committee, as the highest authority working for the area that has special competence on this matter.
VII.1.4 that meets at least twice a year	x			Members of this Committee met twice in 2013. The Committee's internal regulations establish that its members must meet at least twice a year.
VII.1.5 the decisions of which are not				

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
necessarily binding on the Shareholders' General Meeting or on the Statutory Auditing Committee, but are of consultative nature regarding the compensation of members of the Governing Body.			x	The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees. In accordance with the provisions of Argentine legislation, it is the Shareholders' Meeting right to establish such fees (see item VII.4).
VII.2 In case a Compensations Committee is in place, such Committee:				
VII.2.1 secures that there is a clear relationship between key officers' performance and their fixed and variable compensation, considering the risks they assumed and management thereof,	x			This is one of the Committee's duties.
VII.2.2 oversees that the variable part of the compensation the Governing Body's members and senior managers receive is related to the Issuer's medium- and/or long-term performance.		x		In FY 2013, the Committee of Compensations and Incentives to Staff approved payment of the annual bonus corresponding to the previous fiscal year. The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees.
VII.2.3 reviews the competitive stand of Issuer's policies and practices as compared to compensations and benefits offered by similar companies, and recommends changes, or not,	x			This is one of the Committee's duties.
VII.2.4 defines and discloses the policy on retention, promotion, dismissal and suspension of key staff,			x	Not within the Committee's competence.
VII.2.5 informs the guidelines to determine retirement plans for the Governing Body's members and senior managers,				Not applicable. Banco Patagonia does not implement any retirement plan.
VII.2.6 regularly informs the Governing Body and Shareholders' Meeting on the actions performed and the matters discussed during its meetings,		x		The matters discussed at 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 secures attendance of the President of the Compensations Committee at the Shareholders' General Meeting that is to approve compensations for the Governing Body's members, in order to explain the Issuer's policy on compensation of such members and senior managers.			x	This Committee is not in charge of considering the compensation to be paid to Board members.
VII.3 If relevant, state the policies applied by the Issuer's Compensations Committee that have not been mentioned in the above item.				Not applicable.
VII.4 If no Compensations Committee is in place, explain how the duties described under VII.2 are performed within the Governing Body.	x			Although consideration of directors' fees is not a duty of this Committee, the Board of Directors of Banco Patagonia has approved a policy on the matter that establishes that it is the Shareholders' Meeting duty to fix such fees, in accordance with the Business Companies Act, section 261. When deciding such fees, the responsibilities, time devoted to performance of duties, experience, and professional reputation are taken into account. Such monthly fees are included in the budget. There is no policy granting other kind of benefits, such as an ownership interest in the shareholders' equity or any other variable compensation.
PRINCIPLE VIII. TO PROMOTE CORPORATE ETHICS				
<u>Recommendation VIII: to guarantee ethical behavior within Issuer.</u> Answer whether:				
VIII.1 Issuer has a Corporate Conduct				

	Compliance		Non-compliance ⁽¹⁾	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
Code. State its main guidelines and whether it is disclosed to the public at large. Such Code is signed at least by the members of the Governing Body and senior managers. State if compliance with its provisions by suppliers and clients is encouraged.	x			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 Issuer has established mechanisms to receive reports on any unlawful or non-ethical conduct, either in person or through electronic means, and guarantees that information transmitted is treated as strictly confidential and duly recorded and filed. State whether the reception and assessment of such reports is made by the Issuer's staff or by external and independent professional staff to better protect the author of such reports.	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. Such queries are received and considered by the Bank's authorities and kept as strictly confidential matters.
VIII.3 Issuer has established policies, processes and systems to manage and resolve the reports mentioned in item VIII.2. Describe the most relevant aspects thereof and state the degree of involvement of the Audit Committee in such resolution, especially in any reports related to financial reporting internal control issues and to behavior of the Governing Body's members and senior managers.	x			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 B.C.R.A. website. Besides, the Entity has established a special investigations area, in charge of fraud prevention, analysis and resolution, and, as it was mentioned in item II.1.1.8, the Board adopted a policy on fraud prevention.
PRINCIPLE IX: TO ENLARGE THE SCOPE OF THE CODE				
<u>Recommendation IX: to promote inclusion of provisions in the Bylaws related to the best practices of governance.</u> Answer whether: The Governing Body assesses whether the provisions of the Code of Corporate Governance must be included, either in part or in whole, in the Bylaws, as well as the general and specific responsibilities of the Governing Body. State which provisions have been actually included in the Bylaws since the Code effective date until this date.	x			The Bylaws provide for the constitution and operation of the Board of Directors, and this body's rights and duties are detailed therein, therefore including some provisions of the Code of Corporate Governance. However, the Board of Directors understands it is not necessary or convenient to include all the Code provisions in the Bylaws, since the Code was approved by the Board as a dynamic instrument and is intended to be updated and improved frequently.

⁽¹⁾ Mark the correct option with a cross.

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

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

THE BOARD OF DIRECTORS

ITEM NO. 3: MANAGEMENT REPORT UNDER CNV GENERAL RESOLUTION N° 622/2013, TITLE IV, CHAPTER III, SECTION 4: Next, discussion on this item on the Agenda took place, and President, 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 President further informed that a draft Management Report as of 12.31.13 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 IN COMPLIANCE WITH PROVISIONS OF ACT N°26.831, SECTION 110, AND CNV GENERAL RESOLUTION N°622/2013, TITLE II, CHAPTER III, SECTION 18, PARAGRAPH C:

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

There being no further business to come before the meeting, the meeting was adjourned at 07.45 p.m.

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