BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2010

jointly with the Independent Auditors' Report

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2010

(Translation of financial statements originally issued in Spanish – See note 46)

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BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

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INDEPENDENT AUDITORS' REPORT

Translation into English – Originally issued in Spanish
See note 46 to the Financial Statements

To the directors and shareholders of
BANCO PATAGONIA S.A.
Tte. Gral. J. D. Perón 500
Buenos Aires, Argentina

We have audited the accompanying consolidated balance sheet of BANCO PATAGONIA S.A. (the Bank) with its subsidiaries as of December 31, 2010, and the related consolidated statements of income, of comprehensive income, of changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Management's responsibility regarding the financial statements

The Bank's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining an adequate internal control system so that such financial statements are free from material misstatement whether due to errors or irregularities; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. Such standards require that we meet ethical requirements and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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

We consider that the judgmental audit evidence obtained is sufficient and adequate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements mentioned in the first paragraph present fairly, in all material respects, the consolidated financial position of BANCO PATAGONIA S.A. with its subsidiaries as of December 31, 2010, and its results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Buenos Aires, Argentina
March 28, 2011

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

ANDREA N. REY
Partner

BANCO PATAGONIA S.A.

<table>
<tr><td colspan="4">Registered office:</td></tr>
<tr><td colspan="4">Teniente Gral. Juan D. Perón 500 – Buenos Aires – Argentina</td></tr>
<tr><td colspan="2">Main business activity: Commercial bank</td><td colspan="2">C.U.I.T. (Argentine tax identification number): 30 - 50000661 - 3</td></tr>
<tr><td colspan="4">Incorporation date: May 4, 1928</td></tr>
<tr><td rowspan="4">Registration with the Buenos Aires City Public Registry of Commerce</td><td rowspan="2">Date</td><td colspan="2">(1) Of the articles of incorporation: 09/18/1928</td></tr>
<tr><td colspan="2">(2) Of the last amendment: 08/14/07</td></tr>
<tr><td rowspan="2">Book</td><td colspan="2">Stock Corporations Book: 36</td></tr>
<tr><td colspan="2">Number: 13,424</td></tr>
<tr><td colspan="4">Expiry of the articles of incorporation: August 29, 2038</td></tr>
<tr><td colspan="4">Fiscal year No. 87</td></tr>
<tr><td colspan="2">Beginning date: January 1, 2010</td><td colspan="2">Closing date: December 31, 2010</td></tr>
<tr><td colspan="4">Capital structure (See note 2)</td></tr>
<tr><td colspan="2" rowspan="2">Number and characteristics of shares</td><td colspan="2">In Argentine pesos</td></tr>
<tr><td>Subscribed</td><td>Paid-in</td></tr>
<tr><td colspan="2">719,264,737 book-entry shares of common stock of ARS 1 face value and entitled to one vote each</td><td>719,264,737</td><td>719,264,737</td></tr>
</table>

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2010	12/31/2009
Interest income and similar ones	5	1,090,671	931,286
Interest expense and similar ones	6	(314,122)	(304,706)
Net interest income and similar ones		776,549	626,580
Fee income	7	578,495	436,675
Fee expenses	7	(149,387)	(112,871)
Net fee income		429,108	323,804
Gains (losses) on financial assets measured at fair value held for trading	8	246,601	185,672
Gains (losses) on financial assets measured at fair value from their initial recognition	9	202,556	169,385
Gains (losses) on financial assets available for sale	10	-	50,243
Gains (losses) on financial assets held to maturity	11	-	39,578
Foreign exchange difference (net)	12	83,087	116,080
Income for acquisition of subsidiarie	3.3	82,869	-
Other operating income	13	27,745	27,885
TOTAL OPERATING INCOME		1,848,515	1,539,227
Net uncollectibility charges of loans	24	(44,632)	(57,190)
TOTAL OPERATING INCOME, NET		1,803,883	1,482,037

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2010	12/31/2009
Personnel expenses	14	(541,058)	(390,173)
Depreciation of bank premises and equipment, and other	26	(16,946)	(20,345)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	15	(12,798)	(17,621)
Other operating expenses	16	(422,594)	(354,676)
TOTAL OPERATING EXPENSES		(993,396)	(782,815)
OPERATING INCOME (LOSS)		810,487	699,222
INCOME BEFORE INCOME TAX		810,487	699,222
Income tax, net	17	(245,464)	(231,308)
NET INCOME FOR THE YEAR		565,023	467,914
Attributable to:			
The parent's shareholders		564,747	467,914
Minority interest (see note 3.1)		276	-
Earnings per share			
Basic earnings per share	18	0.7856	0.6477
Diluted earnings per share	18	0.7856	0.6477

Notes 1 through 46 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2010	12/31/2009
NET INCOME FOR THE YEAR		565,023	467,914
OTHER COMPREHENSIVE INCOME:			
Reserves for conversion differences	33	1,914	7,965
Unrealized gains (losses) on financial instruments available for sale	33	-	64,159
Amortization for reclassification of financial instruments available for sale	33	-	(6,689)
Realized gains (losses) on sale of financial instruments available for sale	33	-	(244)
Tax effect on other comprehensive income	33	(672)	(22,817)
OTHER COMPREHENSIVE INCOME, NET		1,242	42,374
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		566,265	510,288
Attributable to:			
The parent's shareholders		565,989	510,288
Minority interest (see note 3.1)		276	-

Notes 1 through 46 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2010	12/31/2009
Cash and due from the BCRA (Central Bank of Argentina)	20	1,415,096	1,508,110
Due from other financial institutions	21	354,916	285,355
Financial assets measured at fair value held for trading	22	904,060	388,076
Financial assets measured at fair value from their initial recognition	22	2,074,612	1,658,926
Financial assets available for sale	22	-	172,706
Financial assets held to maturity	22	-	214,410
Loans	24	8,538,044	5,028,306
Other receivables	25	114,538	123,945
Bank premises and equipment, and other	26	272,052	236,813
Deferred tax assets	17	75,998	58,820
Other assets	27	59,077	44,903
TOTAL ASSETS		13,808,393	9,720,370

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

LIABILITIES	NOTE	12/31/2010	12/31/2009
Financing facilities received from financial institutions	28	178,289	60,281
Derivative financial instruments	23	452	1,126
Deposits	29	10,507,571	6,814,229
Subordinated corporate bonds	30	-	61,200
Other liabilities	31	820,243	824,597
Provisions for miscellaneous risks	32	40,329	41,021
TOTAL LIABILITIES		11,546,884	7,802,454

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2010	12/31/2009
Capital stock	2	719,265	748,156
Additional paid-in capital	2	217,191	217,191
Unappropriated retained earnings		985,971	665,700
Reserve for financial instruments available for sale	33	-	40,811
Reserve for conversion differences	33	6,973	5,731
Legal reserve	33	330,092	240,327
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT'S SHAREHOLDERS		2,259,492	1,917,916
MINORITY INTEREST		2,017	-
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		2,261,509	1,917,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,808,393	9,720,370

Notes 1 through 46 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions Additional paid-in capital (1)	Legal reserve (2) (3)	Reserve for conversion differences (3)	Reserve for financial instruments available for sale (3) (6)	Unappropriated retained earnings	Total Attributable to The parent's shareholders (4)	Total Minority Interest (5)	Total
Balance as of January 1, 2010	748,156	217,191	240,327	5,731	40,811	665,700	1,917,916	-	1,917,916
Net income for the year	-	-	-	-	-	564,747	564,747	276	565,023
Other comprehensive income for the year, net	-	-	-	1,242	(40,811)	40,811	1,242	-	1,242
Total comprehensive income for the year, net of taxes	-	-	-	1,242	(40,811)	605,558	565,989	276	566,265
Acquisition of_GPAT Compañía Financiera S.A.	-	-	-	-	-	-	-	1,741	1,741
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/10 (2)									
Legal reserve	-	-	89,765	-	-	(89,765)	-	-	-
Cash dividends	-	-	-	-	-	(224,413)	(224,413)	-	(224,413)
Capital stock reduction aproved by the General Special Shareholders´meeting held on 07/19/10 (1)	(28,891)	-	-	-	-	28,891	-	-	-
Balance attributable to the parent's shareholders as of December 31, 2010 (4)	719,265	217,191	330,092	6,973	-	985,971	2,259,492	2,017	2,261,509

(1) See note 2.
(2) See note 19.
(3) See note 33.
(4) See note 3.1.
(5) See note 3.3
(6) See note 3.2 b)

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Legal reserve (2) (3)	Reserve for conversion differences (3)	Reserve for financial instruments available for sale (3)	Unappropriated retained earnings	Total
		Additional paid-in capital (1)					
Balance as of January 1, 2009	748,156	217,191	186,978	554	3,614	402,070	1,558,563
Net income for the year	-	-	-	-	-	467,914	467,914
Other comprehensive income for the year, net	-	-	-	5,177	37,197	-	42,374
Total comprehensive income for the year, net of taxes	-	-	-	5,177	37,197	467,914	510,288
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/27/09 (2)							
Legal reserve	-	-	53,349	-	-	(53,349)	-
Cash dividends	-	-	-	-	-	(133,373)	(133,373)
Repurchase of treasury stock (1)	-	-	-	-	-	(18,405)	(18,405)
Other	-	-	-	-	-	843	843
Balance attributable to the parent's shareholders as of December 31, 2009 (4)	748,156	217,191	240,327	5,731	40,811	665,700	1,917,916

(1) See note 2.
(2) See note 19.
(3) See note 33.
(4) See note 3.1.

Notes 1 through 46 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	12/31/2010	12/31/2009
Changes in cash		
Cash at beginning of year (see note 35)	1,635,592	1,445,111
Foreign exchange difference attributable to cash	(118,925)	(150,175)
Cash as of year-end (see note 35)	1,587,163	1,635,592
(Net decrease) / Net increase in cash	**(167,354)**	**40,306**
Causes of changes in cash		
Operating activities		
Financial assets measured at fair value from their initial recognition		
Payments for purchases	(1,577,821)	(1,605,256)
Interest collections	191,114	148,736
Amortization and sales collections	1,173,573	350,630
Interest collected on financial assets available for sale (See note 22)	-	21,413
Interest collected on loans	996,256	886,879
Interest collected on other receivables	27,663	19,335
Dividends collected of investments in other companies	8,999	8,313
Interest paid on deposits	(276,844)	(290,370)
Net collections / (payments) for:		
Financial assets held for trading (See note 22)	145,076	(131,655)
Loans	(3,236,922)	407,409
Other assets, net	5,488	(75,263)
Other receivables	77,488	36,923
Deposits	3,554,326	1,111,534
Fees and commissions earned	582,164	454,937
Fees and commissions paid	(184,338)	(142,493)
Operating expenses paid	(861,198)	(805,062)
Income tax paid	(486,358)	(49,746)
Net cash flow provided by operating activities	**138,666**	**346,264**

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	12/31/2010	12/31/2009
Investing activities		
Collections for amortization and sale of financial assets available for sale	-	3,020
Payments for purchases of financial assets available for sale	-	(52,819)
Collections of financial assets held to maturity	-	99,053
Payments for purchases of bank premises and equipment, and other	(55,769)	(33,155)
Income from sales of bank premises and equipment, and other	15,721	36,454
Payments for acquisition of subsidiarie	(89,531)	-
Net cash flow (used in) / provided by investing activities	**(129,579)**	**52,553**
Financing activities		
Financing facilities received from financial institutions	117,343	-
Payment of principal of financing facilities received from financial institutions	-	(133,843)
Interest paid on financing facilities received from financial institutions	(4,407)	(6,246)
Payment of subordinated corporate bonds	(64,964)	(67,487)
Repurchase of treasury stock	-	(18,405)
Dividends payments	(224,413)	(132,530)
Net cash flow used in financing activities	**(176,441)**	**(358,511)**
(Net decreased) / Net increase in cash	**(167,354)**	**40,306**

Notes 1 through 46 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 1: Brief description of the Bank

Banco Patagonia S.A. (the "Bank") is a corporation organized in Argentina that operates as universal bank and has a nationwide distribution network. The Bank has equity interests in the following subsidiaries: Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión ("Patagonia Inversora"), Patagonia Valores S.A. Sociedad de Bolsa ("Patagonia Valores"), Banco Patagonia (Uruguay) S.A.I.F.E. e GPAT Compañía Financiera S.A. ("GPAT C.F.S.A." ex "GMAC Compañía Financiera S.A."). The main activities of these subsidiaries, whose information is disclosed on a consolidated basis, are as follows:

- Patagonia Inversora is the company that is engaged in the mutual funds management business. Mutual funds are traded exclusively through the Bank, which, in turn, operates as mutual funds custodian.

- Patagonia Valores is the company in charge of trading securities on Mercado de Valores de Buenos Aires, an organization of which Patagonia Valores is shareholder holding a share that entitles it to act in such role. Patagonia Valores provides the Bank and its customers with services, extending the offer of products and actively participating in securities trading transactions such as placement and later sale of financial trusts and other securities.

- Banco Patagonia (Uruguay) S.A.I.F.E. is a Uruguayan corporation that is authorized to perform the financial intermediation activity in Uruguay between nonresidents exclusively and in any foreign currency other than the Uruguayan one, under the supervision of Banco Central del Uruguay (Central Bank of Uruguay).

- GPAT Compañía Financiera S.A. is a company that has been authorized to act as a financial entity, specialized in wholesale and retail financing for the acquisition of new automobiles, both to dealers -specially in the General Motors network in Argentina— and private customers.

As from July 20, 2007, Banco Patagonia S.A.'s shares are publicly offered and listed on the BCBA (Buenos Aires stock exchange) and BOVESPA (São Paulo stock exchange) (see also note 2). In this respect, these consolidated financial statements in accordance with International Financial Information Standards (IFRS) are issued to comply with the previous commitments towards the CVM (Brazilian Securities Commission).

On August 27, 2009, a share purchase agreement was signed with GMAC Compañía Financiera S.A. (GMAC CFSA) for a face value of 85,968,713, representing 99% of the capital stock and votes at a price amounting to USD 22,771,000.

On July 15, 2010, the transaction was authorized through Resolution No. 143 issued by BCRA's Board of Governors, which established the following, among others:

a) Not to present any findings from the viewpoint of section 15, Financial Institutions Law, on the acquisition of all of the capital stock.

(Figures stated in thousands of Argentine pesos)

b) Not to object to the change of name from GMAC Compañía Financiera S.A. to GPAT Compañía Financiera S.A.

c) Not to challenge the appointment of new directors for the company.

As mentioned above, the transaction was closed on July 26, 2010, and as of that date the full price set was settled. All the capital stock of GMAC CFSA was thus transferred.

On October 13, 2010, the IGJ (Argentine business associations regulatory agency) registered the change of name from GMAC Compañía Financiera S.A. to GPAT Compañía Financiera S.A., which was published on November 12, 2010, through BCRA Communiqué “B” 9951.

On September 4, 2009, the parties notified the CNDC (Federal Anti-Trust Board) of the economic concentration which the transaction entails, in compliance with Anti-Trust Law No. 25,156, section 8. Subsequently, on November 12, 2010, the Ministry of Economy and Public Finance authorized that transaction pursuant to the opinion issued by the Federal Anti-Trust Board.

On April 21, 2010, agree a share purchase of Banco Patagonia S.A. to Banco do Brasil S.A., acquiring a controlling interest, and on October 28, 2010, the Central Bank of Brazil authorized an increase in Banco do Brasil S.A.'s interest in Banco Patagonia, by 51% and up to 75%. Upon closing of the transaction, certain amendments to the bylaws are expected regarding the composition of the Board of Directors, an extension of the Directors' term of office and other matters related to the Board's operating rules. (See Note 2).

On March 28, 2011, Banco Patagonia S.A.’s Board of Directors approved the issuance of these consolidated financial statements.

According to effective legal requirements, the Regular Shareholders’ Meeting to be held on April 27, 2011 shall approve the Bank’s stand-alone and consolidated financial statements as of December 31, 2010, and 2009, which were issued under local standards and were filed with the CNV (Argentine Securities Commission) and the CVM on February 17, 2011, and the BCRA on February 18, 2011. As mentioned above, these consolidated financial statements in accordance with IFRS will not be considered by such Regular Shareholders’ Meeting and could only be changed as a result of addressing the stand-alone and consolidated financial statements issued under the abovementioned local standards. In the opinion of the Bank’s Management and Board of Directors, the stand-alone and consolidated financial statements under the abovementioned local standards will be approved by the Regular Shareholders’ Meeting without changes.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 2: Capital stock

As of December 31, 2010, and 2009, the capital stock structure and changes therein are as follows:

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	**Number**	**Face value (ARS) per share**	**Votes per share**	**Outstanding**	**Treasury stock**	**Paid-in**
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	725,386,860	1	1	696,496	28,891	725,387
Total as of January 1, 2010	748,155,678			719,265	28,891	748,156
Capital stock reduction of Class "B" book-entry shares of common stock approved by the General Special Shareholders’ Meeting held on July 19, 2010 (3)	(28,890,941)	1	1	-	(28,891)	(28,891)
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	696,495,919	1	1	696,496	-	696,496
Total as of December 31, 2010	719,264,737			719,265	-	719,265

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	**Number**	**Face value (ARS) per share**	**Votes per share**	**Outstanding**	**Treasury stock**	**Paid-in**
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	725,386,860	1	1	708,919	16,468	725,387
Total as of January 1, 2009	748,155,678			731,688	16,468	748,156
Acquisition program of Class “B” shares of common treasury stock approved by the Board of Directors on July 31, 2008 and canceled on Dicember 9, 2009 (2)	-	1	1	(12,423)	12,423	-
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	725,386,860	1	1	696,496	28,891	725,387
Total as of December 31, 2009	748,155,678			719,265	28,891	748,156

Marcelo A, Iadarola	Rubén M. Iparraguirre	Jorge G. Stuart Milne
Accounting Manager	General Assistant Manager Administration and Finance Area	Chairman

1. Capital structure

Banco Patagonia S.A.'s Regular and Special Shareholders' Meeting held on April 24, 2007, approved five-fold capital increase by a face value of up to ARS 100,000,000.

The abovementioned Shareholders' Meeting approved the authorization required to publicly offer the outstanding and newly issued shares as a result of the capital increase mentioned in the preceding paragraph, or the certificates representing such shares in Argentina or on foreign markets, as determined by the Board of Directors, as well as listing the Bank's shares or share certificates on the BCBA and on foreign stock exchanges or markets, as determined by the Board of Directors and pursuant to the terms and conditions it may set forth.

On May 22, 2007, the Board of Directors of Banco Patagonia S.A. decided upon a Global Offering of 200,000,000 common.

The offering involved Class "B" book-entry shares, with a face value of ARS 1 each, entitling holders to one vote per share, and shall be carried out simultaneously in Argentina and abroad, directly or through BDRs (Brazilian depositary receipts), and these would in turn be offered either directly or finally through ADSs (American Depositary Shares), represented by ADRs (American Depositary Receipts). Every BDR represents twenty of the Bank's Class "B" shares and each ADS represents a BDR.

Out of the total shares included in the Global Offering, 37,500,000 shares were offered to the general investing public in Argentina through a public offering (the "Argentine Offering"), 37,500,000 shares were offered to the general investing public in Brazil through a public offering in the form of BDRs (the "Brazilian Offering"), and 125,000,000 shares in the form of BDRs were offered for sale through the final private placement of ADSs (i) in the United Sates only to "qualified institutional buyers" (QIBs), as defined under Rule 144A issued in accordance with the US Securities Act of 1933, as amended ("Securities Act") and, (ii) outside the United States, Brazil and Argentina, in accordance with the provisions established in Regulation S of the Securities Act (the "International Offering", and jointly with the Argentine Offering and the Brazilian Offering, the "Global Offering").

On July 5, 2007, the CNV authorized the Bank's public offering of shares through Resolution No. 15,665, and on July 10, 2007, the BCBA authorized the Bank's shares to be listed. On July 19, 2007, as regards registration of the public offering of BDRs in Brazil, the CVM issued the following resolutions: (a) regarding primary distribution, CVM/SRE/REM/2007/039; (b) regarding secondary distribution, CVM/SRE/SEC/2007/031; (c) regarding the BDRs program, CVM/SRE/BDR/2007/003; and (d) regarding the ADSs program, CVM/SRE/RDR/2007/012. On the same date, the BOVESPA registered the Bank for BDRs trading on such exchange.

As regards the allocation of the share placement, 66,600,040 shares were placed through public offering in Argentina to the investing public; 8,400,000 shares were placed through public offering in Brazil to the investing public and 124,999,960 shares were sold through the final private placement of ADSs outside Argentina and Brazil.

(Figures stated in thousands of Argentine pesos)

The funds resulting from such capital increase shall continue to be used for the business expansion process planned by the Bank for the next few years.

Class “A” shares represent the interest held by the Province of Río Negro, whereas Class “B” shares account for the interest held by private capital.

As provided by section 6 of the bylaws, Class “A” and “B” shares entitle one vote per share and have a face value of one Argentine peso each. Class “A” shares entitle to appoint one director provided that the Province of Río Negro retains at least one share. Those Class “A” shares will be automatically converted into Class “B” shares when being transferred to a holder other than the Province of Río Negro. It should be noted that there are no differences in the economic rights between both classes of shares.

On February 22, 2010, as resolved at the Bank's Board of Directors’ Meeting held on December 9, 2009, the US Securities and Exchange Commission (SEC) approved the reorganization of the ADR program consisting in the registration of a new program of ADRs with underlying Class “B” shares under the system called "Level I Program” established by SEC rules. To implement such program, the Bank signed a new ADR agreement with The Bank of New York Mellon in its capacity as US depositary bank (Banco Santander Río S.A. acting as custodian in Argentina), effective as from that date of approval by the SEC. ADRs will be traded on the US over-the-counter (OTC) market.

2. Treasury stock acquisition plan

As a result of the current international macroeconomic conditions and of the volatility which the capital market has been experiencing, the prices of local shares, including the Bank’s shares, have been negatively affected. In this regard, considering the Bank’s strong financial position and in line with its commitment to its shareholders, on July 31, 2008, the Bank's Board of Directors decided to implement a plan for the repurchase of treasury stock on the Argentine market, under section 68, Law 17,811 (added by Presidential Decree 677/01) and CNV regulations, up to 95,500, with a limit of 50,000,000 common book-entry Class “B” shares, entitling the holder to one vote per share and each of face value ARS 1. The price payable for the shares should range from ARS 1.72 to ARS 1.91 per share and the term to carry out these acquisitions was 90 days running as from August 1, 2008.

After successive extensions, changes to the maximum price and elimination of the minimum price, on December 9, 2009, the Bank’s Board of Directors established the cancellation of the treasury stock acquisition program because as from September 4, 2009, the share started to be listed above ARS 2.20, the maximum price authorized to make repurchases established according to the range of prices of the program. Therefore, the reasons that gave rise to the program implementation no longer existed.

The amounts acquired and paid, accumulated as of the date of issuance of these consolidated financial statements stand at ARS 28,890,941 face values for a total price of 39,726.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

3. Capital stock reduction

On March 9, 2010, the Bank's Board of Directors approved the proposal to reduce capital stock by 28,891, by using the Class "B" book-entry shares of common stock for a face value of ARS 28,890,941, for a face value of ARS 1 and one vote per share acquired under the treasury stock acquisition program mentioned in the preceding point.

On April 23, 2010, the BCBA authorized such capital reduction and on July 19, 2010, it was unanimously approved by the Bank's Special Shareholders' Meeting.

On February 2, 2011, the CNV resolved to cancel in part the public offering authorization granted in due time to the Bank for a face value of ARS 28,890,941, related to the capital stock reduction. As of the date of issuance of these financial statements, the capital stock reduction is pending registration with that agency.

As mentioned above, the Bank's capital stock is made up of 719,264,737 shares, comprising 22,768,818 Class "A" shares and 696,495,919 Class "B" shares, all of them book-entry shares with a face value of ARS 1 each and entitled to one vote per share.

4. Banco do Brasil S.A.'s acquisition of 51% of the outstanding capital stock and votes of Banco Patagonia S.A.

As mentioned in Note 1, on April 21, 2010, the group of majority shareholders of Banco Patagonia S.A., who own 61.5827% of the outstanding capital stock and votes, agreed in a stock purchase agreement to sell Class "B" book-entry shares of common stock for a face value of ARS 366,825,016 they own, representing 51% of the outstanding capital stock and votes of Banco Patagonia S.A. to Banco do Brasil S.A., a corporation organized under Brazilian laws, the majority shareholder of which is the Brazilian Treasury. Accordingly, the purchaser acquired a controlling interest in Banco Patagonia S.A. The purchase price for the total shares being sold stands at USD 479,660,391, equal to USD 1.3076 per share.

To close the transaction, it is required to verify compliance with all conditions precedent, including the approval by the Banco do Brasil's Shareholders' Meeting, BCB (Central Bank of Brazil), BCRA and Argentine anti-trust authorities.

Once the abovementioned approvals are obtained, and before but subject to the transaction closing, the parties will promote an acquisition public offering (mandatory APO) in Argentina regarding the remaining shares of Banco Patagonia S.A., as provided by Argentina regulations, at the same purchase price the Sellers under the Share Sale Agreement would receive, with the related adjustment for the period from the agreement date and the closing date, converted into Argentine pesos at the exchange rate indicated in the respective prospectus.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

By means of the mandatory APO and pursuant to a joint purchase system agreed by the parties, the Sellers would be allowed to obtain preemptive rights of up to 25% of the outstanding capital stock and voting rights of Banco Patagonia S.A., as from such cap, the Purchaser would be the only acquirer of the surplus offered.

On June 16, 2010, the Special Shareholders' Meeting of Banco do Brasil S.A. approved the acquisition of shares in Banco Patagonia S.A. and ratified the agreement signed on April 21, 2010.

In addition, on October 21, 2010, the Central Bank of Brazil authorized such transaction and, on October 28, 2010, it authorized an increase in Banco do Brasil S.A.'s interest in Banco Patagonia, by 51% and up to 75% of the outstanding capital stock and voting rights as a result of the mandatory acquisition offering as provided by the Share Purchase Agreement.

In addition, on February 3, 2011, BCRA's Board of Governors approved —through Resolution No. 16 – such transaction and the potential acquisitions resulting from the mandatory acquisition offering.

As of the date of issuance of these financial statements, the filing made by the parties on April 30, 2010, with the Argentine CNDC (Federal Anti-Trust Board) in view of the economic concentration that the transaction entails —as set forth by section 8, Anti-Trust Law No. 25,156, is still pending final resolution.

NOTE 3: <u>Basis of presentation of the financial statements and accounting policies applied</u>

<u>3.1 Basis of presentation</u>

<u>Comparative information</u>

The Consolidated Statements of Income, of Comprehensive Income, Balance Sheets, Statements of Changes in Shareholders' Equity, of Cash Flows and Notes as of December 31, 2009, are presented comparatively with those of the prior year-end.

<u>Figures stated in thousands of Argentine pesos</u>

These financial statements disclose figures stated in thousands of Argentine pesos and are rounded up to the nearest amount in Argentine pesos, except when otherwise noted.

<u>Declaration of compliance</u>

These consolidated financial statements of the Bank were prepared in accordance with the IFRS issued by the IASB (International Accounting Standards Board) and were prepared based on historical amounts, except for financial assets measured at fair value held for trading, financial assets measured at fair value from their initial recognition, financial assets available for sale and derivative financial instruments, which have been measured at their fair value.

The adopted accounting policies are consistent with those applied in previous fiscal years, except that the Entity has adopted the mandatory new IFRS and revised IAS and IFRS 9 in advance for financial year 2010. The adoption of these new rules had no significant impact on the financial statements prepared for comparison purposes, since advance application of IFRS 9 does not require restatement of previous financial years. The new standards adopted for this financial year are detailed below:

- IFRS 2 (as revised) "Share-based Payment", amendments effective for accounting periods beginning on or after January 1, 2010, with earlier application permitted. This standard provides guidance on the accounting treatment of share-based payments through cash settlement in an entity's individual financial statements.

- IFRS 3 (as revised) "Business Combinations and Consolidation" and IAS 27 (as revised) "Consolidated and Separate Financial Statements", effective for periods beginning on or after July 1, 2009. Amendments to IFRS 3 (as revised) refer to valuation of non-controlling interests, accounting treatment of transaction costs, initial recognition and subsequent measurement of a contingent consideration and step business combinations. IAS 27 (as revised) requires that a change in the ownership interest in a subsidiary (without loss of control) be treated as a transaction with the owners in their capacity as such.

- IFRS 9 "Financial Instruments": introduces new requirements for classification and measurement of financial assets and derecognition of financial instruments that must be applied starting January 1, 2013, with early adoption permitted.

- IAS 39 "Financial Instruments: recognition and measurement", amendments effective for periods beginning on or after July 1, 2009.Amendment refers to appointment of a unilateral risk of a hedge account and designation of inflation as a hedged or partial risk in special situations.

- IFRIC 17 "Distribution of non-cash assets to owners", effective for periods beginning on or after July 1, 2009, with earlier application permitted. This interpretation provides guidance on the accounting treatment of distribution of non-cash assets to owners.

- IFRIC 18 "Transfers of Assets from Customers", effective for periods beginning on or after July 1, 2009.This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

- Improvements to IFRSs: In April 2009, the IASB published "Improvements to IFRSs", its second project to amend standards and related basis intended mainly to eliminate inconsistencies and to clarify the contents of said standards. The publication includes different effective dates and transitory provisions for each standard. Adoption of new amendments resulted in minor changes to accounting policies, but had no impact on the Entity's financial position or profit/loss statement.

Consolidation bases

Subsidiaries:

Subsidiaries are all entities (including special-purpose ones, if applicable) over which the Bank has control to direct financial and operating policies. This is usually noted when owning over half of the shares entitled to vote.

Subsidiaries are fully consolidated as from the date when the actual control over them was transferred to the Bank and are no longer consolidated as from the date when that control ceases. The consolidated financial statements include assets, liabilities, income and expenses of Banco Patagonia S.A. and its subsidiaries. The transactions performed among the consolidated companies are fully eliminated.

When necessary, the subsidiaries' accounting policies have been changed to make them consistent with the policies used by the Bank and with IFRS.

The method of accounting for business combinations is the acquisition method. The cost of an acquisition is measured as the aggregate of the transferred consideration, measured at fair value as of the acquisition date, and the amount of any non-controlling interests in the acquiree measured as their proportionate interest in the net identifiable assets of the acquiree. Acquisition-related costs are generally recognized as expenses.

The Entity compares the transferred consideration plus the amount of the non-controlling interest with the net amount of reasonable values of assets and liabilities, and recognizes a profit for the surplus of said reasonable value on the paid price.
Likewise, in the case of bargain purchases, the Entity, before recognizing a gain, must reassess whether it has identified all assets acquired and liabilities assumed and must review the procedures used to calculate fair values.

Minority interest:

The Bank applies the policy of considering transactions with minority shareholders as transactions with external parties. Sales of the minority interest result in income and losses for the Bank, which are recognized in the consolidated statement of income. Purchases of the minority interest give rise to a receivable for the Bank, resulting from the difference between the amount paid and the acquired interest percentage in the value of the subsidiary's net assets.

On Decembrer 31, 2010, the Bank has consolidated these financial statements with the financial statements of the following companies, except in the case of GPAT Compañía Financiera S.A., the consolidation of which was made as from July 26, 2010 (acquisition date) (see Note 1):

(Figures stated in thousands of Argentine pesos)

Company	Shares		Percentage of	
	Class	Number	Total capital stock	Possible votes
Patagonia Valores S.A. Sociedad de Bolsa	Common stock	13,862,507	99.99%	99.99%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common stock	13,317,233	99.99%	99.99%
Banco Patagonia (Uruguay) S.A. I.F.E.	Common stock	50,000	100.00%	100.00%
GPAT Compañía Financiera S.A.	Common stock	85,968,713	99.00%	99.00%

Banco Patagonia S.A.'s Board of Directors considers that no other companies either special purpose entities are required to be included in the consolidated financial statements as of December 31, 2010, and 2009.

As it was mentioned in Note 1, during the financial year closed on December 31, 2010, the stock purchase agreement of GPAT C.F.S.A. was executed. Results related to such events are described in Note 3.3.

The subsidiaries' financial statements have been prepared as of the same dates and for the same accounting years as those of Banco Patagonia S.A., consistently using similar accounting policies to those applied by the latter.

Minority interests represent the portion of income and shareholders' equity that is not owned, either directly or indirectly, by the Bank and they are disclosed as a separate line on the Consolidated Statements of Income, of Comprehensive Income, Balance Sheets and Statement of Changes in Shareholders' Equity.

The Bank considers the Argentine peso as its functional and disclosure currency. To such end, before consolidation, the financial statements of Banco Patagonia (Uruguay) S.A.I.F.E., originally issued in US dollars, were converted into Argentine pesos (disclosure currency) using the following method:

a) Assets and liabilities were converted at BCRA's benchmark exchange rate, effective for such foreign currency as of the closing of operations on the last business day of the years ended December 31, 2010, and 2009 (see note 3.2.g)).

b) Income (loss) for the years ended December 31, 2010, and 2009, were converted into Argentine pesos on a monthly basis, using the monthly average of BCRA's benchmark exchange rate.

c) Foreign exchange differences resulting from the preceding points were recorded as a separate component within "Shareholders' equity", which is called "Reserve for conversion differences", being disclosed in the Consolidated Statement of Comprehensive Income.

(Figures stated in thousands of Argentine pesos)

Total assets, liabilities, shareholders' equity and income (loss) of Banco Patagonia S.A. and each of its subsidiaries as of December 31, 2010, and 2009, are disclosed below:

As of 12/31/2010	Banco Patagonia S.A.	Patagonia Valores S.A. Sociedad de Bolsa	Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión	GPAT Compañía Financiera S.A. (Consolidated)	Banco Patagonia (Uruguay) S.A.I.F.E.	Eliminations	Banco Patagonia S.A. consolidated
Assets	13,354,947	17,830	21,367	377,054	257,939	(220,744)	13,808,393
Liabilities	11,095,455	628	899	177,240	213,265	59,397	11,546,884
Shareholders' equity	2,259,492	17,202	20,468	199,814	44,674	(280,141)	2,261,509
Income for the year	566,661	1,354	2,560	24,171	1,268	(30,991)	565,023

As of 12/31/2009	Banco Patagonia S.A.	Patagonia Valores S.A. Sociedad de Bolsa	Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión	Banco Patagonia (Uruguay) S.A.I.F.E.	Eliminations	Banco Patagonia S.A., consolidated
Assets	9,426,377	16,294	19,331	339,164	(80,796)	9,720,370
Liabilities	7,508,461	445	1,424	299,542	(7,418)	7,802,454
Shareholders' equity	1,917,916	15,849	17,907	39,622	(73,378)	1,917,916
Income / (loss) for the year	475,879	1,263	3,128	(6,670)	(5,686)	467,914

3.2 Significant accounting estimates and valuation methods

In preparing the financial statements, in certain cases the Bank's Management is required to make estimates to determine the book values of assets, liabilities and income (loss) as well as their disclosure, as of each date on which the accounting information is presented.

Bank bookings are based on the best estimate regarding the probability of occurrence of different future events and, therefore, the final amount may differ from such estimates, which may have a positive or negative impact on future years. The most significant estimates comprised in these consolidated financial statements are related to the calculation of the allowance for uncollectibility risk of loans and accounts receivable, the valuation of financial instruments, the provisions for miscellaneous risks, the useful life of bank premises and equipment and other, the income tax and the customer loyalty program.

(Figures stated in thousands of Argentine pesos)

The main valuation and disclosure methods followed in the preparation of these financial statements as of December 31, 2010, and 2009, were:

a) Recognition of income and expenses:

a.1) Interest income and expenses, and similar ones:

Interest income and expenses, and similar ones are accounted for based on their accrual period, applying the effective interest method, which is the rate that allows discounting future cash flows estimated to be paid or received over the life of the instrument or a shorter period, if appropriate, equal to the net book value of the financial asset or liability. Interest on financial assets measured at fair value held for trading, measured at fair value from their initial recognition, financial assets available for sale and held to maturity, is accounted for in the accounts “Gains (losses) on financial assets measured at fair value held for trading”, “Gains (losses) on financial assets measured at fair value from their initial recognition”, “Gains (losses) on financial assets available for sale”, and “Gains (losses) on financial assets held to maturity”, respectively.

Interest income includes yields on fixed-income investments and securities, as well as the discount and premium on financial instruments.

Dividends are recognized when they are reported.

a.2) Fees for loans

Fees collected and direct incremental costs related to grant financing are deferred and recognized adjusting the effective interest rate thereof.

a.3) Service commissions, fees, and similar items:

Income and expenses for service commissions, fee expenses and other similar items are accounted for as accrued.

a.4) Nonfinancial income and expenses:

They are accounted for according to their monthly accrual.

b) Financial instruments: Initial recognition and subsequent measurement:

Purchases or sales of financial assets requiring the delivery of assets within the term generally established by regulations or market conditions are booked on the transaction negotiation date, i.e. on the date when the Bank agrees to purchase or sell the asset.

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In the initial recognition, financial assets or liabilities were recorded at their fair values. Those financial assets or liabilities that are not booked at fair value through profit or loss were booked at fair value adjusted by the transaction costs that are directly attributable to their purchase or issuance.

Until December 31, 2009, to value financial instruments after initial recognition, the Bank classified them, considering the purpose for which they were acquired and their characteristics according to IAS 39, into:

b.1) Financial assets measured at fair value through profit or loss, including the trading portfolio and those included in this category from their initial recognition.

b.2) Financial assets available for sale

b.3) Financial assets held to maturity

b.4) Loans and accounts receivable (other receivables)

b.5) Financial liabilities

During this financial year, the Entity has chosen the earlier application of IFRS 9 "Financial Instruments" and has valued its financial instruments taking into account the Entity's business model to manage its financial assets and their features. In this regard, the Entity measures its financial assets at fair value, except for those assets that meet the following two conditions and, therefore, are valued at their depreciated cost:

I) They remain within a business model the purpose of which is maintaining the assets to obtain contractual cash flows.

II) Contractual conditions of financial assets result, on specified dates, in cash flows which are only payments of principal and interest on the outstanding principal amount.

b.1) Financial assets measured at fair value through profit or loss:

This category is divided into two subcategories: Financial assets measured at fair value held for trading and financial assets measured at fair value from their initial recognition.

A financial asset is classified as a financial asset acquired for trading if it is a derivative, a financial instrument acquired for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments and that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Until December 31,2009, financial assets are classified as financial assets at fair value through profit or loss from their initial recognition when they meet the following criteria:

- The designation eliminates or reduces significantly the inconsistent treatment that, otherwise, arises from measuring assets or liabilities, or recognizing income or losses generated by them on a different basis; or

- Assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and assessed considering their performance on a fair value basis in connection with a documented risk management or investment strategy; or

- Financial instruments include embedded derivatives, unless the embedded derivative does not materially change cash flows or it is clear, with little or even no analysis, that they are not required to be booked separately.

As of December 31, 2010 the Entity has included in this sub-category the financial instruments issued by the BCRA, in order to reduce accounting mismatches that may result by application of other valuation methods.

Financial assets measured at fair value through profit or loss are recorded in the Consolidated Balance Sheet at fair value. Changes in fair value and interest earned or incurred are recorded in the consolidated statement of income in the account “Gains (losses) on financial assets measured at fair value held for trading” and “Gains (losses) on financial assets measured at their fair value from their initial recognition”.

The estimated market value of investments measured at fair value was calculated using the effective quoted prices as of each year-end on active markets (Mercado de Valores or Mercado Abierto Electrónico), if they are representative. If there was no active market, valuation techniques were used, including the use of market transactions performed under mutually independence conditions between duly informed and interested parties, provided that they are available, as well as references to the current fair value of another instrument that is substantially similar or the analysis of discounted cash flows.

b.2.) <u>Financial assets available for sale:</u>

Until December 31, 2009 they were those assets designated as such to keep them for an indefinite time, which could be sold due to the liquidity needs or changes in the interest rate, and exchange rates, among others, or did not qualify for being recorded at fair value through profit or loss, held to maturity or loans and accounts receivable.

After their initial recognition, financial assets available for sale were measured at their fair value, except for interests in other companies without a market price and that were valued at acquisition cost, since their fair value could not be reliably estimated. Unrealized gains (losses) were directly recognized in the Consolidated Statement of Comprehensive Income and shareholders' equity in the account "Reserve for financial instruments available for sale", less the related deferred income tax. Interest and dividends earned over the period in which investments were held, as well as income or losses from sales, which were previously accumulated in the Consolidated Statement of Comprehensive Income and shareholders' equity, were recognized in the Consolidated Statement of Income in the account "Gains (losses) on financial assets available for sale". Interest was earned using the effective interest rate.

The estimated market value of investments in government securities was calculated using the effective quoted prices as of each year-end on active markets (Mercado de Valores or Mercado Abierto Electrónico), if they are representative. If there was no active market, valuation techniques were used, including the use of market transactions performed under mutually independence conditions between duly informed and interested parties, provided that they were available, as well as references to the current fair value of another instrument that are substantially similar or the analysis of discounted cash flows.

Losses on the impairment in value of these investments were recognized in the Consolidated Statement of Income and removed from the Consolidated Statement of Comprehensive Income and shareholders' equity account "Reserves for financial instruments available for sale". The Bank determined that an investment available for sale was impaired in value when there was a significant or long-standing drop in the market price as compared to the cost, as further explained in note 3.2.e.3).

As it was previously mentioned, during this financial year, due to earlier application of IFRS 9, the entity has classified and measured the "Financial assets available for sale" as "Financial assets valued at fair value maintained for negotiation", considering the Entity's business model to manage them and their features.

As a result of re-classifications resulting from earlier application of IFRS 9, non-realized profits and losses accumulated until December 31, 2009 in the Consolidated Statement of Changes in Shareholders' Equity in the account "Reserve for Financial Instruments Available for Sale" have been derecognized and recognized in the account "Retained Earnings"

b.3) Financial assets held to maturity:

On December 31, 2009 they were financial assets with a determined maturity date, the payments of which were quantified on a fixed or determinable basis, and the Bank actually intended and was able to keep them to maturity.

Financial assets held to maturity were valued at their amortized cost, using the effective interest rate method (see note 3.2.a.1), recognizing income (loss) in the account “Gains (losses) on financial assets held to maturity”.

Losses on impairments in value of these investments were recognized in the consolidated statement of income, and were determined as the difference between the book value of assets and the current value of estimated future cash flows, discounted at the original effective interest rate of the financial asset, following the methodology to determine the impairment in value of the other financial assets booked at amortized cost, as described in note 3.2.e.1).

As it was previously mentioned, during this financial year, due to earlier application of IFRS 9, the entity has classified and measured the "Financial assets available for sale" as "Financial assets valued at fair value maintained for negotiation", considering the Entity's business model to manage them and their features. The difference between the book value and the fair value resulting from the change in valuation was recognized in the Consolidated Statement of Income.

b.4) <u>Loans and accounts receivable (other receivables):</u>

They are non derivate financial instrument maintained by the Entity within a business model the purpose of which is to obtain contractual cash flows, the contractual conditions of which result, on specified dates, in cash flows which are only payments of principal and interest on the outstanding principal.

After their initial recognition, loans and accounts receivable are then valued at amortized cost, using the effective interest rate method (see note 3.2.a.1), less the allowance for uncollectibility risk. The amortized cost is calculated considering any discount or premium incurred upon the acquisition, and fees and cost that are part of the effective interest rate. Losses on impairment in value are included in the Consolidated Statement of Income in the accounts “Net uncollectibility charges of loans” and “Loss on uncollectibility of other receivables and provisions for miscellaneous risks”. The breakdown of changes in each of these accounts is disclosed in notes 24 and 25, respectively.

Accounts receivable and loans are recorded when funds are disbursed to customers. Guarantees granted and contingent obligations are recorded in notes to the Financial Statements when the documents supporting those credit facilities are issued, and are originally recognized at commission received fair value in “Other liabilities” in the consolidated balance sheet. Subsequent to the initial recognition, the liability for each guarantee is recorded at the higher value of the amortized commission and the best estimate of the expense required to settle any financial obligation arising as a result of the financial guarantee.

Any increase in the liability related to a financial guarantee is included in the consolidated statement of income. The premium received is recognized in the account "Fee income" in the consolidated statement of income on the basis of its straight-line amortization over the effective term of the financial guarantee granted.

The Bank considers as refinanced or rescheduled those financing facilities that are rescheduled due to the debtor's payment difficulties. This may involve extending the payment terms and agreeing new loan conditions. Once the terms have been rescheduled, the loan is no longer considered as past due obligation. Management continuously reviews the refinanced and rescheduled loans to ensure that all criteria are met and future payments are likely to be received.

The allowance for uncollectibility risk of loans and other receivables is set if there is objective evidence that the Bank cannot collect all loans, under the original contractual terms. This allowance is determined based on the assigned risk ratings and considering the guarantees received. (See further details in notes 3.2 e.1 and 42).

b.5) Financial liabilities:

After the initial recognition, all financial liabilities are valued at amortized cost using the effective interest rate method, as explained in note 3.2.a.1).

c) Derecognition and reclassification of financial assets and liabilities:

Financial assets:
A financial asset (or when a portion of a financial asset or a portion of a group of similar financial assets is applicable) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all cash flows received immediately to a third party; and (iii) the Bank has substantially transferred all the risks and benefits of the asset or, if it has not transferred or retained substantially all the risks and benefits of the asset, it has actually transferred its control.

Reclassification of financial assets is made for future years, from the reclassification date, with no restatement of previously recognized profits, losses or interest.

If a financial asset is reclassified in a manner such that it is valued at fair value, its fair value is determined on the reclassification date. Any profit or loss resulting from differences between the previous book value and the fair value is recognized as profit or loss. Instead, if the financial asset is reclassified so that it is measured at depreciated cost, its fair value as of the reclassification date becomes its new book value.

Financial liabilities:
A financial liability is derecognized when the payment obligation extinguishes, is settled or expires. When an existing financial liability is replaced by another one of the same borrower under significantly different conditions, or conditions are materially changed, such replacement or change is considered as a derecognition of the original liability and a new liability is recognized. The difference between them is charged to income for each year.

d) Compensation of financial instruments:

Financial assets and liabilities are offset and the net amount is disclosed in the consolidated balance sheet when there is a legal right to offset them and Management intends to cancel them on a net basis or to realize the asset and settle the liability simultaneously.

e) Impairment in value of financial assets:

As of the date of the financial statements, the Bank evaluates whether there is objective evidence of whether a financial asset or a group of financial assets are impaired in value. A financial asset or a group of financial assets are impaired in value and result in losses only if there is objective evidence of the impairment in value as a result of one or more events subsequent to the initial recognition of the asset (an incurred loss event) and when that loss event impacting on projected cash flows of the financial asset or group of financial assets can be reliably estimated. This evidence of impairment in value may include hints of the debtor's or group of debtors' significant financial difficulties, default or payment in arrears of principal or interest, likelihood for rescheduling or bankruptcy of the company or any corporate reorganization where it is proven that there will be a decrease in estimated cash flows, such as changes in economic conditions or circumstances correlated with defaults on payment. The following is the method used for each category of financial assets:

e.1) Loans and accounts receivable:

For loans and accounts receivable valued at amortized cost, the Bank first evaluates individually if there is objective evidence of impairment in value for financing facilities that are individually significant or collectively for those that are not individually significant. If the Bank determines that there is no objective evidence of impairment in value for a financial asset individually evaluated, either significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and evaluates them collectively. Assets that are individually evaluated as to impairment in value and for which a loss for impairment in value is or continues to be recognized are not included in the collective evaluation for impairment in value.

If there is objective evidence that a loss for impairment in value has been incurred, the amount of the loss is quantified as the difference between the book value of the asset and the present value of the estimated future cash flows. The book value of these assets decreases through an allowance account and the loss amount is recognized in the consolidated statement of income. Interest income continues to be recognized on the reduced amount based on the original effective interest rate of the asset. The loans, along with their related allowance, are written off when there is no realistic estimate of future recovery and guarantees have been sold or transferred to the Bank. If in a subsequent year the estimated amount of the loss for impairment in value increases or decreases due to an event occurring after the impairment in value is recognized, the loss for impairment in value previously recognized increases or decreases adjusting the allowance account. If an asset that was impaired in value is later recovered, the recovery is charged to the allowance for uncollectibility risk of loans and other receivables. If an asset that was written off is later recovered, the recovery is recognized in the consolidated statement of income in the account "Net uncollectibility charges of loans".

The present value of estimated cash flows is discounted at the original effective interest rate of the asset. If a loan bears a variable interest rate, the discount rate will be the current effective interest rate. The calculation of the present value of estimated cash flows of a secured financial asset reflects the cash flows that may result from the sale of guarantees, less the cost to obtain and sell them, regardless of whether the sale of guarantees is likely or not.

For the purpose of the collective evaluation of the impairment in value, financial assets are grouped based on the Bank's risk rating system, which considers its past experience based on statistical information, type of guarantee, delinquency situation, and other relevant factors.

Future cash flows of a group of financial assets The experience of historical losses is adjusted based on the current observable information that reflects the effects of current conditions that have not affected the years on which the historical losses information is based, and removes the effects and conditions that do not currently exist. The methodology and assumptions used to estimate future cash flows are regularly reviewed to reduce any difference between the estimated loss and the experience of actual losses.

e.2) <u>Refinanced accounts receivable and loans:</u>

The Bank's loan portfolio includes transactions refinanced through: a) new agreements where the terms and conditions of the original payment schedule are redefined, or b) the inclusion of corporate bonds issued by the borrowers. In order to consider the impairment of these assets, the valuation of these loans is carried out based on the present value of the future cash flows, discounted at the effective interest rate of the original loan.

If there are credit improvements noted by debtors impaired in prior years, the uncollectibility charge previously recognized is reversed through the adjustment to the allowance for uncollectibility risk used. Such recovery does not give rise to an amount in excess of the amortized cost that would have been recognized on the reversal date if the loss on the impairment in value had not been booked. (See note 24.)

e.3) Financial assets available for sale:

On December 31, 2009, as of the closing date of the consolidated financial statements, the Bank evaluated whether there was objective evidence of whether an asset or group of investments classified as available for sale had impairment problems. When there was evidence of impairment in value, the accumulated loss (measured as the difference between the acquisition cost and the current fair value, less any loss for impairment in value in the asset previously recognized in the statement of income) was removed from the consolidated statement of comprehensive income and shareholders' equity, and was recorded in the statement of income. Losses for impairment in value of shares were not reversed through the statement of income, since any increase after the impairment in value was directly recognized in the consolidated statement of comprehensive income and shareholders' equity.

If these assets were debt instruments classified as available for sale, the impairment in value was evaluated on the basis of the same criteria as those for financial assets recorded at amortized cost.

f) Financial lease:

The Bank grants loans through financial leases. The Bank recognizes the current value of lease payments as an asset. The difference between the total value receivable and the present value of the financing is recognized as interest to be earned. This income is recognized over the lease term using the effective interest rate method, which reflects a constant rate of return.

g) Assets and liabilities in foreign currency:

The Bank considers the Argentine peso as its functional and disclosure currency. Assets and liabilities denominated in foreign currency, basically in US dollars, have been valued at BCRA's benchmark exchange rate effective for the US dollar at the closing of operations of the last business day of each fiscal year. In addition, assets and liabilities denominated in other foreign currencies were converted at the exchange rates published by the BCRA. Foreign exchange differences were charged to income for each year.

h) Cash and due from the BCRA and due from other financial institutions:

They were measured at nominal value, plus accrued interest as of each year-end, if appropriate. Accrued interest was charged to income for each year.

i) Purchases and sales with repurchase agreements (repos):

Purchases (sales) of financial instruments with the nonoptional repurchase commitment at a determined price (repos) are recorded in the consolidated balance sheet as financing facilities granted (received) based on the nature of the related debtor (creditor) in the "Other receivables" or "Financing facilities received from financial institutions" accounts.

The difference between the purchase and sale prices of those instruments is recorded as interest, which is accrued over the effective term of transactions using the effective interest rate method.

j) Derivative financial instruments:

j.1) Forward transactions without delivery of the underlying: Includes forward purchases and sales of foreign currency and the BADLAR rate without delivery of the underlying asset traded. Such transactions are valued at the quoted prices as of each year-end on Mercado Abierto Electrónico and are performed by the Bank for the purpose of intermediation for its own account. Gain (loss) resulting therefrom is charged to income (loss) for each year.

j.2) Interest rate swap transactions: Includes agreements with the BCRA and other financial institutions, and are valued at their estimated market value determined through the current value of differences between future flows of interest determined by applying fixed and variable interest rates to the notional values of agreements. Gain (loss) resulting therefrom is charged to income (loss) for each year.

k) Bank premises and equipment, and other:

These assets are recorded at their historical acquisition cost, less the related accumulated depreciation and impairment in value, if applicable. The historical acquisition cost includes expenses directly attributable to the acquisition of assets. Maintenance and repair costs are recorded in the statement of income. Any material improvement and renovation is capitalized solely when it is probable that there will be future economic benefits exceeding the return originally evaluated for the asset.
Depreciation was calculated based on the months of useful life. The assets were fully depreciated in the month of addition, but were not depreciated in the month of retirement. Additionally, at least as of each year-end, the estimated useful lives of bank premises and equipment, and other are reviewed to detect significant changes therein, which, upon occurrence, will be adjusted through the related adjustment to the depreciation charge of bank premises and equipment, and other.

The residual value of bank premises and equipment, and other, taken as a whole, does not exceed the recoverable value of such assets.

l) Impairment in value of nonfinancial assets:

At least as of each year-end, the Bank evaluates whether there are events or changes in circumstances that indicate that the value of nonfinancial assets can be impaired or whether there are hints that a nonfinancial asset can be impaired. If there is any hint or when an annual impairment test is required for an asset, the Bank estimates the recoverable value thereof. If the book value of an asset (or cash generating unit) exceeds its recoverable value, the asset (or cash generating unit) is considered impaired and the amount decreases to the recoverable value of the asset.
As of the date of presentation of the consolidated financial statements, nonfinancial assets are evaluated as to whether there are any hints that the loss for impairment in value previously recognized may no longer exist or may have decreased. A loss for impairment in value previously recognized is reversed solely if there has been a change in the estimates used to determine the recoverable value of the asset from the recognition of the latter loss for impairment in value. In such a case, the book value of the asset increases to its recoverable value.

The Bank has made these estimates and, given that the present value of assets (value in use) exceeds their book value, it has determined that no adjustment whatsoever is required to be recognized for impairment in value.

m) Provisions for miscellaneous risks:

The Bank recognizes a provision when and only when: (a) the Bank has a current obligation, as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the related payable.

In order to assess the provisions for miscellaneous risks, the existing risks and uncertainties were considered taking into account the opinion of the Bank's external and internal legal counsel. Based on the analysis carried out, the Bank booked a provision in the amount considered to be the best estimate of the potential disbursement required to settle the current obligation as of each year-end.

The provisions booked by the Bank are reviewed as of each year-end and adjusted to reflect the best estimate available at all times. Additionally, the provision is allocated to a specific item in order to be used only to cover the disbursements for which they were originally recognized.

Contingent liabilities are not recognized and are disclosed in notes, except when the likelihood for making a disbursement is deemed remote.

n) Income tax:

Income tax is calculated based on the stand-alone financial statements of Banco Patagonia S.A. and each of its subsidiaries.

Deferred income tax reflects the effects of temporary differences between book and tax amounts of assets and liabilities. Assets and liabilities are measured using the tax rate expected to be applied to taxable income in the years when these differences are recovered or eliminated. The measurement of deferred assets and liabilities reflects the tax consequences derived from the way in which the Bank and its subsidiaries expect to recover or calculate the value of their assets and liabilities as of each year-end.
Deferred assets and liabilities are recognized disregarding the time when temporary differences are expected to be reversed. Deferred assets are recognized when future tax benefits sufficient for the deferred asset to be applied are likely to exist.

o) Earning per share:

Basic and diluted earnings per share are calculated by dividing net income attributable to Banco Patagonia S.A.'s shareholders by the weighted average of common outstanding shares during each fiscal year, excluding common shares purchased and held as treasury stock. In the fiscal years ended December 31, 2010, and 2009, Banco Patagonia S.A. did not hold any financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same.

p) Segment reporting:

The Bank considers as a business segment the group of assets and transactions committed in providing services subject to risks and returns that are different from those of other business segments. For those segments there is separate financial information, which is periodically evaluated by those in charge of making the main operating decisions related to the resource assignment and performance evaluation. (See note 4.)

q) Investment management and trust activities:

The Bank provides custody, administration, investment management and advisory services to third parties that give rise to the holding or placement of assets in their name. These assets and income (losses) therefrom are not included in the consolidated financial statements, since they are not the Bank's assets. (See notes 43 and 44.)

Fees arising from these activities are included in the account "Fee income" in the consolidated statement of income.

(Figures stated in thousands of Argentine pesos)

r) Customer loyalty program:

The Bank has a customer loyalty program in place consisting in the accumulation of points through credit and/or debit card consumptions. They can be exchanged for products to be furnished by the Bank.

As of each year-end, the Bank measures the rewards to be granted as an identifiable component of the main transaction, the fair value of which, i.e. the amount at which the reward may be sold separately, is recorded in the "Other liabilities – Customer loyalty program" account (see note 31).
Such accounting entry meets the requirements set out in IFRIC 13 *Customer Loyalty Programmes.* Therefore, its adoption does not imply any impacts on income (loss) for the year or in comparative amounts.

3.3 Business Combination: Acquisition of GPAT Compañía Financiera S.A. (former GMAC Compañía Financiera S.A.)

As it was mentioned in Note 1, on August 27, 2009 a Stock Purchase Agreement was executed between GMAC Compañía Financiera S.A. and Banco Patagonia, and on July 26, 2010 the transaction was closed, the capital stock and total payment of the price occurring on said date.
The Entity considers that this transaction represents an opportunity to enlarge its business and to diversify financial products and services.

The following is a detail of the fair value of identifiable assets acquired and liabilities assumed of GMAC Compañía Financiera S.A. as of the acquisition date:

Description	Fair value at the date of the acquisition
Assets	
Cash and due from the BCRA (Central Bank of Argentina)	38,953
Loans	207,115
Other receivables	27,094
Bank premises and equipment, and other	10,374
	283,536
Liabilities	
Deferred tax liabilities	4,501
Provisions for miscellaneous risks	145
Others	104,749
	109,395
Total assets identified at fair value	**174,141**
Non-controlling ownership interest (1%)	**(1,741)**
Result arising from the acquisition	**(82,869)**
Transferred for the purchase	**89,531**

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

As it appears from the table above, the transaction accounted for profits for the Entity as a result of the strategy implemented by GMAC INC (former controlling company of GMAC Compañía Financiera S.A.) consisting in the sale of its subsidiary so as to withdraw from the business of financing and provision of other services related to the automobile industry in Latin America.

The fair value of the acquired "Loans" and "Other receivables" amounted to 234,209, and a 99% recovery of all receivables is expected. As of the acquisition date, the gross contractual amount to be collected is 253,263. As of December 31, 2010 the accounts reached a total amount of 326,502, including also the transactions performed as from the acquisition date.

As it is mentioned in Note 3.1., the Entity has chosen to measure the non-controlling interest as a proportional segment in the identifiable net assets of the acquiree.

As from the acquisition date, GPAT C.F.S.A has contributed 51,372 and 32,071 to the Entity's operating revenue and profits before taxes, respectively.

If the acquisition would have been made at the beginning of the year, GPAT C.F.S.A. would have contributed 86,666 and 58,153 to operating revenue and profit before taxes, respectively.

3.4 New pronouncements

The Bank has decided not to adopt in advance the following standards and interpretations which have been issued but are not yet effective as of December 31, 2010:

- IFRIC 14 (as revised) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": Effective for periods beginning on or after January 1, 2011 introduced amendments to accounting requirements on pension plans when the entity makes advance payment of contributions.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": effective for periods beginning on or after July 1, 2010.This interpretation refers by the accounting by an entity that issues equity instruments to a creditor to extinguish all or part of the financial liability.

- IAS 12 (as revised): "Income Tax": Amended the concept of recoverability of fixed assets for investment in the Deferred Tax. The amendment assumes that the recovery of book value of fixed assets for investment is made through sale. Consequently, SIC 21 "Income Tax – Recovery of Revalued Non-Depreciable Assets' is no longer applied to property with investment purposes valued at fair value.

- IAS 24 (as revised): "Related Parties Disclosures": effective for periods beginning on or after January 1, 2011, it simplifies information to be disclosed on State-owned related parties and clarifies the concept of related party.

- IAS 32 (as revised) "Financial Instruments: Presentation": effective for periods beginning on or after February 1, 2010. The improvement refers to the accounting of certain rights, such as options or warrants that are issued in a currency different from the issuer's operating currency.

- IFRS 7 (as revised) "Financial Instruments: Disclosures": Effective for periods beginning on July 1, 2011, will allow users of financial statements to better understand the transfers of financial assets, including the possible effects of any risk that may remain vested in the entity transferring the assets. Certain other disclosures are required is an unusual number of transfer transactions is carried out at the end of a period.

- IFRS 9 (as revised) "Financial Instruments": the International Accounting Standards Board (IASB) published accounting requirements for financial liabilities in order to complete the classification and measurement phase in the IASB project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new requirements address the problem of volatility of profits or losses resulting from measuring liabilities at fair value; it was decided to maintain depreciated cost measurement for most liabilities.

- Improvements to IFRSs: In May 2010 the IASB published "Improvements to IFRSs", its third project to amend standards and related conclusion basis. The publication includes different effective dates and transitory provisions for each standard. The improvement project is an annual project that provides a mechanism to introduce necessary but not urgent or relevant amendments.

The Entity does not expect that the impact of the above-mentioned standards or interpretations may be significant regarding its consolidated financial statements.

NOTE 4: Segment reporting

The Bank determined the following business segments, on which there is differentiated financial information available, considering the nature of their risks and profits to disclose the related information:

- Individuals: The individuals segment groups the transactions of customers that are individuals. The products most used by them include personal loans, credit cards, overdrafts, certificate of deposit and demand deposit accounts.

- Companies: The Corporate segment groups the transactions performed by large-, medium-, micro- and small-size companies that take the credit assistance offered by the Bank in addition to transaction and liability transaction services (deposits).

- Financial and government: Centralizes the transactions that the different groups of customers from the financial and government sector perform with the Bank and its main products include trading of government and private securities, investment and wholesale foreign exchange transactions, mutual funds, interest-bearing accounts, certificates of deposit, loans, purchase of credit portfolios and trusts.

The government sector groups the transactions that the different Argentine federal, provincial and municipal government agencies, armed and security forces and federal universities, including the Province of Río Negro (see note 45), perform with the Bank.

- Other, not distributed: Includes core functions and those items that cannot be directly attributed to a particular segment such as “Bank premises and equipment, and other”, "Provisions for miscellaneous risks" or those associated with the business funding (Cash and due from the BCRA, Subordinated corporate bonds, among others).

The Bank does not disclose any information by geographic segment because there are no exploitations in economic environments with significantly different risks and profits.

Given the nature of the abovementioned business segments, the Bank has not determined any internal prices or allocable costs/revenues resulting from procuring or placing funds, as the case may be, among the different segments.

As of December 31, 2010, and 2009, there are no transactions with individual customers representing 10% or more than the Bank’s total income.

The following tables show the Bank’s business segment reporting for the accounting fiscal years ended December 31, 2010, and 2009:

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2010
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	1,415,096	1,415,096
Due from other financial institutions	-	-	-	354,916	354,916
Financial assets measured at fair value held for trading	-	-	895,730	8,330	904,060
Financial assets measured at fair value from their initial recognition	-	-	2,074,612	-	2,074,612
Loans	4,684,200	2,439,826	1,414,018	-	8,538,044
Other receivables	-	-	54,989	59,549	114,538
Bank premises and equipment, and other	-	-	-	272,052	272,052
Deferred tax assets	-	-	-	75,998	75,998
Other assets	-	-	-	59,077	59,077
TOTAL ASSETS	4,684,200	2,439,826	4,439,349	2,245,018	13,808,393
Financing facilities received from financial institutions	135,730	40,034	2,525	-	178,289
Derivative financial instruments	-	-	452	-	452
Deposits	2,945,417	4,452,866	3,109,288	-	10,507,571
Other liabilities	75,686	247,155	151,886	345,516	820,243
Provisions for miscellaneous risks	-	-	-	40,329	40,329
TOTAL LIABILITIES	3,156,833	4,740,055	3,264,151	385,845	11,546,884
Interest income and similar ones	489,521	500,795	98,090	2,265	1,090,671
Interest expense and similar ones	(72,129)	(143,430)	(96,841)	(1,722)	(314,122)
Net interest income and similar ones	417,392	357,365	1,249	543	776,549
Fee income	82,970	394,338	69,379	31,808	578,495
Fee expenses	(24,402)	(110,954)	(5,788)	(8,243)	(149,387)
Net fee income	58,568	283,384	63,591	23,565	429,108
Gains on financial assets held for trading	-	-	237,602	8,999	246,601
Gains on financial assets measured at fair value from their initial recognition	-	-	202,556	-	202,556
Foreign exchange difference (net)	40,036	14,919	397	27,735	83,087
Income from acquisition of subsidiary	-	-	-	82,869	82,869
Other operating income	-	-	-	27,745	27,745
TOTAL OPERATING INCOME	515,996	655,668	505,395	171,456	1,848,515
Net charges of loans	(13,738)	(30,894)	-	-	(44,632)
TOTAL OPERATING INCOME, NET	502,258	624,774	505,395	171,456	1,803,883

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2010
Personnel expenses	(77,399)	(55,718)	(8,654)	(399,287)	(541,058)
Depreciation of bank premises and equipment, and other	-	-	-	(16,946)	(16,946)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	-	-	(299)	(12,499)	(12,798)
Other operating expenses	(100,273)	(273,269)	(38,564)	(10,488)	(422,594)
TOTAL OPERATING EXPENSES	(177,672)	(328,987)	(47,517)	(439,220)	(993,396)
OPERATING INCOME (LOSS)	324,586	295,787	457,878	(267,764)	810,487
INCOME BEFORE INCOME TAX					810,487
Income tax, net					(245,464)
NET INCOME FOR THE YEAR					565,023
Attributable to:					
The parent's shareholders					
Non-controlling ownership interest					564,747
					276

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

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Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2009
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	1,508,110	1,508,110
Due from other financial institutions	-	-	-	285,355	285,355
Financial assets measured at fair value held for trading	-	-	388,076	-	388,076
Financial assets measured at fair value from their initial recognition	-	-	1,658,926	-	1,658,926
Financial assets available for sale	-	-	164,276	8,430	172,706
Financial assets held to maturity	-	-	214,410	-	214,410
Loans	2,490,508	1,527,817	1,009,981	-	5,028,306
Other receivables	7,712	-	75,675	40,558	123,945
Bank premises and equipment, and other	-	-	-	236,813	236,813
Deferred tax assets	-	-	-	58,820	58,820
Other assets	-	-	-	44,903	44,903
TOTAL ASSETS	2,498,220	1,527,817	3,511,344	2,182,989	9,720,370
Financing facilities received from financial institutions	59,334	-	947	-	60,281
Derivative financial instruments	-	-	1,126	-	1,126
Deposits	2,050,407	3,373,426	1,390,396	-	6,814,229
Subordinated corporate bonds	-	-	-	61,200	61,200
Other liabilities	-	13,701	140,349	670,547	824,597
Provisions for miscellaneous risks	-	-	-	41,021	41,021
TOTAL LIABILITIES	2,109,741	3,387,127	1,532,818	772,768	7,802,454
Interest income and similar ones	376,305	396,163	156,016	2,802	931,286
Interest expense and similar ones	(71,618)	(139,598)	(88,773)	(4,717)	(304,706)
Net interest income and similar ones	304,687	256,565	67,243	(1,915)	626,580
Fee income	68,172	297,175	43,601	27,727	436,675
Fee expenses	(13,285)	(86,699)	(3,311)	(9,576)	(112,871)
Net fee income	54,887	210,476	40,290	18,151	323,804
Gains on financial assets measured at fair value held for trading	-	-	185,672	-	185,672
Gains on financial assets available for sale	-	-	41,456	8,787	50,243
Gains on financial assets measured at fair value from their initial recognition	-	-	169,385	-	169,385
Gains on financial assets held to maturity	-	-	39,578	-	39,578
Foreign exchange difference (net)	36,070	16,314	24,003	39,693	116,080
Other operating income	-	-	-	27,885	27,885
TOTAL OPERATING INCOME	395,644	483,355	567,627	92,601	1,539,227

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2009
Net (charges) / recoveries of loans	(2,631)	(54,586)	27	-	(57,190)
TOTAL OPERATING INCOME, NET	393,013	428,769	567,654	92,601	1,482,037
Personnel expenses	(53,769)	(44,529)	(6,606)	(285,269)	(390,173)
Depreciation of bank premises and equipment, and other	-	-	-	(20,345)	(20,345)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	-	-	(881)	(16,740)	(17,621)
Other operating expenses	(83,464)	(210,636)	(30,713)	(29,863)	(354,676)
TOTAL OPERATING EXPENSES	(137,233)	(255,165)	(38,200)	(352,217)	(782,815)
OPERATING INCOME (LOSS)	255,780	173,604	529,454	(259,616)	699,222
INCOME BEFORE INCOME TAX					699,222
Income tax, net					(231,308)
NET INCOME FOR THE YEAR					
Attributable to:					
The parent's shareholders					467,914

NOTE 5: Interest income and similar ones

	12/31/2010	12/31/2009
Loans	1,060,749	908,653
Other receivables	25,411	16,835
Due from other financial institutions	110	397
Other	4,401	5,401
	1,090,671	931,286

NOTE 6: Interest expense and similar ones

	12/31/2010	12/31/2009
Deposits	302,812	291,926
Financing facilities received from financial institutions	6,980	6,035
Subordinated corporate bonds	1,258	4,602
Other	3,072	2,143
	314,122	304,706

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 7: Fee income and expenses

	12/31/2010	12/31/2009
Fee income		
Credit and debit cards	181,053	148,782
Checking accounts	89,015	72,779
Insurance	56,705	37,158
Packages of products	39,076	25,449
Checks to be collected and items in custody	32,889	23,066
Collections	32,228	22,743
Foreign trade	26,278	23,077
Savings accounts	24,051	25,002
Safe-deposit boxes	21,830	15,389
Trust activity (see note 44)	12,086	10,237
Transfers	11,083	9,210
Portfolio management and recovery process	10,000	-
Other	42,201	23,783
	578,495	436,675

	12/31/2010	12/31/2009
Fee expenses		
Credit and debit cards	80,679	60,987
Salary crediting agreement	44,277	33,029
Other	24,431	18,855
	149,387	112,871

NOTE 8: Gains (losses) on financial assets measured at fair value held for trading

As it was mentioned in Note 3.1, as of December 31, 2010 the Entity has classified and measured its financial assets through early application of IFRS 9 "Financial Instruments", restatement of comparative information not being necessary. See also Note 22.

	12/31/2010	12/31/2009
Interest	74,264	7,166
Quoted price difference	183,095	241,137
Cash dividends from shares	8,999	-
Gain (loss) on interest rate swaps (see note 23)	(837)	(1,892)
Gains (losses) on forward foreign currency transactions without delivery of the underlying asset (see note 23)	(18,920)	(60,739)
	246,601	185,672

(Figures stated in thousands of Argentine pesos)

NOTE 9: Gains (losses) on financial assets measured at fair value from their initial recognition

As it was mentioned in Note 3.1, as of December 31, 2010 the Entity has classified and measured its financial assets through early application of IFRS 9 "Financial Instruments", restatement of comparative information not being necessary. See also Note 22.

	12/31/2010	12/31/2009
Interest	191,114	148,736
Quoted price difference	11,442	20,649
	202,556	169,385

NOTE 10: Gains (losses) on financial assets available for sale

As it was mentioned in Note 3.1, as of December 31, 2010 the Entity has classified and measured its financial assets through early application of IFRS 9 "Financial Instruments", restatement of comparative information not being necessary. See also Note 22.

	12/31/2010	12/31/2009
Interest	-	34,523
Realized quoted price difference resulting from sale	-	244
Realized quoted price difference for reserve reversal	-	6,689
Sale of unlisted shares	-	474
Cash dividends derived from unlisted shares	-	8,313
	-	50,243

NOTE 11: Gains (losses) on financial assets held to maturity

As it was mentioned in Note 3.1, as of December 31, 2010 the Entity has classified and measured its financial assets through early application of IFRS 9 "Financial Instruments", restatement of comparative information not being necessary. See also Note 22.

	12/31/2010	12/31/2009
Interest	-	39,578
	-	39,578

(Figures stated in thousands of Argentine pesos)

NOTE 12: Foreign exchange difference (net)

As of December 31, 2010 and 2009 it includes the exchange differences arising from conversion into pesos of foreign currency assets and liabilities in the amount of 39,107 and 72,839, and the income/loss obtained from the purchase-sale of foreign currency in the amount of 43,980 and 43,241, respectively.

NOTE 13: Other operating income

	12/31/2010	12/31/2009
Income from sales of bank premises and equipment, and other	13,480	16,426
Other	14,265	11,459
	27,745	27,885

NOTE 14: Personnel expenses

	12/31/2010	12/31/2009
Salaries	376,728	266,749
Payroll taxes	83,656	61,069
Administrative services hired	45,246	33,484
Entertainment, travel & living expenses	12,545	9,848
Services to personnel	10,597	9,596
Personnel bonuses	9,131	6,644
Severance payments	3,155	2,783
	541,058	390,173

NOTE 15: Loss on uncollectibility of other receivables and provisions for miscellaneous risks

	12/31/2010	12/31/2009
Net charges, less allowances for other receivables (see note 25)	299	881
Net charges for provisions for miscellaneous risks (see note 32)	12,499	16,740
	12,798	17,621

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 16: Other operating expenses

	12/31/2010	12/31/2009
Turnover tax	96,921	82,672
Maintenance, conservation and repair expenses	54,497	58,519
Electric power and communications	50,452	41,073
Professional fees	28,366	23,631
Security services	27,231	20,634
Rentals	25,463	23,438
Tax on bank account transactions	24,959	16,402
Advertising and marketing	14,954	10,684
Contribution to the deposit guarantee fund	12,889	10,210
Cleaning expenses	12,055	9,069
Directors' and statutory auditors' fees	9,799	7,672
Personal assets tax – Shareholders (1)	7,650	7,325
Other taxes	7,425	9,211
Office expenses	7,319	5,072
Miscellaneous subscription expenses	5,179	4,454
Clearing house expenses	5,100	4,300
Insurance	2,923	2,321
Operating expenses on Mercado Abierto Electrónico	2,787	2,045
Other	26,625	15,944
	422,594	354,676

(1) Relates to the tax paid by the Bank, pursuant to current legal requirements in Argentina, as to which the Bank will not receive any reimbursement from the Shareholders,

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(Figures stated in thousands of Argentine pesos)

NOTE 17: Income tax

Income tax

Income tax should be booked by the balance sheet liability method, which consists in recognizing (as receivable or payable) the tax effect of temporary differences between the book and tax valuation of assets and liabilities, and in subsequently charging them to the statement of income for the years in which such differences are reversed, having duly considered the likelihood of using NOLs in the future.

Deferred tax liabilities and assets are as follows:

Description	**12/31/2010**	**12/31/2009**
Deferred tax assets:		
Financial assets	2,150	11,420
Loans	30,512	16,749
Other receivables	2,785	2,768
Deposits	1,931	1,931
Derivative financial instruments	158	394
Other liabilities	26,406	14,357
Provisions for miscellaneous risks	14,022	19,349
Total deferred assets	77,964	66,968
Deferred tax liabilities:		
Bank premises and equipment, and other	(1,966)	(8,148)
Total deferred liabilities	(1,966)	(8,148)
Net deferred tax assets as of year-end	**75,998**	**58,820**

Changes in net deferred tax assets during the years ended December 31, 2010, and 2009, are summarized as follows:

Description	**12/31/2010**	**12/31/2009**
Net deferred tax assets / (liabilities) at beginning of year	58,820	(14,685)
Deferred tax charge to income	22,351	96,322
Effect booked in shareholders’ equity reserves (see note 33)	(672)	(22,817)
Acquisition of subsidiary (See Note 3.3)	(4,501)	-
Net deferred tax assets as of year-end	75,998	58,820

The following table shows the difference between the current income tax accrual and the amounts obtained by applying the effective tax rate in Argentina for income tax pursuant to IFRS:

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

Description	**12/31/2010**	**12/31/2009**
Income before taxes	810,487	699,222
Statutory income tax rate	35%	35%
Tax on net income	283,670	244,728
Permanent differences:		
Income not subject to income tax	(56,918)	(18,731)
Expenses not deductible from taxable income	18,712	5,557
Miscellaneous	-	(246)
Income tax, net	245,464	231,308

The following table shows the difference between the current income tax accrual pursuant to tax regulations and the total expense for income tax pursuant to IFRS:

Description	**12/31/2010**	**12/31/2009**
Income tax pursuant to tax regulations	267,815	327,630
Deferred tax income (loss)	(22,351)	(96,322)
Income tax, net	245,464	231,308

Minimum presumed income tax

Minimum presumed income tax was established by Law No. 25,063 for a ten-year term for fiscal years ended as from December 31, 1998. At present, after successive extensions, such tax is effective through December 31, 2019. This tax is supplementary to income tax because, while the latter is levied on taxable income for the year, minimum presumed income tax is a minimum levy determined by applying the current 1% rate on the potential income of certain productive assets. Therefore, the Bank's tax obligation will be equal to the higher of the two taxes. In the case of institutions governed by Financial Institutions Law, the abovementioned law sets forth that they shall consider as taxable income 20% of their taxable assets, previously deducting those assets defined as non-computable. However, should minimum presumed income tax exceed income tax in a given year, such excess may be computed as a payment on account of any income tax in excess of minimum presumed income tax that may occur in any of the following ten years.

As of December 31, 2010, and 2009, the amounts assessed for income tax were higher than those assessed for minimum presumed income tax for those years.

The AFIP (Federal Public Revenue Agency) is empowered to review and correct, if necessary, the annual tax returns of all taxpayers in the five years following the year of filing. In addition, as the Bank is categorized as "large taxpayer", it is subject to ongoing tax audits. As of the date of issuance of these financial statements, no further significant liabilities resulted from those reviews.

(Figures stated in thousands of Argentine pesos)

NOTE 18: Earnings per share

Basic and diluted earnings per share were calculated by dividing net income attributable to the shareholders holding common shares by the average number of outstanding common shares during the year. Capitalization of earnings or other similar forms of increasing the number of shares entail a share split under IFRS and, therefore, they have been considered as if they had been issued from the beginning, and such increases were applied retroactively to the calculation of "earnings per share".

For the weighted average calculation of outstanding common shares, the number of shares at beginning of year was adjusted by the number of common shares redeemed in the course of the year weighted by the number of days when they were outstanding.

As described in the preceding paragraphs, the weighted average of outstanding common shares during the year ended December 31, 2009, include the number of outstanding common shares at beginning of year, and excludes the number of common shares that were acquired from August 14, 2008, to December 9, 2009, under the framework of the treasury stock repurchase plan (see note 2).

The "diluted earnings per share" measure the yield of common shares considering the effect of other financial instruments that may be converted into shares. Given that the Bank has not issued financial instruments which have a dilutive effect on earnings per share, basic and diluted earnings per share are consistent.

The following table shows the calculation of basic and diluted earnings per share:

	12/31/2010	**12/31/2009**
Numerator:		
Income (loss) for the year	565,023	467,914
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	Face value 719,264,737	Face value 722,475,849
Basic and diluted earnings per share (stated in ARS)	0.7856	0.6477
Outstanding common shares at beginning of year (see note 2)	Face value 719,264,737	Face value 731,688,008
Acquisition program of treasury stock approved by the Board of Directors on July 31, 2008, and canceled on December 9, 2009 (see note 2)	Face value -	(Face value 12,423,271)
Outstanding common shares as of year-end (see note 2)	Face value 719,264,737	Face value 719,264,737

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On September 16, 2009, the Bank paid cash dividends in the amount of 133,373 related to the year ended December 31, 2008, which were approved by the Regular Shareholders' Meeting dated April 27, 2009. Furthermore, on June 11, 2010, it paid cash dividends in the amount of 224,413 related to the year ended December 31, 2009, which were approved by the Regular Shareholders' Meeting dated April 26, 2010. Dividends per share amounted to ARS 0.1823 and ARS 0.3120, respectively, and resulted from the division of the cash dividends by the outstanding common shares as of each of the abovementioned year-ends.

NOTE 19: Distribution of earnings and restrictions

BCRA regulations establish that 20% of income (loss) for the year obtained as established by BCRA regulations, plus/less prior-period adjustments, shall be allocated to legal reserve. Consequently, the Bank's unappropriated retained earnings as of December 31, 2010, under BCRA regulations, are restricted by 96,281, which shall be applied by the next Regular Shareholders' Meeting to increase the legal reserve.

Additionally, BCRA Communiqué "A" 5,072, establishes that a series of items shall be deducted from the "Unappropriated retained earnings" account on an off-balance sheet basis in the financial statements under BCRA regulations to calculate the amounts of distributable earnings.

In this regard, in accordance with item 2.1.2 of such regulations, as of December 31, 2010 and 2009 the Entity must subtract 1,041 and 1,496, respectively, for the net positive difference resulting from the accounting value as per BCRA accounting regulations and the amount calculated by the Entity in the case of instruments issued by the BCRA the volatility or present value of which is not published by the BCRA. This calculation is made on the basis of the relevant cash flow discounted at the internal yield rate of similar instruments with similar duration the volatility of which is published by the BCRA, or else applying a yield rate that is consistent with the methodology established by said agency.

Lastly, the maximum amount to be distributed may not exceed the surplus of the minimum capital requirement considering, for this purpose only, a 30% incremental adjustment to the requirements and deducting the above-mentioned adjustments.

Finally, once the abovementioned deductions are made, as of December 31, 2010, and 2009, the distributable amount, under BCRA accounting standards, available for the Regular Shareholders' Meeting, is 747,122 and 557,066, respectively. Such amount is not subject to changes by virtue of the IFRS application.

Under Law No. 25,063, the dividends to be distributed, either in cash or in kind, in excess of accumulated taxable income as of the year-end immediately preceding the payment or distribution date, will be subject to the effective income tax withholding (35%) as single and definitive payment.

(Figures stated in thousands of Argentine pesos)

Pursuant to BCRA standards in force, and as it appears from the project on profit distribution included in the financial statements as of December 31, 2010, prepared under BCRA standards, the Entity applied for authorization for profit distribution in the amount of 240,702. On March 18, 2011, the BCRA did not raise any objections to the above-mentioned distribution, and the matter will be considered by the Shareholders' Meeting approving the financial statements.

The Regular Shareholders' Meeting, held on April 27, 2009, related to the fiscal year ended December 31, 2008, approved the following distribution of earnings under BCRA regulations:

To legal reserve	53,349
To cash dividend payment (subject to approval by the BCRA)	133,373
To unappropriated retained earnings	217,063
Total	403,785

On September 4, 2009, the BCRA decided not to object to such request and, therefore, the abovementioned dividends were made available to the shareholders and paid on September 16, 2009, and no income tax withholdings were required to be made, as above mentioned.

The Regular Shareholders' Meeting, held on April 26, 2010, related to the fiscal year ended December 31, 2009, approved the following distribution of earnings under BCRA regulations:

To legal reserve	89,765
To cash dividend payment (subject to approval by the BCRA)	224,413
To unappropriated retained earnings	334,149
Total	648,327

On May 28, 2010, the BCRA decided not to object to such request and, therefore, the abovementioned dividends were made available to the shareholders and paid on June 11, 2010, and no income tax withholdings were required to be made, as above mentioned.

As mentioned in note 18, dividends per share amounted to ARS 0,3120 and ARS 0,1823 as of December 31, 2009, and 2008, respectively, which resulted from the division of cash dividends by outstanding shares as of the abovementioned year-ends.

(Figures stated in thousands of Argentine pesos)

NOTE 20: Cash and due from the BCRA (Central Bank of Argentina)

	31/12/2010	31/12/2009
Efectivo	487,631	509,231
BCRA – Cuenta corriente (1)	744,616	841,006
BCRA – Cuentas especiales de garantía (1) (2) (Ver Nota 37)	182,849	157,873
	1,415,096	1,508,110

(1) As of December 31, 2010 and 2009, those accounts did not bear any interest.
(2) The Bank has special guarantee checking accounts opened with the BCRA for transactions related to electronic clearing houses and other similar ones.

Minimum cash requirement

The BCRA establishes different "statutory operating ratios" that should be met by financial institutions regarding solvency, liquidity, maximum credits that may be granted by customer and foreign currency positions, among others (see also note 34).

The minimum cash requirement establishes that a financial institution shall keep a portion of deposits or obligations available and not appropriated to lending transactions.

The following table shows the items booked by the Bank as minimum cash requirement, as provided by the related BCRA regulations, as of December 31, 2010, and 2009:

Item	12/31/2010	12/31/2009
Cash and due from the BCRA (Central Bank of Argentina)		
Cash on hand	270,412	328,738
Cash held by armored car companies	212,917	179,804
BCRA – Checking account	744,616	841,006
BCRA – Special guarantee accounts	182,849	157,873
	1,410,794	1,507,421

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NOTE 21: <u>Due from other financial institutions</u>

	12/31/2010	12/31/2009
Wells Fargo Bank	125,861	66,971
Citibank N.Y.	45,703	40,060
Bank of America	24,405	58,359
Intesa San Paolo S.p.A.	22,908	8,002
Standard Chartered Bank N.Y	21,982	20,989
Banco de la Nación Argentina	13,735	11,163
Fleet Bank Boston	10,678	865
Unicrédito Italiano S.p.A.	10,478	27,524
Banco de la Nación Argentina – Miami	8,338	5,114
J.P. Morgan Chase Bank	7,827	4,473
The Bank of New York Mellon	7,682	-
Commerzbank A.G.	7,199	5,742
Banco de la Provincia de Buenos Aires	6,769	5,695
Banco Popular Español S.A.	5,671	1,400
The Bank of Montreal (International Branch)	5,591	1,974
HSBC Bank USA N.A.	5,588	710
Euroclear Bank S.A.	4,904	3,574
Standard Chartered Bank Frankfurt	4,353	-
BBVA Banco Francés S.A.	3,277	-
Standard Chartered Bank Londres	2,477	1,614
UBS N.Y.	2,257	1,470
Banco Central del Uruguay (see Note 37)	2,030	1,906
Otros	5,203	17,750
	354,916	285,355

As of December 31, 2010, and 2009, the amount due from Citibank N,Y, earns interest at a nominal 0.12% and 0.21% rate p,a, respectively. The other amounts do not earn any interest,

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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

NOTE 22: Financial assets measured at fair value held for trading, measured at fair value from their initial recognition, available for sale and held to maturity

As it was mentioned in Note 3.1, as of December 31, 2010 the Entity has classified and measured its financial assets through early application of IFRS 9 "Financial Instruments", restatement of comparative information not being necessary, such as it is explained below:

Financial assets measured at fair value held for trading

Description	Maturity	Currency	Rate	Amortization	12/31/2010
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015)	09/10/15	ARS	Badlar + 3%	6 cuotas semestrales	237,548
Argentine Government Bond in ARS Private Badlar + 2.75 % (BONAR 2014)	01/30/14	ARS	Badlar + 2.75%	Al vencimiento	156,812
Argentine Government Bond in USD 7%	09/12/13	U$S	7 %	Al vencimiento	141,147
Argentine government bonds in USD Libor 2012 (Boden 2012) (see note 37)	08/03/12	U$S	Libor	8 cuotas anuales	128,713
Social security debt consolidation bond in ARS, 4th Series, 2%	03/15/14	ARS	2% + Cer	72 cuotas mensuales	53,148
Argentine Government Bond in ARS Private Badlar + 3.50 % (BONAR 2013)	04/04/13	ARS	Badlar + 3.5%	Al vencimiento	51,500
Argentine Government Bond in USD 10.50 % (Bonar V)	06/12/12	ARS	10.50%	Al vencimiento	43,088
Discount bonds in ARS + GDP-linked securities in ARS	12/31/33	ARS	5.83% + Cer	20 cuotas semestrales	35,236
Secured bonds, Presidential Decree No, 1,579/02 (BOGAR)	02/04/18	ARS	2% + Cer	156 cuotas mensuales	22,313
Treasury Bills of the Province of Buenos Aires - ARS	04/28/11	ARS	0.44% + 2.75%	Al vencimiento	10,000
Argentine Government Bond in USD 7 %	10/03/15	U$S	7%	Al vencimiento	9,203
Par bonds in ARS Step-Up 2038 + GDP-linked securities ARS	12/31/38	ARS	0.63% + Cer	20 cuotas semestrales	2,925
Other (See note 37)					12,427
					904,060

Financial assets measured at fair value from their initial recognition

Description	Maturity	Currency	Rate	Amortization	12/31/2010
BCRA notes (See Note 37)	From 03/09/2011 through 08/31/2011	ARS	Badlar+2.5%	Upon maturity	1,577,752
BCRA bills	From 01/05/2011 through 02/23/2011	ARS	Issuance, with discount	Upon maturity	496,860
					2,074,612

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Furthermore, as of December 31, 2009 financial assets were classified and measured in accordance with IAS 39 "Financial Instruments: recognition and measurement" in the following manner:

Financial assets held for trading

Description	Maturity	Currency	Rate	Amortization	12/31/2009
Argentine Government Bond in USD 7%	09/12/13	USD	7 %	Upon maturity	68,568
Argentine Government Bond in ARS Private Badlar + 3%	09/10/15	ARS	Badlar + 3%	6 semiannual installments	68,502
Argentine Government Bond in ARS Private Badlar + 2.75 %	01/30/14	ARS	Badlar + 2.75%	Upon maturity	59,704
Argentine Government Bond in USD 7 % (Bonar V)	03/28/11	USD	7%	Upon maturity	56,523
Argentine Government Bond in USD 10.50 % (Bonar V)	06/12/12	ARS	10.50%	Upon maturity	48,437
Argentine government bonds in USD Libor 2012 (Boden)	08/03/12	USD	Libor	8 annual installments	40,700
Discount bonds in ARS + GDP-linked securities in ARS	12/31/33	ARS	5.83% + Cer	20 semiannual installments	27,447
Secured bonds, Presidential Decree No, 1,579/02 (BOGAR)	02/04/18	ARS	2% + Cer	156 monthly installments	8,947
Social security debt consolidation bond in ARS, 4th Series, 2%	03/15/14	ARS	2% + Cer	72 monthly installments	2,587
Uruguay global bond maturing in 2011 at 8.375%	09/26/11	USD	8.375	Upon maturity	2,265
Par bonds in ARS Step-Up 2038 + GDP-linked securities in ARS	12/31/38	ARS	0.63% + Cer	20 semiannual installments	1,570
Uruguay global bond maturing in 2011 at 7.25%	02/15/11	USD	7.25	Upon maturity	1,338
Debt consolidation bonds in ARS, 2nd Series, 2%	12/03/10	ARS	2% + Cer	106 monthly installments	575
Social security debt consolidation bond in ARS, 3rd series, 2%	01/03/10	ARS	2% + Cer	48 monthly installments	570
Other					343
					388,076

Financial assets measured at fair value from their initial recognition

Description	Maturity	Currency	Rate	Amortization	12/31/2009
BCRA bills (See Note 37)	From 01/27/2010 through 06/02/2010	ARS	Issuance, with discount	Upon maturity	944,286
BCRA notes	From 01/06/2010 through 05/18/2011	ARS	Badlar+2.5%	Upon maturity	714,640
					1,658,926

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Financial assets available for sale

Description	Maturity	Currency	Rate	Amortization	12/31/2009
Argentine government bond in ARS Badlar + 275 basis points	01/30/14	ARS	Badlar+2.75%	Upon maturity	91,321
Argentine government bond in ARS Badlar + 350 basis points	04/04/13	ARS	Badlar+3.5%	Upon maturity	49,490
Secured bonds, Presidential Decree No, 1,579/02 (Bogar)	02/04/18	ARS	2% + Cer	156 monthly installments	23,465
Banelco S,A,	-	ARS	-	-	2,883
Mercado de Valores S,A, (see note 37)	-	ARS	-	-	2,064
Visa Argentina S,A,	-	ARS	-	-	1,445
Provincanje S,A,	-	ARS	-	-	679
Seguros de Depósitos S,A,	-	ARS	-	-	493
Interbanking S,A,	-	ARS	-	-	284
Sanatorio Las Lomas S,A,	-	ARS	-	-	84
Mercado a Término de Buenos Aires S,A,	-	ARS	-	-	73
Banco Latinoamericano de Exportaciones S,A,	-	USD	-	-	70
Mercado Abierto Electrónico S,A,	-	ARS	-	-	65
Bolsa de Comercio de Mar del Plata S,A,	-	ARS	-	-	56
Argencontrol S,A,	-	ARS	-	-	53
Compensadora Electrónica S,A,	-	ARS	-	-	46
S,W,I,F,T,	-	EUR	-	-	13
Other	-	ARS	-	-	122
					172,706

Financial assets held to maturity

Description	Maturity	Currency	Rate	Amortization	12/31/2009
Argentine government bonds in USD Libor 2012 (Boden) (see note 37)	08/03/12	USD	Libor	8 annual installments	214,410
					214,410

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(Figures stated in thousands of Argentine pesos)

The following table compares the categories of financial assets as of the date of initial application of IFRS 9 "Financial Instruments":

Financial assets measured at fair value held for trading

Initial Measurement Category	Carrying amount under IAS 39	Carrying amount under IFRS 9
Financial assets held for trading	388,076	388,076
Financial assets available for sale	172,706	172,706
Financial assets held to maturity	214,410	250,074
	775,192	810,856

Financial assets measured at fair value from their initial recognition

Initial Measurement Category	Carrying amount under IAS 39	Carrying amount under IFRS 9
Financial assets measured at fair value from their initial recognition	1,658,926	1,658,926
	1,658,926	1,658,926

The main holdings that are part of the Bank's financial assets are as follows:

1) LEBAC (BCRA bills): They are short-term securities bid by the monetary authority, At present, there are LEBAC in Argentine pesos, as the BCRA suspended the issuance of these instruments adjusted by the CER (benchmark stabilization coefficient), LEBACs are issued with discount, functioning as a zero-coupon bond, principal being fully amortized upon maturity without interest payments,

2) NOBAC (BCRA notes): They relate to instruments issued by the BCRA and they are denominated in Argentine pesos. They pay interest quarterly, whereas principal is paid upon maturity, Maturity takes place before two years and the rate accrued may be fixed or variable (Badlar rate). Badlar rates are calculated by the BCRA based on a sample of the interest rates financial institutions pay to depositors for 30 to 35-day certificates of deposit exceeding one million pesos or dollars.

3) Argentine Government Bond (BONAR 2015): They are bonds issued by the Argentine Government, maturing on September 10, 2015, with principal being repaid in 6 semiannual installments, the first 5 of which are equal to 16,66% and the last one to 16,70%, accruing variable interest payable on a quarterly basis and calculated at Badlar, as explained above, plus 300 basis points.

4) Argentine Government Bond (BONAR 2014): On February 2, 2009, Joint Resolutions No, 8/2009 and No, 5/2009 of the Treasury and Finance Departments established the performance of a new transaction for the swap of certain secured loans payable for a new bond or promissory note called "Argentine Government bond or promissory note in ARS private BADLAR + 275 basis points maturing in 2014" the issuance date of which is January 30, 2009, and full amortization will take place at maturity on January 30, 2014. The interest rate payable on a quarterly basis is 15,4% during the first year and the Badlar rate plus 275 basis points for the remaining period.

(Figures stated in thousands of Argentine pesos)

5) Argentine Government Bond in USD 7%: They are bonds in US dollars issued by the Argentine Government, maturing on September 12, 2013, with principal being fully repaid upon maturity, accruing fixed interest at a nominal 7% rate p,a, payable semiannually.

6) Argentine Government Bond in USD (BODEN 2012): They are securities issued by the Argentine Government in foreign currency at Libor maturing in 2012.

7) Social Security Debt Consolidation Bond in ARS series 4 2%: bonds issued by the National Treasury to pay off debts with beneficiaries of the retirement and pension public system. The fourth series refers to a 2004 issue in national currency, with 10-year maturity. Amortization is made in 72 monthly consecutive installments adjusted by CER (Benchmark Stabilization Coefficient). Interest is compounded monthly and paid together with amortization installments. The rate is 2% p.a.

8) Argentine Government Bond in ARS (BONAR 2013): They are bonds issued by the Argentine Government maturing on April 4, 2013, with principal being fully repaid upon maturity, accruing variable interest payable on a quarterly basis and calculated at Badlar, as explained above, plus 350 basis points.

9) Argentine Government Bond in ARS (BONAR V): They are bonds in Argentine pesos issued by the Argentine Government, maturing on June 12, 2012, with principal being fully repaid upon maturity, accruing fixed interest at a nominal 10,5% rate p,a, payable semiannually.

10) Discount Bonds in ARS + GDP – linked securities in ARS: They are bonds in Argentine pesos issued by the Argentine Government, maturing on December 31, 2033, with principal being repaid in 20 semiannual installments, the first of which begins on June 30, 2024. Each of the payments will include the compounded amounts accrued by CER before the first amortization date, It accrues fixed interest at a nominal 5,83% rate payable semiannually. A portion of interest accrued before December 31, 2013, will be paid in cash, and the other portion will be compounded, The portion of interest being compounded is added to the principal amount of securities.

11) Secured bonds, Presidential Decree No, 1,579/02 (BOGAR): They are government securities arising from the swap of the loans granted to provinces, maturing on February 4, 2018, and monthly paying principal and interest, accruing by CER interest at a fixed 2% rate.

Financial assets measured at fair value from their initial recognition:

Below we disclose the amortized cost of those holdings and its difference with fair value:

BCRA bills and notes	Amortized cost	Fair value	Unrealized gain
2010	2,061,295	2,074,612	13,317
2009	1,654,372	1,658,926	4,554

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

Financial assets classified as “available for sale” – reserves (see note 33):

As of December 31, 2009, the accumulated reserve of Bogar, Bonar 2013 and Bonar 2014 is related to unrealized gain (loss), irrespective of the deferred tax effect on such reserve that is disclosed in the Consolidated Statements of Comprehensive Income and Changes in Shareholders' Equity, amounting to 2,702, 1,796 and 11,996, respectively.

2009	Amortized cost	Fair value	Unrealized gain
Bogar	15,744	23,465	7,721
Bonar 2013	44,360	49,490	5,130
Bonar 2014	57,048	91,321	34,273

Financial assets held to maturity:

As from December 31, 2009, the Bank decided to classify part of its holdings of Argentine Government Bonds in USD Libor 2012 (Boden 2012) that was previously classified in “Financial assets available for sale” as “Financial assets held to maturity” because it intended and had the financial ability to keep these assets to maturity,

To such end, the accumulated reserve through the reclassification date amounting to 25,841 amortized against income for the year throughout the remaining life of the reclassified assets, using the effective interest rate method, In such respect, the amortization for the year ended December 31, 2009, amounted to 6,689, and the tax effect of such reserve, which is also recorded in the Consolidated Statements of Comprehensive Income and Changes in Shareholders' Equity, amounted to 5,483.

Boden 2012	Reserve at beginning	Use	Residual reserve
2009	22,352	(6,689)	15,663

NOTE 23: <u>Derivative financial instruments</u>

In the normal course of business, the Bank agreed forward transactions with daily settlement of differences without delivery of the underlying, measured at their fair value, changes in this value impact on the Consolidated Statement of Income. The Bank also agreed interest rate swap transactions (interest rate swap), which are measured at their fair value. Gains (losses) on changes in fair values are charged to income for the year. Those transactions do not qualify as hedging, under IAS 39.

Notional values as of those dates, stated in thousands of the original currency, break down as follows:

(Figures stated in thousands of Argentine pesos)

	Notional value as of	
	12/31/2010	12/31/2009
Forward purchases of foreign currency	USD 116,000	USD 352,000
Forward sales of foreign currency	USD 116,000	USD 132,000
Forward purchases of Badlar	-	9,000
Forward sales of Badlar	-	2,000
Interest rate swaps	15,000	41,000

The fair value of agreements is zero because of the difference between the agreed-upon values and market prices daily calculated, with impact on profit and loss, except for fixed interest rate-for-variable interest rate swaps, the fair value of which is 452 and 1,126, resulting in a loss of (837) and (1,892), respectively (see note 8).

(Loss) gain from foreign currency transactions as of December 31, 2010, and 2009, amounted to (18,905) and (60,738), respectively, and (loss) gain from Badlar forward transactions amounted to (15) and (1), respectively (see note 8).

NOTE 24: Loans

The following transactions are related to the "Financial assets valued at amortized cost" category:

	12/31/2010	12/31/2009
Notes	3,031,290	1,490,678
Personal loans	1,178,193	865,185
Overdrafts	1,079,544	701,284
Credit cards	816,809	536,729
Amounts receivable from repo transactions with financial institutions	779,504	498,443
Loans to dealers	481,377	173,736
Collateral loans	277,513	42,918
Loans to financial institutions	237,942	294,824
Financial leases	233,072	138,317
Export prefinancing loans	226,749	206,350
Mortgage loans	96,799	113,620
Loans granted to Public Sector Agencies (See note 37)	82,914	1,019
Other loans	120,291	75,229
Interest and similar items receivable	71,843	47,874
Total loans	8,713,840	5,186,206
Allowances for uncollectibility risk	(175,796)	(157,900)
Total	8,538,044	5,028,306

(Figures stated in thousands of Argentine pesos)

Loans by type as of December 31, 2010, and 2009, are as follows:

	12/31/2010	12/31/2009
Commercial loans	5,787,417	3,291,464
Consumer loans	2,828,837	1,780,338
Mortgage loans	97,586	114,404
Total	8,713,840	5,186,206

Interest rates for loans are established based on the existing market rates on the date they are granted.

Financial Leasing

The following table shows reconciliation between the total gross investment of financial leasing and the current value of minimum payments to be received thereon:

	12/31/2010		**12/31/2009**	
	Total gross investment	**Current value of minimum payments**	**Total gross investment**	**Current value of minimum payments**
Up to 1 year	121,963	93,990	91,184	74,474
From 1 to 5 years	161,140	141,029	72,334	63,843
	283,103	235,019	163,518	138,317

As of December 31, 2010 and 2009, revenue for unearned interest amounted to 50,922 and 25,201, respectively, and accumulated allowances for loan losses amounted to 3,533 and 2,344, respectively.

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(Figures stated in thousands of Argentine pesos)

Loan loss reserves

	Mortgage loans	Consumer loans	Commercial loans	Total
At beginning	4,742	98,469	54,689	157,900
Net charge for the year	(1,294)	40,736	20,370	59,812
Uses	(920)	(29,694)	(11,302)	(41,916)
As of December 31, 2010	2,528	109,511	63,757	175,796
Allowances not determined individually	2,528	108,242	43,473	154,243
Allowances determined individually	-	1,269	20,284	21,553
	2,528	109,511	63,757	175,796

	Mortgage loans	Consumer loans	Commercial loans	Total
At beginning	3,330	48,982	53,662	105,974
Net charge for the year	1,853	61,509	9,832	73,194
Uses	(441)	(12,022)	(8,805)	(21,268)
As of December 31, 2009	4,742	98,469	54,689	157,900
Allowances not determined individually	4,616	95,237	29,742	129,595
Allowances determined individually	126	3,232	24,947	28,305
	4,742	98,469	54,689	157,900

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Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

The following is a reconciliation of loan loss reserves determined and not determined individually:

	12/31/2010			12/31/2009		
	Allowances not determined individually	**Allowances determined individually**	**Total**	**Allowances not determined individually**	**Allowances determined individually**	**Total**
At beginning	129,595	28,305	157,900	78,785	27,189	105,974
Charge for the year	56,310	3,502	59,812	63,273	9,921	73,194
Uses	(31,662)	(10,254)	(41,916)	(12,463)	(8,805)	(21,268)
As of closing	154,243	21,553	175,796	129,595	28,305	157,900

Net uncollectibility charges of loans break down as follows:

	12/31/2010	12/31/2009
Uncollectibility charge for the year	(59,812)	(73,194)
Recoveries of loans	15,180	16,004
Net uncollectibility charges of loans	(44,632)	(57,190)

Contingent transactions

The Bank's credit policy includes granting sureties, guarantees and documentary credits to meet customers' specific financial needs. As these transactions imply a contingent obligation for the Bank, they expose it to credit risks additional to those recognized in the consolidated financial statements and are therefore an integral part of the Bank's total risk.

As of December 31, 2010, and 2009, the Bank recorded the following contingent transactions:

	12/31/2010	12/31/2009
Unused agreed overdrafts	184,907	131,910
Guarantees granted	142,984	76,390
Letters of credit	29,621	43,634
Obligations for foreign trade transactions	26,436	38,059
	383,948	289,993

The provisions for uncollectibility of these transactions are booked under "Provisions for miscellaneous risks – Other" (see note 32).

The risks related to the contingent transactions mentioned above are evaluated and monitored under the Bank's credit risk policy mentioned in note 42.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre General Assistant Manager Administration and Finance Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 25: Other receivables

These transactions are related to the "Financial assets valued at amortized cost" category.
They break down as follows:

	12/31/2010	12/31/2009
Sundry receivables	51,627	34,497
Trust securities (1)	25,833	62,898
Trade receivables	7,922	6,049
Other	34,427	27,478
	119,809	130,922
Allowance for uncollectibility risk of other receivables	(5,271)	(6,977)
	114,538	123,945

(1) As of December 31, 2010, and 2009, effective trust securities are receivables with fixed installments earning interest at an average nominal rate of 16% and 12% p,a,, respectively, and the weighted average term of which is 35 and 15 months, respectively.

The following are the changes in the allowance for uncollectibility risk of other receivables:

	12/31/2010	12/31/2009
At beginning of year	6,977	7,567
Net charges for the year (see note 15)	299	881
Uses	(2,005)	(1,471)
As of year-end	5,271	6,977

NOTE 26: Bank premises and equipment, and other

Bank premises and equipment: Includes the tangible assets owned by the Bank, used for its specific activity.

Other assets: Includes the tangible assets owned by the Bank that are not used in branches' operations and those acquired for future use.

The following table shows a breakdown of bank premises and equipment, and other:

Marcelo A, Iadarola
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Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

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(Figures stated in thousands of Argentine pesos)

	Real property	Furniture and fixtures	Machinery and equipment	Vehicles and aircrafts	Other miscellaneous assets (1)	Total as of 12/31/2010
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2010	107,662	61,626	58,365	13,335	129,364	370,352
Acquisition of subsidiary	8,858	873	193	450	-	10,374
Additions	6,918	8,733	12,766	991	19,428	48,836
Retirements	(3,359)	(4,014)	(2,329)	(190)	(5,679)	(15,571)
Transfers	57,981	-	-	-	(57,981)	-
As of December 31, 2010	**178,060**	**67,218**	**68,995**	**14,586**	**85,132**	**413,991**
Depreciation:						
As of January 1, 2010	22,076	45,582	39,260	11,607	15,014	133,539
Retirements	(299)	(4,201)	(2,326)	(198)	(1,522)	(8,546)
Depreciation charge for the accounting year	2,580	4,371	7,093	979	1,923	16,946
As of December 31, 2010	**24,357**	**45,752**	**44,027**	**12,388**	**15,415**	**141,939**
Residual value as of December 31, 2010	**153,703**	**21,466**	**24,968**	**2,198**	**69,717**	**272,052**

	Bank premises and equipment, and other							
	Real property	Furniture and fixtures	Machinery and equipment	Vehicles and aircrafts	Assets under lease	Foreclosed real property	Other miscellaneous assets (1)	Total as of 12/31/2009
Estimated useful life in years	50	10	5	5	50	50	5	
Original value:								
As of January 1, 2009	**94,899**	**61,295**	**54,624**	**12,702**	**7,710**	**8,416**	**43,631**	**283,277**
Additions	12,763	1,757	7,111	1,339	-	-	85,365	108,335
Retirements	-	(1,426)	(3,370)	(706)	(4,150)	-	(11,608)	(21,260)
As of December 31, 2009	**107,662**	**61,626**	**58,365**	**13,335**	**3,560**	**8,416**	**117,388**	**370,352**
Depreciation:								
As of January 1, 2009	**17,746**	**42,353**	**34,509**	**9,719**	**3,321**	**7,647**	5,459	120,754
Retirements	(16)	(1,388)	(3,302)	(706)	(644)	-	(1,504)	(7,560)
Depreciation charge for the accounting year	4,346	4,617	8,053	2,594	718	17	-	20,345
As of December 31, 2009	**22,076**	**45,582**	**39,260**	**11,607**	**3,395**	**7,664**	**3,955**	**133,539**
Residual value as of December 31, 2009	**85,586**	**16,044**	**19,105**	**1,728**	**165**	**752**	**113,433**	**236,813**

1) Includes the assets that the Bank does not currently use in branches' operations, the potential sale of which Management is currently analyzing and that still do not comply with the conditions set forth in IFRS 5 for them to be considered as available for sale. The residual value of those assets does not exceed their recoverable value.

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Administration and Finance Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 27: Other assets

	12/31/2010	12/31/2009
Financial assets	**29,892**	**26,701**
Security deposits (see note 37)	29,892	26,701
Nonfinancia assetsl	**29,185**	**18,202**
Advance payments	14,769	10,762
Prepayments for purchases of assets	8,863	1,930
Works of art	3,034	3,015
Stationery and office supplies	1,456	1,198
Other	1,063	1,297
	59,077	44,903

NOTE 28: Financing facilities received from financial institutions

	12/31/2010	12/31/2009
IFC (International Finance Corporation)	72,890	17,718
HSBC Argentina S.A.	20,000	-
Wells Fargo Bank	14,921	12,151
Standard Chartered Bank	14,737	6,550
J.P. Morgan Chase Bank	13,865	10,869
Citibank N.A. N.Y.	12,173	-
Standard Bank Argentina S.A.	10,000	-
Banco Macro S.A.	10,000	-
Banco Internacional de Desarrollo	7,144	11,534
Other	2,559	1,459
	178,289	60,281

They relate mainly to prefinancing of exports without guarantees, agreed at variable nominal rates, in a range from 1.12% to 6% p.a.. The breakdown of due dates is disclosed in note 40.

NOTE 29: Deposits

The following transactions are included under the heading "Financial Liabilities Valued at Depreciated Cost":

(Figures stated in thousands of Argentine pesos)

	12/31/2010	12/31/2009
Nonfinancial government sector	**1,550,373**	**759,864**
Checking accounts	525,855	225,372
Certificate of deposit	993,635	515,126
Other	7,397	7,620
Interest payable	23,486	11,746
Financial sector	**56,612**	**14,098**
Nonfinancial private sector and foreign residents	**8,900,586**	**6,040,267**
Checking accounts	1,612,426	1,144,540
Savings accounts	2,741,300	1,985,981
Certificate of deposit	3,988,195	2,262,257
Other	525,789	628,835
Interest and similar items payable	32,876	18,654
	10,507,571	6,814,229

Deposit guarantee

Law No. 24,485 and Presidential Decree No. 540/95 created a Deposit Guarantee Insurance System to provide coverage for risks inherent in bank deposits, as a subsidiary and supplementary protection to the one offered by the system of bank deposit privileges and protection established by the Financial Institutions Law. This system shall cover the deposits in Argentine pesos and foreign currency with the participating institutions as checking accounts, savings accounts, certificates of deposit or any other types determined by the BCRA, as long as fulfilling the requirements under Presidential Decree No. 540/95 and any others established by the enforcement authority.

As of December 31, 2010, and 2009, such deposit guarantee amounts to 2,669,619 and 2,054,233, respectively.

NOTE 30: Subordinated corporate bonds

	12/31/2010	12/31/2009
Corporate bonds issued, maturing in 2010	-	61,200
	-	61,200

The Bank has in effect a global corporate bond issuance program for a maximum amount outstanding at any time of up to USD 150 million approved by the shareholders' meeting of February 27, 1996, and by the CNV through certificate No. 115 dated June 4, 1996.

The Bank has in effect a global corporate bond issuance program for a maximum amount outstanding at any time of up to USD 150 million approved by the shareholders' meeting of February 27, 1996, and by the CNV through certificate No. 115 dated June 4, 1996.

Under the referred program, the Bank issued a series of subordinated corporate bonds amounting to USD 80 million, which was approved by the Shareholders' Meeting of June 27, 2000, and by the CNV through certificate No. 271 dated August 15, 2000, and issued on December 27, 2000, maturing in ten years from such date.

For such issuance of corporate bonds, principal was amortized annually and interest, semiannually. Additionally, the interest rate of the transaction was established as described below: (i) six-month LIBOR, plus 110 basis percentage points for the first effective year; (ii) six-month LIBOR, plus 175 basis percentage points for the second effective year; and (iii) six-month LIBOR, plus 220 basis percentage points as from the third year and through the final maturity of the obligation. The interest rate as of December 31, 2009, was 2.887% p.a..

Such corporate bonds were not secured and there were no covenants to be fulfilled.

On September 27, 2009, the Bank settled the fourth installments for principal amortization in the amount of USD 16 million, being the next maturity date on September 29, 2010, in the residual principal amount of USD 16 million. The interest rate that pevailed for the last six-month period was 2.6375% p,a,.

The Bank's Board of Directors decided that the funds obtained from this placement be added to the Bank's working capital in Argentina, i.e. be included in the Bank's funding structure.

As of the date of these financial statements, no issue of corporate bonds under the above-mentioned program is in force.

Likewise, the Argentine Securities Commission issued Resolution No. 15.868, dated April 30, 2008, to authorize the initial public offering of GPAT Compañía Financiera S.A. (ex GMAC Compañía Financiera S.A.) through the establishment of a global program for the issue of simple, non-convertible into stock, corporate bonds up to the amount of four hundred million pesos (ARS 400,000.00) or the equivalent thereof in other currencies.

The Board of Directors of GPAT C.F.S.A., in its meeting held on May 6, 2008, approved the final terms and conditions of said Program and the issue of Class 1 Corporate Bonds at a fixed interest rate maturing in 2009 for a face value of up to ARS 50,000,000, guaranteed by GMAC LLC (later GMAC Inc., currently DBA Ally Financial Inc.) and of Class 2 Corporate Bonds at variable interest rate maturing in 2011 for a face value of up to ARS 150,000,000 (less the face value of Class 1 Corporate Bonds to be issued), guaranteed by GMAC LLC (later GMAC Inc., currently BDA Ally Financial Inc.).

On July 24, 2008 the Argentine Securities Commission was informed of the decision to stay the subscription period of the Corporate Bonds and of the fact that GPAT C.F.S.A. might, in its sole discretion, restart the subscription period; such restart will be announced through a notice complementary to the Prospectus Supplement to be published once in the Buenos Aires Stock Exchange Daily Journal.

Together with the approval of the capital stock transfer in favor of Banco Patagonia S.A., the BCRA resolved to cancel the duty to have a guarantee granted by GMAC LLC (later GMAC Inc., currently DBA Ally Financial Inc.) for the issue of corporate bonds. Therefore, the Regular and Special Shareholders' Meeting of GPAT C.F.S.A. held on July 26, 2010 resolved to amend section 4, item 5 of the bylaws to reflect this situation, deleting the requirement to grant a guarantee for the issue of corporate bonds.

On January 4, 2001, the Board of Directors of GPAT C.F.S.A., taking into account the analysis made of the funding sources to which it currently resorts as compared to alternative financing instruments, including the issue of Short-Term Corporate Bonds, decided to revive the Simple Corporate Bonds Program and to make an addendum to the Prospectus that had been duly published. Additionally, the Board decided to apply to the CNA for authorization of the Global Program of Corporate Bonds and the issue of Short-Term Corporate Bonds under said Program.

On January 12, 2011 the Shareholders' Special Meeting of GPAT Compañía Financiera S.A. resolved to request a transfer of the authorization regarding the above-mentioned Corporate Bonds Global Program due to change of corporate name, and to approve the Global Program prospectus supplement, including the relevant amendments as a result of the change of corporate name; the CNV granted such authorization on February 11, 2011.

As of the date of these financial statements, GPAT C.F.S.A. ended the placement in the amount of ARS 50,000, with a final term of 365 days maturing on March 22, 2012, amortization at maturity in a single payment and half-yearly interest payment on September 23, 2011 and March 22, 2012, at a nominal rate of 14.3% p,a,.

(Figures stated in thousands of Argentine pesos)

NOTE 31: Other liabilities

	12/31/2010	12/31/2009
Financial liabilities	**665,285**	**479,007**
Credit card consumption charges payable	225,405	201,395
Payables for foreign trade transactions	151,595	140,025
Salaries and payroll taxes payable	108,039	73,117
Collections on account and behalf of third parties	105,133	23,897
Sundry payables	43,213	31,268
Withholdings on salaries	7,888	5,802
Other financial liabilities	24,012	3,503
Nonfinancial liabilities	**154,958**	**345,590**
Taxes payable	130,182	330,199
Customer loyalty program	21,750	13,701
Prepayments for sales of assets	1,161	354
Other nonfinancial liabilities	1,865	1,336
	820,243	824,597

NOTE 32: Provisions for miscellaneous risks

Covers the amounts estimated necessary to face likely risks that, if verified, will result in a loss to the Bank. The following are the changes in those provisions during 2010 and 2009:

	Provisions			
	Labor and legal matters (1)	**Constitutional rights protection actions (2)**	**Other**	**Total**
At beginning	37,712	1,429	1,880	41,021
Acquisition of subsidiary	-	-	145	145
Net charge for the year (see note 15)	10,666	1,804	29	12,499
Uses	(9,956)	(3,233)	(147)	(13,336)
As of December 31, 2010	38,422	-	1,907	40,329
Less than 12 months	12,491	-	620	13,111
Over 12 months	25,931	-	1,287	27,218
As of December 31, 2010	38,422	-	1,907	40,329

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Chairman

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	Provisions			
	Labor and legal matters (1)	**Constitutional rights protection actions (2)**	**Other**	**Total**
At beginning	24,624	13,986	1,732	40,342
Charge / (Recovery) for the year (see note 15)	17,604	(1,520)	656	16,740
Uses	(4,516)	(11,037)	(508)	(16,061)
As of December 31, 2009	37,712	1,429	1,880	41,021
Less than 12 months	11,105	421	554	12,080
Over 12 months	26,607	1,008	1,326	28,941
As of December 31, 2009	37,712	1,429	1,880	41,021

(1) Due to the nature of its business, the Bank has several pending legal actions, which are booked under provisions when, in the opinion of Management and its legal counsel, it is likely that they may result in an additional liability and the amount may be reasonably estimated. In the opinion of Management and its legal counsel, other legal actions against the Bank that were not booked in provisions will not result in additional liabilities to those already recorded or will not have a material impact on the Bank's financial statements.

(2) As a result of the measures taken by the Argentine Government in connection with the de-dollarization of deposits originally denominated in US dollars, and the rescheduling of bank deposits from early 2002, a significant number of legal actions were brought by individuals and companies against financial institutions.

Also, during 2007, the Argentine Supreme Court entered judgments ordering and/or clarifying both the calculation method and the computation of advance payments with respect to the deposits involved. Accordingly, as of each fiscal year-end, the Board of Directors estimated the additional effects which may result from the application of the above-mentioned decisions, charging the additional amount resulting therefrom to income for each year.

In the opinion of the Bank’s Management and its legal counsel, there are no significant effects other than those disclosed in these financial statements, the amounts and payment terms of which were recorded based on the current value of those estimates, as well as the probable date of their final resolution.

(Figures stated in thousands of Argentine pesos)

NOTE 33: Shareholders' equity reserves

	Reserve for financial instruments available for sale (1)	Reserve for conversion differences (2)	Legal reserve (3)	Total
As of January 1, 2010	40,811	5,731	240,327	286,869
Reversal of BODEN 2012 by implementation of IFRS 9 (see note 22)	(15,663)	-	-	(15,663)
Reversal of BOGAR by implementation of IFRS 9 (see note 22)	(7,721)	-	-	(7,721)
Reversal of BONAR 2013 by implementation of IFRS 9 (see note 22)	(5,130)	-	-	(5,130)
Reversal of BONAR 2014 by implementation of IFRS 9 (see note 22)	(34,273)	-	-	(34,273)
Foreign currency conversion	-	1,914	-	1,914
Tax effect on net gains (losses) on financial instruments available for sale (see note 17)	21,976	-	-	21,976
Tax effect on foreign currency conversion (see note 17)	-	(672)	-	(672)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/10 (see note 19)	-	-	89,765	89,765
As of December 31, 2010	-	6,973	330,092	337,065

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Accounting Manager	General Assistant Manager Administration and Finance Area	Chairman

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	Reserve for financial instruments available for sale (1)	**Reserve for conversion differences (2)**	**Legal reserve (3)**	**Total**
As of January 1, 2009	3,614	554	186,978	191,146
Transfers to gains (losses) from reclassification of BODEN 2012 (see note 22)	(6,689)	-	-	(6,689)
Change in unrealized gain (loss) from BOGAR (see note 22)	10,858	-	-	10,858
Realized gains (losses) on the sale of BONAR 2013 (see note 22)	(244)	-	-	(244)
Change in unrealized gain (loss) from BONAR 2013 (see note 22)	19,028	-	-	19,028
Change in unrealized gain (loss) from BONAR 2014 (see note 22)	34,273	-	-	34,273
Foreign currency conversion	-	7,965	-	7,965
Tax effect on net gains (losses) on financial instruments available for sale (see note 17)	(20,029)	-	-	(20,029)
Tax effect on foreign currency conversion (see note 17)	-	(2,788)	-	(2,788)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/27/09 (see note 19)	-	-	53,349	53,349
As of December 31, 2009	40,811	5,731	240,327	286,869

(1) Includes changes in the fair value of financial instruments available for sale.

(2) Foreign exchange differences arising from the conversion of Banco Patagonia (Uruguay) S.A.I.F.E.'s financial statements are recorded.

(3) BCRA regulations establish that 20% of income (loss) for the year obtained as established by BCRA regulations, plus/less prior-period adjustments, shall be allocated to legal reserve (see note 19).

NOTE 34: Minimum capital requirements

The BCRA establishes that financial institutions shall keep, on individual and consolidated bases, minimum capitals ("minimum capitals"), which are defined as a counterparty risk, interest rate risk and market risk of a financial institution's assets.

The primary goals of the Bank's capital management are to ensure the Bank's compliance with the capital requirements externally established and that the Bank's keeping of strong credit ratings and sound capital ratios to sustain its business and maximize the shareholders' value.

The Bank manages its capital structure and adjusts it to the changes in economic conditions and the risk characteristics of its activities. To keep or adjust the capital structure, the Bank may adjust the amount of the dividends paid to shareholders, reimburse the capital to the shareholders or issue securities. There were no changes in goals, policies or processes regarding the previous accounting years.

(Figures stated in thousands of Argentine pesos)

Regarding this requirement, the Bank has a surplus, representing the amount in excess of the mandatory consolidated minimum capital established by the BCRA. Consequently, the Bank considers that it has the appropriate capital to meet its current and fairly foreseeable needs.

The Bank's required consolidated minimum capital and consolidated capital calculated under BCRA regulations are broken down in the following table:

	12/31/2010	12/31/2009
Counterparty risk (1)	649,884	431,202
Market risk (2)	93,084	63,860
Interest rate risk (3)	117,629	85,164
Mandatory consolidated minimum capital according to BCRA regulations	**860,597**	**580,226**
Stand-alone shareholders' equity (4)	1,629,588	1,405,175
Supplementary shareholders' equity (5)	439,789	404,143
Deductions (6)	(1,323)	(1,286)
Consolidated computable equity according to BCRA regulations	**2,068,054**	**1,808,032**
Capital surplus	**1,207,457**	**1,227,806**

(1) It is given by the addition of different amounts necessary to cover the market risk by category of assets. Compliance is daily calculated.

(2) Captures the risk arising when the "duration" sensitivity of assets in the face of changes in interest rates does not agree with that of liabilities.

(3) It is made up of capital stock, noncapitalized contributions, adjustments to capital stock, appropriated retained earnings, unappropriated retained earnings and debt instruments with certain issuance conditions.

(4) It is made up of subordinated corporate bonds, 100% of income (losses) booked through the last quarterly financial statement for the current year, 100% of NOLs not considered in the financial statements, loan loss reserves related to performing loans (situation 1)and financing facilities covered by "A" preferred guarantees, (immediately foreclosurable security interests).

(5) Due from correspondents and other demand deposits with banks and other foreign financial institutions not classified with an "investment grade", debt instruments not physically held by the Bank, securities issued by foreign country governments, the classification of which is lower than that assigned to federal government securities, shareholders, real property real property pending deed of title, organization costs, items pending allocation and other.

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NOTE 35: Additional information of the statement of cash flows

The Entity recorded the transactions cash flow using the direct method, whereby the major classes of gross cash receipts and payments are presented separately.

Cash

	12/31/2010	12/31/2009
Cash (see note 20)	487,631	509,231
BCRA – Checking account (see note 20)	744,616	841,006
Due from other financial institutions (see note 21)	354,916	285,355
TOTAL	1,587,163	1,635,592

Cash and cash equivalents comprises cash, checking accounts with the BCRA and other financial institutions readily available.

NOTE 36: Related party information

The following are related party transactions (natural and artificial persons related to the Bank).

Province of Río Negro

As provided in the Bank's bylaws, the Province of Río Negro, sole shareholder holding Class A shares, is empowered to appoint a director for Class A shares, as long as it owns at least one share of that class. Since 1996, the Bank has been acting as financial agent (see note 45) of the Province of Río Negro, by virtue of the agreement executed in 1996, renewed on December 14, 2006, for a 10-year term as from January 1, 2007. The provincial financial agent's role allows providing several services to meet the financial and service needs of the different government sector areas in the province (central management, agencies and affiliates, as well as municipalities) such as tax revenues, salary crediting, among others. The financial agent duties do not include the obligation to provide financial assistance to the Province of Río Negro under conditions other than those consistent with the Bank's nature as private bank.

Intesa Sanpaolo Group

The Intesa Sanpaolo Group provides the Bank with typical services of the banking activity under market terms and conditions, such as correspondent account services abroad.

The Bank performed correspondent transactions with Intesa Sanpaolo S.p.A. in the amount of 22,908 and 8,002 as of December 31, 2010, and 2009, respectively, which are recorded in the "Due from other financial institutions" account.

(Figures stated in thousands of Argentine pesos)

Transactions with directors, first-class managers or their close relatives

The Bank has not been involved in transactions with and has not granted any loans to its directors, first-class managers or their close relatives. The Bank has not granted any loans or has not performed any proposed transaction with those people, except for those allowed by effective laws, which are of little significance due to the amounts involved. In particular, some of its directors participated in certain credit transactions with the Bank, as allowed by Business Associations Law and BCRA regulations that permit those transactions when they conform to market practices. Those standards establish limits on the credit amount that may be granted to related parties.

The BCRA requires monthly filing the breakdown of the outstanding credit amount of directors, controlling shareholders, officers and other related entities dealt with by the Board of Directors.

As of December 31, 2010, and 2009, the outstanding financial assistance granted by the Bank to related parties totaled 3,763 and 1,409, respectively.

	12/31/2010	12/31/2009
Loans	2,728	1,402
Unsecured overdrafts	214	450
Secured overdrafts	-	22
Unsecured notes	472	-
Secured notes	355	271
Unsecured personal loans	-	7
Unsecured credit cards	380	307
Secured credit cards	6	5
Financial leases	311	340
Other	990	-
Other receivables	1,035	7
Total credit assistance	3,763	1,409

In addition, as of December 31, 2010, and 2009, there are related party deposits with the Bank amounting to 48,352 and 63,202, respectively.

Loans granted to, contingent transactions performed with, and deposits with related parties are in line with market conditions for other customers.

As of December 31, 2010, and 2009, loans to employees, including those granted to first-class managers, amounted to 47,987 and 37,520, respectively.

Income (loss) from loan and deposit transactions is not material.

The Bank has not granted any share-backed loans to directors and key personnel.

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The compensation of the group's key personnel was related to salaries and bonuses amounting to 23,167, and 18,260 as of December 31, 2010, and 2009. It is noteworthy that there are no other benefits for key personnel.

NOTE 37: Restricted assets

	12/31/2010	12/31/2009
Cash and due from the BCRA		
Guarantees for transactions with the BCRA / settled on time / MAE (1)	182,849	157,873
Due from other financial institutions		
Banco Central del Uruguay (2)	1,988	1,898
Financial assets measured at fair value held for trading		
Argentine government bonds in USD Libor 2012 (Boden 2012) (3)	33,492	-
Share of Mercado de Valores S.A. (4)	2,064	-
Financial assets measured at fair value from their initial recognition		
BCRA bills – Maturity: 06/02/10 (1)	-	64,853
BCRA notes – Maturity: 03/09/10 (1)	2,194	-
Financial assets held to maturity		
Argentine government bonds in USD Libor 2012 (Boden 2012) (3)	-	40,540
Financial assets available for sale		
Share of Mercado de Valores S.A. (4)	-	2,064
Loans		
Loans granted to Public Sector Agencies (3)	-	961
Other assets		
Guarantees at credit card managers (1)	28,318	22,590
Court deposits	809	2,247
Deposits as collateral to leases	765	-
Other	307	997
TOTAL	**252,786**	**294,023**

(1) They are used as security for the transaction with the BCRA, credit card managers and MAE.

(2) They are used as security for compliance with section 393, Compilation of Central Bank of Uruguay's Financial System Regulation and Control Rules.

(3) Securing the IADB loan No. 1,192/OC-AR (Communiqués "A" 4,620, "B" 8,920 and supplementary standards of the BCRA) of the Global Credit Program for micro, small- and medium-sized enterprises.

(4) As of December 31, 2010, and 2009, Patagonia Valores held a share in Mercado de Valores S.A. as security for the transactions performed thereby.

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The Bank's Management believes that there will be no losses for the restrictions on the abovementioned assets.

NOTE 38: Loans and deposits concentration

Number of customers	Loans			
	12/31/2010		12/31/2009	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	935,824	10.74	606,625	11.70
50 next largest customers	1,342,562	15.41	743,467	14.34
100 next largest customers	1,233,381	14.15	659,791	12.72
Rest of customers	5,202,073	59.70	3,176,323	61.24
Total (see note 24)	**8,713,840**	**100.00**	**5,186,206**	**100.00**

Number of customers	Deposits			
	12/31/2010		12/31/2009	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	1,472,128	14.01	678,958	9.96
50 next largest customers	1,458,031	13.88	770,494	11.31
100 next largest customers	783,064	7.45	518,278	7.61
Rest of customers	6,794,348	64.66	4,846,499	71.12
Total (see note 29)	**10,507,571**	**100.00**	**6,814,229**	**100.00**

NOTE 39: Fair value of financial instruments

The fair value is defined as the amount for which an asset could be exchanged or a liability settled under mutually independence conditions between duly informed parties and willing to do so in a current transaction under the assumption that the Bank is a going concern.

When a financial instrument is sold on a liquid and active market, its price traded on the market in an actual transaction provides the best evidence of its fair value. When there is no agreed-upon price on the market or it cannot indicate the fair value of the instrument, to determine such fair value the market value of another instrument of similar characteristics, the analysis of discounted flows or other applicable techniques can be used, which may be significantly affected by the assumptions used.

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Although Management has used its best judgment in estimating the fair values of its financial instruments, any technique to make such estimate implies certain inherent fragility. In conclusion, the fair value could not indicate the net realizable or settlement value.

Determining fair value and its hierarchy

The Bank uses the following hierarchy to determine the fair value of its financial instruments:

a) Level 1: Prices on active markets for the same instruments.

b) Level 2: Other valuation techniques based on observable market data.

c) Level 3: Valuation techniques based on nonobservable market data.

The following table shows the analysis of financial instruments booked at fair value by hierarchy level:

	Level 1	**Level 2**	**Level 3**	**Total as of 12/31/10**
Financial assets measured at fair value held for trading	844,230	59,830	-	904,060
Financial assets measured at fair value from their initial recognition	1,316,690	757,922	-	2,074,612
TOTAL ASSETS	**2,160,920**	**817,752**		**2,978,672**
Derivative financial instruments	-	452	-	452
TOTAL LIABILITIES	**-**	**452**	**-**	**452**

	Level 1	**Level 2**	**Level 3**	**Total as of 12/31/09**
Financial assets held for trading	388,076	-	-	388,076
Financial assets measured at fair value from their initial recognition	265,879	1,393,047	-	1,658,926
Financial assets available for sale	114,786	49,490	-	164,276
TOTAL ASSETS	**768,741**	**1,442,537**		**2,211,278**
Derivative financial instruments	-	1,126	-	1,126
TOTAL LIABILITIES	**-**	**1,126**	**-**	**1,126**

Below is a description of the financial instruments booked at fair value using valuation techniques based on observable market data:

Financial assets measured at fair value held for trading: Includes principaly Argentine Government Bonds in ARS Badlar + 350 basis points, which are booked at fair value using yield curves for securities related to the same type of instrument, with normal and usual quoted price and of similar duration.

Financial assets measured at fair value from their initial recognition: Includes NOBAC and LEBAC, which are booked at fair value using the methodology called “yield curve”, where the different yields of securities having similar issuance conditions but different maturities may be noted. The issuance conditions and

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characteristics considered to select the securities used to build yield curves are: issuer, currency of the security, adjustment clauses, duration, time through maturity of the security and guarantees.
Once securities were selected and the yield curve was built, we estimated the rate of return required for each security discounting cash flows.

Derivative financial instruments: Includes interest payable for interest rate swaps recorded at the current value of differences between future flows of interest determined by applying fixed and variable interest rates to the notional values of agreements.

Financial assets available for sale: as of December 3, 2009, Includes Argentine Government Bonds in ARS Badlar + 350 basis points, which are booked at fair value using yield curves for securities related to the same type of instrument, with normal and usual quoted price and of similar duration.

Transfers between hierarchy levels

	Transfers from level 1 to level 2	
	12/31/10	**12/31/09**
Financial assets measured at fair value from their initial recognition (1)	-	28,739

(1) Relates to NOBAC included in hierarchy level 1 as of December 31, 2008, because, as it had no market price as of December 31, 2009, its fair value was obtained using valuation techniques consisting in observable market prices for similar instruments. There were no transfers to financial instruments from level 1 to level 2 as of December 31, 2010.

There were no transfers to financial instruments hierarchy level 1 included in hierarchy level 2 as of December 31, 2010 and 2009.

Fair value of financial assets and liabilities not recorded at fair value

Below we describe the methodologies and assumptions used to determine the fair values of financial instruments:

Assets whose fair value is similar to the book value

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value.

Fixed-rate financial instruments

The fair value of financial assets was determined by discounting future cash flows at the current market rates offered for each year for financial instruments of similar characteristics. The estimated fair value of fixed-interest rate deposits was determined in future cash flows by using market interest rates for deposits with similar maturities to those of the Bank's portfolio. As of December 31, 2009 in the case of subordinated corporate bonds, the future cash flow was discounted at Libor effective for each of the years.

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For the listed debt issued, the fair value is determined based on market prices.

Other financial instruments

In the case of financial assets and liabilities that are liquid and with short-term maturity, it is estimated that their fair value is similar to their book value. This assumption is also applied to savings account, checking account and other deposits.

The following table shows a comparison between the fair value and the book value of financial instruments not recorded at fair value.

	December 31, 2010	
	Book value	**Fair value**
Financial assets		
Cash and due from the BCRA (Central Bank of Argentina)	1,415,096	1,415,096
Due from other financial institutions	354,916	354,916
Loans (1)	8,538,044	8,568,009
Other receivables (1)	114,538	114,182
Other financial assets	29,892	29,892
Financial liabilities		
Financing facilities received from financial institutions	178,289	178,289
Deposits	10,507,571	10,524,781
Other financial liabilities	665,285	665,285

	December 31, 2009	
	Book value	**Fair value**
Financial assets		
Cash and due from the BCRA (Central Bank of Argentina)	1,508,110	1,508,110
Due from other financial institutions	285,355	285,355
Financial assets held to maturity	214,410	250,074
Loans (1)	5,028,306	5,204,453
Other receivables (1)	123,945	120,728
Other financial assets	26,701	26,671
Financial liabilities		
Financing facilities received from financial institutions	60,281	60,281
Deposits	6,814,229	6,833,504
Subordinated corporate bonds	61,200	61,192
Other financial liabilities	479,007	479,007

(1) The Bank's Management has not identified any further indicators of impairment in value of its financial assets as a result of differences in their fair value.

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NOTE 40: Analysis of maturities of assets and liabilities

The following table shows an analysis of contractual maturities of assets and liabilities as of December 31, 2010, and 2009:

	Without maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2010
Cash and due from the BCRA (Central Bank of Argentina)	1,415,096	-	-	-	-	-	-	-	1,415,096
Due from other financial institutions	-	354,916	-	-	-	-	-	-	354,916
Financial assets measured at fair value held for trading	8,330	1,625	4,622	14,875	76,577	753,377	6,575	38,079	904,060
Financial assets measured at fair value from their initial recognition	-	250,491	1,004,291	612,347	207,483	-	-	-	2,074,612
Loans	-	3,923,988	902,307	1,156,513	631,807	1,846,480	61,862	15,087	8,538,044
Other receivables	80,302	534	3,746	1,537	9,404	18,826	189	-	114,538
Deferred tax assets	-	-	-	-	-	75,998	-	-	75,998
Other assets	56,043	-	-	-	-	3,034	-	-	59,077
TOTAL ASSETS	**1,559,771**	**4,531,554**	**1,914,966**	**1,785,272**	**925,271**	**2,697,715**	**68,626**	**53,166**	**13,536,341**
Financing facilities received from financial institutions	-	67,120	21,035	11,992	1,711	76,417	14	-	178,289
Derivative financial instruments	-	52	92	123	139	46	-	-	452
Deposits	(a) 5,464,089	2,826,788	1,641,796	239,805	225,770	109,323	-	-	10,507,571
Other liabilities	70,842	607,643	282	138,655	919	1,894	8	-	820,243
Provisions for miscellaneous risks	13,111	-	-	-	-	27,218	-	-	40,329
TOTAL LIABILITIES	**5,548,042**	**3,501,603**	**1,663,205**	**390,575**	**228,539**	**214,898**	**22**	**-**	**11,546,884**

(a) Including demand deposit accounts.

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(Translation of financial statements originally issued in Spanish – See note 46)

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	Without maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2009
Cash and due from the BCRA (Central Bank of Argentina)	1,508,110	-	-	-	-	-	-	-	1,508,110
Due from other financial institutions	-	285,355	-	-	-	-	-	-	285,355
Financial assets held for trading	-	849	424	636	14,846	316,038	26,266	29,017	388,076
Financial assets measured at fair value from their initial recognition	-	3,208	595,513	1,059,165	-	1,040	-	-	1,658,926
Financial assets available for sale	8,430	241	483	724	1,448	152,395	8,985	-	172,706
Financial assets held to maturity	-	-	8,799	-	68,537	137,074	-	-	214,410
Loans	-	2,381,998	337,604	74,726	602,461	1,165,596	442,098	23,823	5,028,306
Other receivables	53,335	44,201	7,359	5,697	1,608	7,863	3,882	-	123,945
Deferred tax assets	-	-	-	-	-	58,820	-	-	58,820
Other assets	41,888	-	-	-	-	3,015	-	-	44,903
TOTAL ASSETS	1,611,763	2,715,852	950,182	1,140,948	688,900	1,841,841	481,231	52,840	9,483,557
Financing facilities received from financial institutions	-	7,517	21,312	4,335	2,058	24,767	292	-	60,281
Derivative financial instruments	-	187	337	323	89	190	-	-	1,126
Deposits	(a) 3,993,493	1,682,523	839,239	156,449	106,694	35,831	-	-	6,814,229
Subordinated corporate bonds	-	-	453	-	60,747	-	-	-	61,200
Other liabilities	48,322	435,276	284	336,954	824	2,937	-	-	824,597
Provisions for miscellaneous risks	12,080	-	-	-	-	28,941	-	-	41,021
TOTAL LIABILITIES	4,053,895	2,125,503	861,625	498,061	170,412	92,666	292	-	7,802,454

(a) Including demand deposit accounts.

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NOTE 41: <u>Classification of financial instruments:</u>

The following are the amounts of financial assets and liabilities of the consolidated balance sheet items, classified by categories, as defined by IFRS 9 and IAS 39 as of December 31, 2010 and 2009 respectively:

	Financial assets / liabilities measured at fair value through profit or loss					
ASSETS	**Held for trading**	**From their initial recognition**	**Derivative financial instruments**	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Total as of 12/31/2010**
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	1,415,096	-	1,415,096
Due from other financial institutions	-	-	-	354,916	-	354,916
Financial assets held for trading	904,060	-	-	-	-	904,060
Financial assets measured at fair value from their initial recognition	-	2,074,612	-	-	-	2,074,612
Loans	-	-	-	8,538,044	-	8,538,044
Other receivables	-	-	-	114,538	-	114,538
Other financial assets	-	-	-	29,892	-	29,892
Total	904,060	2,074,612	-	10,452,486	-	13,431,158
LIABILITIES						
Financing facilities received from financial institutions	-	-	-	-	178,289	178,289
Derivative financial instruments	-	-	452	-	-	452
Deposits	-	-	-	-	10,507,571	10,507,571
Other financial liabilities	-	-	-	-	665,285	665,285
Total	-	-	452	-	11,351,145	11,351,597

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(Figures stated in thousands of Argentine pesos)

	Financial assets / liabilities measured at fair value through profit or loss							
ASSETS	**Held for trading**	**From their initial recognition**	**Derivative financial instruments**	**Financial assets available for sale**	**Financial assets held to maturity**	**Loans and accounts receivable**	**Financial liabilities at amortized cost**	**Total as of 12/31/2009**
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	-	-	1,508,110	-	1,508,110
Due from other financial institutions	-	-	-	-	-	285,355	-	285,355
Financial assets held for trading	388,076	-	-	-	-	-	-	388,076
Financial assets measured at fair value from their initial recognition	-	1,658,926	-	-	-	-	-	1,658,926
Financial assets available for sale	-	-	-	172,706	-	-	-	172,706
Financial assets held to maturity	-	-	-	-	214,410	-	-	214,410
Loans	-	-	-	-	-	5,028,306	-	5,028,306
Other receivables	-	-	-	-	-	123,945	-	123,945
Other financial assets						26,701	-	26,701
Total	388,076	1,658,926	-	172,706	214,410	6,972,417	-	9,406.535
LIABILITIES								
Financing facilities received from financial institutions	-	-	-	-	-	-	60,281	60,281
Derivative financial instruments	-	-	1,126	-	-	-	-	1,126
Deposits	-	-	-	-	-	-	6,814,229	6,814,229
Subordinated corporate bonds	-	-	-	-	-	-	61,200	61,200
Other financial liabilities	-	-	-	-	-	-	479,007	479,007
Total	-	-	1,126	-	-	-	7,414,717	7,415,843

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Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

NOTE 42: Risk management policy

Risks are inherent to the Bank's activities and are managed through a process for the continuous identification, measurement and control thereof, subject to limits and other risk controls. This risk management process is critical for the Bank's profitability.

The Bank is headed and managed by a six-member Board of Directors: a chairman, a first vice-chairman and a second vice-chairman, who are the majority shareholders, and three directors, two of whom are independent pursuant to current CNV standards. The Board of Directors is in charge of managing the Bank, and its objectives are, among others, coordinating and supervising that the operating performance is consistent with institutional objectives, facilitating the performance of business with efficiency, control and productivity, for the purpose of generating permanent improvement in administrative and commercial processes.

Risk management structure

Additionally, the Bank has structured its risk control based on the Board of Directors' supervision. The Board of Directors is in charge of approving the Bank's effective strategies and policies, provides the general risk management principles and approves the risk control policies for specific areas such as operating, market, liquidity and credit risk.

The abovementioned structure comprises different separate and independent committees. The main committees and a detail of their functions are as follows:

Internal audit committee: It is in charge of actions that allow ensuring the appropriate operation of the Bank's internal control procedures and systems, aligned with the guidelines set forth by the Board of Directors. This committee also approves the Annual Internal Audit Plan and reviews the degree of compliance therewith, and analyzes the Bank's annual and quarterly financial statements, the external auditor's reports, the relevant financial reporting, and the statutory audit committee reports.

Senior credit committee: It analyzes and approves credit transactions exceeding 3,000 but not above 1% or 1.5% of the Bank's computable equity (i.e. the statutory capital calculated as established by Financial Institutions Law and BCRA regulations, which is determined through the following formula: Stand-alone shareholders' equity, plus supplementary shareholders' equity less deductibles), depending on whether guarantees were not provided or were provided in granting financing facilities, respectively.

Financial institutions credit committee: It establishes the cap for financial system institutions to perform credit transactions up to an amount of 30,000.

Government sector credit committee: It analyzes and approves credit lending to federal, provincial or municipal government sector customers.

Corporate banking credit committee: It analyzes and approves credit transactions of up to 3,000.

IT security committee: It is in charge of proposing IT security policies to the Board of Directors, and monitoring compliance therewith. This committee is also in charge of preparing proposals to the Board of

Directors regarding preventive measures tending to minimize system-related risks or, as the case may be, corrective actions.

Finance committee: Its purpose is to monitor management inherent risks of the Bank's financial assets and liabilities, such as liquidity and market risks.

Operational Risk Committee: It is intended to ensure that there are processes and procedures applicable to each business unit, aimed at managing the operational risk of the financial institution's products, activities, processes and systems, evaluating whether the management oversight process adapts to the inherent risks.

Risk measurement and reporting systems

The Bank's risks are measured through a method reflecting both the expected loss that probably arises from normal circumstances, and unexpected losses, which are an estimate of the last actual loss based on statistical models. Estimates use as benchmark the possibilities arising from past experience, adjusted to reflect the economic environment. The Bank also considers worse scenarios that could arise if those extreme assumptions with low likelihood of occurrence actually take place.

Risks are supervised and controlled primarily based on the limits established by the Bank. These limits reflect the Bank's business strategy and market environment, as well as the risk level the Bank is ready to accept, with further focus on the industries selected. In addition, the Bank controls and measures the full risk it bears as regards the total risk exposure as to all types of risks and activities.

The different committees prepare and issue reports for the Board of Directors on a monthly basis, including the significant risks identified, if any.

The Bank actively uses guarantees to mitigate its credit risk.

Excessive risk concentration

To avoid excessive risk concentrations, the Bank's policies and procedures include specific guidelines to focus on keeping a diversified portfolio. The identified credit risk concentrations are controlled and managed accordingly. The selective coverage is used at the Bank to manage risk concentrations both in terms of relationships and industry.

The main types of risks that the Bank is exposed to are those related to credit risk, liquidity risk, market risk and operational risk.

The following are the policies and processes aimed at identifying, assessing, controlling and mitigating each one of the main risks:

Credit risk

The credit risk is the existing risk regarding the possibility for the Bank to incur a loss because one or several customers or counterparties fail to meet their obligations.

To manage and control the credit risk, the Board of Directors approves the Bank's credit policy and credit assessment in order to provide a framework for the creation of businesses to attain an adequate correlation between the risk assumed and profitability. The Bank has procedure manuals that contain guidelines with the goals mentioned below:

a) Achieving an adequate portfolio segmentation;

b) Boosting the use of the risk analysis and assessment tools that best adjust to the customer's profile;

c) Setting consistent standards for granting loans, following conservative parameters based on the customer's solvency, cash flows and profitability in the case of companies, and revenues and equity in the case of individuals;

d) Setting limits to individual powers for granting loans depending on the amount, promoting the existence of specific committees that, according to their sphere of competence, will be in charge of defining assistance levels;

e) Optimizing the quality of risks assumed, having appropriate guarantees according to the loan term and the level for the risk involved; and

f) Monitoring the loan portfolio and the level of customers' compliance permanently.

In order to evaluate the credit risk, based on the credit analysis and proposal prepared by the business officer, the company analysis sector of Risk Management analyzes the customer's credit and repayment capacity and issues a report in which, among other aspects, it mentions the main risks to which the company is exposed and that may affect its payment capacity and findings regarding any litigation deriving from the legal regulations of the financial system or from commercial activities, such as disqualifications, requests for bankruptcy, and litigation in progress. Based on the risk report, the business officer prepares a customer credit rating proposal, including the analysis of loans, other receivables, contingent obligations and guarantees granted, which is sent to the credit committee in charge of analyzing it and granting the related loan.

According to the amount and type of loan, the credit committees are in charge of analyzing and determining whether the loan should be approved: the senior credit committee, the corporate banking committee or those performed by area or virtually in the case of small- and medium-sized enterprises.

The senior credit committee, which is in charge of analyzing the financing involving larger amounts, is made up of members of the Bank's top management of the Corporate Banking and Risks area, including the general assistant manager in charge of the Corporate Commercial area.

Individuals' Banking customers are rated through a scoring system. The Bank's policies in this regard establish that only special cases may be rated through nonautomatic means, requiring the participation of different approval levels depending on the financing amount to be agreed upon. Once the loan is granted, each customer is rated following the same pattern. The rating makes reference to the quality of customers and it is related to what is established by BCRA regulations regarding "Debtor classification and minimum loan loss reserves".

It is noteworthy that the Bank uses the request for guarantees for its financing facilities to mitigate the credit risk. The main guarantees received are related to collateral or pledge on certificate of deposit, cash, standby letter of credit (with the Finance Management's consent to the issuing bank), atomized postdated checks (the guarantee may be considered according to the limits provided), certificates of works, discount on credit card coupons, first mortgage and first automobile and/or machinery security agreement. The Entity has the duty to return the collateral to their holders on repayment of the secured loans.

The Bank's Risk Management monitors the market value of guarantees, requesting appraisal revaluations on a periodic basis.

The classification and periodical monitoring of customers permit to protect the quality of assets and to take corrective actions in advance in order to maintain the Bank's equity.

The main considerations to assess the impairment in value of loans include if there are principal or interest payments past due over 90 days or if there is any known difficulty in the counterparties' cash flows, reduced credit ratings or breach of the original terms of the agreement. The Bank assesses the impairment in value in two areas: allowances individually evaluated and allowances collectively evaluated.

The guarantees granted, letters of credit and obligations for foreign trade transactions are assessed and an allowance is booked in the same manner as that of the loan portfolio. The credit risk in these transactions is defined as the likelihood of occurrence of a loss because one of the parties to a contingent transaction does not comply with the terms set out in the agreement. The risk for credit losses is represented by the amounts established in the respective instrument agreements.

The financing facilities granted to the nonfinancial government sector and financing facilities with a term of less than 30 days granted to financial sector customers are excluded from the analyses of allowances.

The Bank classifies all its financing facilities into five risk categories, depending on the degree of the risk of default in payment of each loan.

The following are the classes used by the Bank, specifying the appropriate characteristics of each of them:

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(Figures stated in thousands of Argentine pesos)

Individuals and mortgage loans portfolio

The criterion used to classify debtors of the individuals and mortgage loans portfolio is based on the days of delinquency to pay their obligations, as specified below:

Situation	Days of delinquency
1	Up to 31
2	32 to 90
3	91 to 180
4	181 to 365
5	Over 365

Commercial loans portfolio

The classification is based on 5 categories, which are described below:

Situation 1:

The analysis of the customer's cash flows shows such customer's ability to meet appropriately all its financial commitments. The most significant indicators that may reflect this situation are that the customer shows a liquid financial situation, with low level and adequate indebtedness structure with respect to its capacity to generate profits, and shows a high debt (principal and interest) payment capacity under the agreed-upon conditions, generating funds to an acceptable degree. Cash flows are not subject to significant variations in the face of important changes in the behavior of variables both proprietary ones and those related to its activity sector. The debtor regularly complies with the payment of its obligations, even when delays of up to 31 days are incurred, in the understanding that this happens when the customer settles obligations without resorting to the Bank's new direct or indirect financing facilities.

Situation 2:

The analysis of the customer's cash flows shows that, upon performing it, may meet all its financial commitments. The most significant indicators that may reflect this situation are that the customer who has a good financial and profitability situation, with moderate indebtedness and adequate cash flows to pay principal and interest owed. Cash flows tend to weaken to bear payments since this is extremely sensitive to changes in one or two variables, as to which there is a material degree of uncertainty, being especially subject to changes in sector-related circumstances. The customer incurs in delays of up to 90 days to pay its obligations.

Situation 3:

The analysis of the customer's cash flows shows that the customer is experiencing problems to meet all its financial commitments on a regular basis and that, if not resolved, these problems may result in a loss for the financial institution. The most significant indicators that may reflect this situation are that the customer has an illiquid financial situation and a cash flow level that does not allow it to meet the payment of all principal and interest payables. It can only pay interest. The customer has scarce capacity to generate profits. Projected cash flows show a gradual impairment and a high sensitivity to minor and foreseeable changes in either proprietary or environment variables, weakening even more payment possibilities. It incurs in delays of up to 180 days.

Situation 4:

The analysis of the customer's cash flows indicates that it is highly unlikely that the customer will be able to meet all its financial commitments. The most significant indicators that may reflect this situation are that the customer has an illiquid financial situation and a very high indebtedness level, with operating losses and the obligation to sell highly significant assets, as well as those material to the business activity carried out. Cash flows are clearly insufficient and are not enough to pay interest. It incurs in delays of up to one year.

Situation 5:

Customers' payables classified into this category are deemed uncollectible. Although these assets could have some recoverable value under a given set of future circumstances, their uncollectibility is clear upon the analysis. The most significant indicators that may reflect this situation are that the customer has a poor financial situation with inability to pay debts, adjudication of bankruptcy or voluntary bankruptcy petition, with the obligation to sell highly significant assets, as well as those material to the business activity carried out. Cash flows are not enough to bear operating costs. It incurs in delays of above one year.

Allowances individually evaluated

Banco Patagonia determines the appropriate allowances for each individually significant loan on an individual basis. The matters considered upon determining the amounts of the allowance include the counterparty's business plan, capacity to improve profitability once the financial difficulty arises, projected inflows, percentage of net income intended for the payment of dividends if there is bankruptcy, another financial support capacity, the realizable value of the guarantee and the term of expected cash flows. Losses for impairment in value are assessed as of the year-end of the consolidated financial statements.

Allowances collectively evaluated

Allowances are collectively evaluated in the event of loan losses that are not individually significant. Allowances are assessed and set as of the year-end of the consolidated financial statements.

The collective evaluation considers the impairment of the portfolio although there is still no objective evidence of impairment in an individual evaluation. Impairment losses are estimated considering historical losses with respect to the portfolios.

(Figures stated in thousands of Argentine pesos)

Loan follow-up and review

The verification of the request formal aspects and of the implementation of the related guarantees, and the control over the payments of installments form part of the loan follow-up process.

In this respect, after 16 days and up to 90 days from the delay in the payment, the collection procedure is under the charge of the risk area, which –considering the specific characteristics of each case– is required to send notices and perform the procedures in order to recover the loan.

Should this goal not be achieved, the loan will pass to the "pre-legal" stage, in which the Bank's risk management intensifies recovery procedures in order to obtain the payment from customers or propose refinancing according to their payment capacity. Once this stage is over and no positive results have been obtained, the loan collection will be entrusted to the Bank's Legal Management, which –depending on the loan amount and guarantees– will decide on the use of court or out-of-court procedures.

Credit risk management in investments in financial assets

The Bank evaluates the credit risk identified of each of the financial assets invested by analyzing the risk rating given by a rating agency. These financial instruments are primarily concentrated in amounts deposited with first-class financial institutions and government securities issued by the Argentine Federal Government, bills and notes issued by the BCRA, which are listed on active markets.

Below is the exposure percentage by issuer calculated on the total financial assets disclosed in note 22:

Security	Issuer	2010 percentage	2009 percentage	
Notes and bills issued by the BCRA	BCRA	70%	68%	a)
Government securities issued by the Argentine government	Argentine government	30%	32%	b)
Other		-	-	

a) As of the date of issuance of these financial statements, the Issuer settled 60% of such notes and bills; the remainder is related to pending short-term maturities.

b) The BONAR 2015 is the Bank's main holding of government securities issued by the Argentine Government. The Argentine Government has timely and duly paid in the original currency the principal and interest defined in the issuance conditions of such securities. As of the date of issuance of these financial statements, there are no hints that make suppose that in the future the Issuer of those securities will not make payments, as it happened to date.

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(Figures stated in thousands of Argentine pesos)

The following table shows the gross maximum exposure to credit risk disregarding any guarantee or other credit improvements:

	Notes	12/31/2010	12/31/2009
Cash and due from the BCRA (1)	20	927,465	998,879
Due from other financial institutions	21	354,916	285,355
Financial assets measured at fair value held for trading	22	904,060	388,076
Financial assets measured at fair value from their initial recognition	22	2,074,612	1,658,926
Financial assets available for sale	22	-	172,706
Financial assets held to maturity	22	-	214,410
Loans	24	8,538,044	5,028,306
Other receivables	25	114,538	123,945
Other financial assets	27	29,892	26,701
Total		12,943,527	8,897,304
Unused agreed overdrafts	24	184,907	131,910
Guarantees granted	24	142,984	76,390
Letters of credit	24	29,621	43,634
Obligations for foreign trade transactions	24	26,436	38,059
Total		383,948	289,993
Total credit risk exposure		13,327,475	9,187,297

(1) Excluding the amount in cash.

The table above represents the worst scenario of the Bank's credit risk exposure as of December 31, 2010, and 2009, disregarding the guarantees received or other credit risk coverages. For the assets recorded in the consolidated financial statements, disclosures are based on the book amounts, less the respective allowances for uncollectibility risk, as shown on the consolidated balance sheet. Based on the above, as of December 31, 2010, 67% of the total maximum exposure is derived from contingent transactions and loans (58% as of December 31, 2009); 16% represents financial assets measured at fair value from their initial recognition (22% as of December 31, 2009 incluiding financial assets available for sale and held to maturity), and 7% represents cash and due from the BCRA (11% as of December 31, 2009). Management relies on the capacity to continue to control and keep a minimum credit risk exposure for the Bank as a result of its portfolio of loans and financial assets based on the following:

- ✓ 99% and 98% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2010, and 2009, respectively;
- ✓ 93% and 91% of the loan portfolio is considered not to be past due or impaired as of December 31, 2010, and 2009, respectively;

The following is an analysis of the Bank's financial assets by activity before considering the guarantees received:

(Figures stated in thousands of Argentine pesos)

	Gross maximum exposure as of 12/31/2010	**Net maximum exposure as of 12/31/2010 (1)**	**Gross maximum exposure as of 12/31/2009**	**Net maximum exposure as of 12/31/2009 (1)**
Granted to individuals	2,606,272	2,403,650	1,700,603	1,539,997
Crops, agricultural and marketing services	527,429	398,040	359,134	280,655
Animal breeding, livestock services, except for veterinary and marketing ones	150,479	113,734	90,535	68,986
Hunting and capture of living animals, repopulation of hunting animals and related services; forestry, wood extraction and related services	4,199	3,481	1,620	1,599
Fishing, related services, production and sale	148,583	35,922	56,056	24,878
Exploitation of mines and quarries; sale and production of products extracted	65,759	43,353	45,182	25,603
Production of food and beverages	241,923	200,257	198,206	172,814
Wholesale sale and production of textiles, clothing, finishing and dyeing of furs, tanning and finishing of hides, production of leather goods, saddlery and footwear, and parts thereof	132,505	130,561	35,815	34,673
Extraction, exploitation and sale of oil, rubber and chemical byproducts	44,936	43,100	22,684	22,374
Wholesale sale and manufacture of machines and equipment (all), electrical appliances, communications, TV, and radio equipment, precision and optical medical instruments, clocks	237,239	196,711	58,317	47,854
Wholesale sale and manufacture of vehicles, automobiles, trailers and semitrailers of equipment and means of transport	26,292	24,977	8,146	7,750
Electricity, gas, steam and hot water	14,700	13,453	7,726	5,776
Construction	220,137	191,984	87,179	71,221
Wholesale and/or on-commission or on-consignment trade, except for the trade of vehicles, automobiles and motorbicycles	573,782	534,329	273,298	247,100
Retail trade, except for the trade of vehicles, automobiles and motorbicycles, repair of personal effects and household equipment	250,688	203,335	128,090	108,940
Hotels and restaurants	3,939	3,560	3,461	2,843
Financial intermediation and other financial services	5,489,152	5,478,929	4,522,160	4,516,737
Real estate, business and lease	125,114	111,704	75,654	65,334
Public administration, defense and mandatory social security Organizations and extraterritorial bodies	87,916	87,916	5,892	5,892
Other industries	2,376,431	2,128,667	1,507,539	1,336,665
Total	**13,327,475**	**12,347,663**	**9,187,297**	**8,587,691**

1) It is obtained by deducting from the “gross maximum exposure” the amounts of guarantees received for the financing facilities as improvement of the credit risk.

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(Figures stated in thousands of Argentine pesos)

The amount and type of guarantee required for financing facilities granted depend on an assessment of the counterparty's credit risk. The guidelines are implemented according to the capacity of acceptance of the types of guarantee and valuation metrics.

The main types of guarantees obtained are as follows:

- Collaterals of certificates of deposit with the Bank;
- Cash on hand;
- Postdated checks;
- Mortgage on real property and security agreements related to private parties' property.

The Bank controls the market values of guarantees, requests additional guarantees according to the loan agreements involved and controls the market value of the guarantees obtained during their review to determine whether the allowances for uncollectibility risk are adequate.

It is the Bank's policy to dispose of such guarantees to reduce or settle uncollected amounts.

Loan quality by sector

The Bank manages the quality of loans through ratings established by the BCRA, as mentioned above.

	Neither delinquent nor impaired		Delinquent, not impaired		Impaired			Total as of 12/31/2010
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	5,629,781	2,986	126,020	1,228	1,639	10,680	15,083	5,787,417
Mortgage loans	92,425	772	1,478	1,138	553	839	381	97,586
Consumer loans	2,353,869	18,383	372,876	20,392	12,202	31,835	19,280	2,828,837
Totals	**8,076,075**	**22,141**	**500,374**	**22,758**	**14,394**	**43,354**	**34,744**	**8,713,840**

	Neither delinquent nor impaired		Delinquent, not impaired		Impaired			Total as of 12/31/2009
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	3,168,275	4,744	77,708	2,793	4,797	24,633	8,514	3,291,464
Mortgage loans	107,483	1,025	2,610	1,178	310	1,345	453	114,404
Consumer loans	1,416,005	15,864	256,416	16,622	19,114	36,499	19,818	1,780,338
Totals	**4,691,763**	**21,633**	**336,734**	**20,593**	**24,221**	**62,477**	**28,785**	**5,186,206**

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(Figures stated in thousands of Argentine pesos)

The other financial assets are neither delinquent nor impaired.

Delinquent, not impaired and impaired loans by type, along with the fair value of the related guarantee and the amounts of allowances, are as follows:

	Delinquent, not impaired		Impaired Situation 3 to 5	
	12/31/2010	**12/31/2009**	**12/31/2010**	**12/31/2009**
Loans	**523,132**	**357,327**	**92,492**	**115,483**
Fair value of guarantees received	**76,548**	**51,693**	**6,084**	**7,640**
Commercial loans	51,502	36,959	2,596	2,268
Mortgage loans	2,467	3,557	936	887
Consumer loans	22,579	11,177	2,552	4,485
Allowances	**14,236**	**4,314**	**79,796**	**96,648**
Commercial loans	1,192	892	25,584	33,965
Mortgage loans	320	64	1,416	1,846
Consumer loans	12,724	3,358	52,796	60,837

Analysis by aging of loans in arrears but not impaired (in days):

	Delinquent, not impaired				Total as of 12/31/2010
	Up to 30	**From 31 to 60**	**From 61 to 90**	**Over 90**	
Commercial loans	104,351	13,091	4,153	5,653	127,248
Mortgage loans	1,472	682	462	-	2,616
Consumer loans	366,778	18,757	6,298	1,435	393,268
TOTAL	**472,601**	**32,530**	**10,913**	**7,088**	**523,132**

	Delinquent, not impaired				Total as of 12/31/2009
	Up to 30	**From 31 to 60**	**From 61 to 90**	**Over 90**	
Commercial loans	65,099	5,939	5,315	4,148	80,501
Mortgage loans	2,740	820	228	-	3,788
Consumer loans	239,711	24,830	5,416	3,081	273,038
TOTAL	**307,550**	**31,589**	**10,959**	**7,229**	**357,327**

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(Figures stated in thousands of Argentine pesos)

The following table shows the book value of financial assets that would have been in arrears o that would have been impaired if their conditions had not been renegotiated:

	12/31/2010	12/31/2009
Commercial loans	10,380	9,859
Mortgage loans	123	85
Consumer loans	15,234	9,419
Total	**25,737**	**19,363**

Liquidity risk

In order to reduce the liquidity risk deriving from the uncertainty that the Bank may be exposed to with respect to its capacity to honor the financial commitments assumed with its customers in due time and manner, a policy has been established, the main aspects of which are as follows:

Assets: A high-liquidity assets portfolio will be maintained to cover at least 5% of total liabilities, comprising deposits, the corporate bonds issued by the Bank, the repurchase agreements taken and the financial and interbank loans borrowed, maturing before the term of 90 days.

Liabilities: In order to minimize the unintended effects of illiquidity deriving from the possible withdrawal of deposits and the repayment of interbank loans taken, the Bank's purpose is to diversify the structure of liabilities, as regards sources and instruments. In this respect, the objective is to attract funds from as many customers and industries as possible, offering the greatest diversity of financial instruments. For this purpose, the Bank has implemented the following policies, the follow-up and control of which are under the charge of the Finance Committee:

a) Giving priority to the attraction of retail deposits in order to have an atomized portfolio, avoiding the risk of concentrating the portfolio in a few investors. The level of retail deposits is expected to be at least 50% of total deposits.

b) The interest held in the certificates of deposit portfolio of institutional investors (foreign investors, mutual funds, insurance companies and pension fund managers) shall not exceed 15% of total liabilities.

c) The certificates of deposit taken shall not exceed 5% of total certificates of deposit, or a fixed amount determined by the Bank.

d) No investor may have certificates of deposit for an amount exceeding 10% of the total deposits portfolio.

(Figures stated in thousands of Argentine pesos)

e) Finally, financial and interbank loans borrowed may not exceed 20% of total liabilities. No institution can exceed 50% of such limit.

In the event of a liquidity crisis, the Bank has a contingency plan with the following actions:

a) Sale of high-liquidity assets that form part of the reserve held of 5% of total liabilities, as previously mentioned;

b) Repurchase agreements with the BCRA with assets issued thereby, which are held in the Bank's portfolio;

c) Limiting any new credit assistance; and

d) Requesting financial assistance from the BCRA in the event of illiquidity. Current BCRA rules set forth the criteria to grant financial assistance to financial institutions in the event of illiquidity problems.

The following table shows the liquidity ratios during FY 2010 and 2009, which arise from dividing net liquid assets, made up of cash, due from the BCRA, due from other financial institutions, BCRA bills and BCRA notes and the other assets measured at fair value, by total deposits.

	12/31/2010 %	12/31/2009 %
As of December 31	49.4	57.2
Average for the year	53.4	57.4
Higher	64.5	63.3
Lower	48.2	54.5

The following table breaks down financial assets and liabilities by contractual maturity, considering the total amounts upon their due date:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

	On demand	Derivative financial instruments	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total as of 12/31/2010
Cash and due from the BCRA (Central Bank of Argentina)	1,415,096	-	-	-	-	-	1,415,096
Due from other financial institutions	354,916	-	-	-	-	-	354,916
Financial assets measured at fair value held for trading	8,330	-	16,661	130,073	931,928	49,571	1,136,563
Financial assets measured at fair value from their initial recognition	-	-	1,301,128	832,495	-	-	2,133,623
Loans	-	-	5,077,874	2,153,229	2,129,881	86,409	9,447,393
Other receivables	80,302	-	4,894	11,707	25,943	193	123,039
Other financial assets	29,892	-	-	-	-	-	29,892
Total	**1,888,536**	**-**	**6,400,557**	**3,127,504**	**3,087,752**	**136,173**	**14,640,522**
Financing facilities received from financial institutions	-	-	88,854	14,325	94,692	16	197,887
Derivative financial instruments	-	2,513	-	-	-	-	2,513
Deposits	5,464,089	-	4,499,946	493,953	127,164	-	10,585,152
Other financial liabilities	46,066	-	672,459	9,587	2,152	6	730,270
Total	**5,510,155**	**2,513**	**5,261,259**	**517,865**	**224,008**	**22**	**11,515,822**

	On demand	Derivative financial instruments	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total as of 12/31/2009
Cash and due from the BCRA (Central Bank of Argentina)	1,508,110	-	-	-	-	-	1,508,110
Due from other financial institutions	285,356	-	-	-	-	-	285,356
Financial assets held for trading	-	-	5,817	69,514	518,726	100,085	694,142
Financial assets measured at fair value from their initial recognition	-	-	613,175	1,094,529	1,100	-	1,708,804
Financial assets available for sale	8,430	-	7,118	22,022	251,207	25,786	314,563
Financial assets held to maturity	-	-	1,279	91,641	183,278	-	276,198
Loans	-	-	2,861,818	904,814	1,348,737	484,183	5,599,552
Other receivables	53,335	-	52,310	7,871	12,438	4,090	130,044
Other financial assets	26,701	-	-	-	-	-	26,701
Total	**1,881,932**	**-**	**3,541,517**	**2,190,391**	**2,315,486**	**614,144**	**10,543,470**
Financing facilities received from financial institutions	-	-	29,348	7,357	26,133	292	63,130
Derivative financial instruments	-	6,956	-	-	-	-	6,956
Deposits	3,993,493	-	2,558,686	288,333	41,120	-	6,881,632
Subordinated corporate bonds	-	-	909	61,656	-	-	62,565
Other financial liabilities	32,931	-	483,795	1,470	3,174	-	521,370
Total	**4,026,424**	**6,956**	**3,072,738**	**358,816**	**70,427**	**292**	**7,535,653**

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Jorge G. Stuart Milne
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(Figures stated in thousands of Argentine pesos)

The following table shows the breakdown by contractual maturity considering the total amounts upon their due date of the Bank's contingent obligations:

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2010
Unused agreed overdrafts	50,000	-	134,907	-	-	-	-	184,907
Guarantees granted	8,828	9,139	12,995	18,521	93,376	102	23	142,984
Letters of credit	11,654	10,179	4,672	2,866	250	-	-	29,621
Obligations for foreign trade transactions	7,608	15,127	3,661	40	-	-	-	26,436
TOTAL	78,090	34,445	156,235	21,427	93,626	102	23	383,948

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2009
Unused agreed overdrafts	55,000	-	76,910	-	-	-	-	131,910
Guarantees granted	48,609	4,535	9,429	3,357	10,311	98	51	76,390
Letters of credit	10,379	15,760	4,036	13,459	-	-	-	43,634
Obligations for foreign trade transactions	13,567	19,797	4,405	290	-	-	-	38,059
TOTAL	127,555	40,092	94,780	17,106	10,311	98	51	289,993

Market risk

The market risk is that arising from fluctuations due to changes in market prices that cause the value of future cash flows of financial instruments to fluctuate due to those changes. Market risks arise from net interest rate, currency and price positions, all of which are exposed to general and specific market changes and changes in the price volatility such as interest rates, credit margins, foreign currency exchange rates and prices of shares and securities.

Banco Patagonia determines the market risk exposure arising from the fluctuation in the value of portfolios of investments for trading, which result from changes in market prices, the Bank's net positions in foreign currency, and government and private securities with normal quoted prices.

These risks arise from the size of the Bank's net positions and/or the volatility of the risk factors involved in each financial instrument. Such monitoring is made monthly based on daily positions.

Risks to which those investment portfolios are exposed are monitored through historical simulation techniques of "Value at Risk" (VaR). Banco Patagonia applies the VaR methodology to calculate the market risk of the main positions adopted and the expected maximum loss based on a series of assumptions for a variety of changes in market conditions.

The daily VaR measurement is a statistical-based estimate of the maximum loss possible of the current portfolio based on the adverse changes of the market. It states the maximum amount the Bank could lose, but with a certain confidence level (99%). Therefore, there is a specific statistical possibility (1%) for the actual loss to exceed the estimated VaR. The VaR model assumes a certain "retention period" until positions can be closed (1-5 days). The time horizon used to calculate the VaR is one day. However, the one-day VaR is extended to a time period of 5 days and is calculated by multiplying the one-day VaR by the square root of 5.

(Figures stated in thousands of Argentine pesos)

It is noteworthy that the use of that approach does not avoid losses beyond those limits in the event of the most significant market changes.

As of December 31, 2010, and 2009, the Bank's VaR by type of risk is as follows:

VaR of the trading portfolio	**12/31/2010**	**12/31/2009**
Currency exchange rate risk	4,837	8,723
Interest rate risk	157,366	91,650
Price risk	83,470	56,168

The Bank uses simulation models to evaluate possible changes in the market value of the trading portfolio based on historical data for the last five years.

The VaR models are designed to measure the market risk in a normal market environment. They assume that any change occurring in risk factors that affect the normal market environment will follow a normal distribution.

Distribution is calculated through historical data weighted exponentially. The use of VaR has limitations because it is based on historical volatilities and correlations in market prices and assumes that future price changes will follow a statistical distribution.

As the VaR is largely based on historical data to provide information and perhaps does not clearly anticipate future variations and changes in risk factors, the possibility of significant market changes can be underestimated if changes in risk factors are not aligned with the normal distribution presumption.

The VaR can only be over or underestimated due to risk factor assumptions and the correlation between those factors and specific instruments. Although positions may vary throughout the day, the VaR only represents the risk of portfolio as of the end of each business day, and does not book the losses that may occur when the 99% confidence level is exceeded.

Sensitivity to interest rate changes

The following table shows the sensitivity to a possible change in interest rates, keeping all the other variables constant in the statement of income and changes in shareholders' equity before income tax.

The statement of income sensitivity is the effect of estimated changes in interest rates on net financial income for a year, before income tax, based on financial assets and liabilities as of December 31, 2010, and 2009, breaking down items by currency and adjustment for inflation, and applying thereto the sensitivity of changes in different interest rates and inflation. This is due to the holding of government securities (including government securities available for sale as of December 31, 2009) and secured loans adjusted by the CER as of December 31, 2009, as well as the decrease in the asset position in foreign currency resulting from the increase in the credit lines to foreign trade activities over the last few years.

(Figures stated in thousands of Argentine pesos)

The equity sensitivity is calculated revaluing net financial assets, before income tax, as of December 31, 2010, and 2009, due to the effects of estimated changes in interest rates:

	As of December 31, 2010					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	153	+/-	181
Foreign currency	+/-	75	+/-	229	+/-	271
Foreign currency	+/-	100	+/-	306	+/-	362
Foreign currency	+/-	150	+/-	458	+/-	542
Argentine pesos	+/-	50	+/-	933	+/-	383
Argentine pesos	+/-	75	+/-	1,399	+/-	574
Argentine pesos	+/-	100	+/-	1,865	+/-	766
Argentine pesos	+/-	150	+/-	2,798	+/-	1,148

	As of December 31, 2009					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	257	+/-	352
Foreign currency	+/-	75	+/-	385	+/-	528
Foreign currency	+/-	100	+/-	513	+/-	705
Foreign currency	+/-	150	+/-	770	+/-	1.057
Argentine pesos	+/-	50	+/-	549	+/-	512
Argentine pesos	+/-	75	+/-	824	+/-	768
Argentine pesos	+/-	100	+/-	1,099	+/-	1,024
Argentine pesos	+/-	150	+/-	1,648	+/-	1,536
Argentine pesos + CER	+/-	50	+/-	13	+/-	65
Argentine pesos + CER	+/-	75	+/-	19	+/-	98
Argentine pesos + CER	+/-	100	+/-	25	+/-	131
Argentine pesos + CER	+/-	150	+/-	38	+/-	196

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The tables above are illustrative and are based on simplified scenarios. Figures represent the effect of proforma changes in net financial income based on scenarios of the return curve and the risk profile of the effective interest rate in the Argentine financial system. They do not include actions to be taken by Management to mitigate the impact of this interest rate risk. Banco Patagonia seeks to maintain a position of net assets that allows it to minimize losses and optimize net income. The above projections also assume that the interest rate for all maturities are for the same amount and, therefore, do not reflect the potential impact on the net financial income of some rates that change, whereas others remain unchanged. Projections also include assumptions to facilitate calculations, for example, that all positions are kept to maturity.

Foreign currency exchange rate risk:

Banco Patagonia is exposed to fluctuations in foreign currency exchange rates in its financial position and cash flows. The larger proportion of assets and liabilities kept are related to US dollars.

The foreign currency position includes assets and liabilities reflected in pesos at the exchange rate as of the closing dates mentioned below. An institution's open position comprises assets, liabilities and memorandum accounts stated in foreign currency, where an institution assumes the risk. Any devaluation / revaluation of those currencies would affect the Bank's statement of income.

Foreign currency transactions are performed at the supply and demand exchange rates. As of December 31, 2010, and 2009, the Bank's open position, stated in Argentine pesos by currency, is as follows:

ITEMS	Total as of 12/31/10	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Central Bank of Argentina)	642,644	29,418	612,416	207	-	603
Due from other financial institutions	329,066	27,919	293,809	911	565	5,862
Financial assets measured at fair value held for trading	283,209	14	283,195	-	-	-
Loans	1,306,475	4,246	1,302,209	20	-	-
Other receivables	9,635	-	9,634	-	-	1
Totals	**2,571,029**	**61,597**	**2,501,263**	**1,138**	**565**	**6,466**
LIABILITY POSITION						
Financing facilities received from financial institutions	129,983	-	129,983	-	-	-
Deposits	1,668,032	22,151	1,645,881	-	-	-
Other liabilities	173,012	13,133	159,783	49	8	39
Totals	**1,971,027**	**35,284**	**1,935,647**	**49**	**8**	**39**
Net position	**600,002**	**26,313**	**565,616**	**1,089**	**557**	**6,427**

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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 46)

(Figures stated in thousands of Argentine pesos)

ITEMS	Total as of 12/31/09	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Central Bank of Argentina)	649,835	32,348	617,178	309	-	-
Due from other financial institutions	263,826	36,055	222,484	2,993	187	2,107
Financial assets held for trading	169,394	-	169,394	-	-	-
Financial assets available for sale	83	13	70	-	-	-
Financial assets held to maturity	214,410	-	214,410	-	-	-
Loans	1,025,069	386	1,024,640	43	-	-
Other receivables	11,998	-	11,993	5	-	-
Other assets	600	-	600	-	-	-
Forward transactions of foreign currency, net	835,274	-	835,274	-	-	-
Totals	**3,170,489**	**68,802**	**3,096,043**	**3,350**	**187**	**2,107**
LIABILITY POSITION						
Financing facilities received from financial institutions	47,827	-	47,827	-	-	-
Deposits	1,425,013	27,814	1,397,199	-	-	-
Subordinated corporate bonds	61,200	-	61,200	-	-	-
Other liabilities	154,710	16,020	138,584	91	10	5
Totals	**1,688,750**	**43,834**	**1,644,810**	**91**	**10**	**5**
Net position	**1,481,739**	**24,968**	**1,451,233**	**3,259**	**177**	**2,102**

In connection with the exposure to exchange rate variations, gains (losses) on a devaluation / revaluation of the Bank's net asset position in US dollars, a significant currency of the position disclosed in the table above, are as follows:

Sensitivity analysis	Exchange rate percentage variation	2010	2009
Peso devaluation with respect to the foreign currency	5	**28,281**	72,562
Peso devaluation with respect to the foreign currency	10	**56,562**	145,123
Peso revaluation with respect to the foreign currency	5	**(28,281)**	(72,562)
Peso revaluation with respect to the foreign currency	10	**(56,562)**	(145,123)

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Operational risk

The operational risk is the risk of loss arising from a system failure, human error, fraud or external events. When internal controls do not operate, operational risks may damage reputation, bring about legal or regulatory consequences or cause financial losses. The Bank's goal cannot be to eliminate all operational risks. However, the Bank may manage these risks by using control matrices and monitoring and responding to potential risks. Controls primarily comprise segregation of duties, accesses, authorization and reconciliation procedures, personnel training and performance evaluation processes, including the internal audit review.

NOTE 43: Mutual fund custodian

Under section 32, Chapter XI (11), of the revised text of CNV regulations, below is the information on the total amount in custody as of December 31, 2010, and 2009, of the portfolio of the following mutual funds for which the Bank acts as depository institution:

Name	Deposits	Other	Total assets as of 12/31/2010
Lombard Renta en Pesos Fondo Común de Inversión	256,069	33,435	289,504
Fondo Nuevo Renta en Dólares Fondo Común de Inversión - a)	139	-	139
Fondo Común de Inversión Lombard Acciones	198	6,920	7,118
Fondo Común de Inversión Lombard Renta Fija	1,724	15,658	17,382
Fondo Común de Inversión Lombard Ahorro	12,488	-	12,488
Lombard Capital F.C.I.	4,874	19,851	24,725
TOTAL	**275,492**	**75,864**	**351,356**

Name	Deposits	Other	Total assets as of 12/31/2009
Lombard Renta en Pesos Fondo Común de Inversión	278,486	11,491	289,977
Fondo Nuevo Renta en Dólares Fondo Común de Inversión - a)	183	-	183
Fondo Común de Inversión Lombard Acciones	94	4,623	4,717
Fondo Común de Inversión Lombard Renta Fija Premium – a)	34	695	729
Fondo Común de Inversión Lombard Renta Fija	207	5,230	5,437
Fondo Común de Inversión Lombard Ahorro	15,283	-	15,283
Lombard Capital F.C.I.	5,538	32,144	37,682
TOTAL	**299,825**	**54,183**	**354,008**

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a) Mutual funds settlement

On October 7, 2005, Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión and Banco Patagonia S.A. (manager and depository, respectively) approved to begin the "Fondo Nuevo Renta en Dólares Fondo Común de Inversión" and "Fondo Común de Inversión Lombard Renta Fija Premium" liquidation process pursuant to the provisions of CNV General Resolution No. 439/03. On April 25, 2006, the CNV notified the resolution of not authorizing the beginning of the liquidation process, due to the existence of legal actions brought by holders of shares in such mutual funds pending court resolution. Therefore, as from that date, the funds mentioned above were only authorized to receive redemptions.

Subsequently, on July 5 and 19, 2010, the depository and manager, respectively, approved to begin settling "Fondo Común de Inversión Lombard Renta Fija Premium" and requested the CNV to approve such settlement as the unresolved legal actions concluded and no new claims were brought. Therefore, as from July 21, 2010, the transactions related to such fund were suspended.

On September 08, 2010, through GR No. 16,406, the CNV approved the liquidation process of such fund. On September 20, 2010, the fund's asset realization process was concluded and the financial statements for winding-up purposes were issued.

Finally, December 20, 2010 marked the end of the period for total payment to the holders of shares and, on December 29, 2010, the remaining shares were redeemed; thus the fund liquidation process was ended.

As of the date of these financial statements, the deregistration of the abovementioned fund from CNV records is in process.

Fees earned as depository institution are recorded under "Fee income – Other" in the amounts of 670 and 593 as of December 31, 2010, and 2009, respectively.

NOTE 44: Corpus assets

The Bank executed a series of agreements with other companies whereby it was appointed trustee of certain financial trusts. The corpus assets of these trusts were mainly loans. Those loans were not recorded in the financial statements, since they are not the Bank's assets and, therefore, are not consolidated.

As of December 31, 2010, and 2009, the Bank acts as trustee of 33 and 40 trusts, respectively, and in no case will it answer for the obligations undertaken in executing these trusts with its own assets; these obligations will only be satisfied with and up to the amount of corpus assets and the proceeds therefrom.
The fees earned by the Bank for acting as trustee are calculated under the terms of the respective agreements and the Bank's compensation as trustee is recorded under "Fee income – Trust activity" in the amounts of 12,086 and 10,237 as of December 31, 2010, and 2009, respectively.

(Figures stated in thousands of Argentine pesos)

The following is a table summarizing the assets and equity managed by the Bank as of December 31, 2010, and 2009.

	12/31/2010	12/31/2009
Total assets	724,136	666,708
Total shareholders' equity	181,465	273,975

NOTE 45: Financial agent of the Province of Río Negro

Under Law No. 2.929 of the Province of Río Negro, and the agreement signed on May 27, 1996, the Bank acted as financial agent of the Provincial Government, being in charge of the following banking duties:

a) Transfer and deposit of federal tax revenue sharing resources, those related to special laws and other federal funds in official checking accounts opened or to be opened in the Bank, except for those federal funds that as required by the Federal Government should be credited in accounts authorized to such end in banks other than Banco Patagonia.

b) The distribution to municipalities of provincial tax revenue sharing resources by crediting to the checking account with the branch nearer to the holder of funds to be received.

c) The deposit of currency, securities or other cash equivalents provided as security for agreements or bids of the public administration and court deposits.

d) Compliance with payment of salaries, in their different types, to public administration agents and officers, and payment of other provincial benefits, as well as compliance with payment orders to suppliers.

e) Receipt of deposits for payment of taxes, rates, assessments, pension fund contributions and any other service of the public administration.

f) Crediting of amounts related to the deposits established in the preceding point to the checking accounts that the province has authorized to such end.

g) Hoarding of funds, in cash and/or securities, of the public administration and provision of all banking services supplementary to the activities summarized in this section, including principal and coupon interest payment services in connection with the Province government debt securities.

h) Those other related or new services that in the future the Bank may implement, provide or develop for its customers and that the Province may accept to introduce.

On February 28, 2006, such agreement expired. Through successive extensions it remained effective through December 31, 2006, under the same terms and conditions as those of the abovementioned agreement.

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(Figures stated in thousands of Argentine pesos)

Furthermore, through Argentine public bidding No. 1/2006, the Ministry of Finance, Public Works and Services of the Province of Río Negro called for the engagement of a bank to render services as agent. The bids opening date was August 4, 2006, and Banco Patagonia has submitted the related bid.

Finally, as a result of such bidding process, on December 14, 2006, the Río Negro Province Banking and Financial Services Agreement was signed for a 10-year term as from January 1, 2007. Such duties do not include the obligation to provide financial aid to the Province of Río Negro under conditions other than those consistent with the private bank nature of this bank.

The Province guarantees the Bank the payment as compensation for services provided thereto, which shall be made monthly. The Bank is thus empowered to debit such amount directly.

Fee income related to such activity is recorded under “Fee income – Other” in the amounts of 9,591 and 9,449 as of December 31, 2010, and 2009, respectively.

NOTE 46: <u>Explanation added for translation in English</u>

These financial statements are the English translation of those originally issued in Spanish.

They are presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The effects of differences between those standards and the accounting principles generally accepted in the countries in which the accompanying financial statements may be used have not been quantified.

Accordingly, these financial statements are not intended to present financial position, results of operations or changes in financial position in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than those countries that apply IFRS issued by the IASB.

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