BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2011

jointly with the Independent Auditors' Report

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

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BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2011
(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, 2011, 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, 2011, and its results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Buenos Aires, Argentina
March 26, 2012

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" align="center">Registered office:</td></tr>
<tr><td colspan="4" align="center">Teniente Gral. Juan D. Perón 500 – Buenos Aires – Argentina</td></tr>
<tr><td colspan="2" align="center">Main business activity: Commercial bank</td><td colspan="2" align="center">C.U.I.T. (Argentine tax identification number): 30 - 50000661 - 3</td></tr>
<tr><td colspan="4" align="center">Incorporation date: May 4, 1928</td></tr>
<tr><td rowspan="4" align="center">Registration with the Buenos Aires City Public Registry of Commerce</td><td rowspan="2" align="center">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: 12/07/11</td></tr>
<tr><td rowspan="2" align="center">Book</td><td colspan="2">Stock Corporations Book: 57</td></tr>
<tr><td colspan="2">Number: 30,114</td></tr>
<tr><td colspan="4" align="center">Expiry of the articles of incorporation: August 29, 2038</td></tr>
<tr><td colspan="4" align="center">Fiscal year No. 88</td></tr>
<tr><td colspan="2" align="center">Beginning date: January 1, 2011</td><td colspan="2" align="center">Closing date: December 31, 2011</td></tr>
<tr><td colspan="4" align="center">Capital structure (See note 2)</td></tr>
<tr><td colspan="2" rowspan="2" align="center">Number and characteristics of shares</td><td colspan="2" align="center">In Argentine pesos</td></tr>
<tr><td align="center">Subscribed</td><td align="center">Paid-in</td></tr>
<tr><td colspan="2" align="center">719,264,737 book-entry shares of common stock of ARS 1 face value and entitled to one vote each</td><td align="center">719,264,737</td><td align="center">719,264,737</td></tr>
</table>

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2011	12/31/2010 (*)
Interest income and similar ones	5	1,772,627	1,080,291
Interest expense and similar ones	6	(646,072)	(314,122)
Net interest income and similar ones		1,126,555	766,169
Fee income	7	825,992	578,495
Fee expenses	7	(177,088)	(149,387)
Net fee income		648,904	429,108
Gains (losses) on financial assets measured at fair value held for trading	8	153,128	246,601
Gains (losses) on financial assets measured at fair value from their initial recognition	9	241,531	202,556
Foreign exchange difference (net)	10	106,209	83,087
Income for acquisition of subsidiarie	3.3	-	82,869
Other operating income	11	34,914	27,745
TOTAL OPERATING INCOME		2,311,241	1,838,135
Net uncollectibility charges of loans	22	(89,530)	(44,632)
TOTAL OPERATING INCOME, NET		2,221,711	1,793,503

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, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2011	12/31/2010 (*)
Personnel expenses	12	(689,042)	(530,678)
Depreciation of bank premises and equipment, and other	25	(20,635)	(16,946)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	13	(8,890)	(12,798)
Other operating expenses	14	(561,438)	(422,594)
TOTAL OPERATING EXPENSES		(1,280,005)	(983,016)
OPERATING INCOME (LOSS)		941,706	810,487
INCOME BEFORE INCOME TAX		941,706	810,487
Income tax, net	15	(349,365)	(245,464)
NET INCOME FOR THE YEAR		592,341	565,023
Attributable to:			
The parent's shareholders		591,917	564,747
Minority interest (see note 3.1)		424	276
Earnings per share			
Basic earnings per share	16	0.8229	0.7851
Diluted earnings per share	16	0.8229	0.7851

(*) They are presented solely for comparative purposes.

Notes 1 through 45 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, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2011	12/31/2010 (*)
NET INCOME FOR THE YEAR		592,341	565,023
OTHER COMPREHENSIVE INCOME:			
Reserves for conversion differences	32	3,799	1,914
Tax effect on other comprehensive income	32	(1,330)	(672)
OTHER COMPREHENSIVE INCOME, NET		2,469	1,242
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		594,810	566,265
Attributable to:			
The parent's shareholders		594,386	565,989
Minority interest (see note 3.1)		424	276

(*) They are presented solely for comparative purposes.

Notes 1 through 45 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, 2011
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2011	12/31/2010 (*)
Cash and due from the BCRA (Central Bank of Argentina)	18	2,247,026	1,415,096
Due from other financial institutions	19	446,932	354,916
Financial assets measured at fair value held for trading	20	983,419	904,060
Financial assets measured at fair value from their initial recognition	20	860,349	2,074,612
Derivative financial instruments	21	129	-
Loans	22	13,158,669	8,538,044
Other receivables	23	157,559	114,538
Non-current assets held for sale	24	15,659	-
Bank premises and equipment, and other	25	268,677	272,052
Deferred tax assets	15	104,808	75,998
Other assets	26	77,511	59,077
TOTAL ASSETS		18,320,738	13,808,393

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, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

LIABILITIES	NOTE	12/31/2011	12/31/2010 (*)
Financing facilities received from financial institutions	27	486,444	178,289
Derivative financial instruments		-	452
Deposits	21	13,596,871	10,507,571
Corporate bonds	28	228,324	-
Other liabilities	30	1,354,118	820,243
Provisions for miscellaneous risks	31	39,364	40,329
TOTAL LIABILITIES		15,705,121	11,546,884

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, 2011
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2011	12/31/2010 (*)
Capital stock	2	719,265	719,265
Additional paid-in capital		217,191	217,191
Unappropriated retained earnings		1,240,905	985,971
Reserve for conversion differences	32	9,442	6,973
Legal reserve	32	426,373	330,092
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT'S SHAREHOLDERS		2,613,176	2,259,492
MINORITY INTEREST		2,441	2,017
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		2,615,617	2,261,509
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,320,738	13,808,393

(*)They are presented solely for comparative purposes.

Notes 1 through 45 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, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Legal reserve (2) (3)	Reserve for conversion differences (3)	Unappropriated retained earnings	Total Attributable to The parent's shareholders (4)	Total Minority Interest (5)	Total
		Additional paid-in capital						
Balance as of January 1, 2011	719,265	217,191	330,092	6,973	985,971	2,259,492	2,017	2,261,509
Net income for the year	-	-	-	-	591,917	591,917	424	592,341
Other comprehensive income for the year, net	-	-	-	2,469	-	2,469	-	2,469
Total comprehensive income for the year, net of taxes	-	-	-	2,469	591,917	594,386	424	594,810
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/27/11 (2)								
Legal reserve	-	-	96,281	-	(96,281)	-	-	-
Cash dividends	-	-	-	-	(240,702)	(240,702)	-	(240,702)
Balance as of December 31, 2011 (4)	719,265	217,191	426,373	9,442	1,240,905	2,613,176	2,441	2,615,617

(1) See note 2.
(2) See note 17.
(3) See note 32.
(4) See note 3.1.
(5) See note 3.3

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 45)

(Figures stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions Additional paid-in capital	Legal reserve (2)	Reserve for conversion differences (2)	Reserve for financial instruments available for sale (2)	Unappropriated retained earnings	Total Attributable to The parent's shareholders (3)	Total Minority Interest (4)	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									
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 (3)	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 32.
(3) See note 3.1.
(4) See note 3.3

(*) They are presented solely for comparative purposes.

Notes 1 through 45 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, 2011

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

	12/31/2011	12/31/2010 (*)
Changes in cash		
Cash at beginning of year (see note 34)	1,587,163	1,635,592
Foreign exchange difference attributable to cash	(156,575)	(118,925)
Cash as of year-end (see note 34)	2,430,888	1,587,163
Net increase / (Net decrease) in cash	**687,150**	**(167,354)**
Causes of changes in cash		
Operating activities		
Financial assets measured at fair value from their initial recognition		
Payments for purchases	(829,991)	(1,577,821)
Interest collections	208,481	191,114
Amortization and sales collections	2,077,307	1,173,573
Interest collected on loans	1,666,757	996,256
Interest collected on other receivables	18,633	27,663
Dividends collected of investments in other companies	13,284	8,999
Interest paid on deposits	(552,173)	(276,844)
Net collections / (payments) for:		
Financial assets measured at fair value held for trading	118,366	145,076
Loans	(4,434,898)	(3,236,922)
Other assets, net	113,460	5,488
Other receivables	(22,032)	77,488
Deposits	2,845,077	3,554,326
Fees and commissions earned	834,327	582,164
Fees and commissions paid	(234,881)	(184,338)
Operating expenses paid	(1,189,939)	(861,198)
Income tax paid	(228,675)	(486,358)
Net cash flow provided by Operating Activities	**403,103**	**138,666**

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, 2011
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

	12/31/2011	12/31/2010 (*)
Investing activities		
Payments for purchases of bank premises and equipment, and other	(55,186)	(55,769)
Income from sales of bank premises and equipment, and other	50,512	15,721
Payments for acquisition of subsidiarie	-	(89,531)
Net cash flow used in Investing Activities	**(4,674)**	**(129,579)**
Financing activities		
Financing facilities received from financial institutions	306,837	117,343
Interest paid on financing facilities received from financial institutions	(5,738)	(4,407)
Issue / (Payment) of corporate bonds	228,324	(64,964)
Dividends payments	(240,702)	(224,413)
Net cash flow provided by / (used in) financing activities	**288,721**	**(176,441)**
Net increase / (Net decreased) in cash	**687,150**	**(167,354)**

(*)They are presented solely for comparative purposes.

Notes 1 through 45 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 45)

(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 is controlled by Banco do Brasil S.A.

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).

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.

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 the Central Bank of Argentina (BCRA)'s Board of Governors, which established the following, among others:

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)

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

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. (the Contract), 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%.

On March 26, 2012, 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 26, 2012 shall approve the Bank’s stand-alone and consolidated financial statements as of December 31, 2011, which were issued under local standards and were approved by the Shareholders’ Board on January 30, 2012 and filed with the CNV (Argentine Securities Commission) and the CVM on January 31, 2012, and the BCRA on February 15, 2012. 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, 2011, and 2010, the capital stock structure and changes therein are as follows:

ACCIONES SUSCRIPTAS E INTEGRADAS				CAPITAL SOCIAL EMITIDO	
Class	**Number**	**Face value (ARS) per share**	**Votes per share**	**Outstanding**	**Paid-in**
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 January 1, 2011	719,264,737			719,265	719,265
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, 2011	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	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 (2)	(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

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 45)

(Figures stated in thousands of Argentine pesos)

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.

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

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.<u>Capital stock reduction</u>

The treasury stock acquisition program implemented on July 31, 2008, resulted in a total of ARS 28,890,941 common book-entry shares adquired by the Bank at December 9, 2009, date on which this program was cancelled for an amount of 39,726.

On March 9, 2010, the Bank's Board of Directors approved the proposal to reduce capital stock by 28,891, by cancelling a face value amount of ARS 28,890,941Class "B” book-entry shares of common stock with a face value of ARS 1 and one vote per share acquired under the abovementioned treasury stock acquisition program implemented by the Bank.

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 and on March 30, 2011, the BCBA (Buenos Aires Stock Exchange) decided to cancel the duly granted authorization to list the shares.

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.

3. Transfer of majority control over the outstanding capital stock and votes of Banco Patagonia S.A. to Banco do Brasil S.A.

As mentioned on Note 1 above, on April 21, 2010, the ex 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 ("Agreement") to sell Class "B" book-entry shares of common stock for a face value of ARS 366,825,016 that 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 (plus the established adjustment for the period between the date of the above-mentioned Agreement and the closing date).

To complete the transaction, all of the conditions precedent set forth in the Agreement were first verified and were found to have been met as per the following:

- On September 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.

- 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 public offering ("mandatory APO") as provided by the Agreement.

- On February 3, 2011, the Board of Governors of the BCRA approved the transaction through Resolution No. 16 and the potential acquisitions resulting from such Mandatory APO.

- On April 5, 2011, the Ministry of Economy and Public Finance authorized the transaction through Resolution No. 56 issued by the Department of Argentine Trade, in compliance with the provisions set forth in section 8, Law No. 25,156, Anti-Trust Law.

In view of the above, on April 12, 2011, the Agreement was executed, transferring 51% of the Bank's outstanding shares of the capital stock and votes to Banco do Brasil S.A.

In addition, on that date Banco do Brasil S.A. and the Sellers executed a Shareholders' Agreement, whereby, among other matters, certain call and put options were granted, exercisable as from the third anniversary of the execution date, for the purchase by the Buyers of the ownership interests that the Sellers will hold in the Bank, at the strike price equaling the price in US dollars per share paid in the Offer. The maximum possible shares that can be included in the options is 25% of the Bank's capital stock and votes.

4. Mandatory Public Offering (Mandatory PTO)

On April 7, 2011, Banco do Brasil S.A., in compliance with Argentine regulations, notified Banco Patagonia S.A that it would hold a Mandatory APO in Argentina, as mentioned above, with regard to all of the remaining shares of Banco Patagonia S.A., at the price of USD 1.3140 (the purchase price received by the Sellers under the Agreement, with the adjustment provided for the period between the date of such Agreement and the closing date).

In this regard, on April 15, 2011, the Board of Directors of Banco Patagonia S.A. rendered a favorable opinion on the fairness of the price offered by Banco do Brasil S.A. in the Mandatory APO and stated that the abovementioned offer meets current regulation requirements.

By means of the mandatory APO and pursuant to a joint purchase system agreed by the parties, the Sellers could allowed to purchase 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 any surplus offered.

On April 27, 2011, the Purchaser requested the CNV (Argentine securities commission) for a final authorization of the abovementioned Mandatory APO and on August 17, 2011 the CNV Board of Directors approved the formal aspects of such Mandatory PTO.

Later on, on August 24, 2011, Banco do Brasil S.A. filed with the CNV the final prospectus, establishing as general term of acceptance of the public offering the period extending from September 1, 2011 and September 28, 2011, and as additional term of acceptance of the public offering the period extending between September 29, 2011 and October 5, 2011.

In addition, on August 24, 2011, the CNV authorized the launching of the Obligatory PTO on all the shares of Banco Patagonia S.A. by Banco do Brasil S.A.

The offering term of acceptance ended on October 5, 2011, and as of such date, offers were submitted in the nominal amount of ARS 135,174,290 of Class “B” book-entry common shares, which were settled on October 11, 2011.

Finally, as a result of the Mandatory PTO, the new shareholding structure of Banco Patagonia S.A. is the following: Banco do Brasil S.A. 58.9633%; Selling Shareholders Group 21.4127%; Province of Rio Negro 3.1656% and Free Float 16.4584%.

NOTE 3: Basis of presentation of the financial statements and accounting policies applied

3.1 Basis of presentation

Comparative information

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, 2011, are presented comparatively with those of the prior year-end.

Figures stated in thousands of Argentine pesos

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.

Declaration of compliance

These Consolidated Financial Statements of the Bank were prepared in accordance with the IFRS. This IFRS are Standards and Interpretations issued by the IASB (International Accounting Standards Board) and includes the following:

(a) the International Financial Reporting Standard (IFRS);

(b) the International Accounting Standard (IAS); and

(c) the interpretations issued by the International Financial Reporting Interpretations Committe (IFRIC) or by its predecessor, the Standards Interpretation Committee (SIC).

These consolidated financial statements were prepared based on historical amounts, except for financial assets measured at fair value held for trading and financial assets measured at fair value from their initial recognition, which have been measured at their fair value.

The adopted accounting policies are consistent with those applied in previous fiscal years. The Entity has adopted the mandatory new IFRS and revised IAS, the adoption of these new rules had no significant impact on the financial statements prepared for comparison purposes. The new standards adopted for this financial year are detailed below:

- 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 definition 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. Additionally, IFRS 7 (as revised) includes certain amendments regarding disclosures on credit risk. The amendments delete: (i) the obligation to disclose, by class of financial instrument, the amount that best represents the entity's maximum exposure to credit risk when the book value is the best manner to represent the maximum exposure to such risk; (ii) the obligation to disclose the book value of financial assets that would be past due or that would have been impaired if their terms and conditions had not been renegotiated; and (iii) the fair value of any collateral the entity has taken to secure repayment of credit facilities.

- 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.

- 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 to the accounting by an entity that issues equity instruments to a creditor to extinguish all or part of the financial liability.

- 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.

<u>Consolidation bases</u>

Subsidiaries:

Subsidiaries are all entities (including special-purpose ones, if applicable) over which the Bank has control, i.e., the power 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.

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. 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, reeassess whether it has identified all assets acquired and liabilities assumed and review the procedures used to calculate fair values.

Minority interest:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

On Decembrer 31, 2011 and 2010, the Bank has consolidated these financial statements with the financial statements of the following companies:

Company	Shares		Percentage of	
	Class	Number	Total capital stock	Possible votes
Patagonia Valores S.A. Sociedad de Bolsa	Common stock	13,862,667	99.99%	99.99%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common stock	13,317,237	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	86,837,083	99.00%	99.00%

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.

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, 2011, and 2010.

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, 2011, and 2010 (see note 3.2.f)).

b) Income (loss) for the years ended December 31, 2011, and 2010, 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.

Total assets, liabilities, shareholders' equity and income (loss) of Banco Patagonia S.A. and each of its subsidiaries as of December 31, 2011, and 2010, are disclosed below:

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

(Figures stated in thousands of Argentine pesos)

As of 12/31/2011	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	17,525,141	18,296	23,877	980,037	337,679	(564,292)	18,320,738
Liabilities	14,924,265	1,208	931	736,928	287,595	(245,806)	15,705,121
Shareholders' equity	2,600,876	17,088	22,946	243,109	50,084	(318,486)	2,615,617
Income / (loss) for the year	583,273	(115)	2,478	55,729	(2,068)	(46,956)	592,341

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

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.

The main valuation and disclosure methods followed in the preparation of these financial statements as of December 31, 2011, and 2010, 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 and measured at fair value from their initial recognition is accounted for in the accounts "Gains (losses) on financial assets measured at fair value held for trading" and "Gains (losses) on financial assets measured at fair value from their initial recognition", 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.

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 were directly attributable to their purchase or issuance.

During the financial year ended on December 31,2010, 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.

On December 31,2011 and 2010, the Entity has included in the sub-category financial assets measured at fair value from their initial recognition, 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”, if apropppiate.

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) Loans and accounts receivable (other receivables):

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.

Subsequent to their initial recognition, loans and accounts receivable are 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 22 and 23, respectively.
Accounts receivable and loans are recorded when funds are disbursed to customers. Guarantees granted and contingent obligations are recorded in notes to the Consolidated 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. 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, in case it have been. Management continuously reviews the refinanced and rescheduled loans to ensure that all the conditions 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 41).

b.3) 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 (see note 3.2.a.1)), which reflects a constant rate of return.

b.4) 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), except derivatives financial instruments, which on December 31, 2010 were valued at fair value (see note 21).

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”.

To the calculate of the present value, the estimated future cash flows are 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 future 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 22.)

f) <u>Assets and liabilities in foreign currency:</u>

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.

g) 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.

h) 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 "Loans" 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.

i) Derivative financial instruments:

i.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 fair value of the contracts 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 fair 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.

j) Non - current assets held for sale::

As of December 31, 2011, the Entity has classified in this cathegory non-current assets, of which the book value will be recovered mainly through sale, which are available to be sold inmediately in its present conditions and for which the management has agreed to negotiate at a reasonable price. Therefor, sales are classified are highly probable and it is expected that they will be completed within the year following their classification date.

These assets are measured at the lesser of their book value and their fair value less cost to sell, and are not depreciated since their inclusion in the category.

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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 is calculated proportionally to the estimated 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 recoverable 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.

(Figures stated in thousands of Argentine pesos)

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. In the fiscal years ended December 31, 2011, and 2010, 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 42 and 43.)

Fees arising from these activities are included in the account "Fee income" in the Consolidated Statement of Income.

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 30).

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:

(Figures stated in thousands of Argentine pesos)

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**

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 was 253,263. As of December 31, 2011 and 2010 the accounts reached a total amount of 924,000 and 326,502, including also the transactions performed as from the acquisition date until each fiscal year.

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 and until December 31,2010, 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 until December 31, 2011, 86,666 and 58,153 to operating revenue and profit before taxes, respectively.

Likewise, during the fiscal year ended on December, 31, 2011, GPAT C.F.S.A. contributed to operating revenue and profit before taxes 157,057 and 64,407, respectively.

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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, 2011:

- IAS 1 (as revised) "Presentation of Financial Statements": effective for periods begun on July 1, 2012, it improved accounting requirements to provide consistency between presentation of items in the Comprehensive Statement of Income with USGAAP.

- IAS 12 (as revised): "Income Tax": effective for periods begun on January 1, 2012, the standard amended the definition of recoverability of fixed assets for investment in 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 19 (as revised) "Employee Benefits": effective for periods begun on January 1, 2013, it introduces improved accounting for retirement and other post-employment benefits.

- IAS 27 (as revised): "Separate Financial Statements": effective for periods begun on January 1, 2013, this IFRS includes the accounting and disclosure requirements for investments in subsidiary companies, joint ventures and related companies when an entity chooses to submit individual financial statements or is obliged to do so by virtue of local regulations. The standard requires an Entity to prepare separate financial statements when investments must be accounted for at cost or in accordance with IFRS 9 "Financial Instruments".

- IAS 28 (as revised) "Investments in Associates and Joint Ventures": effective for periods begun on January 1, 2013, the standard requires accounting of investments in associates and sets the requirements for application of the equity method to record investments in associates and joint ventures.

- IFRS 10 "Consolidated Financial Statements": effective for periods begun on January 1, 2013, the standard replaces requirements of SIC 12 "Consolidation – Special Purpose Entities" and IAS 27 "Consolidated and Separate Financial Statements. This IFRS establishes controlling interest as the basis of consolidation and provides a new definition of controlling interest. Furthermore, it sets forth the manner in which the controlling interest principle is applied to identify whether an investor is in control of an entity and therefore has the duty to consolidate.

- IFRS 11 "Joint Arrangements": effective for periods begun on January 1, 2013, the standard sets the definition of arrangement with focus on the rights and obligations arising out of it as a result of its legal structure. The standard solves inconsistent treatment of registration of arrangements, establishing the principles to be applied for accounting all jointly controlled entities.

- IFRS 12 "Disclosure of Interests in Other Entities": effective for periods begun on January 1, 2013; the IASB published a comprehensive standard setting disclosure requirements that will be applied to entities having an ownership interest in a subsidiary, jointly controlled entity, associate or non-consolidated structured entity.

- IFRS 13 "Fair Value Measurement": effective for periods begun on January 1, 2013, the standard defines the fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine": effective for periods begun on January 1, 2013. The interpretation considers when and how to account stripping costs, as well as how to recognize and measure these assets.

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: <u>Segment reporting</u>

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, 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.

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(Figures stated in thousands of Argentine pesos)

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, 2011, and 2010, 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, 2011, and 2010:

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2011
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	2,247,026	2,247,026
Due from other financial institutions	-	-	-	446,932	446,932
Financial assets measured at fair value held for trading	-	-	974,563	8,856	983,419
Financial assets measured at fair value from their initial recognition	-	-	860,349	-	860,349
Derivative financial instruments			129	-	129
Loans	6,972,190	4,233,123	1,953,356	-	13,158,669
Other receivables	-	-	94,306	63,253	157,559
Non - current assets held for sale	-	-	-	15,659	15,659
Bank premises and equipment, and other	-	-	-	268,677	268,677
Deferred tax assets	-	-	-	104,808	104,808
Other assets	-	-	44,999	32,512	77,511
TOTAL ASSETS	6,972,190	4,233,123	3,927,702	3,187,723	18,320,738
Financing facilities received from financial institutions	433,503	40,000	12,941	-	486,444
Deposits	3,655,742	5,666,922	4,274,207	-	13,596,871
Corporate bonds	-	228,324	-	-	228,324
Other liabilities	138,834	434,538	214,015	566,731	1,354,118
Provisions for miscellaneous risks	-	-	-	39,364	39,364
TOTAL LIABILITIES	4,228,079	6,369,784	4,501,163	606,095	15,705,121
Interest income and similar ones	889,290	769,436	110,760	3,141	1,772,627
Interest expense and similar ones	(197,616)	(166,603)	(281,754)	(99)	(646,072)
Net interest income and similar ones	691,674	602,833	(170,994)	3,042	1,126,555
Fee income	128,091	570,030	98,563	29,308	825,992
Fee expenses	(26,932)	(138,829)	(5,410)	(5,917)	(177,088)
Net fee income	101,159	431,201	93,153	23,391	648,904

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(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2011
Gains on financial assets held for trading	-	-	139,844	13,284	153,128
Gains on financial assets measured at fair value from their initial recognition	-	-	241,531	-	241,531
Foreign exchange difference (net)	48,963	23,197	467	33,582	106,209
Other operating income	-	-	-	34,914	34,914
TOTAL OPERATING INCOME	841,796	1,057,231	304,001	108,213	2,311,241
Net charges of loans	(39,446)	(50,082)	(2)	-	(89,530)
TOTAL OPERATING INCOME, NET	802,350	1,007,149	303,999	108,213	2,221,711
Personnel expenses	(158,278)	(105,227)	(17,886)	(407,651)	(689,042)
Depreciation of bank premises and equipment, and other	-	-	-	(20,635)	(20,635)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	-	-	(588)	(8,302)	(8,890)
Other operating expenses	(123,861)	(380,601)	(48,024)	(8,952)	(561,438)
TOTAL OPERATING EXPENSES	(282,139)	(485,828)	(66,498)	(445,540)	(1,280,005)
OPERATING INCOME (LOSS)	520,211	521,321	237,501	(337,327)	941,706
INCOME BEFORE INCOME TAX					941,706
Income tax, net					(349,365)
NET INCOME FOR THE YEAR					592,341
Attributable to:					
The parent's shareholders					
Non-controlling ownership interest					591,917 424

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	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	486,246	493,690	98,090	2,265	1,080,291
Interest expense and similar ones	(72,129)	(143,430)	(96,841)	(1,722)	(314,122)
Net interest income and similar ones	414,117	350,260	1,249	543	766,169
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	512,721	648,563	505,395	171,456	1,838,135
Net charges of loans	(13,738)	(30,894)	-	-	(44,632)
TOTAL OPERATING INCOME, NET	498,983	617,669	505,395	171,456	1,793,503

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

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	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2010
Personnel expenses	(74,124)	(48,613)	(8,654)	(399,287)	(530,678)
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	(174,397)	(321,882)	(47,517)	(439,220)	(983,016)
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					564,747
Non-controlling ownership interest					276

NOTE 5: Interest income and similar ones

	12/31/2011	12/31/2010
Loans	1,750,835	1,050,369
Other receivables	13,778	25,411
Due from other financial institutions	311	110
Other	7,703	4,401
	1,772,627	1,080,291

NOTE 6: Interest expense and similar ones

	12/31/2011	12/31/2010
Deposits	610,476	302,812
Subordinated corporate bonds	19,313	1,258
Financing facilities received from financial institutions	9,825	6,980
Other	6,458	3,072
	646,072	314,122

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NOTE 7: Fee income and expenses

	12/31/2011	12/31/2010
Fee income		
Credit and debit cards	255,230	181,053
Checking accounts	126,408	89,015
Insurance	70,799	56,705
Packages of products	64,747	39,076
Checks to be collected and items in custody	52,039	32,889
Collections	44,861	32,228
Safe-deposit boxes	31,880	21,830
Foreign trade	30,906	26,278
Savings accounts	27,402	24,051
Portfolio management and recovery process	23,802	10,000
Trust activity (see note 43)	13,787	12,086
Transfers	9,086	11,083
Other	75,045	42,201
	825,992	578,495

	12/31/2011	12/31/2010
Fee expenses		
Credit and debit cards	97,466	80,679
Salary crediting agreement	57,026	44,277
Other	22,596	24,431
	177,088	149,387

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

	12/31/2011	12/31/2010
Interest	88,203	74,264
Quoted price difference	44,463	183,095
Cash dividends from shares	13,284	8,999
Gains (losses) on forward foreign currency transactions (see note 21)	7,178	(18,905)
Gain (loss) on forward Badlar rate transactions (see note 21)	14	(15)
Gain (loss) on interest rate swaps (see note 21)	(14)	(837)
	153,128	246,601

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

	12/31/2011	12/31/2010
Interest	208,481	191,114
Quoted price difference	33,050	11,442
	241,531	202,556

NOTE 10: Foreign exchange difference (net)

As of December 31, 2011 and 2010 it includes the exchange differences arising from conversion into pesos of foreign currency assets and liabilities in the amount of 49,547 and 39,107, and the income/loss obtained from the purchase-sale of foreign currency in the amount of 56,662 and 43,980, respectively.

NOTE 11: Other operating income

	12/31/2011	12/31/2010
Income from sales of bank premises and equipment, and other	21,934	13,480
Other	12,980	14,265
	34,914	27,745

NOTE 12: Personnel expenses

	12/31/2011	12/31/2010
Salaries	479,693	366,348
Payroll taxes	107,753	83,656
Administrative services hired	62,066	45,246
Entertainment, travel & living expenses	14,239	12,545
Services to personnel	13,396	10,597
Personnel bonuses	7,853	9,131
Severance payments	4,042	3,155
	689,042	530,678

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

(Figures stated in thousands of Argentine pesos)

NOTE 13: Loss on uncollectibility of other receivables and provisions for miscellaneous risks

	12/31/2011	12/31/2010
Net charges, less allowances for other receivables (see note 23)	588	299
Net charges for provisions for miscellaneous risks (see note 31)	8,302	12,499
	8,890	12,798

NOTE 14: Other operating expenses

	12/31/2011	12/31/2010
Turnover tax (1)	151,030	96,921
Maintenance, conservation and repair expenses	64,488	54,497
Electric power and communications	62,767	50,452
Professional fees	39,495	28,366
Security services	35,527	27,231
Rentals	32,978	25,463
Tax on bank account transactions	30,356	24,959
Contribution to the deposit guarantee fund	20,199	12,889
Advertising and marketing	16,768	14,954
Cleaning expenses	14,577	12,055
Directors' and statutory auditors' fees	12,227	9,799
Office expenses	10,678	7,319
Other taxes	10,623	7,425
Personal assets tax – Shareholders (2)	-	7,650
Clearing house expenses	6,232	5,100
Miscellaneous subscription expenses	5,207	5,179
Insurance	3,468	2,923
Operating expenses on Mercado Abierto Electrónico	1,759	2,787
Other	43,059	26,625
	561,438	422,594

(1) On December 2011 and 2010, that tax corresponds to interest income and similar ones in the amount of 107,142 and 63,318, respectively; fees income in the amount of 42,748 and 26,920, respectively and other incomes in the amount of 1,140 and 6,683 respectively.

(2) As of December 31, 2010, 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.

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 15: 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	**12/31/2011**	**12/31/2010**
Deferred tax assets:		
Financial assets measured at fair value	369	2,150
Loans	66,731	30,512
Other receivables	1,188	2,785
Deposits	846	1,931
Derivative financial instruments	-	158
Other liabilities	32,094	26,406
Provisions for miscellaneous risks	15,086	14,022
Total deferred assets	116,314	77,964
Deferred tax liabilities:		
Non - current assets held for sale	(15)	-
Bank premises and equipment, and other	(11.446)	(1.966)
Derivative financial instruments	(45)	-
Total deferred liabilities	(11.506)	(1.966)
Net deferred tax assets as of year-end	104.808	75.998

Changes in net deferred tax assets during the years ended December 31, 2011, and 2010, are summarized as follows:

Description	**12/31/2011**	**12/31/2010**
Net deferred tax assets / (liabilities) at beginning of year	75,998	58,820
Deferred tax charge to income	30,140	22,351
Effect booked in shareholders' equity reserves (see note 32)	(1,330)	(672)
Acquisition of subsidiary (See Note 3.3)	-	(4,501)
Net deferred tax assets as of year-end	104,808	75,998

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
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Administration and Finance Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

Description	12/31/2011	12/31/2010
Income before taxes	941,706	810,487
Statutory income tax rate	35%	35%
Tax on net income	329,597	283,670
Permanent differences:		
Income not subject to income tax	(41,737)	(56,918)
Expenses not deductible from taxable income	61,505	18,712
Income tax, net	349,365	245,464

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	12/31/2011	12/31/2010
Income tax pursuant to tax regulations	379,505	267,815
Deferred tax income (loss)	(30,140)	(22,351)
Income tax, net	349,365	245,464

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, 2011, and 2010, 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 16: Earnings per share

Basic and diluted earnings per share were calculated by dividing net income attributable to the shareholders holding common shares of Banco Patagonia S.A. by the weighted 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, if applicable, weighted by the number of days when they were outstanding.

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:

	12/31/2011	**12/31/2010**
Numerator:		
Income (loss) for the year atribuible to the controller entity´s shareholders	591,917	564,747
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	Face value 719,264,737	Face value 719,264,737
Basic and diluted earnings per share (stated in ARS)	0.8229	0.7851
Outstanding common shares at beginning of year (see note 2)	Face value 719,264,737	Face value 719,264,737
Outstanding common shares as of year-end (see note 2)	Face value 719,264,737	Face value 719,264,737

On June 11, 2010, the Bank 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. Furthermore, on may 17, 2011, it paid cash dividends in the amount of 240,702 related to the year ended December 31, 2010, which were approved by the Regular Shareholders' Meeting dated April 27, 2011. Dividends per share amounted to ARS 0.3120 and ARS 0.3347, respectively, and resulted from the division of the cash dividends by the outstanding common shares as of each of the abovementioned year-ends.

(Figures stated in thousands of Argentine pesos)

NOTE 17: Distribution of earnings and restrictions

Distribution of earnings

The Regular Shareholders' Meeting, held on April 27, 2011, related to the fiscal year ended December 31, 2010, approved the following distribution of earnings under BCRA regulations:

To legal reserve		96,281
To cash dividend payment		240,702
To unappropriated retained earnings		507,461
	Total	844,444

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.

On March 18, 2011, the BCRA decided not to object to such request and, therefore, the abovementioned dividends were made available to the shareholders and paid on May 17, 2011, and no income tax withholdings were required to be made, as above mentioned.

As mentioned in note 16, dividends per share amounted to ARS 0,3120 as of December 31, 2010, which resulted from the division of cash dividends by outstanding shares as of the abovementioned year-end.

Restriction to the distribution of earnings

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, 2011, under BCRA regulations, are restricted by 122,449, which shall be applied by the next Regular Shareholders' Meeting to increase the legal reserve.

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, 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.

(Figures stated in thousands of Argentine pesos)

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.

The BCRA Communiqué “A” 5073 as of January 27, 2012, introduced adjustments to the standards related to distribute earnings, in which established that the maximum amount to be distributed shall not exceed the surplus minimum paid-in capital considering, exclusively for these purposes, an incremental 75% adjustment to the requirement and deducting the adjustments previously mentioned.

Finally, as of December 31,2011, after the aplication of the calculate´s methodology established by the BCRA which raised the incremental adjustments as mentioned in the previous paragraph, Banco Patagonia S.A. won´t be able to distribute earnings through the payment of cash dividends.

NOTE 18: Cash and due from the BCRA (Central Bank of Argentina)

	31/12/2011	31/12/2010
Cash on hand	1,030,136	487,631
BCRA – Checking account (1)	953,820	44,616
BCRA – Special guarantee accounts (1) (2) (see note 36)	263,070	182,849
	2,247,026	1,415,096

(1) As of December 31, 2011 and 2010, 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 33).

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

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The following table shows the items booked by the Bank and GPAT C.F.S.A. as minimum cash requirement, as provided by the related BCRA regulations, as of December 31, 2011, and 2010:

Item	12/31/2011	12/31/2010
Cash and due from the BCRA (Central Bank of Argentina)		
Cash on hand	566,035	270,412
Cash held by armored car companies	462,288	212,917
BCRA – Checking account	953,820	744,616
BCRA – Special guarantee accounts	263,070	182,849
	2,245,213	1,410,794

NOTE 19: Due from other financial institutions

	12/31/2011	12/31/2010
Wells Fargo Bank	145,037	125,861
Standard Chartered Bank N.Y	55,024	21,982
Unicrédito Italiano S.p.A.	48,187	10,478
Banco do Brasil S.A. - N.Y. (see Note 35)	28,741	-
Intesa Sanpaolo S.p.A. (see Note 35)	22,506	22,908
Bank of America	21,780	24,405
Banco de la Provincia de Buenos Aires	19,984	6,769
Banco de la Nación Argentina – Miami	18,278	8,338
Banco de la Nación Argentina	16,984	13,735
J.P. Morgan Chase Bank	11,639	7,827
UBS N.Y.	9,403	2,257
Commerzbank A.G.	8,455	7,199
Banco Popular Español S.A.	4,590	5,671
Euroclear Bank S.A.	3,180	4,904
The Bank of Montreal (International Branch)	2,949	5,591
Banco Central del Uruguay (ver Nota 36)	2,791	2,030
Standard Chartered Bank Londres	2,787	2,477
Citibank N.Y.	2,763	45,703
HSBC Bank USA N.A.	2,378	5,588
Other	19,476	31,193
	446,932	354,916

As of December 31, 2010, the amount due from Citibank N,Y, earned interest at a nominal 0.12% and the other amounts did not earn any interest. As of December 31, 2011, the amounts do not earn any interest.

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 20: Financial assets measured at fair value held for trading and measured at fair value from their initial recognition

Financial assets measured at fair value held for trading

Description	Maturity	Currency	Rate	Amortization	12/31/2011	12/31/2010
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (see Note 36)	09/10/15	ARS	Badlar + 3%	6 semiannual installments	303,503	237,548
Argentine Government Bond in ARS Private Badlar + 2.75 % (BONAR 2014)	01/30/14	ARS	Badlar + 2.75%	Upon maturity	204,336	156,812
Argentine Government Bond in USD 7% (BONAR VII)	09/12/13	U$S	7 %	Upon maturity	153,146	141,147
Argentine Government Bond in USD 7% (BONAR X)	04/17/17	U$S	7 %	Upon maturity	92,334	-
Argentine Government Bond in ARS Private Badlar + 3.50 % (BONAR 2013)	04/04/13	ARS	Badlar + 3.5%	Upon maturity	51,180	51,500
Social security debt consolidation bond in ARS, 4th Series, 2%	03/15/14	ARS	2% + Cer	72 monthly installments	39,269	53,148
Discount bonds in ARS + GDP-linked securities in ARS	12/31/33	ARS	5.83% + Cer	20 semiannual installments	31,754	35,236
Argentine government bonds in USD Libor 2012 (Boden 2012) (see note 36)	08/03/12	U$S	Libor	8 annual installments	31,749	128,713
Argentine Government Bond in USD 7 % (Boden 2015)	10/03/15	U$S	7%	Upon maturity	25,208	9,203
Secured bonds, Presidential Decree No, 1,579/02 (BOGAR)	02/04/18	ARS	2% + Cer	156 monthly installments	18,736	22,313
Treasury Bills of the Province of Buenos Aires - ARS	03/08/12	ARS	Badlar + 2.95%	Upon maturity	10,079	-
Treasury Bills of the Province of Buenos Aires - ARS	01/26/12	ARS	Badlar + 2.95%	Upon maturity	7,159	-
Consolidation bond in ARS, 7th Series	01/04/16	ARS	Badlar	4 monthly installments	4,286	-
Argentine Government Bond in USD 10.50 % (Bonar V)	06/12/12	ARS	10.50%	Upon maturity	-	43,088
Treasury Bills of the Province of Buenos Aires - ARS	04/28/11	ARS	0.44% + 2.75%	Upon maturity	-	10,000
Other (See note 36)					10,680	15,352
					983,419	**904,060**

Financial assets measured at fair value from their initial recognition

Description	Maturity	Currency	Rate	Amortization	12/31/2011	12/31/2010
BCRA notes (See Note 36)	From 03/09/2011 through 04/23/2014	ARS	Badlar+2.5%	Upon maturity	801,573	1,577,752
BCRA bills	From 01/05/2011 through 03/07/2012	ARS	Issuance, with discount	Upon maturity	58,776	496,860
					860,349	**2,074,612**

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

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

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

1) 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.

2) 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.

3) Argentine Government Bond (BONAR 2014): On February 2, 2010, 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, 2010, 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.

4) Argentine Government Bond in USD 7% (BONAR VII): 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.

5) Argentine Government Bond in USD 7% (BONAR X): They are bonds in US dollars issued by the Argentine Government, maturing on April 17, 2017, with principal being fully repaid upon maturity, accruing fixed interest at a nominal 7% rate p,a, payable semiannually.

6) 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.

7) 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.

8) 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.

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9) 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.

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

11) Argentine Government Bond in USD (BODEN 2015): They are securities issued by the Argentine Government in foreign currency at a 7% rate p.a., maturing in 2015.

12) 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.

13) 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.

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
2011	840,703	860,349	19,646
2010	2,061,295	2,074,612	13,317

NOTE 21: Derivative financial instruments

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:

	Notional value as of	
	12/31/2011	12/31/2010
Forward purchases of foreign currency	USD 525,900	USD 116,000
Forward sales of foreign currency	USD 115,825	USD 116,000
Interest rate swaps	10,000	15,000

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 129 and (452), resulting in a loss of (14) and (837), as of December 31, 2011 and 2010, respectively (see note 8).

(Loss) gain from foreign currency transactions as of December 31, 2011, and 2010, amounted to 7,178 and (18,905), respectively, and (loss) gain from Badlar forward transactions amounted to (14) and (15), respectively (see note 8).

NOTE 22: <u>Loans</u>

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

	12/31/2011	12/31/2010
Notes	4,313,888	3,031,290
Personal loans	1,932,832	1,178,193
Overdrafts	1,736,315	1,079,544
Credit cards	1,346,737	816,809
Amounts receivable from repo transactions with financial institutions	972,832	779,504
Collateral loans	832,869	277,513
Loans to dealers	739,190	481,377
Financial leases	488,815	233,072
Loans to financial institutions	390,635	237,942
Export prefinancing loans	163,278	226,749
Loans granted to Public Sector Agencies	94,162	82,914
Mortgage loans	83,131	96,799
Other loans	190,534	120,291
Interest and similar items receivable	121,093	71,843
Total loans	13,406,311	8,713,840
Allowances for uncollectibility risk	(247,642)	(175,796)
Total	13,158,669	8,538,044

(Figures stated in thousands of Argentine pesos)

Loans by type as of December 31, 2011, and 2010, are as follows:

	12/31/2011	12/31/2010
Commercial loans	8,557,260	5,787,417
Consumer loans	4,765,486	2,828,837
Mortgage loans	83,565	97,586
Total	13,406,311	8,713,840

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:

	12/31/2011		**12/31/2010**	
	Total gross investment	**Current value of minimum payments**	**Total gross investment**	**Current value of minimum payments**
Up to 1 year	259,194	187,259	121,963	93,990
From 1 to 5 years	352,977	305,757	161,140	141,029
More than 5 years	177	129	-	-
	612,348	493,145	283,103	235,019

As of December 31, 2011 and 2010, revenue for unearned interest amounted to 119,203 and 50,922, respectively, and accumulated allowances for loan losses amounted to 5,120 and 3,533, respectively.

As of December 31, 2011 and 2010, there were no significant financial leasing agreements. Additionally, their characteristics are the customary ones for this kind of operations, there being no features to set them apart regarding the general aspects prevailing in the Argentine financial system. These operations are atomized among the entity's clients and there are no pre-established automatic renewal clauses or contingent quotas.

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Loan loss reserves

	Mortgage loans	Consumer loans	Commercial loans	Total
At beginning	2,528	109,511	63,757	175,796
Net charge for the year	602	60,394	44,977	105,973
Uses	(500)	(22,480)	(11,147)	(34,127)
December 31, 2011	2,630	147,425	97,587	247,642
Allowances not determined individually	2,630	146,121	77,748	226,499
Allowances determined individually	-	1,304	19,839	21,143
	2,630	147,425	97,587	247,642

	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

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

	12/31/2011			12/31/2010		
	Allowances not determined individually	Allowances determined individually	Total	Allowances not determined individually	Allowances determined individually	Total
At beginning	154,243	21,553	175,796	129,595	28,305	157,900
Charge for the year	95,236	10,737	105,973	56,310	3,502	59,812
Uses	(22,980)	(11,147)	(34,127)	(31,662)	(10,254)	(41,916)
As of closing	226,499	21,143	247,642	154,243	21,553	175,796

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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)

Net uncollectibility charges of loans break down as follows:

	12/31/2011	12/31/2010
Uncollectibility charge for the year	(105,973)	(59,812)
Recoveries of loans	16,443	15,180
Net uncollectibility charges of loans	(89,530)	(44,632)

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, 2011, and 2010, the Bank recorded the following contingent transactions:

	12/31/2011	12/31/2010
Unused agreed overdrafts	279,622	184,907
Guarantees granted	210,302	142,984
Obligations for foreign trade transactions	41,523	26,436
Letters of credit	34,179	29,621
	565,626	383,948

The provisions for uncollectibility of these transactions are booked under “Provisions for miscellaneous risks – Other” (see note 31).

The risks related to the contingent transactions mentioned above are evaluated and monitored under the Bank’s credit risk policy mentioned in note 41.

(Figures stated in thousands of Argentine pesos)

NOTE 23: Other receivables

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

	12/31/2011	12/31/2010
Trust securities (1)	61,888	25,833
Sundry receivables	59,274	51,627
Trade receivables	3,979	7,922
Other	35,602	34,427
	160,743	119,809
Allowance for uncollectibility risk of other receivables	(3,184)	(5,271)
	157,559	114,538

(1) As of December 31, 2011, and 2010, effective trust securities are receivables with fixed installments earning interest at an average nominal rate of 22% and 16% p,a,, respectively, and the weighted average term of which is 22 and 35 months, respectively.

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

	12/31/2011	12/31/2010
At beginning of year	5.271	6,977
Net charges for the year (see note 13)	588	299
Uses	(2.675)	(2,005)
As of year-end	3.184	5,271

NOTE 24: Non – current assets held for sale

	31/12/2011	31/12/2010
Other miscellaneous assets (see note 25)	15,659	-
	15,659	-

It includes two properties located in the city of Buenos Aires which, as of December 31, 2010, were recorded under "Fixed Assets and Miscellaneous Assets – Other Miscellaneous Assets". The Entity does not use those properties for the operation of any branch and therefore management has decided to sell them and expects the sale to be completed over the next financial year. For this purpose, the entity has devised an active plan to market them at a fair selling price and is studying the offers received for those properties.

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(Figures stated in thousands of Argentine pesos)

These assets were measured at book value at the time of classification and did not depreciate since inclusion in the category; it is expected that they will be recovered mainly by sale within twelve months as from the date of the reclassification.

No profit/loss has been recognized for initial or subsequent reductions of assets and increases derived from their measurement.

NOTE 25: 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:

	Real property	**Furniture and fixtures**	**Machinery and equipment**	**Vehicles and aircrafts**	**Other miscellaneous assets (1)**	**Total as of 12/31/2011**
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2011	**178,060**	**67,218**	**68,995**	**14,586**	**85,132**	**413,991**
Additions	15,579	8,082	14,421	442	22,686	61,210
Retirements	(660)	(6,400)	(12,042)	(894)	(30,101)	(50,097)
Transfers (see Note 24)	-	(5,270)	5,270	118	(21,497)	(21,379)
As of December 31, 2011	**192,979**	**63,630**	**76,644**	**14,252**	**56,220**	**403,725**
Depreciation:						
As of January 1, 2011	**24,357**	**45,752**	**44,027**	**12,388**	**15,415**	**141,939**
Retirements	(16)	(5,572)	(13,635)	(510)	(2,073)	(21,806)
Depreciation charge for the accounting year	3,651	3,600	11,869	647	868	20,635
Transfers (see Note 24)	-	(3,947)	3,947	-	(5,720)	(5,720)
As of December 31, 2011	**27,992**	**39,833**	**46,208**	**12,525**	**8,490**	**135,048**
Residual value as of December 31, 2011	**164,987**	**23,797**	**30,436**	**1,727**	**47,730**	**268,677**

(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 12/31/2011
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**

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.

NOTE 26: Other assets

	12/31/2011	12/31/2010
Financial assets	**46,803**	**29,892**
Security deposits (see note 36)	46,803	29,892
Non-financial assets	**30,708**	**29,185**
Advance payments	22,299	14,769
Works of art	3,034	3,034
Prepayments for purchases of assets	2,839	8,863
Stationery and office supplies	1,119	1,456
Other	1,417	1,063
	77,511	59,077

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NOTE 27: Financing facilities received from financial institutions

	12/31/2011	12/31/2010
Corporación Financiera Internacional	172,128	72,890
Standard Chartered Bank	85,115	14,737
Wells Fargo Bank	66,716	14,921
Banco do Brasil S.A. – N.Y. (ver Nota 35)	52,490	-
J.P. Morgan Chase Bank	30,311	13,865
Citibank N.A. N.Y.	24,076	12,173
Banco Macro S.A.	20,000	10,000
Standard Bank Argentina S.A.	10,000	10,000
Banco de la Nación Argentina	9,900	-
Banco Ciudad de Buenos Aires	5,000	-
Nuevo Banco de Santa Fe S.A.	5,000	-
Banco Internacional de Desarrollo	2,775	7,144
HSBC Argentina S.A.	-	20,000
Other	2,933	2,559
	486,444	178,289

They relate mainly to prefinancing of exports without guarantees, agreed at variable nominal rates, in a range from 1.22% to 11% p.a.. The breakdown of due dates is disclosed in note 39.

NOTE 28: Deposits

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

	12/31/2011	12/31/2010
Nonfinancial government sector	**1,860,863**	**1,550,373**
Checking accounts	583,846	525,855
Certificate of deposit	1,218,361	993,635
Other	10,426	7,397
Interest payable	48,230	23,486
Financial sector	**17,918**	**56,612**
Nonfinancial private sector and foreign residents	**11,718,090**	**8,900,586**
Checking accounts	2,154,367	1,612,426
Savings accounts	3,682,993	2,741,300
Certificate of deposit	5,105,323	3,988,195
Other	708,985	525,789
Interest and similar items payable	66,422	32,876
	13,596,871	10,507,571

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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, 2011, and 2010, such deposit guarantee amounts to 3,290,766 and 2,669,619, respectively.

NOTE 29: Subordinated corporate bonds

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

	12/31/2011	12/31/2010
Corporate bonds issued, maturing in 2011	228,324	-
	228,324	-

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.

On September 27, 2010, ocurred the final amortization of the last serie through the payment of USD 16 million, corresponding to the last principal installment. The interest rate that prevailed for the 20th and last six-month period of interest payment was 2.6375% p,a,.

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 Resolution No. 15.868, dated April 30, 2008, authorized 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 CNV 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.

On March 23, 2011, the first issue of Corporate Bonds in the amount of 50,000 was made; the whole Series I was placed at 365 days with a 14.30% cut off rate, semi-annual interest payment and repayment of principal at maturity. On September 23, 2011 payment of the first installment in the amount of 3,604 was made, with a 14.30% interest rate.

On May 20, 2011, Series II securities were issued in the amount of 94,310; all of them were placed at 365 days, accruing an annual nominal variable rate equivalent to BADLAR Privada rate plus a 3% interest rate differential, with quarterly interest payments. On August 23, 2011, the first installment was paid in the amount of 3,450, with interest at the rate of 14.5135%, and on November 21, 2011, the second installment was paid in the amount of 4,329, with interest at the rate of 18.2129%.

On August 11, 2011, Series III securities were issued in the amount of 71,000; all of them were placed at 365 days, accruing an annual nominal variable rate equivalent to BADLAR Privada rate plus a 3.02% interest rate differential, with quarterly interest payments. On November 11, 2011 payment of the first installment in the amount of 3,128 was made, with a 17.4767% interest rate.

(Figures stated in thousands of Argentine pesos)

On November 10, 2011**,** Series IV securities were issued in the amount of 50,200; all of them were placed at 365 days, accruing an annual nominal variable rate equivalent to BADLAR Privada rate plus a 3.75% interest rate differential, with quarterly interest payments.

Additionally, on January 17, 2012, Series V securities were issued in the amount of 100,000; all of them were placed at 365 days, accruing an annual nominal variable rate equivalent to BADLAR Privada rate plus a 2.4% interest rate differential, with quarterly interest payments.

On January 26, 2012, the Board of Directors of GPAT Compañía Financiera S.A., considering that the amount of the above-mentioned program is approaching the authorized limit, resolved to request the National Securities Commission authorization to enlarge the program from 400,000 to 800,000, and to issue short-term corporate bonds under said program.

NOTE 30: Other liabilities

	12/31/2011	12/31/2010
Financial liabilities	**1,000,613**	**665,285**
Credit card consumption charges payable	402,308	225,405
Payables for foreign trade transactions	199,212	151,595
Salaries and payroll taxes payable	138,982	108,039
Collections on account and behalf of third parties	138,834	105,133
Sundry payables	73,595	43,213
Withholdings on salaries	12,257	7,888
Other financial liabilities	35,425	24,012
Nonfinancial liabilities	**353,505**	**154,958**
Taxes payable	317,641	130,182
Customer loyalty program	32,230	21,750
Prepayments for sales of assets	1,358	1,161
Other nonfinancial liabilities	2,276	1,865
	1,354,118	820,243

(Figures stated in thousands of Argentine pesos)

NOTE 31: 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 2011 and 2010:

	Provisions			
	Labor and legal matters (1)	**Constitutional rights protection actions (2)**	**Other**	**Total**
At beginning	38,422	-	1,907	40,329
Net charge for the year (see note 13)	4,669	3,332	301	8,302
Uses	(9,145)	-	(122)	(9,267)
As of December 31, 2011	33,946	3,332	2,086	39,364
Less than 12 months	8,029	3,332	493	11,854
Over 12 months	25,917	-	1,593	27,510
As of December 31, 2011	33,946	3,332	2,086	39,364

	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 13)	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

(Figures stated in thousands of Argentine pesos)

(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.

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.

NOTE 32: <u>Shareholders’ equity reserves</u>

	Reserve for conversion differences (2)	Legal reserve (3)	Total
As of January 1, 2011	6,973	330,092	337,065
Foreign currency conversion	3,799	-	3,799
Tax effect on foreign currency conversion (see note 15)	(1,330)	-	(1,330)
Distribution of earnings, as approved by the Regular Shareholders’ Meeting held on 04/27/11 (see note 17)	-	96,281	96,281
As of December 31, 2011	9,442	426,373	435,815

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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, 2010	40,811	5,731	240,327	286,869
Reversal of BODEN 2012 by implementation of IFRS 9	(15,663)	-	-	(15,663)
Reversal of BOGAR by implementation of IFRS 9	(7,721)	-	-	(7,721)
Reversal of BONAR 2013 by implementation of IFRS 9	(5,130)	-	-	(5,130)
Reversal of BONAR 2014 by implementation of IFRS 9	(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	-	(672)	-	(672)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/10	-	-	89,765	89,765
As of December 31, 2010	-	6,973	330,092	337,065

(1) As od December 31, 2010, due to earlier application of IFRS 9, the Entity has classified and measured the "Financial assets available for sale" classified according the IAS 39, 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, non-realized profits and losses accumulated in the in the account "Reserve for Financial Instruments Available for Sale" have been derecognized and recognized in the account "Retained Earnings"

(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 must be allocated to legal reserve (see note 17).

NOTE 33: <u>Minimum capital requirements</u>

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.

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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:

	12/31/2011	12/31/2010
Counterparty risk (1)	1,015,138	649,884
Market risk (2)	65,111	93,084
Interest rate risk (3)	289,130	117,629
Mandatory consolidated minimum capital according to BCRA regulations	**1,369,379**	**860,597**
Stand-alone shareholders' equity (4)	1,870,290	1,629,588
Supplementary shareholders' equity (5)	558,179	439,789
Deductions (6)	(1,395)	(1,323)
Consolidated computable equity according to BCRA regulations	**2,427,074**	**2,068,054**
Capital surplus	**1,057,695**	**1,207,457**

(1) It is the capital requirement to cover the credit risk calculated through a formula based on weighing several financings according to the associated risk.

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

(3) 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.

(4) 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.

(5) 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).

(6) 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.

(Figures stated in thousands of Argentine pesos)

BCRA Communiqué "A" 5272, dated January 27, 2012, established new minimum capital requirements for operational risk which will supplement the requirements on counterpart, market and interest rate risks already in force.

The new minimum capital requirement is 15% on the average net interest and fee income and revenue on miscellaneous profits over the last 36 months. If applicable, extraordinary income for equity in financial entities, recovered receivables and the constitution or reversal of miscellaneous provisions shall be deducted from said amount. No deduction for administrative expenses and constitution of provisions on loans is allowed.

This requirement will be effective as from February 1, 2012, and its implementation will be progressive until December 2012.

NOTE 34: 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

	12/31/2011	12/31/2010
Cash (see note 18)	1,030,136	487,631
BCRA – Checking account (see note 18)	953,820	744,616
Due from other financial institutions (see note 19)	446,932	354,916
TOTAL	2,430,888	1,587,163

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

NOTE 35: Related party information

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

Banco do Brasil S.A.

Banco do Brasil S.A. is a financial entity organized under the laws of Brazil and is the Entity's majority shareholder, as mentioned in Note 2.3.

As of December 31, 2011, Banco Patagonia S.A. performed correspondent banking transactions with Banco do Brasil S.A. (New York Branch) in the amount of 28,741, which are recorded under "Balances in Other Financial Entities" (see note 19).

Furthermore, Banco do Brasil S.A. (Buenos Aires Branch) maintains a current account in the Entity for 1,679, which is recorded under "Deposits", and Banco do Brasil S.A: (New York Branch) provides financing to the Entity for 52,490, recorded under "Financing Received from Financial Entities" (see note 27).

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 44) 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

As of December 31, 2010, the Intesa Sanpaolo Group provided the Bank with typical services of the banking activity under market terms and conditions, such as correspondent account services abroad.

As of December 31, 2010, the Bank performed correspondent transactions with Intesa Sanpaolo S.p.A. in the amount of 22,908, which are recorded in the “Due from other financial institutions” account (see note 19).

Transactions with directors, assistant managers or their close relatives

The Bank has not been involved in transactions with its directors, assistant 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 this persons 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 amounts of directors, controlling shareholders, officers and other related entities dealt with by the Board of Directors.

(Figures stated in thousands of Argentine pesos)

As of December 31, 2011, and 2010, the outstanding financial assistance granted by the Bank to related parties totaled 10,146 and 3,763, respectively.

	12/31/2011	12/31/2010
Loans	3,132	2,728
Unsecured overdrafts	480	214
Unsecured notes	1,432	472
Secured notes	-	355
Unsecured credit cards	511	380
Secured credit cards	-	6
Financial leases	709	311
Other	-	990
Other receivables	7,014	1,035
Total credit assistance	10,146	3,763

In addition, as of December 31, 2011, and 2010, there are related party deposits with the Bank amounting to 44,166 and 48,352, 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, 2011, and 2010, loans to employees, including those granted to first-class managers, amounted to 50,403 and 47,987, 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.

The compensation of the group's key personnel was related to salaries and bonuses amounting to 34,351, and 23,167 as of December 31, 2011, and 2010. It is noteworthy that there are no other benefits for key personnel.

(Figures stated in thousands of Argentine pesos)

NOTE 36: Restricted assets

	12/31/2011	12/31/2010
Cash and due from the BCRA		
Guarantees for transactions with the BCRA / settled on time / MAE (1)	263,070	182,849
Due from other financial institutions		
Banco Central del Uruguay (2)	2,151	1,988
Financial assets measured at fair value held for trading		
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (3)	35,490	-
Argentine government bonds in USD Libor 2012 (Boden 2012) (3)	-	33,492
Share of Mercado de Valores S.A. (4)	2,064	2,064
Financial assets measured at fair value from their initial recognition		
BCRA notes – Maturity: 04/23/14 (1)	50,618	-
BCRA notes – Maturity: 02/29/12 (1)	75,036	-
BCRA notes – Maturity: 03/09/11 (1)	-	2,194
Other assets		
Guarantees at credit card managers (1)	44,999	28,318
Court deposits	339	809
Deposits as collateral to leases	1,465	765
Other	310	307
TOTAL	**475,542**	**252,786**

(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) Patagonia Valores holds a share in Mercado de Valores S.A. as security for the transactions performed thereby.

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

(Figures stated in thousands of Argentine pesos)

NOTE 37: Loans and deposits concentration

Number of customers	Loans			
	12/31/2011		12/31/2010	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	1,535,028	11.45	935,824	10.74
50 next largest customers	1,714,510	12.79	1,342,562	15.41
100 next largest customers	1,584,783	11.82	1,233,381	14.15
Rest of customers	8,571,990	63.94	5,202,073	59.70
Total (see note 22)	**13,406,311**	**100.00**	**8,713,840**	**100.00**

Number of customers	Deposits			
	12/31/2011		12/31/2010	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	1,998,743	14.70	1,472,128	14.01
50 next largest customers	1,813,827	13.34	1,458,031	13.88
100 next largest customers	1,083,541	7.97	783,064	7.45
Rest of customers	8,700,760	63.99	6,794,348	64.66
Total (see note 28)	**13,596,871**	**100.00**	**10,507,571**	**100.00**

NOTE 38: 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.

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.

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)

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 12/31/2011
Financial assets measured at fair value held for trading	983,419	-	-	983,419
Financial assets measured at fair value from their initial recognition	860,349	-	-	860,349
Derivative financial instruments	-	129	-	129
TOTAL ASSETS	**1,843,768**	**129**	**-**	**1,843,897**

	Level 1	Level 2	Level 3	Total as of 12/31/2010
Financial assets 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**

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

Derivative financial instruments: As of December 31, 2011, and 2010, 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 measured at fair value held for trading: As of December 31, 2010, 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: As of December 31, 2010, 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 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.

(Figures stated in thousands of Argentine pesos)

Transfers between hierarchy levels

	Transfers from level 1 to level 2	
	12/31/11	**12/31/10**
Financial assets measured at fair value held for trading (1)	-	51,180

(1) Relates to Argentine Government Bonds in ARS Badlar + 350 basis points, included in hierarchy level 2 as of December 31, 2010, which were 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, and that have a market price as of December 31, 2011.

As of december 31, 2011, there were no transfers to financial instruments hierarchy level 2 included in hierarchy level 1 as of December 31, 2010.

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 discounting future cash flows by using market interest rates for deposits with similar maturities to those of the Bank's portfolio.

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

(Figures stated in thousands of Argentine pesos)

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, 2011	
	Book value	Fair value
Financial assets		
Cash and due from the BCRA (Central Bank of Argentina)	2,247,026	2,247,026
Due from other financial institutions	446,932	446,932
Loans (1)	13,158,669	12,885,042
Other receivables (1)	157,559	155,075
Other financial assets	46,803	46,803
Financial liabilities		
Financing facilities received from financial institutions	486,444	486,444
Deposits	13,596,871	13,610,162
Corporate bonds	228,324	227,810
Other financial liabilities	1,000,613	1,000,613

	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

(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.

(Figures stated in thousands of Argentine pesos)

NOTE 39: Analysis of maturities of assets and liabilities

The following table shows an analysis of contractual maturities of financial assets and liabilities as of December 31, 2011, and 2010:

	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 12/31/2011
Cash and due from the BCRA (Central Bank of Argentina)	2,247,026	-	-	-	-	-	-	-	2,247,026
Due from other financial institutions	(a) 446,932	-	-	-	-	-	-	-	446,932
Financial assets measured at fair value held for trading	8,907	8,841	13,520	5,161	42,072	775,713	95,649	33,556	983,419
Financial assets measured at fair value from their initial recognition	-	401,784	352,315	-	-	106,250	-	-	860,349
Derivative financial instruments	-	32	64	33	-	-	-	-	129
Loans	-	5,165,332	1,452,040	1,724,512	1,001,976	3,717,215	83,145	14,449	13,158,669
Other receivables	91,284	31,601	8,506	7,562	4,082	14,331	193	-	157,559
Other financial assets	46,803	-	-	-	-	-	-	-	46,803
TOTAL ASSETS	**2,840,952**	**5,607,590**	**1,826,445**	**1,737,268**	**1,048,130**	**4,613,509**	**178,987**	**48,005**	**17,900,886**
Financing facilities received from financial institutions	-	68,312	61,934	165,697	15,058	175,425	18	-	486,444
Deposits	(a) 7,140,401	3,482,779	2,309,519	421,985	241,818	369	-	-	13,596,871
Corporate bonds	-	-	47,022	65,163	116,139	-	-	-	228,324
Other financial liabilities	77,652	903,984	786	13,442	1,216	3,488	45	-	1,000,613
TOTAL LIABILITIES	**7,218,053**	**4,455,075**	**2,419,261**	**666,287**	**374,231**	**179,282**	**63**	**-**	**15,312,252**

(a) Including demand deposit accounts.

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Accounting Manager

Rubén M. Iparraguirre
General Assistant Manager
Administration and Finance Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

	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	(a) 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
Other financial assets	29,892	-	-	-	-	-	-	-	29,892
TOTAL ASSETS	**1,888,536**	**4,176,638**	**1,914,966**	**1,785,272**	**925,271**	**2,618,683**	**68,626**	**53,166**	**13,431,158**
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 financial liabilities	46,066	607,643	282	8,473	919	1,894	8	-	665,285
TOTAL LIABILITIES	**5,510,155**	**3,501,603**	**1,663,205**	**260,393**	**228,539**	**187,680**	**22**	**-**	**11,351,597**

(a) Including demand deposit accounts.

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

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

NOTE 40: Classification of financial instruments:

The following are the amounts of financial assets and liabilities of the Consolidated Balance Sheet items, classified by categories, as defined by IFRS 9 as of December 31, 2011 and 2010 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 12/31/2011**
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	2,247,026	-	2,247,026
Due from other financial institutions	-	-	-	446,932	-	446,932
Financial assets held for trading	983,419	-	-	-	-	983,419
Financial assets measured at fair value from their initial recognition	-	860,349	-	-	-	860,349
Derivative financial instruments	-	-	129	-	-	129
Loans	-	-	-	13,158,669	-	13,158,669
Other receivables	-	-	-	157,559	-	157,559
Other financial assets	-	-	-	46,803	-	46,803
Total	983,419	860,349	129	16,056,989	-	17,900,886
LIABILITIES						
Financing facilities received from financial institutions	-	-	-	-	486,444	486,444
Deposits	-	-	-	-	13,596,871	13,596,871
Corporate bonds	-	-	-	-	228,324	228,324
Other financial liabilities	-	-	-	-	1,000,613	1,000,613
Total	-	-	-	-	15,312,252	15,312,252

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Accounting Manager

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Administration and Finance Area

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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 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

NOTE 41: <u>Risk management policy</u>

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 nine-member Board of Directors: a chairman, a first vice-chairman, a second vice-chairman, and six 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.

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The abovementioned structure comprises different separate and independent committees. The 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.

Committee on Corporate Business: with the purpose of analyzing and approving the granting of credit facilities to Corporate clients and of monitoring the management of this segment.

Committee on Credit Facilities to Large Companies – Superior and Enlarged Superior: responsible for analyzing and approving loan operations in excess of 0.5% and up to 1% of RPC, or up to 4% of RPC if guaranteed.

Committee on Credit Facilities – Large Companies Senior: responsible for analyzing and approving loan operations in excess of ARS 6 million, not exceeding 0.5% of RPC.

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.

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

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

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

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

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

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.

IT Committee: it is in charge of submitting to the Board of Directors the proposal about, and implementation of, the IT policy for development of the Bank business, and assessing the needs of IT, micro IT, and communication systems meeting the commercial strategy of the Bank, in order to secure the provision of information and services necessary for operation and management.

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

Executive Committee: responsible for analyzing and approving the granting of credit facilities as submitted for consideration by the Bank's committees and monitoring the management of this segment.

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

Global Risk Committee: the main purpose of this Committee is proposing to the Board the strategies to manage market, rate, liquidity and credit risks, as well as to establish the global exposure limits to said risks. Besides, the Committee will be informed of the positions on each risk and compliance with policies. The scope of its duties will extend to the Bank and its affiliated companies.
The Bank has established other Committees, namely:

Operational Risk Committee: its aim is to guarantee that processes and procedures are in place for each business unit, oriented to the operational risk management of products, activities, processes, and systems of the financial institution, by securing that the managerial surveillance process adapts to inherent risks.

Pursuant to good banking practices recommended by the Basel Committee, the Board of Directors approved the creation of the Risk Management Executive Office, which is responsible for the comprehensive management of the risks faced by the Bank and its controlled companies through the identification, assessment, monitoring and mitigation of the most significant risks, such as financial (liquidity, market and rate), credit, operational and money laundering and terrorism financing risks. This Office reports to the Board of Directors and is responsible for the supervision of the Operational Risk Management and Regulatory Compliance Office and the Financial Risk Management Office.

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 by type of customer and by economic sector;

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 Credit Facilities to Large Companies – Superior and Enlarged Superior Committee, the Non-Performing 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.

(Figures stated in thousands of Argentine pesos)

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:

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.

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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.

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.

(Figures stated in thousands of Argentine pesos)

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 20:

Security	Issuer	2011 percentage	2010 percentage	
Government securities issued by the Argentine government	Argentine government	53%	30%	a)
Notes and bills issued by the BCRA	BCRA	47%	70%	b)

a) 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.

b) As of the date of issuance of these financial statements, the Issuer settled 88% of such notes and bills; the remainder is related to pending short-term maturities.

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. as of December 31, 2011, 98% of such risk is concentrated in Argentina.

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% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2011, and 2010, respectively;

- ✓ 92% and 93% of the loan portfolio is considered not to be past due or impaired as of December 31, 2011, and 2010, respectively;

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

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(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

	Gross maximum exposure as of 12/31/2011	Net maximum exposure as of 12/31/2011 (1)	Gross maximum exposure as of 12/31/2010	Net maximum exposure as of 12/31/2010 (1)
Financial intermediation and other financial services	5,232,224	5,216,676	5,489,152	5,478,929
Granted to individuals	4,454,762	4,299,529	2,606,272	2,403,650
Wholesale and/or on-commission or on-consignment trade, except for the trade of vehicles, automobiles and motorbicycles	837,522	722,887	573,782	534,329
Crops, agricultural and marketing services	760,197	540,078	527,429	398,040
Production of food and beverages	422,067	376,688	241,923	200,257
Retail trade, except for the trade of vehicles, automobiles and motorbicycles, repair of personal effects and household equipment	352,897	295,671	250,688	203,335
Construction	352,822	295,841	220,137	191,984
Fishing, related services, production and sale	270,983	65,467	148,583	35,922
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	247,335	176,765	132,505	130,561
Animal breeding, livestock services, except for veterinary and marketing ones	220,031	146,331	150,479	113,734
Wholesale sale and manufacture of machines and equipment (all), electrical appliances, communications, TV, and radio equipment, precision and optical medical instruments, clocks	197,413	156,642	237,239	196,711
Real estate, business and lease	172,944	156,444	125,114	111,704
Wholesale sale and manufacture of vehicles, automobiles, trailers and semitrailers of equipment and means of transport	144,391	142,386	26,292	24,977
Public administration, defense and mandatory social security Organizations and extraterritorial bodies	130,703	130,703	87,916	87,916
Exploitation of mines and quarries; sale and production of products extracted	78,130	47,628	65,759	43,353
Electricity, gas, steam and hot water	72,377	69,397	14,700	13,453
Extraction, exploitation and sale of oil, rubber and chemical byproducts	44,057	37,248	44,936	43,100
Hunting and capture of living animals, repopulation of hunting animals and related services; forestry, wood extraction and related services	5,784	4,518	4,199	3,481
Hotels and restaurants	4,664	4,609	3,939	3,560
Other industries	3,435,073	3,049,849	2,376,431	2,128,667
Total	**17,436,376**	**15,935,357**	**13,327,475**	**12,347,663**

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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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 to determine whether the allowances for uncollectibility risk are adequate and requests additional guarantees according to the loan agreements involved.

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 12/31/2011
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	8,284,116	2,862	242,146	1,662	2,371	8,832	15,271	8,557,260
Mortgage loans	79,290	1,232	1,153	879	157	614	240	83,565
Consumer loans	3,984,307	32,545	648,378	35,170	13,212	35,308	16,566	4,765,486
Totals	**12,347,713**	**36,639**	**891,677**	**37,711**	**15,740**	**44,754**	**32,077**	**13,406,311**

	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**

The other financial assets are neither delinquent nor impaired.

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(Figures stated in thousands of Argentine pesos)

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

	Delinquent, not impaired				Total as of 12/31/2011
	Up to 30	From 31 to 60	From 61 to 90	Over 90	
Commercial loans	216,566	11,878	8,967	6,397	243,808
Mortgage loans	1,570	353	109	-	2,032
Consumer loans	653,038	24,940	5,063	507	683,548
TOTAL	**871,174**	**37,171**	**14,139**	**6,904**	**929,388**

	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**

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.

(Figures stated in thousands of Argentine pesos)

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.

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 2011 and 2010, 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.

	12/31/2011	12/31/2010
	%	%
As of December 31	36.5	49.4
Average for the year	41.2	53.4
Higher	51.1	64.5
Lower	35.4	48.2

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

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(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 12/31/2011
Cash and due from the BCRA (Central Bank of Argentina)	2,247,026	-	-	-	-	-	2,247,026
Due from other financial institutions	446,932	-	-	-	-	-	446,932
Financial assets measured at fair value held for trading	8,907	-	55,531	146,359	1,021,463	226,641	1,458,901
Financial assets measured at fair value from their initial recognition	-	-	766,810	14,984	129,914	-	911,708
Derivative financial instruments	-	497	-	-	-	-	497
Loans	-	-	7,000,769	3,415,679	4,322,721	107,086	14,846,255
Other receivables	91,284	-	41,195	13,682	18,148	198	164,507
Other financial assets	46,803	-	-	-	-	-	46,803
Total	**2,840,952**	**497**	**7,864,305**	**3,590,704**	**5,492,246**	**333,925**	**20,122,629**
Financing facilities received from financial institutions	-	-	131,800	185,839	215,969	18	533,626
Deposits	7,140,401	-	5,870,678	707,499	405	-	13,718,983
Corporate bonds	-	-	56,028	195,684	-	-	251,712
Other financial liabilities	92,517	-	890,155	98,753	4,333	45	1,085,803
Total	**7,232,918**	**-**	**6,948,661**	**1,187,775**	**220,707**	**63**	**15,590,124**

	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**

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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 12/31/2011
Unused agreed overdrafts	20,000	-	259,622	-	-	-	-	279,622
Obligations for foreign trade transactions	10,388	3,556	13,480	11,981	166,860	4,037	-	210,302
Guarantees granted	18,042	13,733	3,552	2,260	3,936	-	-	41,523
Letters of credit	21,059	9,385	3,735	-	-	-	-	34,179
TOTAL	69,489	26,674	280,389	14,241	170,796	4,037	-	565,626

	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

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, 2011, and 2010, the Bank's VaR by type of risk is as follows:

VaR of the trading portfolio	**12/31/2011**	**12/31/2010**
Currency exchange rate risk	5,597	4,837
Interest rate risk	289,233	157,366
Price risk	72,905	83,470

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 interest rate risk is defined as the possibility that changes occur in the entity's financial condition as a result of interest rate fluctuations with a negative impact on net financial income and its economic value. The Entity reviews the sensitivity analysis regarding variations in interest rates that is made considering its assets and liabilities accruing interest and, for that purpose, the segments in local currency and foreign currency.

(Figures stated in thousands of Argentine pesos)

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, 2011, and 2010, 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, 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.

The equity sensitivity is calculated revaluing net financial assets, before income tax, as of December 31, 2011, and 2010, due to the effects of estimated changes in interest rates:

	As of December 31, 2011					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	374	+/-	527
Foreign currency	+/-	75	+/-	561	+/-	791
Foreign currency	+/-	100	+/-	748	+/-	1,054
Foreign currency	+/-	150	+/-	1,122	+/-	1,581
Argentine pesos	+/-	50	+/-	2,889	+/-	2,365
Argentine pesos	+/-	75	+/-	4,334	+/-	3,548
Argentine pesos	+/-	100	+/-	5,778	+/-	4,730
Argentine pesos	+/-	150	+/-	8,667	+/-	7,095

	As of December 31, 2010					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	146	+/-	132
Foreign currency	+/-	75	+/-	219	+/-	198
Foreign currency	+/-	100	+/-	292	+/-	264
Foreign currency	+/-	150	+/-	438	+/-	396
Argentine pesos	+/-	50	+/-	2,072	+/-	1,661
Argentine pesos	+/-	75	+/-	3,108	+/-	2,492
Argentine pesos	+/-	100	+/-	4,144	+/-	3,322
Argentine pesos	+/-	150	+/-	6,216	+/-	4,984

(Figures stated in thousands of Argentine pesos)

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, 2011, and 2010, the Bank's open position, stated in Argentine pesos by currency, is as follows:

ITEMS	Total as of 12/31/11	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Central Bank of Argentina)	526,735	33,575	490,894	241	-	2,025
Due from other financial institutions	398,280	68,968	323,180	913	817	4,402
Financial assets measured at fair value held for trading	302,474	15	302,459	-	-	-
Loans	1,899,385	1,662	1,897,695	-	-	28
Other receivables	5,097	-	5,095	-	-	2
Totals	**3,131,971**	**104,220**	**3,019,323**	**1,154**	**817**	**6,457**
LIABILITY POSITION						
Financing facilities received from financial institutions	442,568	220	442,348	-	-	-
Deposits	1,927,098	22,353	1,904,745	-	-	-
Other liabilities	225,965	13,388	212,064	-	28	485
Totals	**2,595,631**	**35,961**	**2,559,157**	**-**	**28**	**485**
Net position	**536,340**	**68,259**	**460,166**	**1,154**	**789**	**5,972**

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 45)

(Figures stated in thousands of Argentine pesos)

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**

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	2011	2010
Peso devaluation with respect to the foreign currency	5	23,008	28,281
Peso devaluation with respect to the foreign currency	10	46,017	56,562
Peso revaluation with respect to the foreign currency	5	(23,008)	(28,281)
Peso revaluation with respect to the foreign currency	10	(46,017)	(56,562)

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.

Under such framework, the Bank has implemented a management system that complies with BCRA guidelines under communiqué A 4793. In addition, as from January 1, 2009, the Bank has an operating risk event database prepared pursuant to the guidelines established in Communiqué "A" 4904, as supplemented. In addition, the BCRA Communiqué "A" 5073 established a minimum cash requirement for this item, effective from February 1st, 2012.

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

The operating risk management system is formed by:

a) Organizational structure: as from July 2008, the Bank has an Operational Risk and Regulatory Compliance Management and an Operational Risk Committee, which include the Bank's main authorities as regards commerce, transactions and systems, finance and the abovementioned management.

b) Policies: on July 31, 2008, the Bank's Board of Directors approved the related policies ("Policy for the Operational Risk Management"), which define the main concepts, roles and responsibilities of the Board of Directors, the Operational Risk Committee, the Operational Risk Management and all the areas involved in this risk management.

c) Procedures: the Bank has a procedure "to record operational losses", which established the guidelines to book those losses, as from the opening of specific accounting items, thus allowing the automatic inclusion of the operating losses recorded in those items in the related database.

   In addition, the bank has a procedure that establishes the guidelines to prepare risk self-assessments and, in the event of risks exceeding allowed tolerance levels, guidelines to establish risk indicators and action plans.

d) Systems: the Bank has a comprehensive system that allows managing all the tasks involved in risk management: risk self-assessments, risk indicators and actions plans, as well as the management of the operating losses database.

In addition, on March 29, 2010, the Bank's Board of Directors approved the "Policy for IT asset risk management", whereby the main definitions, concepts, roles and responsibilities of the different areas involved in the management of this risk are formalized. Furthermore, it describes the methodology to classify information assets and to analyze and manage risk based on defined tolerance levels.

Pursuant to that policy, the purpose of IT asset risk analysis is to determine how the IT risk affects the Bank's processes, especially those deemed critical, and to provide the information required to define the assets to be protected and to achieve more efficiency in the assignment of technological resources.

(Figures stated in thousands of Argentine pesos)

NOTE 42: 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, 2011, and 2010, of the portfolio of the following mutual funds for which the Bank acts as depository institution:

Name	Deposits	Other	Total assets as of 12/31/2011
Lombard Renta en Pesos Fondo Común de Inversión	354,071	41,548	395,619
Fondo Nuevo Renta en Dólares Fondo Común de Inversión - a)	135	-	135
Fondo Común de Inversión Lombard Acciones	310	4,558	4,868
Fondo Común de Inversión Lombard Renta Fija	9,291	36,609	45,900
Fondo Común de Inversión Lombard Ahorro	9,472	-	9,472
Lombard Capital F.C.I.	22,213	75,521	97,734
TOTAL	**395,492**	**158,236**	**553,728**

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**

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. As of the date of issue of these financial statements, the situation of each one of the funds is as follows:

a) Fondo Nuevo Renta en Dólares Fondo Común de Inversión

On March 28, 2011, the depository and manager approved the decision to recommence the fund liquidation process, in view of the court orders that state that the legal actions filed by holders of shares do not constitute an impediment for the CNV to authorize the fund's liquidation.

In this regard, as of the date of issue of these financial statements, the manager company has initiated the necessary proceedings with the CNV to liquidate the fund.

b) Fondo Común de Inversión Lombard Renta Fija Premium

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.

On 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.

Finally, on April 14, 2011, the CNV was requested to cancel and deregister the abovementioned fund.

As of the date of issue of these financial statements, said agency has not issued an opinion.

Fees earned as depository institution are recorded under "Fee income – Other" in the amounts of 913 and 670 as of December 31, 2011, and 2010, respectively.

NOTE 43: <u>Corpus assets</u>

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, 2011, and 2010, the Bank acts as trustee of 29 and 33 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.

(Figures stated in thousands of Argentine pesos)

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 13,787 and 12,086 as of December 31, 2011, and 2010, respectively.

The following is a table summarizing the assets and equity managed by the Bank as of December 31, 2011, and 2010.

	12/31/2011	12/31/2010
Total assets	1,030,326	724,136
Total shareholders' equity	241,661	181,465

NOTE 44: 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.

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(Figures stated in thousands of Argentine pesos)

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.

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 19,651 and 9,591 as of December 31, 2011, and 2010, respectively.

NOTE 45: Explanation added for translation in English

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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