

BANCO PATAGONIA S.A.

MINUTES OF BOARD MEETING No. 2680 (02.10.16):

A meeting of the Board of Directors of BANCO PATAGONIA S.A. was held at Avenida de Mayo 701, 27th floor, City of Buenos Aires. The undersigned Directors were present at the meeting. It is hereby stated for the record that Mr. Admilson Monteiro Garcia and Mr. Claudemir Andreo Alledo were attending through means of simultaneous transmission of sound, images and words, in accordance with the provisions of section twelve of the Bylaws and regulations in force, delegating their signature to this Act on Mr. Antônio Carlos Bizzo Lima and Mr. Rubén Miguel Iparraguirre, respectively. Also present was Ms. Mónica María Cukar, on behalf of the Statutory Audit Committee. At 04:00 p.m. a quorum was present, and the President stated that the meeting, having been duly convened, was to discuss several aspects related to the Company's activities. Extensive discussion ensued on various matters and the following Agenda was to be discussed:

I. Items to be Discussed

1. Consideration of Financial Statements corresponding to the Company's fiscal year beginning on January 1 and ending on December 31, 2015, the Independent Auditors' Report, the Statutory Audit Committee's Report, and the Management Report under CNV Rules, Title IV, Chapter III, section 4, as amended.
2. Consideration of the Annual Report corresponding to fiscal year ended as of December 31, 2015, including the Report on the degree of compliance with the Code of Corporate Governance.
3. Audit Committee - CNV 's Report, in compliance with the provisions of Act N° 26,831, section 110, and CNV Rules, Title II, Chapter III, section 18, paragraph C, as amended.

I. Items to be Discussed

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

The President, informed that Banco Patagonia S.A. balance sheet corresponding to the Company's 92nd fiscal year, ended on 12.31.2015, and the related statements of income, of changes in shareholders' equity and cash flows, and their equivalents, and the Consolidated Financial Statements for the fiscal year ended as of that date, with their corresponding notes and exhibits, had been distributed in advance to the Directors and Statutory Auditors, under regulations in force. Also informed that, in accordance with current CNV Rules Title IV, Chapter III, section 4, as amended, a draft Management Report as of 12.31.15 had been requested to the Administration Manager. Also explained that said Report consisted of a summary of the Bank's activities and the main accounts in the Balance Sheet. The President updated the attendees that under BCRA (Central Bank of Argentina) standards, the balance sheet, statement of income, statement of changes in shareholders' equity and cash flows, and their equivalents, as of 12.31.2015, and the Exhibits that specify so, are presented with comparative balances as at end of prior year.

The documents to be discussed in the meeting result from the entries made on the Company's accounting books, kept in accordance with current legal regulations, and from supporting documents. Considering the above and, the fact that the officers present at the meeting are familiar with the above-mentioned documents, the President proposed that transcription of said documents in the Minutes was omitted and that said documents were approved. Extensive discussion ensued on several aspects related to the information included in the above-mentioned Financial Statements, after which the motion was unanimously approved.-----

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. President submits for consideration by the attendees the Independent Auditors' Report on the statements just approved. After some discussion, the Report is acknowledged and its transcription in these minutes is resolved:

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

Report on the financial statements

We have audited the accompanying interim financial statements of Banco Patagonia S.A. (“the Bank”), which include the statement of financial position as of December 31, 2015, the statements of income, changes in shareholders’ equity and cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 32, and Exhibits A, B, C, D, E, F, G, H, I, J, K, L, N, and O presented as supplementary information. We have also audited the accompanying consolidated financial statements of Banco Patagonia S.A. and its subsidiaries, which include the consolidated statement of financial position as of December 31, 2015, and the consolidated statements of income and cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 8, and Exhibit 1, which are presented as supplementary information.

The figures and other information for the fiscal year ended December 31, 2014 are an integral part of these financial statements and should be read in conjunction with the figures and information for the current fiscal year.

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

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

Auditors’ responsibility

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Patagonia S.A. as of December 31, 2015, the results of its operations, the changes in equity and cash flows and cash equivalents for the fiscal year then ended, as well as the consolidated financial position of Banco Patagonia S.A. and its subsidiaries as of December 31, 2015, and the consolidated results of operations and cash flows and cash equivalents for the fiscal for the fiscal year then ended in conformity with accounting standards established by the B.C.R.A.

Emphasis paragraph

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

Report on other legal and regulatory requirements

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

- a) the accompanying financial statements have been transcribed into the Inventory Book, and arise from the Bank’s accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force. The information systems used to generate the information included in the financial statements are kept under the security and integrity conditions based on which they were duly authorized;
- b) we have performed the anti-money laundering and terrorist financing procedures set forth by the applicable professional standards issued by the FACPCE;

- c) as of December 31, 2015, the Bank records the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV), as mentioned in Note 16 to the accompanying standalone financial statements;
- d) the accompanying consolidated financial statements have been prepared by the Bank's Board of Directors and Management, in their significant aspects, in compliance with consolidation standards set forth by Communications "A" 2227 and 2349 of the BCRA, which are disclosed in notes 1 to 8 to such consolidated financial statements;
- e) as of December 31, 2015, there is no evidence of noncompliance with the significant aspects of the monetary and technical regulations set forth by the BCRA in relation to information provided to the BCRA on consolidated bases;
- f) we have reviewed the reporting summary (sections "Relevant aspects", "Consolidated financial position", "Consolidated statement of income", "Consolidated statement of cash flows", "Main indicators" and "Additional information required by section 12 of chapter III, title IV of CNV regulations"), based on which, as far as it relates to our area of responsibility, we have no observations;
- g) as of December 31, 2015, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records of amounted to \$ 50,996,777, no amounts being due as of that date; and
- h) as required by article 21, paragraph e, Section VI, Chapter III, Title II of NT 2013 of the CNV, we report that:
 - the ratio between the total audit services provided by us for the issuance of independent auditors' reports and other special-purpose or attest reports on accounting or financial information invoiced to the Bank and the total amount invoiced to the Bank during the year ended December 31, 2015 is 84%;
 - the ratio between the total audit services invoiced to the Bank and the total audit services invoiced to the Bank and its subsidiaries and related companies is 78%; and
 - the ratio between the total audit services invoiced to the Bank and the total amount invoiced to the Bank and its subsidiaries and related companies, including audit services, is 68%.

City of Buenos Aires, February 10, 2016. 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. 92, ended on 12.31.2015, including the Annual Report, said Committee issued their report, as follows:

STATUTARY AUDIT COMMITTEE'S REPORT

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

1. Report on the financial statements

We have examined the inventory book and the accompanying statement of financial position of BANCO PATAGONIA S.A. (the "Bank") as of December 31, 2015 and the statements of income, changes in shareholders' equity, cash flows and cash equivalents for the fiscal year then ended, Notes 1 to 32, and Exhibits A to L, N and O. We have also examined the accompanying consolidated statement of financial position of Banco Patagonia and its subsidiaries, indicated in Note 1 to the consolidated financial statements as of December 31, 2015, and the consolidated statement of income, and cash flows and cash equivalents, Notes 1 to 8 and Exhibit 1, which are presented as supplementary information, the Letter to Shareholders and the Report on Compliance with the Code of Corporate Governance.

2. Board of Directors' and Management's responsibility

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

3. Statutory Audit Committee's responsibility

Our examination was made in compliance with the standards in force governing the Statutory Committee's duties. These standards require that the financial statements be examined according to effective auditing standards, including the verification of the consistency of the documentation examined with the information on corporate decisions recorded in the minutes of meetings, as well as the compliance of such decisions with the law and the bylaws in their formal and documentary aspects. In order to perform our professional work in relation to the documents detailed in paragraph 1, we have reviewed the audit performed by the external auditors of the Bank, KPMG, member firm of KPMG International, in accordance with the auditing standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) and the "Minimum Standards applicable to External Audits" set forth by the BCRA, having issued an unqualified opinion on February 10, 2016.

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

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

4. Conclusion

Based on our work and on the report dated February 10, 2016, issued by Mauricio G. Eidelstein (Partner of KPMG, member firm of KPMG International), in our opinion, the financial statements detailed in paragraph 1 present fairly, in all material respects, the financial position of BANCO PATAGONIA S.A. as of December 31, 2015, the results of its operations, and cash flows and cash equivalents for the fiscal year then ended, in conformity with accounting standards established by BCRA.

5. Other accounting matters

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

6. Report on other legal and regulatory requirements

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

- a) In exercise of our legal supervision duties, during the fiscal year ended December 31, 2015, we have performed the remaining procedures set forth in section 294 of Law 19550 that we considered necessary in accordance with the circumstances including, among others, whether the directors' bond has been posted and maintained, and we have no observations to make.
- b) The financial statements of BANCO PATAGONIA S.A. detailed in paragraph 1 arise from the accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force, the regulations of the BCRA. and Resolution No. 4810/EMI of the Argentine Securities Commission (CNV) dated October 21, 2008, and have been transcribed into the Financial Statements Book. Inventories are recorded in the Inventory Book.
- c) We have reviewed the "2015 Annual Report" and have no comments to make as far as it relates to our area of responsibility and report that the statements regarding future events remain the exclusive responsibility of directors. As regards the Report on Compliance with the Code of Corporate Governance issued by the Bank's Board of Directors pursuant to article 1, paragraph a.1), Chapter 1), Section I, Title IV of CNV rules (as amended in 2013), which will be filed with such body as an exhibit to the Letter to Shareholders, we report that, based on our analysis, there is no evidence indicating that the information provided by the Board of Directors to the Statutory Audit Committee and included in the aforementioned report is not true.
- d) In compliance with article 105, Law No. 26831 and articles 21 – Section VI, Chapter III, Title II – and 4, paragraph d) – Section III, Chapter I, Title XII of the CNV. rules (as amended in 2013) – on the independence of external auditors and the quality of the auditing standards applied and of the Bank's accounting policies, the external auditors' report mentioned in paragraph 4 above includes a representation that the auditing standards in force in the Republic of Argentina, which contain the independence requirements, have been applied, and does not contain any qualifications as to the application of these standards.
- e) As far as it relates to our area of responsibility, we have no significant observations to make in relation to the information included in Note 16 to the accompanying financial statements as of December 31, 2015 regarding the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV).
- f) We have performed the anti-money laundering and terrorist financing procedures set forth by the applicable professional standards issued by the FACPCE of the City of Buenos Aires, Republic of Argentina.

2. CONSIDERATION OF THE LETTER TO THE SHAREHOLDERS CORRESPONDING TO THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2015, INCLUDING THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE’S REPORT:

The President, then explained that the Financial Statements corresponding to the 92nd fiscal year ended on 12.31.2015 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:

□ 2015 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 92st corporate financial year ended on December 31, 2015 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 World and the Republic of Argentina

In 2015, world economy grew at moderate rates, slightly close to 3%, marking a slight slowdown respect the previous year, and at the same time, implying the lowest annual growth pace since the 2008-2009 global crisis. The main origin for the slowdown in global growth was the moderate growth of emerging economies, which, as a whole, has accumulated five consecutive years of economic slowdown.

The economic slowdown in the emerging economies included a new moderation in China's growth, but in the case of Latin America, it directly became a drop in the Gross Domestic Product, something that had not happened since 2009.

This scenario of unfavorable economic dynamics in the emerging countries in general, and Latin America in particular, was compensated partly with the economic growth in USA, which remained around 2.5% as in 2014, and an improvement in the modest growth of the Eurozone, which was around 1.6% compared to the figure lower than 1% in 2014, and the downturn of the two previous years.

The positive performance of USA's economy implied that, by the end of 2015, the abandonment of the policy of practically null short-term interest rates took place. Even though at the beginning of a new cycle of monetary contraction in the world main economy, it was expected and was mostly taken for granted, it had the predictable consequences on the global value of the dollar. The value of the dollar adjusted by inflation strengthened by almost 10% in 2015, a revaluation added to the 7% occurred in 2014. In this way, the US currency has reached its highest value since 2004.

In accordance with the increase in the dollar at global level, the prices of the main commodities had a negative general dynamics in 2015. Falls were varied and more restrained in grains, with certain stability in the corn price and a drop of 15% for the soy price (compared to December averages every year), but strong for metals (copper fell by 30%), and particularly for oil, which price fell down by 37% in 2015, to reach the lowest values in over 10 years.

In this mostly negative external context, the Argentine economy had a relatively favorable performance, reaching a growth higher than 1%, compared to the drop by the same percentage in the previous year. A very good agricultural harvest and the improvement of consumption accompanied by the relatively delayed labor negotiations supported the growth in the second quarter of the year, in a year when an expansive fiscal policy was outstanding at all the Government levels. Similarly, keeping a low devaluation pace and the suspension of the adjustments to public utility charges allowed the reduction of the annual inflation by about 10 percent compared to the previous year, reaching, in 2015, a slightly lower figure than 27%, according to the CPI in the Autonomous City of Buenos Aires (Consumer Price Index).

The increase in public spending could not be compensated due to a significant increase in tax revenues, related to the moderate economic growth and the growing burden of the income tax on the workers' salaries. Thus, in spite of the estimation, the tax pressure for 2015 would have been the highest of the country's economic history, the fiscal deficit corrected by other revenues (profits of the BCRA and the ANSES) again grew significantly and exceeded the 7% of the GDP, which implies the highest level in about 30 years. However, compared to 2014, a relevant part of the deficit was covered by public debt placements in Argentine pesos, in the domestic market, in an amount close to ARS 70 billion.

The backwardness of the exchange rate related to a devaluation pace well below the domestic inflation was highlighted by the increase of the dollar globally, which became particularly relevant in the region. Thus, when in Argentina, in November, the dollar had only risen by 13% during the year, at the same time, it had grown 22% in Mexico, 19% in Chile, 23% in Uruguay, and 14% in Peru, added to the increases of 41% in Colombia and 48% in Brazil. In this manner, the real exchange rate in Argentina was getting close, according to private estimations, to values around or even lower than the current ones by the end of 2001.

One of the symptoms of the backwardness in the exchange rate was confirmed by the performance of exports, which decreased by about 16% in 2015, implying a trade balance reduced by about 70% during the above mentioned period.

In addition to the above mentioned, the debt payment corresponding to BODEN 2015, made effective at the beginning of October, caused by the end of November, that the international reserves dropped to about USD 6 billion (20%) by that time of the year. However, that fall was in fact controlled by the use of funding sources, mostly represented by a currency swap made between the BCRA (Central Bank of the Argentine Republic) and its counterpart from China.

By mid-December (few days after the change in the national administration), it was stipulated the elimination of the existing restrictions in the exchange market. The implemented mechanism implies that the liberalization of the access to this market will have subsequent stages, and a movement of the exchange rate ARS/USD of about 40% during the third week of December. As an impact of this movement, along with measures taken in relation to export taxes and agreements with the exporters, the reserves stopped falling and showed certain growth.

□ The Argentine Financial System and Capital Market

The evolution of the Argentine capital market and financial system in 2015 was influenced by the political situation throughout the year, and its derivations in terms of future economic policy. Certain optimism with regard to the improvement prospects in economic policies in our country, by the authorities that were elected in the elections of October-November supported a dynamics in the rates that was positive in general, something outstanding in view of a rather unfavorable external context.

The relatively favorable external dynamics of the Argentine financial assets, in spite of the above mentioned external context, is reflected in a Merval index that grew 60% throughout the year, 60%, above the 52% that represented the exchange rate. Even more positive, was the performance of the Argentine bond prices. Concerning the exchange market, in 2015, the strong dynamics of credits in pesos was outstanding, as they increased almost 39% during the year, quite above the scarce 20% that they had increased in 2014. Even though the highest dynamics was for the credits intended to consumption (+47%), and among them, those related to the use of credit cards (+57%), it should be noted that the commercial lines also were very dynamic until the beginning of December. Just the opposite occurred with credit lines in foreign currency. In fact, although they fell 16% during the year, from mid- December they started to recover slightly.

The strong dynamics of credits in Argentine pesos, together with the acquisition of government securities, implied a certain reduction in bank liquidity throughout the year, but anyway, it remained at high levels, well above the averages since 2011. In order to keep a high liquidity, in spite of the strong demand of credits, it became essential the dynamics of private deposits in pesos, which grew 42% during the year. A lower growth of government deposits (related to the complicated situation of fiscal accounts) implied that the total deposits in pesos varied by 37%, although this was mainly due to the national public sector deposits.

The growth of private deposits originated in the positive variation of the monetary aggregates in general, reinforced by the secondary generation of money derived from the above mentioned rebound in the credit dynamics. In fact, the monthly average of the Monetary Base for December 2015 showed a growth higher than 40% compared to the same month in the previous year. Taking only the circulating in possession of the public, it may be observed an interannual growth close to 37%, whereas the means of payment (M2) grew about 32% during the year. It is worthwhile mentioning that the interannual growth peaks of the different monetary aggregates occurred between the end of November and the first weeks of December, because towards the end of the year, the strong money absorption policy through the Lebac of the BCRA (Central Bank of the Argentine Republic) was reducing the interannual variations, in what looked like a clear change of trend.

Until mid-December, in the domestic financial system, the regulated interest rates were predominant, for credits in pesos, as well as for the floors of the time deposit rates.

All these regulated rates were reviewed and practically eliminated with the new national authorities. The only one that was kept is the one now called “line of credits for production and financial inclusion”, but with changes related to the total amount of the operation and the rates (which changed from 18% to 22%). In a setting of growing rates, the rates for loans to natural persons had some increases. This setting of growing rates was directly encouraged by the BCRA to strengthen the demand of money in view of the exchange rate liberalization. Said strategy was based on strong increases in the Lebac rates that the BCRA accepts in its weekly bids. In the light of the stability generated in the exchange rate, the BCRA quickly started to reduce the rates. In addition, the wholesale time deposit rate (Badlar private banks) experienced marked ups and downs during the year. After starting 2015 around 20%, it remained stable, close to 21% until the end of October, and started going up since then, reaching a peak close to 32% during the week when the change of national authorities took place.

In the case of retail placements, the trend was similar, with the difference that the elimination of the rate floor in the setting of the end of regulated rate policy, implied that the wholesale time deposit rates again became higher than the retail time deposit rates (as they had always been until the regulation in 2014).

2. HISTORY

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

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

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

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

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

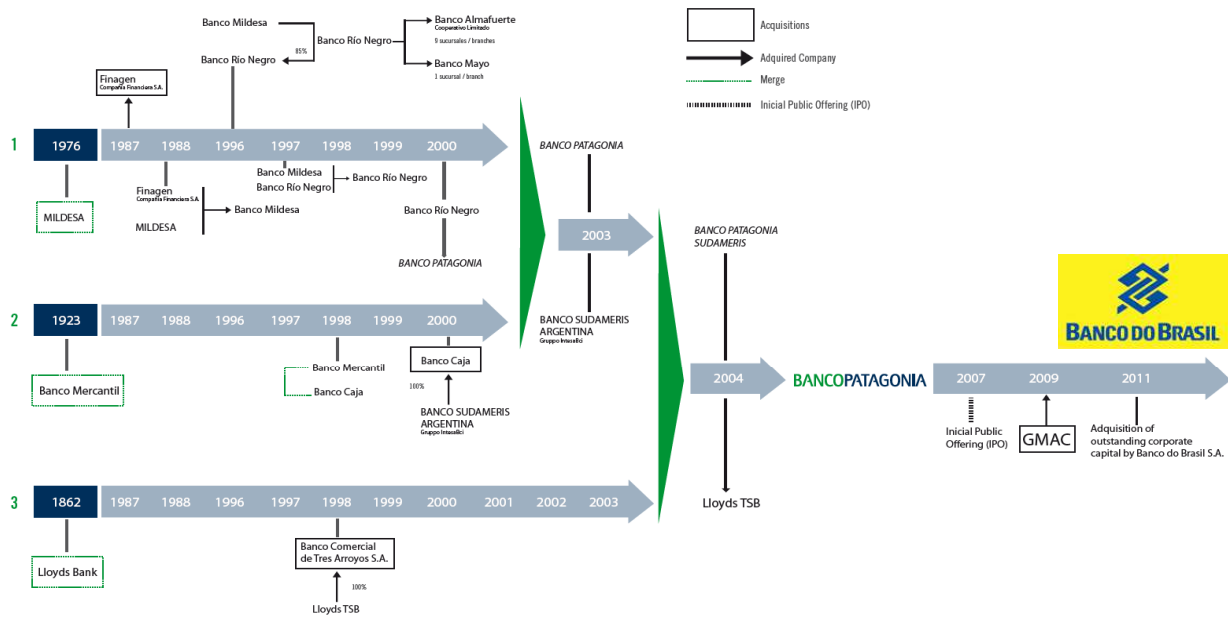
In 2004, Banco Patagonia Sudameris takes on the assets, liabilities and staff of Lloyds TSB Bank plc Argentina Branch, and changes its name to Banco Patagonia.

Today, Banco Patagonia is a continuing party of a series of long-established banks in Argentina, such as Banco de Río Negro, a leader in the Patagonian region, Banco Mercantil Argentino, a pioneer in payroll services, Banco Caja de Ahorro, the first institution to incorporate the insurance business into 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 turn, Banco Patagonia acquired GPAT Compañía Financiera S.A. (former Gmac Compañía Financiera), a company incorporated under the laws of Argentina and authorized to act as a financial entity, specialized in wholesale and retail financing for the acquisition of new automobiles, both to dealers -especially in the General Motors network in Argentina— and private customers.

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



In April 2011, Banco do Brasil is the majority shareholder of Banco Patagonia, with a 58.96% ownership interest on the outstanding capital and votes per share as of December 31, 2015.

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 5.493 branches.

Also, Banco do Brasil operates 18,260 customer desks within its own network, and 67,725 customer desks in the whole network, doing business in 23 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 109,000 people who make every effort to meet the demands of more than 62.43 million customers.

Institutional information on Banco do Brasil and its statement of financial position as of September 30, 2015 is available in its website www.bb.com.br.

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

FY 2015 resulted in profits for ARS 2,405.5 billion, accounting for an increase of 10.5% compared to the previous fiscal year. The main changes in the composition of the Bank's result are described below:

Financial income reached ARS 9,952.8 billion, accounting for a 23.2% rise compared to the previous fiscal year (ARS 8,079.4). The main changes are related to interest on non-financial private sector loans, in the amount of ARS 1,163.7 billion, mainly due to an increase in volume in said portfolio (ARS 32,078.5 billion vs ARS 24,202.7 billion) and to higher income from government securities in the amount of ARS 1,048.2 billion (ARS 2,295.5 billion vs ARS 1,247.3 billion), partially compensated by a decrease of forward transactions in foreign currency in the amount of ARS 304.9 billion (ARS 247.9 billion vs. ARS 552.8 billion) and for a decrease in foreign currency exchange rate difference for ARS 171.1 billion (ARS 389.1 billion vs. ARS 560.2 billion).

Financial expenses totaled ARS 4,650.7 billion, with a change of 28.5% compared to the previous year. This change comes mainly from interest on time deposits, which rose ARS 749.7 billion (25.6%) due to a larger volume of the portfolio (ARS 20,409.7 billion vs ARS 11,658.5 billion) and to then average annual rate they accrued (26.2% vs 22.0%).

Consequently, the intermediation spread went up by ARS 841.2 billion, 18.9% when compared with the previous year.

The uncollectible write-offs amounted to ARS 390.3 billion, and coverage with provisions on the non-performing loan portfolio was 292.3%, while the non-performing ratio was 1.2%.

Net fee income increased ARS 1,661.6 billion, going up 29% compared to the previous year (ARS 1,288.1 billion) due to the increase in fee-generating transactions from deposit accounts, credit and debit cards and product packages and insurance.

Administrative expenses reached ARS 3,397.2 billion accounting for a 14.7% rise compared to the previous fiscal year (ARS 2,397.9 billion), resulting from the banking industry's increases in salaries and by the increase in the general price level of the economy

Other income amounted to ARS 428 billion, mainly due to the income from the Bank's permanent interest in GPAT ARS 205.9 billion. GPAT's income was 32.1% higher than in fiscal year 2014.

ROE (Return on Equity)

As of December 31, 2015, the average return on stockholders' equity was 35.5%, compared with 38.8% in the previous year.

ROA (Return on Assets)

As of December 31, 2015, the average return on assets was 5.3%, compared with 6.2% in the prior year.

Statement of Financial Position

The institution's total assets reached ARS 59,971.2 billion with a variation of 52.5% compared to the previous year (ARS 39,332.5 billion), whereas total liabilities reached ARS 52,289.6 billion with a variation of 58.4% compared to the previous year during the same period.

Changes in Loans

The portfolio of loans granted to the non-financial private sector reached ARS 32,078.5 billion which represent a positive variation of 32.5% (ARS 7,875.8 billion), compared to the previous year (ARS 24,202.7 billion). Among the commercial loans, the lines showing the highest growth were those granted by means of documents in 31.0% (ARS 3,134.6 billion) and advance payments in current account 41.3% (ARS 1,937.0 billion). As far as the consumption lines is concerned, loans with credit cards increased by 53.1% (ARS 1,846 billion)

Changes in Deposits

Total deposits reached ARS 41,651.5 billion with a variation of 51.6% compared to the previous year.

Deposits from the non-financial private sector totaled ARS 38,828.1 billion, a 59.8% increase when compared with the prior year. An increase of ARS 8,751.2 billion (75.1%) in time deposits and ARS 4,307.3 billion in checking accounts (66.8%) should be highlighted. Savings account deposits had a positive change of ARS 784.9 billion (15.1%).

As of the 31st of December, 2015, time deposits and in deposit accounts represented 53.1% and 46.9% of the entity's total deposits, respectively.

Total deposits accounted for 69.5% of the Bank's total funds.

Liquidity Ratio

The liquidity ratio was 51.6% on total deposits, as compared to 45% in the previous year, whereas liquid assets (funds and government and private securities) increased 73.9% compared to the same period of the previous year.

Debt-to-Income Ratio

The debt-to-income ratio measured in terms of shareholders' equity on total liabilities was 14.7%, compared to 19.1% in 2014. This variation results mainly from the payment of cash dividends and the growth of the deposits portfolio of the Bank during fiscal year 2015.

Shareholders' Equity on Net Assets (Leverage)

Leverage, resulting from dividing the shareholders' equity by net assets, was 13.4%, compared with 16.4% in 2014. This decrease mainly results from the payment of cash dividends and the growth of the assets of the Bank during fiscal year 2015.

Locked-up Capital

The locked-up capital ratio, i.e. fixed assets (property, plant and equipment, miscellaneous and intangible assets) over total assets, was 1%, keeping at the same level as in the previous year.

Regulations

The Bank complies with the monetary regulations established by the BCRA and maintains its long-standing prudential criteria. **Banco Patagonia's** capitalization index had excess cash in the amount of ARS 2,704.6 billion as compared to the requirements set by the BCRA.

Similarly, the capitalization ratio that relates the Bank's regulatory capital (Responsabilidad Patrimonial Computable - RPC) to risk-weighted assets amounted to 13.4% compared with 16.4% in the prior year.

Structure of the Financial Position and Profit and Loss Statements

The Bank's Statement of Financial Position and Statement of Income as of December 31, 2015, compared with fiscal years ended on December 31, 2014, 2013, 2012 and 2011 are shown below:

Financial Structure (in ARS thousand)	2015	2014	2013	2012	2011
Cash and Cash Equivalents	9,266,803	6,360,072	5,758,004	4,403,773	2,242,338
Government and Corporate Securities	12,235,312	6,001,099	1,993,708	2,117,100	2,511,636
Loans	31,398,451	22,759,856	19,187,829	16,031,418	11,053,174
Other Receivables from Financial Intermediation	3,544,360	1,627,996	1,074,756	1,444,689	1,322,274
Receivables for Financial Leasing	1,284,742	1,017,181	920,203	636,635	491,174
Equity interest in other companies	1,046,860	726,472	527,975	394,959	273,062
Miscellaneous Receivables	587,003	444,262	369,598	227,768	405,570
Fixed Assets	357,677	254,381	234,063	225,897	199,695
Miscellaneous Assets	221,500	102,263	44,973	55,108	61,716
Intangible Assets	25,409	29,572	34,443	21,969	-
Items Pending Allocation	3,037	9,305	842	703	583
TOTAL ASSETS	59,971,154	39,332,459	30,146,394	25,560,019	18,561,222

Financial Structure (in ARS thousand)	2015	2014	2013	2012	2011
Deposits	41,651,454	27,466,671	22,067,025	18,645,169	13,317,163
Other Liabilities for Financial Intermediation	9,476,438	4,289,232	2,482,854	2,821,237	2,070,508
Miscellaneous Liabilities	1,020,893	1,159,863	873,360	653,248	622,759
Provisions	137,618	92,349	123,538	71,020	66,993
Items Pending Allocation	3,230	3,748	3,146	2,559	1,263
TOTAL LIABILITIES	52,289,633	33,011,863	25,549,923	22,193,233	16,078,686
SHAREHOLDERS' EQUITY	7,681,521	6,320,596	4,596,471	3,366,786	2,482,536
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	59,971,154	39,332,459	30,146,394	25,560,019	18,561,222

Profit and Loss Statement (in ARS thousand)	2015	2014	2013	2012	2011
Financial Income	9,952,793	8,079,376	5,303,358	3,362,055	2,143,648
Financial Expenses	4,650,684	3,618,514	2,193,564	1,212,160	746,994
Gross Intermediation Spread	5,302,109	4,460,862	3,109,794	2,149,895	1,396,654
Uncollectibility Charge	390,312	316,416	525,253	301,301	97,103
Fee income	2,390,184	1,809,289	1,512,008	1,173,862	864,477
Expenses for Services	728,575	521,167	463,363	329,654	226,305
Administrative Expenses	3,397,211	2,397,856	1,797,916	1,418,880	1,094,152
Net Financial Intermediation Income	3,176,195	3,034,712	1,835,270	1,273,922	843,571
Miscellaneous Profits	491,807	355,698	349,817	217,861	152,910
Miscellaneous Losses	63,842	131,128	102,244	37,754	33,203
Net Income before Income Tax	3,604,160	3,259,282	2,082,843	1,454,029	963,278
Income Tax	1,198,627	1,083,305	853,158	569,385	351,032
NET PROFIT (LOSS) OF THE YEAR	2,405,533	2,175,977	1,229,685	884,644	612,246

Incoming or Outgoing Cash Flow Statement

The following is the statement of cash generation or allocation corresponding to fiscal year ended on December 31, 2015, as compared to the years ended on December 31, 2014, 2013, 2012 and 2011.

CASH CHANGES DURING THE YEAR (in ARS thousand)	2015	2014	2013	2012	2011
Cash Flow from Operating Activities	1,996,669	189,923	582,804	1,842,611	561,152
Cash Flow (Allocated to) Generated by Investing Activities	(226,646)	(69,282)	15,756	(13,260)	(2,396)
Cash Flow (Allocated to) Generated by Financing Activities	541,252	(422,357)	154,206	140,095	66,169
Financial Income and Holding Gains and their equivalents	595,456	903,784	601,465	191,989	136,415
CASH (DECREASE)/INCREASE	2,906,731	602,068	1,354,231	2,161,435	761,340

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.

It should be noted that the BCRA has begun a process for convergence towards the IFRS of the regulations that make up the Information and Accounting Regime. The IFRS will be effective for all entities that are part of the financial system as from the financial statements corresponding to fiscal years beginning on January 1, 2018 and for interim periods within such fiscal year.

To this end, the BCRA will issue the regulations governing such convergence and establish the tasks to be performed, following a schedule that is detailed in Communication “A” 5541, establishes that during the period extending between April 1, 2014 and December 31, 2017, the BCRA will publish the amendments to the Rules and Informative Regimes that are necessary for convergence to the IFRS, and will follow-up on the degree of progress of the “Implementation Plan for Convergence to the IFRS” that is to be submitted by financial entities before the BCRA until March 31, 2015.

In this sense, the Entity’s Board of Directors at its meeting held on March 30, 2015 approved the “Implementation Plan for Convergence towards the IFRS”, submitted to the BCRA on March 31, 2015.

Additionally, in compliance with the frequency required by the BCRA standards, the Entity’s Board of Directors in its meeting on September 28, 2015, took note of the information corresponding to the degree of progress of the convergence process, submitted to the BCRA on September 30, 2015.

On December 4, 2015, the BCRA issued Communication “A” 5844 in which they stipulate the guidelines to be followed by the financial entities, with the purpose of submitting the adjusting entries which allow the elaboration of the reconciliation of their assets and liabilities, with those resulting from the application of the IFRS. The first submission of the above mentioned reconciliation will be for balances as of December 31, 2015, and should be submitted to the BCRA with expiration date on March 31, 2016.

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

5. SUBSIDIARIES

The Bank holds control on the companies described below:

- **PATAGONIA INVERSORA S.A. Sociedad Gerente de Fondos Comunes de Inversión** channels the management of the mutual funds business. Mutual funds are traded exclusively by the Bank, which at the same time operates as the depository company for the funds.
- **PATAGONIA VALORES S.A.** with the sole purpose of participating —on its own account or on account of third parties— in accordance with the filing before the Argentine Securities Commission as Settlement and Clearing Agent and Comprehensive Trading Agent, in first issue and secondary trading through Computerized Trading Systems in authorized markets. Besides, it participates in activities related to transactions with government and/or private securities. These activities are carried out in accordance with the provisions of act on Capital Markets, No. 26831.
- **BANCO PATAGONIA (Uruguay) S.A.I.F.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 above-mentioned specific characteristics, under the supervision of the Central Bank of Uruguay.
- **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 GM 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 industry of Mutual Investment Funds in Argentina achieved, during 2015, an important growth in Argentina. The total shareholders' equity managed by the equity companies started the year at ARS 132,310 billion, and by December 2015, it had reached ARS 211,114 billion, which represents an increase of 59.6% compared to the closure of the previous year.

Concerning investment composition per type of Fund, by the end of 2015 the net assets administered by term and cash Funds accounted for 23.8% of the total, whereas by the end of 2014, managed 26.7% of the industry total equity. Fixed income funds continued the trend of last years, and their market share accounted for 52.5% of the Fund Industry at the close of the year 2015, whereas by the end of 2014, it represented 50.5%.

With regard to this Subsidiary, as of December 31, 2015, it declared a managed equity of ARS 5,501.0 billion with an increase of 60.9% compared to the managed equity as of December 31, 2014.

FY 2015 closed with profits amounting to ARS 46,3 billion compared with ARS 16.6 billion in the previous year, which represents an increase of 178.7% and determines a ROE of 56.3%, compared with 46.3% in the previous year. This increase arises mainly from higher incomes for management fees, and financial income and holding gains generated by the investment portfolio, The company holds assets for ARS 102 billion and its shareholders' equity at year-end is ARS 82,3 billion.

■ **PATAGONIA VALORES S.A.**

As of the December 31, 2015, the Merval index has an annual increase of 36.1% measured in pesos and a decrease of 10.4% in dollars. The index which only considers Argentine companies, (M.AR) was the only one that increased both in pesos, by 59.9% and in dollars, by 5.3%. The most negotiated sectors were oil, gas, banks, and metalworking.

Among the shares with higher negotiations are: APBR 17%, YPF 14%, GGAL 14%, and Tenaris 9%. The most negotiated securities were the securities in dollars, with the most significant being: AA17, RO15, and AY24, which comprise 60% of the total negotiated volume.

The primary market channeled funding for an equivalent to USD 7,726 billion, 89% represented large companies. The funding of SMEs sector reached USD 805 billion. This was due to the historical record of negotiated deferred payment checks.

The issue in Financial Trusts (FTs) fell by 10%, compared to the previous year, because of the reduction in the issue of public work FT.

The company closed FY 2015 with profits of ARS 2,4 billion, mainly due to financial income and holding gains from the company's investment portfolio.

As of December 31, 2015, the company holds assets for ARS 27,7 billion and its shareholders' equity at year-end is ARS 26,1 billion.

■ **BANCO PATAGONIA (Uruguay) S.A.I.F.E.**

In 2015, the Uruguayan subsidiary ended with profits of USD 608.0 million. The deposits portfolio from non-residents in Uruguay reached USD 31.3 million, with a decrease of 28.9% compared to the previous year (USD 44.0 million).

The company holds assets for ARS 43.5 million and its shareholders' equity at fiscal year-end amounted to USD 11.9 million, maintaining a capital excess, in terms of the required capital, and calculated on the basis of risk assets, of USD 7.1 million as per the rules of the Central Bank of Uruguay.

■ **GPAT COMPAÑÍA FINANCIERA S.A,**

The Argentine automobile industry closed 2015 with a lower sales level than in 2014. In accordance with the Association of Automobile Dealers of the Republic of Argentina (ACARA), 643,672 vehicles were licensed in 2014, showing a decrease of 6.3%.

During 2015, there was a reduction, although more significant, on the production and export levels. This reduction was mainly due to a decrease in the demand from Argentina's main commercial partner, Brazil, which is still the destination of almost eight out of ten exported vehicles. According to the Association of Automotive Factories (ADEFA), in 2015, the production increased to 543,467 vehicles, decreasing in comparison with the previous year, which was 12%, whereas exports were 245,725 units, reflecting a decrease of 31.3%.

According to the Association of Financial Companies of Automotive Brands (AFIMA) the volume of placement of pledge loans amounted to 342,774, with a 6.8% growth compared to the previous year. The share over the total of pledges, of the Bank as well as the Financial Companies of Brands was 19.6%, whereas in the Savings Plan, it was 57.3%.

The share of the pledge market sales was 53%, mostly supported by Savings Plans.

Finally, GPAT's share in the market, where it competes with the rest of the Financial Companies, was higher than 78% with relation to the pledges of the brand Chevrolet, keeping the market leadership within the above mentioned brand, in the volume of granted pledge loans. (Source: AFIMA).

As regards wholesale financing, GPAT's activity is the management of credit facilities granted by Banco Patagonia S.A.

In 2015, the total volume of vehicles administered by GPAT through the floor-planning program reached 49,246 units, equivalent to an amount higher than ARS 9,600 billion.

Fiscal year 2015 ended with a profit of ARS 208.0 billion, representing a 32.1% increase compared to the previous year. The ROE was 29.9% compared to 31.7% in the previous fiscal year.

The company's financial income increased by \$ 2.6 billion, due to higher interests for advance payments in the amount of ARS 14.1 billion and the increase of ARS 21.6 billion of the interests for pledge loans. These increases were partially compensated by a decrease of ARS 39.4 billion mainly generated by a drop of the loans subsidized by GM.

With reference to financial expenses, the main variation corresponds to the interests for negotiable negotiations issued by the company, which as of the 31 December 2015 were ARS 192.3 billion compared to ARS 313.7 billion in the previous fiscal year, representing a reduction of ARS 121.4 billion (38.7%). Income for net services reached ARS 179.8 billion representing an increase of 9%, compared to the previous year, mainly due to the increase in the volume of loans with car mart subsidy in the amount of ARS 23.8 billion, partially compensated by the increase of expenses related to wholesale insurances in the amount of ARS 12.5 billion.

As of December 31, 2015, GPAT holds assets for ARS 2,271.6 billion and its shareholders' equity amounts to ARS 788 billion.

6. PROFIT DISTRIBUTION PROPOSAL

The following Profit Distribution Proposal for the year ended on December 31, 2015 is submitted for the Shareholders' consideration:

Item	Amount (in ARS thousand)
Unappropriated retained earnings	2,405,533
To Earnings Reserve	
- Legal Reserve (20% of 2,405,533)	481,107
Subtotal 1	1,924,426
Less:	
Off balance sheet adjustment, item 2.2 BCRA Revised Text "Profit Distribution"	21,198
Subtotal 2	1,903,228
Amount to be distributed (*)	1,924,426
Distributed Earnings	
To Optional Reserve	
- Optional reserve for future distribution of earnings	1,871,698
To dividends in cash (*)	52,728
Nondistributed earnings	-

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

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

7. CORPORATE SOCIAL RESPONSIBILITY

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

8. BANK MANAGEMENT

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

In 2016, 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 companies.

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 and risks 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.

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

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

The main responsibilities and duties of the Board of Directors, the Statutory Audit Committee, the various Bank committees, and 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, 2016:

Name	Position
João Carlos de Nobrega Pecego	President
Antonio Carlos Bizzo Lima	Vice-President
Claudio de Olivera Borsa	Vice-President
Claudemir Andreo Alledo	Vice-President
Carlos Alberto Araujo Netto	Vice-President
Rubén Miguel Iparraguirre	Vice-President
Admilson Monteiro Garcia	Regular Director
Carlos Alberto Giovanelli	Regular Director
Jaime Osvaldo Tasat	Regular Director
Antonio Mauricio Maurano	Alternate Director
Raúl Francisco Moreira	Alternate Director
Edson Rogerio Da Costa	Alternate Director
Rogerio Magno Panca	Alternate Director
Nilson Martiniano Moreira	Alternate Director
Jorge Guillermo Stuart Milne	Alternate Director
Esteban Martín Malatesta	Alternate Director

Statutory Audit Committee

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

The Business Companies Act provides that the main powers and duties of the Statutory Audit Committee include the following: (i) to supervise company management, by examining books and documents whenever it considers it advisable

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

The following table includes information on the members of the Bank's Statutory Audit Committee, appointed by the Shareholders' Meeting held on April 23, 2015, whose terms of office will expire on the date of the Shareholders' Meeting that will consider the financial year ended on December 31, 2015:

Name	Position
Mónica María Cukar	Regular Statutory Auditor
Héctor Rossi Camillión	Regular Statutory Auditor
Alberto Mario Tenaillon	Regular Statutory Auditor
María Lucía Denevi Artola	Alternate Statutory Auditor
Cristina Tapia Sasot	Alternate Statutory Auditor
Jorge Lorenzo	Alternate Statutory Auditor

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 and IT Assets Protection 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 assignment is to propose to the Board of Directors, the policies, strategies and handbooks, intended to the management of the product operative risk, activities, processes and systems of the financial institution, applicable to each business unit, evaluating that the management surveillance process adapts to the 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. At least monthly, the Board of Directors should be informed about the main aspects related to the financial risk management. The scope of its assignments comprises the Bank as well as its subsidiaries.

The Entity has established other Committees, namely:

Direction Committee

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

Business Committee

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

Finance Committee

It is in charge of taking decisions on matters related to the management of the Bank's financial assets and liabilities.

Committee on Non-Performing Corporate Segment

Its duty is to evaluate delinquent customers of the Corporate segment, define the applicable procedure and follow-up.

Committee of Compensations and Incentives to Staff

This Committee is responsible for overseeing that the system of compensations to the staff is consistent with the Entity's policies.

Ethics Committee

Its role is to decide on issues related to the construction and scope of the Code of Ethics, which establishes the different policies related to all Bank members' ethical behavior.

Quality Committee

It is in charge of evaluating and proposing to the Board of Directors, the policies and strategies oriented to the Bank’s Culture and Quality Management. In the Committee, planning and follow up of improvement actions and the defined action plans are performed, elaborated as a result of different customer studies and surveys carried out periodically. The subjects discussed in the Quality Committee are focused on the improvement of the Customer’s Experience, aligned with the Strategic Plan of Banco Patagonia.

Architecture and Own and Fixed Assets Management Committee

It is in charge of the analysis of the subjects related to the Bank’s building infrastructure and furniture.

Dividend Policy

Procedure for dividend payment according to the BCRA regulations

BCRA Communication "A" 5072, 5485 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 BCRA 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.

The BCRA Communication "A" 5273 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.

Later, on November 10, 2015, through the Communication "A" 5827, it was stipulated that Financial Institutions should constitute, in order to distribute results, an additional capital margin to the demand of minimum capitals. This additional capital margin must comprise a capital preservation margin of 2.5% of its assets weighed by risk, a margin that increases to 3.5% when the institutions are Financial Institutions of systemic relevance. The distribution of results shall be limited when the level and composition of the computable state liability of the financial institutions –in spite of complying with the demand of minimum capital - place them within the capital preservation margin range.

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 2010, 2013, and 2014:

FY	Dividends per outstanding share (in ARS)	Total payment of dividends (in ARS thousand)	Percentage of profits
2010	0.3347	240,702	50.00%
2013	0.6283	451,852	36.17%
2014	1.4526	1,044,688	48.01%

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.

Remunerations of the members of the Management Council and remuneration policy for management

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

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 2015, 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 involve all levels and departments. They include activities such as: approvals, authorizations, verifications, reconciliations, operating performance reviews, assets security, and task segregation, among others.

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, Communication and awareness

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.

The Entity has implemented a comprehensive risk management process in accordance with the guidelines suggested by the Central Bank of the Republic of Argentina, observing the lines of best banking practices, as recommended by the Basel Committee.

During fiscal year 2015, from the Executive Management of Risk Management, we continued strengthening the work method that enables the market risk management, interest rates, liquidity, credit, operational and technology.

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

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

During fiscal year 2015, it was carried out the integral revision and update of the Policy and the Manual for Operational Risk Management.

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

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

Besides, during fiscal year 2015, it was carried out the revision of the Method and Procedure of IT Risk Analysis.

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

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

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

With relation to the management of the Special Investigations sector, it is responsible for the reception of denouncements and evaluating their truthfulness, to give the appropriate course of action in each case. Said sector conducts each investigation, centralizing the information and interacting with the different sectors of the Entity.

During fiscal year 2015, new management tools have been analyzed, tending to mitigate the occurrence, motivation and chances to commit frauds.

With the purpose of achieving a continuous improvement of the risk management models, the continuation of the development of more advanced tools, methods and models related to risk management will occur, aligned with the recommendations of the BCRA and the international organizations specialized in this topic.

□ **Organization Structure**

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

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

- Superintendency of 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
- Superintendence of Technology, Communications and Systems
- Superintendence of Processes and Transaction Support
- 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
- Executive Office of Budget and Information
- Internal Audit Executive Office
- Executive Office for the Prevention of Money Laundering and Terrorist Financing

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

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

Network

The Network is structured across 15 commercial regions; it has 177 branches, one agency, 16 assistance centers and 3 platform banks, including 550 automatic teller machines and 337 self-service terminals.

The Network Commercial Management is based on a business plan with a customized attention model as a distinctive feature of the organization, which was strengthened this year with the beginning of the implementation of a new Commercial Acting Model ("CAM").

Our branches are integral management units represented by Integral Managers who are responsible for the commercial development of customers in their different segments (Individuals, SMEs, Large Companies and Agro). The Network has 2,039 employees playing commercial and operative roles.

During 2015, the Bank expanded in strategic sites to be closer to current and future customers, this is certified by the inauguration of new branches in Necochea (Buenos Aires) and Gualaguaychú (Entre Ríos), as well as the opening of the

Chacarita Agency (CABA). Additionally, La Plata branch was relocated and several layout extensions, reforms and adaptations were carried out in branches Godoy Cruz, Panamericana, Mar del Plata Luro, Belgrano and Av. Entre Ríos, with the priority of continuous improvement in the assistance to our customers, providing differential services and making the last generation electronic channels available. It is important to mention that 40 Self-service terminals (SST) and 55 Automatic Teller Machines Patagonia 24 (ATMs) were installed.

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

Targets for 2016

- ✓ Expand the Network with the opening of new branches and assistance centers in strategic areas for the growth and development of new business.
- ✓ Keep on working hard in the employees' training to have engaged teams with high performance strong human potential, through attendance-based workshops supported in this new culture of sales that maximize the Commercial Network Management.
- ✓ Go deeper into the integral relational sale model with current and potential customers in all its segments, focusing on long-term relations.

Electronic and alternative Channels

The new technological challenges make it necessary that the financial industry increasingly accompanies the new business model with innovation and technology, through fast digital channels and providing timely responses to those demands from the new customer profile. Mass use of Internet and mobile devices are the main channels through which the relation with the customers is changing.

In this context, and similar to previous years, the degree of utilization of channels showed an increasing trend. At present, there are multiple attention, transaction and sale means intended to meet the needs of individuals as well as companies. Among them, the following can be mentioned:

- the Patagonia 24 ATM Network;
- Self-service terminals;
- Customer Relations Center
- 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 2015, the Patagonia 24 ATM network was composed of 550 ATMs (464 of them located in branches, agencies and Banks and 86 outside the branch premises), distributed by geographical areas as follows:

- 115 in the City of Buenos Aires
- 84 in Great Buenos Aires
- 351 in the provinces

In 2015 the Bank's ATM network grew by 6% as compared to the previous year. This process of expansion will continue in 2016 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 51.2 million transactions were performed through this channel in 2015.

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

Self-Service Terminals (SST)

The terminal installation represent an important means to provide better service to clients who process their operations in branches. As of December 2015 there were 337 SSTs installed, which means a growth of 11% units as compared to 2014.

In FY 2015, almost 4 million transactions related to deposits and payment of credit card invoices were made through the terminals installed at the lobby of the branches.

In FY 2015, the Bank continued installing new Intelligent Self-Service Terminals. The main advantages of this new technology are online crediting and a reduction of the transactions' processing time. At present, the Bank operates 67 of these equipments, installed in several branches (34% more equipment compared to the previous year).

Patagonia e-bank

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

E-bank Individuals recorded more than 270,000 active customers. As in other years, the most valued transactions by clients are money transfers and the payment of taxes and utility bills. More than 9 million of these transactions were performed in 2015 and we kept on working on the development of new features of added value for the customers.

E-bank Enterprises grew 11% in the number of customers compared to the previous year. The transactions most valued by companies are fund transfers, payroll services, Foreign Trade and Payment and Collection services.

Patagonia Mobile

Banco Patagonia's channel through cell phones grew over 70% in the number of customers that operate, exceeding by the end of the period, the 50,000 users that make consults and/or transactions. Consult of balances, transfers and service payments are the most valued operations.

Customer Relations Center

Telemarketing

Through this sector, more than 7,500 transactional products were managed (holder and additional cards, product and insurance packages) and 7,000 personal loans. In this period, the actions were focused on customers' crossselling.

Investment Center

During 2015, the Investment Center increased its portfolio by 27% compared to 2014; it markets 8% of the time deposits of the Business Unit Individuals.

Patagonia On-line

Through Phone Banking, more than 1.5 million customers' consults were managed and more than 100,000 email received were answered. In addition, more than 14,000 insurance policies were sold, such as: P24, Protected Belongings, Home, Life and Personal Accidents.

Targets for 2016

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

Banco Patagonia structures its customer management model through business units, namely: Individuals, Companies, Finance and Public Sector.

■ INDIVIDUALS

The objectives proposed for the year were to reach an important growth of the customers' portfolio and to position the brand Banco Patagonia as one of the leading Banks in the market.

For that purpose, strategies of capture, retention and getting the customers' loyalty were established including the adaptation of the products offer and value proposal, as well as the optimization of direct and indirect processes and channels.

Within the global objectives, it was performed an adaptation of the assistance model and branches layout, and it was consolidated the proposal for customers of the High Income segment, building the basis for expansion of the model originated in our Central Office.

During 2015, different actions were developed which enabled the Bank to increase exposure and presence in the market.

Banco Patagonia started in the area of Entertainment and Shows with two important agreements: Time For Fun (T4F), the largest show producer in the region, and its associated companies: Ticketek and Teatro Ópera; and with Hoyts, the main cinema chain in the country.

These agreements, not only allowed us to offer new and different benefits to our customers, but also allowed to fulfil the objective of spreading the brand, increasing our presence in the mass means of communication, participating in important advertising campaigns of our strategic partners with announcements on TV, radio, street, newspapers and social media, in a continuous manner throughout the year.

The presentation of the Rolling Stones and Coldplay concerts and the large associated communication campaign have been a milestone in the market, strongly positioning the Bank in the mind of our current and potential customers. Each T4F sponsored event, in addition, enabled us to have strong communication before, during and after each concert, highlighting the presence of the brand at the complexes, the VIP guest room, the presence of celebrities and the press, and the promotional actions with the audience.

The Alliance with Hoyts, allowed us to present the first advertisement integrally produced by the Bank, with a daily projection in each of the cinemas of all the complexes in the country.

In the tourism area, we also had an outstanding presence and advertising - mainly in graphic media and radios – through the offer of benefits from agreements with Al mundo.com, Avatríp, Garbarino viajes, among others.

Within the offer of benefits, agreements were also developed with important on-line stores, gaining presence in the digital market.

An attractive proposal was implemented for discounts and benefits, taking into account their customization, not only for the different segments but also according to the geographical distribution of the portfolio and the time of the year.

The actions carried out in Bariloche – the most iconic site of Argentine winter – where we have benefits and promotions in stores of the region, we have an exclusive location situated in Cerro Catedral which welcomes the customers coming there from all over the country. And in Las Grutas, the most popular beach resort of Southern Argentina, where we have Banco Patagonia's beach, a reference for each summer.

We also strengthened our presence in the Province of Río Negro – we are their Financial Agent – with a wide regional advertising plan in mass media (radios, newspapers, Internet, and TV).

During 2015, we kept the value proposal of Club Patagonia as customer relation center. To the offer of prizes such as Smiles – (millage program of GOL), vouchers, GiftCards and Experiences, we added Point exchange + Pesos and the possibility to Exchange points by tickets to shows sponsored by the bank.

The program *Patagonia Más* was very active with continuous promotions every week, to increase the base of subscribed customers, duplicating it compared to the previous year.

Capitalizing the new or preexisting agreements and alliances, or leveraging other market opportunities, we implemented an aggressive strategy of events to get the customers' loyalty, the relation and acquisition of customers.

This strategy to acquire customers, focused on the acquisition of customers with origin in the open market, was one of the main commercial axis of 2015, with continuous commercial actions, an innovative and competitive commercial proposal, that enabled the Bank to increase the stock of customers by 20% in this segment.

Seeking and fulfilling this objective, new alternative channels were also launched for the acquisition of customers, with a specific and different value proposal, into a regional growth plan, with an integral and centralized process of sale that helped to incorporate more than 10,000 new customers to the bank.

The program Patagonia Entities was strengthened by generating new alliances with different institutions such as clubs, private educational institutes, countries, associations, giving the members, parents and partners, differential benefits and conditions in the bank's products.

We continue developing the commercial synergy with GPAT, from the delivery of an integral product to all the customers originated by the channel, with exclusive benefits focused on the needs of this segment of customers.

The Salary Payment service remained as the essential point in the generation of new customers, starting with the subscription of new agreements in all the company segments (SESSs, Large Companies and Corporate) and the development of the in force agreements, with a growth of the salary plan base of 11% compared to the previous year.

From the High Income proposal, we could penetrate the high management levels of certain private companies.

Our customers' portfolio evolved favorably in the main variables, showing solidness and potential. As to the objectives proposed for 2015, focused on the efforts to retain and reactivate customers and improve cross-sell in all the segments of customers, the evolution of loans is a highlight as the objectives proposed were exceeded and the use of electronic and alternative channels was encouraged for acquisitions and deposits, where there was a growth of 51% in the portfolio compared to the closure of the previous year.

The predictive model of product acquisition was redefined and deepened and a predictive model was developed to detect possible discharges of customers.

Together with the Customers Contact Center, it was implemented a sector of retention and activation, with a group of specialized operators to meet these objectives.

Finally, customers' contact data enriching actions were taken to increase and improve the communication opportunities. And the digital communication channels were extended.

The Insurance business also had an excellent year in sales, exceeding by 32% the sales of the previous year, also generating incomes over the already budgeted. Enriching the integral offer of products and adapting it to the needs of our customers, we launched the products Vida12, Servicio de Multi-asistencia al Hogar, Integral de Comercio and a more sophisticated line of Personal Accidents and Life Insurance.

This year, Banco Patagonia obtained the registration at the Registro de Agentes Institorios, in agreement with the regulations provided in Resolution SSN N° 38.052. Besides, each branch has a Responsible official for the Assistance to the Insured Customer, each of them having received suitable training according to the Program of Continuous Training detailed in the Communication 4634 of the SSN. This enables to keep on growing in this business of strategic importance for the bank.

In compliance with the Resolution 648/2014 ANSES, Banco Patagonia started the enrollment process and biometric identification of the customers who collect their retirements and pensions of the SIPA and non-contributive pensions and

their attorneys. To perform these activities, biometric readers were installed in all the branches and we captured the fingerprints of 65% of the customers by December 2015, and more than 200 identification terminals to consult and carry out life certification. To optimize the contact with the customer and our data quality, in the enrollment contact, contact and normative data were updated.

High Income

Together with implementation of the Exclusive Assistance Center located in our building at Perón 500, for High Income customers' assistance, the assistance model, the relation model and the product and benefit proposal developed for acquiring customers of this segment were consolidated.

In the relation proposal, several events were held exclusively for customers, considered in the main points of interest of the segment, namely, gastronomy, cocktails, art and entertainment.

At the product level, we added the products Patagonia Leasing for individuals and Mortgage Loans, and improved attributes and conditions of the rest of the offer. The benefits proposal was consolidated, reaching an extremely attractive and competitive proposal in the market, and we achieved the quality standards proposed for the model and the proposal layout, plus a positive response and acceptance of the product in the market, establishing the base for the expansion of the model to other markets.

Targets for 2016

- ✓ Perform a suitable strategic segmentation of our customers' portfolio, developing a proposal of specific value for each one, and an assistance model according to the needs of each segment.
- ✓ Develop a brand mass integral relaunching plan which potentiates our position in the market.
- ✓ Consolidate our programs of benefits and position them among the best in the market.
- ✓ Develop the strategies and initiatives for the acquisition of new customers, consolidating the growth model carried out during this year.
- ✓ Consolidate the centralized alternative sale channels and develop new channels to acquire new customers.
- ✓ Improve the indicators of our customers' portfolio by improving the quality of their information, the improvement of the predictive behavioral models, the use of communication channels with the customers and the commercial management tools, and the suitability of the assistance platform and direct contact with the customer.
- ✓ Expand the High Income customer model through the opening of seven new Exclusive Assistance Centers, deepening the model of benefits and relationship, and achieving their adequate positioning in the market.

□ CORPORATE BUSINESS

During 2015, the Corporate business has shown a strong growth, confirming the suitable positioning in the Financial System, in the business segments Corporate, Large Companies, SMEs and Agribusiness.

This growth was reflected in the Loans portfolio which had a very positive evolution, reaching a growth of 35% compared to December 2014.

Concerning Deposits, the focus was still on increasing the transactional business with our customers. As of December 2015, the interannual growth reached was 49%.

Cross-selling work performed on the current customers, has allowed reaching an annual invoicing for commissions that represented an increase of 29% compared to fiscal year 2014.

It was satisfactorily fulfilled the placement of the Lines for the Productive Investment of the B.C.R.A. (Communications "A" 5516 and amendments, and "A" 5771) which enabled to accompany new and current customers, SMEs in their business development and growth.

In these lines, the Bank has spent the added value of ARS 1,539 million.

In addition, important actions were taken, trying to gain the customers' loyalty, through social, sport and entertainment events leveraged in the agreement with T4F.

Within the business global agreement with GM and together with GPAT, we continued funding the official car marts of General Motors Argentina and transactional business with them were arranged.

In the setting of the improvement in the communication with the Branches Network, a direct contact channel was created, enabling us to receive suggestions and manage improvements; periodical contents were generated through the newsletter format of Companies and the best commercial practices related to the customers were published.

With the purpose of encouraging the relation with our new customers, different competitions were developed during the year, acknowledging the best performance of all the segments.

Further to the review of the assistance model started in the last quarter of 2014, customers' assistance for Large Companies and Agro settled in the Autonomous City of Buenos Aires and GBA was concentrated in the specialized branches, thus improving the assistance level offered to these segments.

■ **Corporate**

To continue the support of commercial development of Banco Patagonia with Companies, Corporate defined the structure by the end of 2014 that enabled to potentiate the creation of new communities, increase the present level of crossselling, and generate a closest link to the customer.

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

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

The loan portfolio grew very significantly closing the fiscal year 2015 with an increase of 82% compared to 2014.

With reference to the deposits, there is an interannual increase of 75%.

The new implemented structure allowed to work hard on cross-selling over the current customers, achieving an annual invoicing of commissions which represented an increase of 29% compared to the fiscal year 2014.

As a commercial guideline, we still focus on reciprocal business with customers, trying to keep a proper relation between credit assistance provided and the participation in the customers' different banking business (communities, transactional services, payroll, etc.).

■ **Large Companies and Agro**

To position ourselves among the main Banks in both segments, we continued the growth process of our customers' base during 2015.

In this sense, we deepened the assistance model started last year with the presence of four Branches Large Companies and Agribusiness, creating during 2015, seven assistance nodes of Large Companies and Agribusiness with specialized officials for the assistance of the above mentioned segments that enabled to assist 45% of the customers from both businesses.

The loans portfolio evolved favorably from the 12% annually, with the highest variations in working capital funding, as in investment lines through Leasing.

In the evolution of deposits between the two segments was 26%, where account deposit share was higher than 60%.

Incremental cross-selling on customers was developed continuously, achieving higher transactions with them enabling an increase in commissions of 20%.

We kept on working along with GPAT to achieve a higher degree of transactions with the car marts, increasing salary accounts as collecting sources.

The Agribusiness sector is one of the highest potentials for Banco Patagonia. We continued the development of the commercial team specialization, renewing the positive expectations in view of 2016.

The sector activity in 14/15 campaign was characterized by more production with similar grown surfaces, however, it was influenced by the decrease of international prices. In spite of this, we added new agreements with suppliers of raw materials and equipment, thus potentiating the relation with our customers through Agro Patagonia Card. Besides, with the instrumentation of Agro package, we complemented our offer of current account and credit card in an integral manner.

We continued our active participation in different events of the sector, namely rural exhibitions, cattle auctions and other fairs of the area.

With reference to the actions of customers' default follow up, reasonable levels were achieved, aligned to the financial system in a year of more complexity in the credit area.

To continue the growing process of both business, and facing 2016, the current Large Companies and Agribusiness Management will be divided into two specialized managements for each of the segments

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

In 2015, we kept on working with the objective of positioning Banco Patagonia as an entity clearly identified with Argentine Small and Medium Enterprises.

New actions were taken to retain customers in a centralized manner (island of retention), in addition to providing the Branches Network with prospects to contact, with a differential and competitive value offer. As a result of these actions, 5,196 Active Customers were contacted, reaching the total number of 35,488 customers.

We continued developing alliances and business communities and improving the value offer, in order to generate integral business through chains of value of our customers in the Corporate and Large Companies segments.

We worked actively improving the communication between the Central Office and the Branches Network. In this aspect, a highlight is the updating of Intranet SMEs with updated and practical contents for the officials' commercial management, plus a new direct contact channel of the Network with the Superintendence.

The lines of credit for productive investment continued being applied actively and other lines of encouragement at provincial and regional levels.

As a result of a higher level of transactions, the average deposits as of December 2015 evolved by 41% compared to the previous year. Account balances outstanding in the composition, representing 70% and time deposits comprising 30% of the total.

The evolution of income per service, aligned to the increase of the number of customers and their operational activity, grew by 39% compared to the previous year.

Targets for 2016

- ✓ Continue the growth of active customers in all the business segments, through a competitive offer of credit and transactional products, from a customer-oriented view.
- ✓ Potentiate the development of business communities with Corporate and Large Companies customers
- ✓ Increase the placement of transactional products, focusing on our customers' Salaries Plan.
- ✓ Continue increasing the market share in active operations, with the purpose of positioning Banco Patagonia among the five main Banks of the system.
- ✓ Encourage our customers' productive development, mainly the SMEs, supporting their needs of working and investment capital, especially taking advantage of the different programs fostered by the B.C.R.A.
- ✓ Generate the necessary circuits and processes to keep suitable levels of default in all the segments.

■ FINANCE

In a local and international context with high volatility and changing regulations, the Bank has kept a steady performance aligned with its strategy. In this sense, it has consolidated its position in the local currency potential market, again placed among the top five positions in the MAE ranking, and leveraging this expertise in its commercial relations.

In the business of purchase and sale of securities, where the bank is one of the leaders in the market, progress was made in the volume of operations with customers, focusing on institutional investments. In this segment the Bank has showed great flexibility to provide customized solutions for investors.

The year 2015 witnessed the first results of the consolidation of the model of Money Desk supported in three differentiated teams. By means of a coordinated action of the Financial Market teams, Financial Product Sale and Assets and Liabilities Administration, positive results were obtained for the shareholder, at the same time that it was observed the indicated financial prudence guidelines. This internal arrangement of the Finance area has achieved complementary synergies that had a positive impact on commercial areas of the bank as a whole.

During the year, the Financial Entities, Non-banking Financial Entities and Institutional Matters sector kept its leading position in serving clients that need financial, transactional and investment services. Its quality standard for financial products and services continues to be very high and is deployed in an environment of careful 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 the Bank worked on consolidating the relation with institutional investors, providing them with global custody services, transactional services, and specially attracting their investment portfolio.

At the international level, the economic context was delicate in different markets. However, Banco Patagonia kept the support of its correspondent banks all the time, allowing us to support the operations and needs of our customers. Multilateral bodies such as the International Financial Corporation and the Interamerican Investment Corporation kept their support to our institution, which, at this time, is working together with these associations in new facilities for the customers. It is important to mention the recent signature of the agreement with the Asian Development Bank, which enables Banco Patagonia to support the customers already operating or that want to operate in the Asian market.

The prospects for 2016 are positive, forecasting growth in the import sector as well as export sector and more demand of the lines in dollars.

Targets for 2016

- ✓ Widen our offer of financial products and services accompanying a process with further deregulation and competence.
- ✓ Deepen the generation of internal synergies with areas of the Bank aligning incentives to obtain better business.
- ✓ Modernize management systems as well as procedures, considering a constantly active market.
- ✓ Keep suitable liquidity and solvency standards as basis for the organic growth of profitability.
- ✓ Increase our market share in commercial terms for our financial products offer.

- ✓ Have more presence in our customers' international business.
- ✓ Work actively with our correspondents abroad and the local representatives seeking new business opportunities.
- ✓ Keep our credit lines active, and with a mid-term vision, seeking future opportunities.

Banco Patagonia remained one of the leading institutions in the Argentine **Capital market** participating in 33 operations of Negotiable Obligations and Financial Trusts in an overall amount that exceeded ARS 4,800 million.

Similarly and considering the operations made by the Capital Market Management, we participated in financial operations for an amount exceeding ARS 6,400 million.

Financial Trusts

In 2015, 24 issues of financial trusts were organized and placed in the primary market for a total amount of ARS 2,700 million. This enabled Banco Patagonia to reach a market share of 11%, keeping its leading position in the domestic market. To this date, the Bank took part in 363 transactions in the primary market, for more than ARS 18,983 million.

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

Negotiable obligations

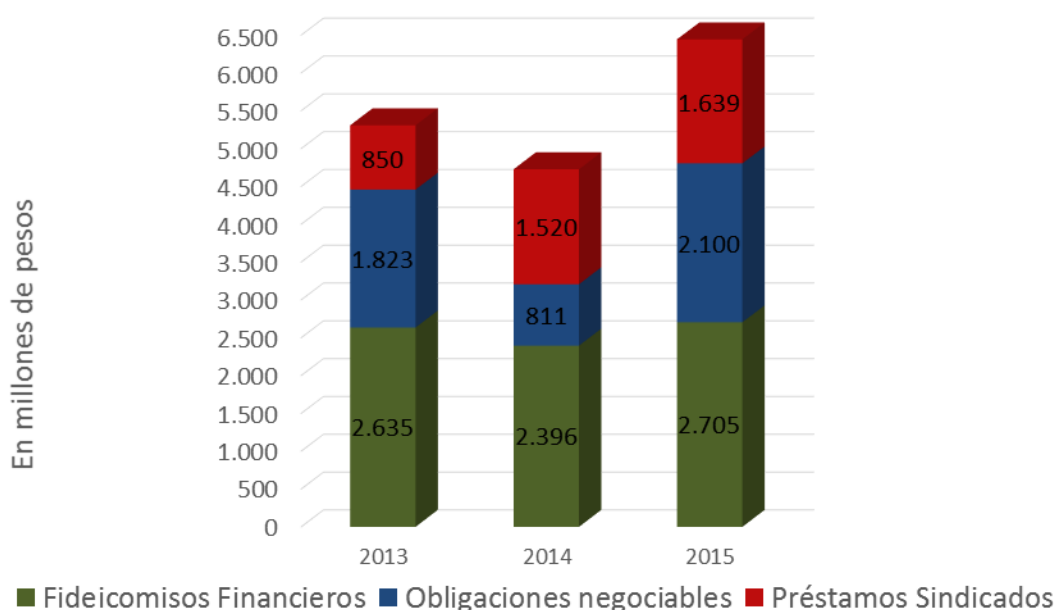
As regards the issue of short- and long-term debt for clients, in this fiscal year 9 issues of corporate bonds were organized and placed, totaling more than ARS 2,100 million.

Banco Patagonia kept its position as one of the main placement agents of these financial instruments for the Argentine market having incorporated Quickfood during 2015, belonging to the group BRF, as new issuing. The organization of issues of debt instruments for clients accounted for a major contribution to the income of this sector in this fiscal year. Additionally, issues were organized and placed for GPAT Compañía Financiera, Tarjeta Naranja, Mercedes-Benz Compañía Financiera, Tarjetas Cuyanas and Rombo Compañía Financiera.

Syndicated Loans

In FY 2015, syndicated transactions were organized for a total amount of ARS 1,639 million. Banco Patagonia acted as a syndicate organizer and agent bank in 3 of these credit transactions.

EVOLUTION OF AMOUNT BY TYPE OF PRODUCT



Cooperation Agreement with Banco do Brasil

In the scenario of increased integration of Banco Patagonia with Banco do Brasil, on January 29, 2015, a Cooperation agreement was made between the Capital Markets areas to offer Banco Patagonia's customers, the access to the international capital market through a global network of BB Securities in New York, London and Singapore and the development of structuring opportunities, intermediation and advise in other business. By means of the Agreement, Banco Patagonia's business will be potentiated in the capital market. Within this agreement, during the fiscal year, we worked jointly in the submission of service offers to potential customers.

□ **Targets for 2016**

- To continue providing our current clients with an outstanding service, strengthening Banco Patagonia's experience in the various financing tools through the capital market.
- To maintain the Bank's leading position, winning new clients for trust operations, corporate bonds and syndicated loans.
- Participate in the international market of securities and corporate bonds issue for companies and sub sovereign, potentiating the existing synergies with Banco do Brasil.

■ **PUBLIC SECTOR**

Public Sector Management has restructured its assistance model by incorporating in the management of the relation with the organizations, with regard to payment of salaries, the coordination of the correct crediting, maintenance of the portfolio and capture of new agreements for salary plans. In this manner, the work teams have been readapted, and were divided by segment (specialty) according to the kind of body and the needs of the existing and prospect customers.

In the Provinces, Municipalities and State Companies, the actions for getting the customer's loyalty and the relation with the new organizations have been increased. Based on the existing relation, we could increase and reactivate the handling of the banking operation, and the highlights are the increase of deposit average balances and the operated volume in foreign trade operations. There was an active participation in financing operations, with the most outstanding, among others, being the placement of municipal drafts and the loan in the amount of a hundred million pesos to the Municipality of Córdoba, also generating reciprocal business. In addition, we have worked jointly with the branches, with the purpose of generating new discount codes and provide databases for the link to individuals business.

With reference to the National Public Administration, the relation with the Circles has been kept, healthcare providers and Institutes belonging or related to the Armed and Security Forces, increasing the offer of products and services, relating new customers of the segment through investments. We started up successfully, the project of implementing the Biometric Identification System of ANSeS, extending it with an agenda of assignments ordered until June 2016.

At the National Universities, the relation of Banco Patagonia with the Universities has been reinforced. It is important the credit line granted to the Universidad Nacional de General San Martín, something that positions us as the first and only Private Bank to assist a National University financially.

The new structure of the teams in the Public Sector Management helped the development of integral assistance to the universities sector, with a proposal of products and services for the Institution, staff and students. This allowed us to become leaders in this segment.

In our role of Financial Agent of the Province of Río Negro, we continued accompanying the management and administration of the Provincial Government, supporting the financial and structural needs of the Province and its Municipalities, and supporting their cultural activities and sport events, achieving outstanding economic, commercial and representative presence of the Bank. We acted as organizers and structurers of the Loan disbursed in the present fiscal year.

We also worked on the development of productive economic activities, facilitating the instrumentation and implementation of the Programs and Projects, also making agreements with the Provincial Government for granting preferential conditions in credit assistance to the Productive Sector (CREAR). We created preferential conditions for the provincial public employee and important benefits and discounts to the citizens of Río Negro in general.

To deepen and potentiate even more the institutional - commercial relation with the Province of Río Negro, we acted actively in different tourist seasons in the Province, with the installation of temporary assistance points of ATMs at the provincial tourist centers (Balneario Las Grutas, San Carlos de Bariloche) and the participation in the tourist events organized by this area of Government. We also assisted and participated in the activities and responsibilities of the areas of Education, Health and Social, also developing different programs of RSE across the provincial region.

We encouraged the use of electronic channels in the Provincial and Municipal administrations of Río Negro, to support them in the global change process towards the digital era. We developed a web platform for the Judicial Power to consult and administrate on-line, more than 35,000 judicial accounts that they may use to make electronic payments, accelerating the judicial payments which are currently made through checks.

We multiplied our presence and representation by opening new Points of Assistance (neutral ATM) in Pilcaniyeu, Ñorquinco, Puerto San Antonio Este, and Playas Doradas, and at the same time, we replaced the ATM's by last generation equipment with better payment capability.

Targets for 2016

- ✓ Generate permanent links, loyalty and strengthen the relations with the existing customers and the relation with new bodies.
- ✓ Continue strengthening our outstanding presence in the Province of Río Negro, through excellence integral services, which allow us to position ourselves as a reference Bank in the region, not only of the Public Sector in our role of Financial Agent, but also of all the inhabitants of Río Negro.
- ✓ Continue with the insertion into the market of debt issue, as structuring agents, that place Drafts and Government Bonds issues in the capital market.
- ✓ Increase the number of Loans Agreements with Discount Code with Provinces and Municipalities.

- ✓ Make the business the maximum profitable possible from an integral vision, trying to generate impact, not only on the Public Sector Business Unit, but also in other Business Units, especially in the Segment Individuals, SMEs and Companies.

The areas of support to the Business are the ones accompanying their permanent development, dealing with each unit's needs.

■ Technology, Communications and Systems

The technological area is an essential support in service Companies, providing answers to the market's demands and fast changes.

During 2015, a Strategic Information Technology Plan has been defined for a 5 years' term to reach the strategic objectives defined. Said plan has a wide vision that has involved Technological Infrastructure, Systems and an operative model which accompanies the Business needs.

The applicative and technical architecture has been defined to carry out the strategic plan, including unified Front-End, Mobile Banking, CRM, Internet Banking, Commercial Intelligence, among others.

The contingency test plan was completed, including the support to the production of the whole Bank using the contingency central computer located at the Contingency Data Processing Center during a five-week period.

Besides, solutions were implemented to comply with the new regulations, as well as to improve controls in different tasks.

Targets for 2016

- ✓ Contribute to the execution of the Strategic Plan by means of the execution of the strategic IT action lines, as well as cooperating in the execution of the other areas of the Bank.
- ✓ Implement new defined platforms that include Internet Platform for Companies, the unified Front-End to make the sales processes more efficient in the Branches Network, the Mobile Banking platform for the Individuals clientele, among others.
- ✓ Complete the technological replacement and implement the monitoring capabilities of the services provided to the Branches Network.
- ✓ To continue reinforcing the telecommunications service with the Branch Network through migration to more modern technologies, enabling better connectivity capacity, either through larger redundancy or through the enlargement the bandwidth.

■ Processes and Support to Operations

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

During 2015, it was developed the third edition of Business Impact Analysis (BIA). In said study, all the Bank's processes have been included (65), collecting and analyzing the specific information with a high degree of detail that included the survey of 750 sub processes, thus generating an important information base from which reports are elaborated and destined to decision-making about improvements /investments in the processes/systems.

We also carried out the updating of the Business Continuity Plan to adapt it to the Bank's current structure. Detected improvement opportunities have been introduced from the interaction with the Continuity References of the different processes and during the tests performed along the year.

It was validated the certification of the System of Information Security Management (SISM) aligned to the standard ISO 27001, about the control activities of the logical access to information assets, monitoring and maintenance of the necessary controls for the proper confidentiality service provision and integrity to internal and external customers.

There were successful audits of follow up and certification of the Quality Management System (QMS) aligned to standard ISO 9001, implementing for the processes Cash Management – Payments, Salaries Plan, Securities Custody and Complaints and Claims Attention.

In 2015, all the customers' admission records were digitalized, as well as those belonging to customers considered as high risk from the point of view of the effective regulations of the Financial Investigation Unit. This enables to get a quick access to the content of the customers' records, better attention to them due to the reduction of the request of redundant requirements and more reliable administration of the documentation expiration dates.

The first islands of processes self-management were implemented, allowing the Bank to start the operation within Lean philosophy, something that has brought gains in efficiency in important percentages in the affected processes. This has been a first experience that will enable to expand this efficient method to other processes next year.

Targets for 2016

- ✓ Improve the customer's experience with the implementation of the new product delivery process
- ✓ Incorporate digitalization to current processes.

- ✓ Consolidate the management autonomous cells with service agreements according to the customers' expectations.
- ✓ Improve the customer's experience, even adopting new future technologies of the digital area

■ Loans, Foreign Trade and Changes

During 2015, significant progress has been made in the credit analysis processes, with the object of supporting the growth of commercial demands. In addition, it should be especially highlighted the significant improvement of the indicator of irregular portfolio over the active portfolio; achieving that said ratio reached 1.18 at the end of the year, with a decrease compared to last December, which was 36%, positioning Bank Patagonia among the five private Banks with the best indexes of total default in the financial system.

Specifically in the Individuals segment, searching for the improvement of the process of credit rating origination, different improvements were implemented, that had an impact on better efficiency in the area, keeping suitable standards in times of response. It is worthwhile mentioning the incorporation of online response tools through SMS or Web Veraz, improvements in the Scoring tool used by the Branches Network, the elimination of the delivery of physical records for their review to the Credit department, and the time reduction in the database rating process which allows to respond during the same day for the development of commercial actions.

It was completed the development of a new multi-segment credit analysis platform that will replace the current Credit Scoring tool and which will allow to incorporate to this analysis method, the segments of individuals, SMEs and Agro, and incorporate the PJ of these segments whose credit demands may be met with these platform. This development will operate during 2016 and will enable to improve the efficiency of the standardized analysis process, enabling to homogenize and depersonalize credit decisions, through an online response, to reduce the operative load of the Branches Network and to be in condition to acquire a higher volume of customers without assuming higher acquisition costs.

We have also implemented a System for the Analysis of Social and Environmental Risks, trying to promote and consolidate the introduction of these criteria, consequently adopting the concept of sustainability in the process of credit operations analysis, caring about the compliance with the social and environmental responsibility criteria. The adoption of this analysis method will allow Banco Patagonia to be positioned to obtain long-term credit lines that have these demands by the credit multilateral bodies.

In addition, we must highlight the development of the method for implementing a Credit Rating system for the universe of customers from the portfolio segment, assigning categories according to their credit quality, with the object of setting up an internal rating system that enables the management of credit risk, aligning these criteria to international standards.

Other facts to mention were the implementation of a scoring process for International Financial Institutions and the development of a collection score for practical application in the area of Credit Recuperation for the improvement of its processes.

With relation to Foreign Trade and Exchanges, during 2015, we worked hard on the quality of Comex service and its products, with the purpose of processing a large amount of operations and taking care of the risk through new control mechanisms.

Among the developments, it may be highlighted the launching of electronic ticket to customers for payment orders received from abroad and improvements in the already existing services at Patagonia e-Bank Companies. Also the Digitalization of Foreign Trade processes, thus obtaining 80% savings in paper prints.

The assignments of sale and implementation of the Electronic ticket product, through commercial and communication actions were carried out, reaching 41% and 23% share over the total amount of transfers abroad and payment orders received abroad, respectively.

In a year were the total operated volume in exchanges of the entities with their customers declined, Banco Patagonia kept its share of the foreign trade market thanks to the incorporation of new customers and the service quality.

■ Human Development and Corporate Atmosphere

Focused on the encouragement of the integral development of the 3,361 employees and the strengthening of their sense of belonging to Banco Patagonia, during 2015, from the Superintendence of Human Development and Corporate Atmosphere, different programs and internal communication, training, development actions and benefits and awards were encouraged.

Corporate Atmosphere

Internal Communication and Corporate Atmosphere Management worked hard during 2015 in the Program of Visits to Branches. It is oriented to generate closest links, offering a space for discussion with every employee of the Branches Network.

During 2015, 121 Branches were visited, where Management and its working guidelines were reported. With this same objective, the Program Breakfasts at the Central Office was conducted, with the participation of 615 employees.

As part of the strategy oriented to promote the welfare and integration among the employees, in Banco Patagonia, every year, they are invited to take part in different recreational and leisure activities and a Program of Benefits is offered to the employees and their families.

Outstanding activities and benefits were:

Family Day

During October, different celebrations were carried out for the employees and their children. In Buenos Aires, 1,400 people enjoyed music, magic, and entertainment shows at the Teatro Ópera.

In the provinces, more than 1,200 people celebrated through different events.

In the setting of these family actions, the employees' children were invited to visit their parents' workplace where they shared a snack.

Presents to Employees

Those employees that experienced a significant moment in their lives, such as the birth of a child or his/her university graduation, were supported by the Bank through a present. In addition, school kits were delivered at the time of coming back to school, and also toys for Children's Day and different rewards as a recognition of their career at the Bank (on the 25th, 30th, 35th and 40th anniversary working in the bank).

Employee Assistance Program (EAP)

During FY 2015, the EAP handled more than 234 cases; the Bank continued to support employees and their direct relatives in critical situations, such as cases of accident, illness or other special problems.

Marathons

The Bank was present in different marathons inviting the employees to participate in this sport activity. In 2015, the marathons held were YMCA-UTN in CABA and Fundación Conin in La Plata, the latter with solidarity objectives.

"Nuestros hijos y nietos se expresan en estas Fiestas" Drawing Contest

Our employees' children and grandchildren were invited to participate in this Contest, which received 115 drawings made by children between 4 and 12 years old. The assignment consisted of representing New Year's Eve celebrations in an original manner. The winning drawings illustrated the digital cards sent to the Bank's customers and vendors as Season's Greetings.

Special Allowances

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

Life Insurance

A life insurance policy, additional to the mandatory one, is available to all employees.

Workshops

In different sites around the country, workshops were conducted for those employees interested in leisure time activities, with the aim of generating integration areas from a different perspective. The following workshops were promoted: yoga, cookery, photography, art, pastry, CPR and first aids.

Products for Employees

During fiscal year 2015 there was an upgrade to products marketed by the Bank and offered as a benefit to its employees (Plus and Plus Premium Packages). A process to decentralize products for employees was begun, and now most of the procedures can be initiated at a branch. Therefore, greater accessibility and speed was gained.

Internal Communication

Starting from an integral communication conception, communication channels were generated to promote the participation and to facilitate the Banks' employees' process of commitment and sense of belonging.

In this scenario, we continued the communication campaigns about subjects related to events and contributions, commercial actions, corporate social responsibility activities, among other messages, addressed to the 3,361 employees.

Similarly, and to respond to the organization's demand of reaching better innovation, closeness and integration, new channels were included and a renewal work was carried out, concerning aesthetics, format, content presentation and layout of some of the already existing supports and tools (events and personal meetings, Magazine Punto de Encuentro, internal mailing, internal billboards, Intranet).

It is worthwhile mentioning that in 2015, the first stage of the launching of the collaboration social network Yammer was carried out, with a projection to keep on with its implementation during 2016. In addition, nontraditional spaces were started to be used, with graphic pieces referring to certain campaigns such as "Yo Reciclo" (I recycle), oriented to waste sorting, responsible printing, and the disposal of paper containing confidential information.

Besides, a special digital edition was performed for the III Meeting of Managers; newsletters with specific subjects were elaborated and audiovisual resources were used for certain campaigns.

Finally, personal meetings were strengthened facilitating face-to-face interaction; and the first cycle of meetings using the Focus Group technique was organized, with the purpose of generating a participation space for the employees, where they can give their opinions and points of view about the institutional house organ: Punto de Encuentro (Meeting Point).

Training and Development

With the purpose of reaching the strategic objectives proposed by the Organization, training activities during 2015 were oriented to the strengthening of training and the development of the employees at the Branches Network and the Central Office.

More than 110 employees were enrolled in External Training Programs about different specific subjects of each sector, with a total amount of 1,300 training hours. In the Internal Training Programs, there were more than 4,900 classroom training hours and more than 19,700 eLearning training hours. In addition, 107 employees were trained in English and Portuguese languages.

Directly related to the launching of the Commercial Acting Model (CAM), a Sale Culture Program was promoted, training 61 branches (Managers and Banking Officials Individuals), in this new model, reaching a total number of 3,728 hours.

Between June and October, we conducted the Third Program of the Business School Training oriented to new Branch Managers. It was developed jointly with the Universidad de San Andrés. As part of this program, the future Manager participates during 4 weeks, of a hands-on training at a branch along with a Branch Manager who conveys technical knowledge and expertise. This program had 30 participants and a total duration of 8,400 hours.

One year after its implementation, we have reached a total number of 2,700 hours under the Virtual Classroom mode, where it can be highlighted the Updating and Training Meeting addressed to Business Executives and the Inductions oriented to Banking Officials Individuals, which amount to a total number of 852 and 826 hours, respectively.

Finally, with the purpose of supporting the employees in their professionalization, a total number of 48 scholarships were managed, and 34 out of them were intended to graduate courses, and 14, to post graduate courses.

Jobs and Career Opportunities

During 2015, 353 new employees were incorporated to the Bank and there were more than 180 internal promotions. More than 70% of said promotions were to and within the Branches Network, meeting the business demands.

Strengthening the policies and actions oriented to the employees' development, internal searches were published, and also through the Labor Orientation Channel, more than 30 advice requests received a response to the employees' inquiries about their career plan in the organization.

9. CORPORATE SOCIAL RESPONSIBILITY

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

Within this scenario, the social investment strategy intends to promote and support projects together with different organizations, in order to create value in the communities where the Bank is present. The areas where we work for those purposes are the following: Education, Sport, Culture, Local Development and Sustainable Economy, and Environment.

Social Investment Strategy

Education

During 2015, support was granted to formal education, by means of scholarships to secondary school students. Thirty-two youths from Río Negro, Catamarca and Chaco were assisted by means of the *Scholarship Programs* of the Fundación Cimientos (28 scholarships) and the Asociación Demos (4 scholarships). These Programs include monetary support, customized educational support and meetings for exchange among the scholarship holders. We also supported the education of 45 youths from Neuquén and Río Negro, through scholarships to attend the *Agrotechnical School* of the Fundación Cruzada Patagónica in Junín de los Andes, that include living expenses, school equipment and accommodation.

Another working line within the Education area is students' training and learning. In 2015, it was encouraged the *Contest "Nosotros queremos"* (We want) along with the Fundación Inclusión Social Sustentable exclusively in Río Negro, and together with other companies in Córdoba, Corrientes, Mendoza, and CABA. The objective of this initiative is to promote the development of commitment and responsibility actions with the community of secondary school students. In Río Negro, more than 900 students from 35 schools participated, submitting 59 projects. Besides, we supported the educational program "*Partners for one day*" of the Fundación Junior Achievement in the cities of Córdoba and Rosario, to introduce the youths in the world of work. In addition, the *Reading Marathon* organized by the Fundación Leer was sponsored, through this initiative during one day, thousands of people read simultaneously across Argentina together with children to communicate to the society about the benefits of reading. In the line of this effort to promote reading, the Bank donated 3 reading corners to schools in Río Negro providing more than 600 books to 419 children.

As part of the commitment with society that the Bank has as a financial institution, 66 *Workshops of Financial Inclusion and Tax Culture* were conducted together with ADEBA (Association of Private Banks) and Rentas (Revenue Authority) from Río Negro. We got to more than 2,200 students from 40 primary schools situated in 24 locations in Río Negro. Through games, the students are educated about the tax and banking functions.

During 2015, in the provinces of Buenos Aires and Córdoba, 2 educational projects were sponsored, as part of the Fiscal Credit Project conducted by the *National Institute of Technological Education (I.N.E.T)*. Both projects include training and equipment actions and improvement of the facilities.

Through the Program Universities, encouraged together with the Public Sector Management, it is promoted the development of the students from different national universities in the country, by means of training and research scholarships, and supporting the outreach areas in sport events, cultural programs, training meetings (training, congresses, conferences and

workshops, for students as well as for the community), prize and recognition awards (to academic merit, to entrepreneurship, etc.), equipment and the implementation of actions of social investment in the communities close to the Universities.

Culture

Within the Regime of Cultural Promotion of the Autonomous City of Buenos Aires, and from the *Law of Patronage*, the sponsorship of 5 cultural projects was completed.

Besides, support was granted to the *Collegium Musicum* to carry out concerts in the Museo Sarmiento, the Metropolitan Cathedral and the Museo Casa de Ricardo Rojas. In addition, partial scholarships were granted to the Musical Expression Workshops for children and youths with cognitive disability.

Sports

In line with the support to sport activities for social purposes, the Bank sponsored the marathon organized by the *Fundación Nandú* in Tigre, Province of Buenos Aires.

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

In addition, the *Programa Encestando una Sonrisa* conducted by the Club Atlético Estudiantes de Olavarría was sponsored, an initiative that joins sport and solidarity.

Local development and entrepreneurship

Local development was encouraged, based on the training, funding and empowerment of rural producers together with the *Fundación Cruzada Patagónica*. More than 130 people from small communities in the province of Río Negro were the beneficiaries of this initiative.

Entrepreneurism was encouraged through the support to the national universities programs and their areas of *university outreach*. With this same objective, the meetings *Semprende Experiences* were sponsored, part of the program San Nicolás Emprende which was driven jointly by the Agencia de Desarrollo Económico de San Nicolás (ADE), the Facultad Regional San Nicolás de la Universidad Tecnológica Nacional (UTN), the Federación de Comercio e Industria de San Nicolás and the Municipality of San Nicolás de los Arroyos.

Environment

Scholarships were granted to disabled youths through the *Asociación Cascos Verdes*, with the purpose of cooperating and helping them to complete their studies of Environmental Specialists.

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

We still continue with the collection and later donation of plastic bottle caps to the *Hospital Garrahan*, as part of the recycling campaign of the Foundation of said hospital.

Corporate Volunteering

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

In 2015, the volunteering actions were the following:

- Building houses together with the *Fundación TECHO*. Eighty-four volunteers from 17 branches and 24 sectors built 9 houses in Buenos Aires, Cipolletti, Córdoba, Corrientes, and Salta. For each house built, the Bank donated another one, thus helping 18 families.
- Organizing orchards together with the *Fundación Huerta Niño*. Twenty-six volunteers of the branches Río Colorado, Mar del Plata Independencia, Mar del Plata Luro, and Mar del Plata Puerto planted community orchards in 2 schools in Mar del Plata and Río Colorado, with the purpose of helping to relieve malnutrition and child malnutrition.
- Accompanying youths to implement their projects with social and community impact within the 15° *Concurso Nosotros Queremos (15th Contest We Want)* of the *Fundación Inclusión Social Sustentable* (Sustainable Social Inclusion Foundation) and Banco Patagonia. Nineteen volunteers from the branches Roca, Roca Centro, Río Colorado, Viedma, Viedma Centro, El Bolsón, San Antonio Oeste, and the Gerencia Regional Integral Alto Valle accompanied 59 teams integrated by 900 secondary school students.
- Experience exchange within the program "Socios x un Día" (Partners for one day) of the *Fundación Junior Achievement*. Eight volunteers of the branches Rosario, Rosario Grandes Empresas, Oroño, Córdoba, Córdoba Grandes Empresas, Av. Fuerza Aérea, and Ferreyra shared one day together with 8 secondary school students, to inspire the youths to continue with their studies and to facilitate their incorporation to the world of work.
- *Proposal of institutions, raising and delivery of donations*. In 2015, 2,270 toys were distributed. They were donated by collaborators and the Bank, helping 22 proposed institutions. In addition, more than 500 school kits were delivered to institutions proposed by collaborators.

For the first time, the Contest “*Con Ganas de Ayudar*” (Feeling like helping) was launched. Through this contest, collaborators proposed solidarity projects within the fields of education, culture, sports, and environment, for social organizations that needed funding. By means of a votation open to all the Bank’s collaborators, the 10 winning initiatives were chosen and received a ARS 12,000 fund each. Twenty-two projects were submitted and 1,157 collaborators participated in the votation.

CSR Promotion

The Eighth Corporate Social Responsibility Report was drafted in accordance with the Global Reporting Initiative G3.1 guidelines on sustainability reports.

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

Finally, in the search of promoting this CSR management model, the Bank renewed its membership in the *Instituto Argentino de Responsabilidad Social Empresaria (I.A.R.S.E.*, the Argentine Institute of Corporate Social Responsibility) and took part in the main working sessions that promote CSR-related practices.

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 10, 2016

THE BOARD OF DIRECTORS

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

	<u>Compliance</u>		<u>Non-compliance</u> ⁽¹⁾	<u>Inform</u> ⁽²⁾ <u>or Explain</u> ⁽³⁾
	<u>Total</u> ⁽¹⁾	<u>Partial</u> ⁽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 an internal rule or policy governing the authorization of transactions between related parties -in accordance with Law No. 17811, sect. 73-; or operations performed with shareholders and members of the Governing Body, senior managers and statutory auditors, within the Business Group of which Issuer is the leader and/or a member.</p> <p>Explain the main guidelines of such internal rule or policy.</p>	x			<p>The Board of Directors has established a policy regarding the "execution of acts or agreements between Banco Patagonia and a related party for a significant amount", the main items of which provide that, before entering into an agreement with a related party for an amount higher than 1% of the shareholders' equity, the areas that are responsible for assisting the Board regarding compliance with the provisions for authorization of these transactions in accordance with sections 72 and 73, Act No. 26831 must give their opinion.</p> <p>After the Board of Directors, or any of its members, receives for authorization a transaction with a related party for an amount higher than 1% of the shareholders' equity, it must require the Audit Committee to review such transaction, and to issue an opinion within five business days stating whether the conditions under which the transaction is proposed to be made are reasonably adequate in accordance with market conditions. The Board of Directors may, if deemed necessary, require the opinion of independent assessing firms.</p> <p>If from the requested opinion if 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</p>

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				<p>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 Responsibility and the "CAMELBIG" rating system (applied by the B.C.R.A. Foreign Exchange and Financial Institutions Regulatory Agency), and the type of financing in question. The Statutory Audit Committee must issue monthly reports on compliance with this system.</p>
<p><u>Recommendation 1.2: 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.</p>	x			<p>The acts of the Board of Directors and the Statutory Audit Committee are limited the Business Companies Act, section 271, and related provisions of the Business Companies Law No. 19550</p> <p>The Code of Corporate Governance adopted by Banco Patagonia establishes that when any shareholder's interests conflict with those of the Bank, at the time of considering a matter at the Shareholders' Meeting that shareholder must abstain from taking part in the consideration and voting of such a matter; the abstention and the reasons thereof shall be recorded in the relevant Minutes. Additionally, the Code creates the duties of loyalty and diligence that are binding upon Directors acting in the Public Offering environment, and establishes that those Directors shall abstain from taking decisions in the event of a conflict of interest preventing them from discharging their duties in a proper and objective manner.</p> <p>Notwithstanding the above, Banco Patagonia enforces a Code of Ethics that is binding on all permanent and transitory staff rendering paid services for the Entity. The Code defines the ethical and conduct principles that must govern their acts in order to avoid any conflict between personal interests and the interests of the business or clients. Any issue regarding interpretation of the Code shall be resolved by the Ethics Committee.</p> <p>Additionally, Banco Patagonia enforces a Code of Conduct, applicable to all employees while working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the duty of loyalty binding upon all persons concerned, in order to avoid possible conflicts of interest.</p>
<p><u>Recommendation 1.3: To avoid undue use of privileged information.</u> Answer whether: 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</p>	x			<p>The Entity has implemented an internal policy on publicity and disclosure of information that is applicable throughout the Entity and its controlled companies. This policy was approved by the Board of Directors and communicated throughout the organization. The policy imposes the duty of confidentiality upon any individual who, by reason of his/her position, activity or relationship, has information on the development of the Bank's or its controlled companies' business, provided that</p>

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persons mentioned in Decree No. 677/01, sections 7 and 33. Describe any relevant aspects thereof.				<p>information has not been publicly disclosed, and which due to its importance may have an impact on the placement of negotiable securities or the course of their trading in the markets.</p> <p>Likewise, the Entity's Code of Ethics devotes one clause to the confidential nature of information, which all Entity's members must respect. The Code of Conduct, applicable to all employees while working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the aspects related to the use or privileged or confidential information and the duty of confidentiality.</p>
PRINCIPLE II. TO SET THE FOUNDATIONS FOR A SOUND MANAGEMENT AND SUPERVISION OF ISSUER				
<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 next fiscal year.</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 approved a Code of Corporate Governance, including the guidelines published by the Argentine Central Bank and the Argentine Securities Commission ("CNV"), which is subject to annual revision and updating, if applicable. The Board of Directors and Senior Management are responsible to enforce its provisions.

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II.1.1.4 the policy on selection, assessment and compensation of senior managers,	x			<p>The Manual on Human Development and Corporate Climate, approved by the Board of Directors, describes the functions, processes and practices related to the selection, evaluation and compensation of all of the Bank's employees.</p> <p>The purpose of the policy on selection and admittance of personnel, in general, is to employ trained individuals in accordance with the Bank's needs, through a selection process that gives priority to capability, professional ethical conditions and non-discrimination criteria on any grounds, in order to generate development opportunities that may benefit internal candidates if they have proper qualifications for the position to be filled.</p> <p>As regards compensations, the Board of Directors has approved a Compensation Policy the main purpose of which is to manage the employees' comprehensive compensation, based on the principles of internal equity and external competitiveness, in accordance with legal rules in force.</p> <p>Regarding the evaluation of employees, the Entity has implemented a Performance Management process that intends to design actions oriented to maximize the employees' performance and to gain his/her involvement.</p>
II.1.1.5 the policy on assignment of responsibilities to senior managers,	x			<p>In order to assign responsibilities to all managerial levels, in accordance with the approved business model, and to secure more streamlined and efficient processes and operations, the Board of Directors has approved an organizational macrostructure, reflected in the missions and functions of each area as established in the Organization Manual.</p> <p>Additionally, the Code of Corporate Governance defines the overall responsibilities of Senior Management or first-line managers.</p>
II.1.1.6 the supervision of plans for the succession of senior managers,	x			<p>The Manual on Human Development and Corporate Climate approved by the Board establishes that internal candidates shall have priority in any process leading to cover vacant positions. For that purpose, it has designed extensive internal and external training, promoting the staff's continuing education and assessing current needs in accordance with the positions to be filled in future.</p>
II.1.1.7 the policy on corporate social responsibility,	x			<p>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.</p>
II.1.1.8 the policies on the comprehensive management of risks and internal control and fraud prevention,	x			<p>The Board of Directors is the highest authority responsible for establishing a strategy that is adequate for comprehensive risk management, must approve the policies on this matter and is also in charge of the entity's internal control. In this sense, policies are in place regarding the management of the credit, market, liquidity, operational, reputational and strategic risks, the management of fraud, illegal and non-conforming acts and the prevention of money laundering and terrorist financing.</p>
II.1.1.9 the policy on continuing training				

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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			The following are other policies applied by the Board of Directors: <ul style="list-style-type: none"> - Code of Banking Practices: provides a framework for the relation between clients and the Entity regarding the rendering of banking services. - Personal data protection: sets the regulations to secure proper treatment of the clients' personal information. - Policy on treatment of users of financial services: establishes procedures and guidelines for the proper working and control of customer service. - 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. - Code of Conduct: applicable to all employees while working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the duty of loyalty binding upon all persons concerned, in order to avoid possible conflicts of interest. - Policy on Publicity and Disclosure of Information: it sets the guidelines to be followed when providing any relevant public information in a timely and proper manner. - Policy on Minimum Requirements for the Disclosure of Information: it sets the guidelines for disclosure of information in accordance with the Central Bank of Argentina's rules on Market Discipline.
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.	x			Banco Patagonia's organizational structure, as well as the working of several Committees and the strategic selection of their members, were designed not only to secure a clear assignment of responsibilities, but to secure as well that the Board of Directors and managerial levels have the necessary information in time to take decisions which are sufficiently supported by such information. The Board of Directors meets at least once a month. The Office of the Board Secretary provides the administrative support that is needed to make available any information on the subjects the Board must approve or acknowledge, fairly in advance for assessment. Committees, the working of which is governed by specific regulations, are composed at least of one Vice-president and the highest officer of the relevant area. Subsequently, the Board of Directors, in its meetings, is informed of the matters considered by each Committee and is provided with the relevant supporting documents.
II.1.4 Matters submitted to the Governing Body's consideration include	x			Banco Patagonia has established Policies and

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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>Procedures for Risk Management.</p> <p>Furthermore, with the Board's approval, thresholds and ceilings are set for exposure to each of the significant risks. All matters that are submitted to the Board's consideration are previously analyzed by the Global Risk Committee (CRG) and the Operational Risk Committee (CRO), so that the Board receives any the necessary technical and methodological information, along with the foreseeable economic and/or financial impact of such matters. Notwithstanding the above, the Bank's internal regulations describe the process to be followed for consideration and submission of matters to the Board of Directors, including a detailed explanation on the reasons that make approval necessary, as well as the economic impact of the matter and the authorizations to be obtained.</p>
<u>Recommendation II.2: to secure an effective control of Issuer's management.</u> Answer whether: The Governing Body verifies				
II.2.1 compliance with the annual budget and business plan,	x			The Board of Directors created an Executive Office of Strategic Planning and Budget, reporting directly to the Board, which is responsible for drafting the annual budget and business plan, perform management control, detect any departure from its provisions and carry out variance analysis.
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.). 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.	x			In order to monitor the Bank's management, the Board verifies the implementation of strategies and policies, compliance with the budget and the operations plan, and monitors the managers' performance as regards the established goals and planned revenue. A balanced scorecard is distributed among Directors and senior managers every month to summarize the evolution of the main variables, business lines and indexes, and to compare them with budgeted parameters.
<u>Recommendation II.3: to disclose the process for evaluation of the Governing Body's performance and its impact.</u> Answer whether:				
II.3.1 each member of the Governing Body complies with the provisions of the Bylaws and the Internal Regulations, if applicable. Detail the main guidelines of the Internal Regulations. State the level of compliance with provisions of the Bylaws and Internal Regulations.	x			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.
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. <u>Detail the main aspects of the 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.	x			<p>Every year, the Board of Directors submits the results of their activities by issuing an audited Financial Statements and Annual Report, which are available to the shareholders before the Shareholders' Meeting that is to consider such documents. As provided for in the Business Companies Law, the Annual Report is complementary to the Financial Statements and is submitted by the Board to the Shareholders, including a detail of outstanding events during the year, the reasons for the present business situation, future projections and the reasons for significant changes in assets, liabilities and profit/loss. The Statutory Audit Committee must issue an opinion on the Board's Annual Report, and Shareholders may request any explanation and/or additional information they deem necessary.</p> <p>Notwithstanding the above, before the following Shareholders' Meeting, the Board shall perform a self-evaluation of its performance as a governing</p>

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				body, at least once a year. On the Shareholders' Meeting considers the Board's management and the acts performed by its members, which, until today's date, have been approved without any objection being raised. The last Shareholders' Meeting that approved the Board's acts was held on April 23, 2015.
<u>Recommendation II.4: that external and independent members are a significant proportion of the Governing Body's members.</u> Answer whether:				
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.	x			The Shareholders' Meeting has appointed nine Regular Directors. As of 12/31/2015, two of them are independent directors. Banco Patagonia considers that this is in accordance with its capital structure, in which 16.44% represent shares placed by public offer.
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. 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.	x			In accordance with the Bylaws, the Board of Directors is composed of a minimum of seven and a maximum of nine Regular Directors, who are elected for a three-year term. The 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. As of 12/31/2015, two of them are independent members, i.e., more than 20% of the total are independent directors. The independence of Board members has not been objected to, and there have been no abstentions due to conflicts of interest over the year.
<u>Recommendation II.5: to be committed to rules and procedures for the selection and proposal of members to the Governing Body and of senior managers.</u> Answer whether:				
II.5.1 Issuer has established an <u>Appointments Committee</u> :		x		Banco Patagonia follows the guidelines established in B.C.R.A. regulations to appoint Board members or managers. Thus, any aspects related to the setting of guidelines for the appointment of these officers are defined by that Body, which shall evaluate their legal capacity, qualifications, competence, probity, experience in financial activities and possibility of dedication. 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 Law No. 19550 the provisions of such Act, of the Financial Entities Act, in CNV rules 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.

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II.5.1.3 composed of members with qualifications and experience on human capital policies				Not applicable. 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,				Not applicable. The election of members to the Board of Directors is under the exclusive jurisdiction of the Shareholders' Meeting, and their appointment is subject to BCRA's approval. As regards the selection of senior managers, Banco Patagonia's goal is to employ qualified individuals; personal merits and professional ethical conditions — as well as the non-discrimination criteria on any grounds— are privileged in the selection process.
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,				Not applicable. 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,.				Not applicable. 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.				Not applicable. Selection of members to the Board of Directors is the exclusive power of the Shareholders' Meeting. As regards senior managers, the performance management process allows to identify the officers' individual performance, thus generating key information to spot opportunities for development and talent retention. It is the Entity's policy to prioritize internal candidates when they have proper qualifications for the position to be filled.
II.5.3 If relevant, mention any policies implemented by the Issuer's Appointments Committee that have not been mentioned in the above item.				Not applicable.
<u>Recommendation II.6: To assess the convenience that members of the Governing Body and/or statutory auditors and/or members of the Surveillance Committee perform other functions in other Issuers.</u> Answer whether: Issuer sets a limit for members of the Governing Body and/or statutory auditors and/or members of the Surveillance Committee to perform duties in other entities that are not a part of the business group of which Issuer is	x			Individuals who fall within the inability or incompatibility criteria established in the Business Companies Law No. 19550 or in the Financial Entities Law No. 21526, or in CNV rules, may not be members of the Board of Directors or the Statutory Audit Committee. The Bank's Bylaws forbid that any individual who has an employment or professional relationship, either paid or not, at the National, Provincial or Local Public Administration, except in the case of the teaching profession, or who is a director or administrator of a legal person that is in default with any financial institution may become a member of the Board of

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the leader or a member. Specify such limit and detail whether it was breached during the year.				Directors. Banco Patagonia considers it is not necessary or convenient to establish additional limits for Directors, or limit the possibility of members of the Statutory Audit Committee to perform as such in other companies.
<u>Recommendation II.7: To secure training and development of members of the Governing Body and senior managers of Issuer. Answer whether:</u>				
II.7.1 Issuer has Continuing Training Programs related to the Issuer's existing needs targeted to members of the Governing Body and senior managers, including subjects related to their roles and responsibilities, the comprehensive management of business risks, know-how of the business and its regulations, the dynamics of corporate governance and corporate social responsibility. In the case of members of the Audit Committee, international accounting standards, audit and internal control standards and specific regulations governing capital markets. Describe the programs offered during the year and their degree of compliance.	X			All members of the Board of Directors are subject to BCRA's approval, to be granted upon assessment of their legal capacity, qualifications, competence, probity, experience in financial activities and possibility of dedication; such conditions must be maintained throughout their term. Besides, senior managers shall meet general conditions regarding qualification and experience that are necessary to manage the line of business under their supervision. Notwithstanding the above, considering the importance of continuing refresher courses, senior managers have taken several training courses over the year.
II.7.2 Issuer encourages, by means other than those mentioned in II.7.1, members of the Governing Body and senior managers to keep continuously trained in order to complement their expertise and add value to Issuer. State how such encouragement is implemented.	x			Banco Patagonia regularly organizes conferences by economists and other professional people specialized in banking and financial matters, and invites Board members and managers to attend them; these officers also participate in several industry forums and associations.
PRINCIPLE III. TO SECURE AN EFFECTIVE POLICY FOR IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE OF CORPORATE RISK				
<u>Recommendation III: The Governing Body must establish a policy for the comprehensive management of corporate risk and monitor the proper implementation thereof. Answer whether:</u>				
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.	x			The Bank has implemented internal control and risk management policies in line with the best practices on these matters. Internal control is composed of five interrelated segments: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Some risks are inherent to the activities carried out by the Entity; those are managed through an ongoing process of identification, measurement and control using several indicators. The main risks to which the Entity is exposed are credit, liquidity, interest rate, market and operational risks. Besides, concentration, reputational and strategic risks are also monitored by the Entity. The Entity has implemented a comprehensive risk management process for which the Executive Office of Risk Management is responsible, in accordance with the guidelines suggested by the Argentine Central Bank, observing the lines of best banking practices, as recommended by the Basel Committee. This Executive Office reports to the Superintendence of Internal Controls and Risk Management, thus securing its independence from business areas.

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	<u>Total</u> ⁽¹⁾	<u>Partial</u> ⁽¹⁾		
				The identification, evaluation, control and mitigation of each of the main risks are governed by policies and procedure manuals that describe the participating areas and committees, the mechanisms and tools to manage each specific risk, as well as mitigation actions and implementation mechanisms.
<p>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. 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, the Executive Manager of Risk Management and Financial Risk Manager. - Operational Risk Committee: its purpose is to propose to the Board the policies, strategies and manuals oriented to the management of the product operational risk of the financial institution's products, activities, processes, and systems, securing that the managerial oversight process is adequate to inherent risks. This Committee is composed of one Vice-president, the Superintendent of Internal Controls and Risk Management, the Superintendent of Processes and Operations Support, the Superintendent of Infrastructure, the Superintendent of Technology, Communications and IT, the Executive Manager of Risk Management and Operational Risk and Technology Manager.
<p>III.3 There is an independent position within the Issuer's General Manager's Office that is responsible for the implementation of policies on comprehensive risk management (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 BCRA. provisions on corporate governance and risk management.</p> <p>BCRA. communications embody the international standards established by the Basel Committee, and the policy on IT assets risk management follows the provisions of ISO 27005 standard.</p> <p>Such policies are updated in accordance with new developments by the above bodies.</p>
<p>III.5 The Governing Body discloses in the financial statements and annual report the results of the supervision of risk management efforts performed jointly with the General Manager's Office. Specify the main items of such information.</p>	x			<p>The Board is informed of the results of risk management efforts through the Global Risk Committee and Operational Risk Committee, in which at least one Director is a member. Allow the institution to comply with the guidelines established by the BCRA. in its relevant communications.</p> <p>Besides, the results of risk management actions are included in the Entity's financial statements, complementary notes and exhibits thereto.</p>

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
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 BCRA. The Audit Committee, in compliance with CNV regulations, drafts an annual report to assess certain matters related to the issue of accounting information, internal control systems, the application of information policies on risk management, revision of internal audit plans, the degree of independence of their professional tasks and a performance evaluation, through an analysis of their work methodology and annual Report, as well as of all issued reports. Although the Entity has not adopted a specific program to secure and improve quality, in general the Internal Audit Executive Office discharges its duties in accordance with international rules on the professional practice of internal audits, since BCRA regulations follow that international framework.
IV.3 Members of the Audit Committee perform an annual assessment of the qualifications, independence and performance of the external auditors, who were appointed by the Shareholders' Meeting. Describe any relevant aspects of the procedures employed to perform such an assessment.	x			The Audit Committee, in compliance with CNV regulations, drafts an annual report to assess, among other matters, the external audit independence, working plans and performance; such assessment is carried out through an analysis of the various services rendered, the issued reports, interviews carried out and/or the reading of requested documents and an evaluation of the composition of invoiced fees.
IV.4 Issuer has established a policy on the rotation of members of the Statutory Audit Committee and/or the External Auditor; in the latter's regard, state if the rotation includes the external auditing firm or only the natural persons.	x			In accordance with the Bylaws, members of the Statutory Audit Committee hold their office for one year and may be re-elected, since the knowledge of the institution they acquire over the years is considered as a paramount asset. Rotation of external auditors is established by BCRA regulations, which provide that a partner with signing authority may not perform functions in more than one financial entity at the same time and that they may not act as auditors for more than five consecutive fiscal years in any given institution. CNV rules establish that the maximum term during which an association or firm may be responsible for auditing tasks may not exceed three years on end; this term may be extended for an additional 3-year period if the Shareholders' Meeting so resolves. Such rules also establish that professionals who are part of the association or firm may not perform their duties continuously for more than three years, and that said

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				term may be extended for one additional year as an exception, provided certain conditions are met. For fiscal year 2015, the Shareholders' Meeting approved to renew the agreement with the current external auditing firm.
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 2015 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			Banco Patagonia, through its website (www.bancopatagonia.com.ar) and the Area of Investor Relations (investors@bancopatagonia.com.ar) maintains a channel to communicate with investors. The website includes a special section to access the Bank's public information, as well as an e-mail address to send any queries. Besides, the Area of Investor Relations caters for investors and is available to answer any question they would like to submit.
<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. Shareholders' Meetings held in 2014 and in 2015 were attended by 98.87% of shareholders, a figure that is proof of relevant 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			Banco Patagonia considers that the regulation set by the Business Companies Law No. 19550, Argentine Securities Commission regulations and Act governing the Capital Market are sufficient and adequate as regards availability of information for decision taking by the shareholders. The Entity complies with the above rules and is committed to its shareholders, and therefore guarantees that information to be considered at the Shareholders' Meetings is made available as from the call to meetings, reported to the market on the same day of approval, and published not earlier than 45 days and not later than 20 days from the date of the meeting.
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 meetings are addressed to all shareholders in accordance with regulations in force, without making any differences among them. Given the high percentage of attendance at the last Shareholders' Meeting —98.87% of shareholders attended both in

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
				2014 and in 2015— the implementation of any measure to encourage attendance is not considered necessary.
V.2.5 At Shareholders' Meetings in which appointments to the Governing Body are proposed, before votes are cast (i) each candidate's position regarding the adoption or non adoption of a Code of Corporate Governance, and (ii) the grounds for such position, are disclosed.	x			At the time of accepting their appointment, members of the Board of Directors adopt the Entity's policies, and there is no regulation to require that they state their position on this matter at the Shareholders' Meeting. The Code of Corporate Governance adopted by the Entity is reviewed and subject to the Board of Directors' approval once a year.
<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. On December 14, 2015 the Entity's Board of Directors approved a reduction of the corporate capital by 119,500 book-entry, common Class "B" shares, with a nominal value of ARS 1 each, entitling their holders to 1 vote each, representing 0.016% of the corporate capital; this stock is treasury stock acquired under the provisions of Law No. 17811, section 68. As of today's date steps are being taken to notify and file such reduction of corporate capital with the relevant controlling agencies.
<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. 26831.
<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, 2014 and 2015 was 16.46. The Issuer's Board of Directors will study a larger dispersion percentage under favorable market conditions.
<u>Recommendation V.6: To secure a transparent dividend policy.</u> Answer whether:				
V.6.1 Issuer has established a policy on dividend distribution which is included in the Bylaws and has been approved by the Shareholders' Meeting, establishing the conditions to distribute dividends, either in cash or in shares. If such policy exists, state criteria, frequency and conditions that must be met for dividend payment.	x			Section 20 of the Bylaws sets the destination of net realized income resulting from the annual Financial Statements approved by the Shareholders' Meeting. The Entity has implemented a policy on profit distribution the purpose of which is to maintain a proper balance between any amounts to be distributed and the Bank's policies on investment and expansion. The amount to be distributed is to be paid in cash, upon the BCRA's approval. The BCRA established that profits may be distributed provided the Entity is not within certain situations expressly defined, and set the methodology to calculate the amount to be distributed and the limits that cannot be exceeded.

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total(1)	Partial(1)		
				Item 6 of the attached Annual Report includes the Earnings Distribution Proposal submitted by the Entity's Board of Directors.
V.6.2 Issuer has documented processes for the drafting of a proposal on destination of Retained Earnings arising out of the constitution of reserves required by law, the Bylaws, voluntary reserves, carry forward and/or payment of dividends. Explain such processes and state in which Minutes of Shareholders' General Meeting the distribution or not of dividends (either in cash or in stock) was approved, if not established in the Bylaws.	x			Banco Patagonia uses documented processes to draft the profit distribution proposal, in accordance with BCRA regulations and the Entity's internal policy. Such proposal is submitted to the Board's consideration and approval thereof is documented in the minutes of Board's meeting, Financial Statements and the Annual Report. The Board of Directors submits the proposal to the Shareholders' Meeting, which will finally decide to approve or amend it. It should be noted that distribution of a cash dividend can only be carried out with the BCRA previous authorization. The last resolution on destination of profits was adopted in item 3 of the Shareholders' Meeting, held on April 24, 2015.
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, since 2007, a Corporate Social Responsibility Annual Report, available through its website http://www.bancopatagonia.com.ar/institucional/rse.shtml . The Report includes any business actions carried out which have an economic, social or environmental impact. The Report also includes programs related to the community in the areas of education, sports, culture, social development and entrepreneurship, and environment. Specific actions of corporate voluntary services are also included. As from fiscal year 2013, the Social and Environmental Responsibility Report is drafted in accordance with the GRI 3 v3.1 guidelines issued by the Global Reporting Initiative for a C+ application level. Information included refers to the whole national territory. The report is also examined by an independent certified accountant.
PRINCIPLE VII. TO ADOPT A FAIR AND RESPONSIBLE COMPENSATION POLICY				
<u>Recommendation VII: To establish clear compensation policies for members of the Governing Body and senior</u>				

	Compliance		Non-compliance (1)	Inform (2) or Explain (3)
	Total (1)	Partial (1)		
<u>managers, with special attention to the limitations imposed by regulations or the Bylaws considering the Entity's profits or losses. Answer whether:</u>				
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			The Committee's internal regulations establish that its members must meet at least twice a year. Members of this Committee met three times in 2015
VII.1.5 the decisions of which are not necessarily binding on the Shareholders' General Meeting or on the Statutory Auditing Committee, but are of consultative nature regarding the compensation of members of the Governing Body.			x	The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees. In accordance with the provisions of Argentine legislation, it is the Shareholders' Meeting right to establish such fees (see item VII.4).
VII.2 In case a Compensations Committee is in place, such Committee:				
VII.2.1 secures that there is a clear relationship between key officers' performance and their fixed and variable compensation, considering the risks they assumed and management thereof,	x			It is Banco Patagonia's policy that employees' compensations are competitive and reflect an adequate compensation, thus promoting motivation, talent hiring and retention. The Committee on Compensations and Incentives to Staff analyses and approves the compensation for Senior Managers and the amounts to be distributed as performance bonus. The Committee must take into account the information included in the annual report issued by the Global and Operational Risk Committee, in order to weight the organizational economic results as compared to compliance with the risk limits defined by the Board of Directors. Thus, it will promote a close relation between the performance of senior managers and economic bonuses granted to them, considering the risks assumed and managed during the fiscal year.
VII.2.2 oversees that the variable part of the compensation the Governing Body's members and senior managers receive is related to the Issuer's medium- and/or long-term performance,		x		The Committee on Compensations and Incentives to Staff approves the payment of an annual bonus taking into account the prudent assumption of risks and an assessment of each individual's performance, including first-line managers. In order to mitigate potential risks, the Bank does not promote any general policy on short-term economic incentives related to future income of uncertain realization. The Committee of Compensations and Incentives to Staff is not responsible for establishing Board members' fees.

	<i>Compliance</i>		<i>Non-compliance</i> <small>(1)</small>	<i>Inform</i> ⁽²⁾ <i>or Explain</i> ⁽³⁾
	<i>Total</i> ⁽¹⁾	<i>Partial</i> ⁽¹⁾		
VII.2.3 reviews the competitive stand of Issuer's policies and practices as compared to compensations and benefits offered by similar companies, and recommends changes, or not,	x			One of the duties of this Committee is to approve policies related to compensations. In order to monitor and guide compensation practices, the Bank relies on surveys and reports issued by external consultants specialized in this matter.
VII.2.4 defines and discloses the policy on retention, promotion, dismissal and suspension of key staff,			x	Not within the Committee's competence.
VII.2.5 informs the guidelines to determine retirement plans for the Governing Body's members and senior managers,				Not applicable. Banco Patagonia does not implement any retirement plan.
VII.2.6 regularly informs the Governing Body and Shareholders' Meeting on the 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		Members of the Committee on Compensations and Incentives to Staff attend Shareholders' Meetings, since most of them are also members of the Board of Directors. 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 Law No. 19550, section 261. When deciding such fees, the responsibilities, time devoted to performance of duties, experience, and professional reputation are taken into account. This criterion is based on the belief that the compensation level should be the one considered necessary to hire, retain and motivate Directors who meet the required conditions to perform the relevant duties Such monthly fees are included in the budget. There is no policy granting other kind of benefits, such as an ownership interest in the shareholders' equity or any other variable compensation.
PRINCIPLE VIII. TO PROMOTE CORPORATE ETHICS				
<u>Recommendation VIII: to guarantee ethical behavior within Issuer.</u> Answer whether:				
VIII.1 Issuer has a Corporate Conduct Code. State its main guidelines and whether it is disclosed to the public at large. Such Code is signed at least by the members of the Governing Body and senior managers. State if compliance with its provisions by suppliers and clients is encouraged.	x			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. Additionally, Banco Patagonia enforces a Code of Conduct, applicable to all employees while

	Compliance		Non-compliance ⁽¹⁾	Inform ⁽²⁾ or Explain ⁽³⁾
	Total ⁽¹⁾	Partial ⁽¹⁾		
				working as members of the Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the duty of loyalty binding upon all persons concerned, in order to avoid possible conflicts of interest.
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			<p>The Board of Directors of Banco Patagonia approved a policy to handle fraud, and unlawful and irregular acts. This policy describes the procedure to be followed by the Special Investigations Area at the time of detecting or being informed of fraudulent conduct, irregular circumstances or conduct, through the channels provided for this purpose.</p> <p>The Bank's website or the Customer Service Telephone Center channel any claim or request, which are duly recorded and sent to the corresponding sector.</p> <p>Banco Patagonia also implemented an e-mail address (investigacionesespeciales@bancopatagonia.com.ar) and a Suggestion Box (P.O. Box 38, 1000, Central Mail Office) to which any (personalized or anonymous) query may be sent, regarding matters such as internal processes, working methodologies, customer service, undesirable behavior by members of the organization, clients or prospective clients, the Bank's products and services, etc. Such queries are received and considered by the Bank's authorities and kept as strictly confidential matters.</p>
VIII.3 Issuer has established policies, processes and systems to manage and resolve the reports mentioned in item VIII.2. Describe the most relevant aspects thereof and state the degree of involvement of the Audit Committee in such resolution, especially in any reports related to financial reporting internal control issues and to behavior of the Governing Body's members and senior managers.	x			The Entity has created an area intended to channel any complaint, query or report, and the responsible party's data (name, telephone and e-mail) are published at the B.C.R.A. and the Entity website. Besides, the Entity has established a Special Investigations area, in charge of fraud prevention, analysis and resolution, and, as it was mentioned in item II.1.1.8, and VIII.2 the Board of Directors adopted a policy on the prevention of fraudulent, unlawful and irregular acts.
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 capable of 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.

3. AUDIT COMMITTEE'S REPORT – CNV IN COMPLIANCE WITH PROVISIONS OF ACT N° 26.831, SECTION 110, AND CNV RULES, TITLE II, CHAPTER III, SECTION 18, PARAGRAPH C, AS AMENDED: The President informed that the Audit Committee – CNV has submitted for consideration by the attendees the report on matters falling under its jurisdiction, issued in accordance with the provisions of Act N°26,831, section 110, and CNV General Resolution No. 622/2013, Title II, Chapter III, section 18, paragraph C. After extensive discussion, the report under analysis is unanimously approved, filed as support documentation and fully transcribed in the Book of "Minutes of the Audit Committee – CNV" No. 1, duly registered with the IGJ (the Corporations Authority).-----

There being no further business to come before the meeting, the meeting was adjourned at 05:00 p.m.

Signatures: João C. De Nobrega Pecego, Antônio Carlos Bizzo Lima (by himself and on behalf of Admilson Monteiro Garcia), Claudio de Oliveira Borsa, Ruben M. Iparraguirre (by himself and on behalf of Claudemir Andreo Alledo), Carlos Alberto Giovanelli, Jaime O. Tasat and Mónica M. Cukar.--