BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2012

jointly with the Independent Auditors' Report

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2012

(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, 2012
(Translation of financial statements originally issued in Spanish – See note 45)

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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, 2012, 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, 2012, and its results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Buenos Aires, Argentina
March 25, 2013

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

ERNESTO J. CASSANI
Partner

<table>
<tr><td colspan="4">BANCO PATAGONIA S.A.</td></tr>
<tr><td colspan="4">Registered office:</td></tr>
<tr><td colspan="4">Teniente Gral. Juan D. Perón 500 – Buenos Aires – Argentina</td></tr>
<tr><td colspan="2">Main business activity: Commercial bank</td><td colspan="2">C.U.I.T. (Argentine tax identification number): 30 - 50000661 - 3</td></tr>
<tr><td colspan="4">Incorporation date: May 4, 1928</td></tr>
<tr><td rowspan="4">Registration with the Buenos Aires City Public Registry of Commerce</td><td rowspan="2">Date</td><td colspan="2">(1) Of the articles of incorporation: 09/18/1928</td></tr>
<tr><td colspan="2">(2) Of the last amendment: 12/07/11</td></tr>
<tr><td rowspan="2">Book</td><td colspan="2">Stock Corporations Book: 57</td></tr>
<tr><td colspan="2">Number: 30,114</td></tr>
<tr><td colspan="4">Expiry of the articles of incorporation: August 29, 2038</td></tr>
<tr><td colspan="4">Fiscal year No. 89</td></tr>
<tr><td colspan="2">Beginning date: January 1, 2012</td><td colspan="2">Closing date: December 31, 2012</td></tr>
<tr><td colspan="4">Capital structure (See note 2)</td></tr>
<tr><td colspan="2" rowspan="2">Number and characteristics of shares</td><td colspan="2">In Argentine pesos</td></tr>
<tr><td>Subscribed</td><td>Paid-in</td></tr>
<tr><td colspan="2">719,264,737 book-entry shares of common stock of ARS 1 face value and entitled to one vote each</td><td>719,264,737</td><td>719,264,737</td></tr>
</table>

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2012	12/31/2011 (*)
Interest income and similar ones	5	2,995,296	1,772,627
Interest expense and similar ones	6	(1,130,258)	(646,072)
Net interest income and similar ones		1,865,038	1,126,555
Fee income	7	1,206,443	825,992
Fee expenses	7	(265,851)	(177,088)
Net fee income		940,592	648,904
Gains (losses) on financial assets measured at fair value held for trading	8	363,207	153,128
Gains (losses) on financial assets measured at fair value from their initial recognition	9	108,144	241,531
Foreign exchange difference (net)	10	149,097	106,209
Other operating income	11	29,136	34,914
TOTAL OPERATING INCOME		3,455,214	2,311,241
Net uncollectibility charges of loans	22	(301,232)	(89,530)
TOTAL OPERATING INCOME, NET		3,153,982	2,221,711

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

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

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2012	12/31/2011 (*)
Personnel expenses	12	(866,701)	(637,252)
Depreciation of bank premises and equipment, and other	25	(22,607)	(20,635)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	13	(21,270)	(8,890)
Other operating expenses	14	(795,571)	(613,228)
TOTAL OPERATING EXPENSES		(1,706,149)	(1,280,005)
OPERATING INCOME (LOSS)		1,447,833	941,706
INCOME BEFORE INCOME TAX		1,447,833	941,706
Income tax, net	15	(504,348)	(349,365)
NET INCOME FOR THE YEAR		943,485	592,341
Attributable to:			
The parent's shareholders		942,561	591,917
Minority interest (see note 3.1)		924	424
Earnings per share			
Basic earnings per share	16	1.3105	0.8229
Diluted earnings per share	16	1.3105	0.8229

(*) They are presented solely for comparative purposes.

Notes 1 through 44 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

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

(Figures stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2012	12/31/2011 (*)
NET INCOME FOR THE YEAR		943,485	592,341
OTHER COMPREHENSIVE INCOME:			
Reserves for conversion differences	32	7,105	3,799
Tax effect on other comprehensive income	32	(2,487)	(1,330)
OTHER COMPREHENSIVE INCOME, NET		4,618	2,469
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		948,103	594,810
Attributable to:			
The parent's shareholders		947,179	594,386
Minority interest (see note 3.1)		924	424

(*) They are presented solely for comparative purposes.

Notes 1 through 44 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola	Rubén M. Iparraguirre	Jorge G. Stuart Milne
Accounting Manager	Superintendent Finance, Administration and Public Sector Area	Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012

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

(Figures stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2012	12/31/2011 (*)
Cash and due from the BCRA (Central Bank of Argentina)	18	4,446,615	2,247,026
Due from other financial institutions	19	462,169	446,932
Financial assets measured at fair value held for trading	20	1,167,236	983,419
Financial assets measured at fair value from their initial recognition	20	106,800	860,349
Derivative financial instruments	21	-	129
Loans	22	19,264,057	13,158,669
Other receivables	23	136,122	157,559
Non-current assets held for sale	24	15,659	15,659
Bank premises and equipment, and other	25	286,879	268,677
Deferred tax assets	15	227,015	104,808
Other assets	26	54,865	77,511
TOTAL ASSETS		26,167,417	18,320,738

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

LIABILITIES	NOTE	12/31/2012	12/31/2011 (*)
Financing facilities received from financial institutions	27	638,745	486,444
Derivative financial instruments	21	7	-
Deposits	28	19,005,105	13,596,871
Corporate bonds	29	947,230	228,324
Other liabilities	30	1,969,556	1,354,118
Provisions for miscellaneous risks	31	43,448	39,364
TOTAL LIABILITIES		22,604,091	15,705,121

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2012	12/31/2011 (*)
Capital stock	2	719,265	719,265
Additional paid-in capital		217,191	217,191
Unappropriated retained earnings		1,063,759	1,240,905
Reserve for conversion differences	32	14,060	9,442
Legal reserve	32	548,822	426,373
Optional Reserve	32	996,864	-
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT'S SHAREHOLDERS		3,559,961	2,613,176
MINORITY INTEREST		3,365	2,441
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		3,563,326	2,615,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,167,417	18,320,738

(*)They are presented solely for comparative purposes.

Notes 1 through 44 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

(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)	Optional 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, 2012	719,265	217,191	426,373	-	9,442	1,240,905	2,613,176	2,441	2,615,617
Net income for the year	-	-	-	-	-	942,561	942,561	924	943,485
Other comprehensive income for the year, net	-	-	-	-	4,618	-	4,618	-	4,618
Total comprehensive income for the year, net of taxes	-	-	-	-	4,618	942,561	947,179	924	948,103
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/12 (2)									
Legal reserve	-	-	122,449	-	-	(122,449)	-	-	-
Optional reserve. Treasury stock acquisition program	-	-	-	3,452	-	(3,452)	-	-	-
Optional reserve. Future distribution of earnings	-	-	-	993,806	-	(993,806)	-	-	-
Repurchase of treasury stock (1)	-	-	-	(394)	-	-	(394)	-	(394)
Balance as of December 31, 2012 (4)	719,265	217,191	548,822	996,864	14,060	1,063,759	3,559,961	3,365	3,563,326

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

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector 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 Additional paid-in capital	Legal reserve (2)	Reserve for conversion differences (2)	Unappropriated retained earnings	Total Attributable to The parent's shareholders (3)	Total Minority Interest (3)	Total
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 (3)	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 32.
(3) See note 3.1.

(*) They are presented solely for comparative purposes.

Notes 1 through 44 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

	12/31/2012	12/31/2011 (*)
Changes in cash		
Cash at beginning of year (see note 34)	2,430,888	1,587,163
Foreign exchange difference attributable to cash	(216,707)	(156,575)
Cash as of year-end (see note 34)	4,618,810	2,430,888
Net increase in cash	**1,971,215**	**687,150**
Causes of changes in cash		
Operating activities		
Financial assets measured at fair value from their initial recognition		
Payments for purchases	(1,494,282)	(829,991)
Interest collections	97,627	208,481
Amortization and sales collections	2,258,337	2,077,307
Interest collected on loans	2,785,249	1,666,757
Interest collected on other receivables	12,820	18,633
Dividends collected of investments in other companies	17,646	13,284
Interest paid on deposits	(980,674)	(552,173)
Net collections / (payments) for:		
Financial assets measured at fair value held for trading	196,165	118,366
Loans	(6,041,925)	(4,434,898)
Other assets, net	123,280	113,460
Other receivables	23,426	(22,032)
Deposits	5,249,077	2,845,077
Fees and commissions earned	1,213,992	834,327
Fees and commissions paid	(343,571)	(234,881)
Operating expenses paid	(1,644,506)	(1,189,939)
Income tax paid	(332,185)	(228,675)
Net cash flow provided by Operating Activities	**1,140,476**	**403,103**

Marcelo A. Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

(Figures stated in thousands of Argentine pesos)

	12/31/2012	12/31/2011 (*)
Investing activities		
Payments for purchases of bank premises and equipment, and other	(62,585)	(55,186)
Income from sales of bank premises and equipment, and other	50,044	50,512
Net cash flow used in Investing Activities	**(12,541)**	**(4,674)**
Financing activities		
Financing facilities received from financial institutions	149,558	306,837
Interest paid on financing facilities received from financial institutions	(21,713)	(5,738)
Issue of corporate bonds net from payments	715,829	228,324
Dividends payments	-	(240,702)
Other paaments by financing activities - Repurchase of treasury stock	(394)	-
Net cash flow provided by financing activities	**843,280**	**288,721**
Net increase in cash	**1,971,215**	**687,150**

(*)They are presented solely for comparative purposes.

Notes 1 through 44 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

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 CVM (Brazilian Securities Commission) applicable to the issuers of securities approved for listing.

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. On December 27, 2012, Law No. 26.831, governing Capital Markets, was enacted to amend the current public offering system. The law is in force since January 28, 2013; however, the Argentine Securities Commission (CNV) decided that the current provisions should continue to be applied until the decree regulating the new provisions is issued.

- 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 March 25, 2013, Banco Patagonia S.A.’s Board of Directors approved the issuance of these Consolidated Financial Statements to be filed with the CVM, in accordance with the above mentioned.

(Figures stated in thousands of Argentine pesos)

According to effective legal requirements, the Regular Shareholders' Meeting to be held on April 24, 2013 shall approve the Bank's stand-alone and consolidated Financial Statements as of December 31, 2012, which were issued under local standards and were approved by the Shareholders' Board on February 1st, 2013 and filed with the CNV (Argentine Securities Commission) and the CVM on February 4, 2013, and the BCRA on February 19, 2013. 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.

NOTE 2: Capital stock

As of December 31, 2012, and 2011, the capital stock structure and changes therein are as follows:

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	**Number**	**Face value (ARS) per share**	**Votes per share**	**Outstanding**	**Treasury stock**	**Paid-in**
Class "A" common shares	22,768,818	1	1	22,769	-	22,769
Class "B" common shares	696,495,919	1	1	696,496	-	696,496
Total as of January 1, 2012	719,264,737			719,265	-	719,265
Capital stock reduction of Class "B" book-entry shares of common stock approved by the General Special Shareholders' Meeting held on March 26, 2012 (2)	-	1	1	(119)	119	-
Class "A" common shares	22,768,818	1	1	22,769	-	22,769
Class "B" common shares	696,495,919	1	1	696,377	119	696,496
Total as of December 31, 2012	719,264,737			719,146	119	719,265

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector 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)

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

1. Corporate Capital Composition

In accordance with the provisions of the bylaws, section 6, class "A" and class "B" shares entitle their holders to one vote per share and have a face value of one peso each.

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.

Class "A" shares entitle their holder to appoint one director, provided the province of Rio Negro keeps at least one share. The above-mentioned class "A" common shares shall be automatically converted into class "B" shares at the time of their transfer in favor of a holder different from the Province of Rio Negro. It should be mentioned that there are no differences regarding the economic rights between both classes of shares.

2.Treasury stock acquisition plan

On March 26, 2012, the Bank's Board of Directors decided to implement a plan for the repurchase of treasury stock on the Argentine market, under section 68, Law 17,811 (added by Presidential Decree 677/01) and CNV regulations, up to 3,452, with a limit of 1,000,000 common book-entry Class “B” shares, entitling the holder to one vote per share and each of face value ARS 1.

The agreed-upon price payable for those shares is up to ARS 3.4515 per share and the term to make the acquisitions is one hundred eighty calendar days as from March 27, 2012.

In such regard, on September 25, 2012, the Bank’s Board of Directors decided to extend it until March 22, 2013, because the reasons that gave rise to the program persisted.

As of the date of issue of these Consolidated Financial Statements, the above-mentioned program was cancelled due to expiration of the term that extended its force.

This program results from the international macroeconomic conditions, where capital market volatility in general has negatively affected the price of local shares, including the Bank's shares. The deadline for the divestiture of the acquired shares, as set forth in Chapter XXIII.11.14 of CNV regulations, is three years as from their acquisition date, except for any extension to be decided by the Shareholders' Meeting.

As of December 31, 2012, the Bank purchased and settled a face value of ARS 119,550 share of common stock amounting to 394, as shown in the Statement of Changes in Shareholders' Equity.

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

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.

(Figures stated in thousands of Argentine pesos)

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%.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

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, 2012, 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 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.

- 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.

<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.

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.

On Decembrer 31, 2012 and 2011, the Bank has consolidated these Financial Statements with the Financial Statements of the following companies:

(Figures stated in thousands of Argentine pesos)

Company	Shares		Percentage of	
	Class	Number	Total capital stock	Possible votes
Patagonia Valores S.A. Sociedad de Bolsa	Common stock	13,862,667	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%

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, 2012, and 2011.

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, 2012, and 2011 (see note 3.2.f)).

b) Income (loss) for the years ended December 31, 2012, and 2011, 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, 2012, and 2011, are disclosed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Figures stated in thousands of Argentine pesos)

As of 12/31/2012	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.	Banco Patagonia (Uruguay) S.A.I.F.E.	Eliminations	Banco Patagonia S.A. consolidated
Assets	24,626,410	21,598	36,087	1,600,476	430,256	(547,410)	26,167,417
Liabilities	21,078,716	2,094	3,931	1,268,277	372,975	(121,902)	22,604,091
Shareholders' equity	3,547,694	19,504	32,156	332,199	57,281	(425,508)	3,563,326
Income for the year	937,265	2,415	9,211	101,525	(7,055)	(99,876)	943,485

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.	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

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 estimation 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.

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

The main valuation and disclosure methods followed in the preparation of these Financial Statements as of December 31, 2012, and 2011, 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.

The Entity applies earlier the IFRS 9 "Financial Instruments" and values 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) <u>Financial assets measured at fair value through profit or loss:</u>

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 31,2012 and 2011, 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 aproppiate.

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, 2012 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) Refinanced accounts receivable and loans:

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) Assets and liabilities in foreign currency:

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

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.

(Figures stated in thousands of Argentine pesos)

j) Non - current assets held for sale::

As of December 31, 2011, the Entity 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. As of December 31, 2012, non-current assets included in this category are in the process of being sold (see Note 24).

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.

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.

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.

In the event a) the obligation is possible; or b) it is not likely that the Entity, in order to discharge the obligation, must make an expenditure; or c) it is not possible to have a reliable measure of the obligation amount, said contingent liability is not recognized and is disclosed as an explanatory note. However, when the possibility that a disbursement should be made is remote, no recognition is made.

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, 2012, and 2011, 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 Sonsolidated 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 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, 2012:

- 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 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.

- IAS 32 (as revised) "Financial Instruments: Presentation": effective for periods beginning on January 1, 2014, amends the scope of the standard, also excluding transactions that are within the scope of IFRS 10 "Consolidated Financial Statements".

- IFRS 7 (as revised) "Financial Instruments: Disclosures": effective for periods beginning on January 1, 2013, amends the scope of the standard, also excluding transactions that are within the scope of IFRS 10 "Consolidated Financial Statements".

- IFRS 10 "Consolidated Financial Statements": effective for periods begun on January 1, 2013, the standard replaces requirements of the interpretation developed in 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 from it, rather than do so only by 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.

- Improvements to IFRSs: In May 2012, the IASB published amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards; IAS 1 - Presentation of Financial Statements; IAS 16 - Property, Plant and Equipment; IAS 32 – Financial Instruments: Presentation; and IAS 43 - Interim Financial Reporting, effective for periods begun on January 1, 2013. The improvement process is an annual project that provides a mechanism to introduce necessary but not urgent or relevant amendments.

The Entity does not expect that the impact of the above-mentioned standards or interpretations may be significant regarding its Consolidated Financial Statements.

NOTE 4: Segment reporting

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

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

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

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

(Figures stated in thousands of Argentine pesos)

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.

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, 2012, and 2011, 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, 2012, and 2011:

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2012
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	4,446,615	4,446,615
Due from other financial institutions	-	-	-	462,169	462,169
Financial assets measured at fair value held for trading	-	-	1,158,425	8,811	1,167,236
Financial assets measured at fair value from their initial recognition	-	-	106,800	-	106,800
Loans	10,585,628	6,142,003	2,536,426	-	19,264,057
Other receivables	-	-	58,115	78,007	136,122
Non – current assets held for sale	-	-	-	15,659	15,659
Bank premises and equipment, and other	-	-	-	286,879	286,879
Deferred tax assets	-	-	-	227,015	227,015
Other assets	-	-	26,366	28,499	54,865
TOTAL ASSETS	10,585,628	6,142,003	3,886,132	5,553,654	26,167,417

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 12/31/2012
Financing facilities received from financial institutions	352,495	157,724	128,526	-	638,745
Derivative financial instruments	-	-	7	-	7
Deposits	6,384,714	7,435,851	5,184,540	-	19,005,105
Corporate bonds	-	747,150	200,080	-	947,230
Other liabilities	139,413	709,799	176,170	944,174	1,969,556
Provisions for miscellaneous risks	-	-	-	43,448	43,448
TOTAL LIABILITIES	6,876,622	9,050,524	5,689,323	987,622	22,604,091
Interest income and similar ones	1,495,763	1,330,689	162,461	6,383	2,995,296
Interest expense and similar ones	(401,524)	(289,524)	(439,191)	(19)	(1,130,258)
Net interest income and similar ones	1,094,239	1,041,165	(276,730)	6,364	1,865,038
Fee income	202,511	843,881	113,750	46,301	1,206,443
Fee expenses	(47,664)	(182,388)	(11,832)	(23,967)	(265,851)
Net fee income	154,847	661,493	101,918	22,334	940,592
Gains on financial assets held for trading	-	-	345,561	17,646	363,207
Gains on financial assets measured at fair value from their initial recognition	-	-	108,144	-	108,144
Foreign exchange difference (net)	44,815	8,698	833	94,751	149,097
Other operating income	-	-	-	29,136	29,136
TOTAL OPERATING INCOME	1,293,901	1,711,356	279,726	170,231	3,455,214
Net charges of loans	(32,545)	(268,687)	-	-	(301,232)
TOTAL OPERATING INCOME, NET	1,261,356	1,442,669	279,726	170,231	3,153,982
Personnel expenses	(151,196)	(236,933)	(22,270)	(456,302)	(866,701)
Depreciation of bank premises and equipment, and other	-	-	-	(22,607)	(22,607)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	-	-	(8,591)	(12,679)	(21,270)
Other operating expenses	(214,937)	(398,365)	(78,030)	(104,239)	(795,571)
TOTAL OPERATING EXPENSES	(366,133)	(635,298)	(108,891)	(595,827)	(1,706,149)
OPERATING INCOME (LOSS)	895,223	807,371	170,835	(425,596)	1,447,833
INCOME BEFORE INCOME TAX					1,447,833
Income tax, net					(504,348)
NET INCOME FOR THE YEAR					943,485
Attributable to:					
The parent's shareholders					942,561
Non-controlling ownership interest					924

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

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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
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
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

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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
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)	(355,861)	(637,252)
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	(130,470)	(385,912)	(48,877)	(47,969)	(613,228)
TOTAL OPERATING EXPENSES	(288,748)	(491,139)	(67,351)	(432,767)	(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

NOTE 5: Interest income and similar ones

	12/31/2012	12/31/2011
Loans	2,976,197	1,750,835
Other receivables	5,344	13,778
Due from other financial institutions	235	311
Other	13,520	7,703
	2,995,296	1,772,627

NOTE 6: Interest expense and similar ones

	12/31/2012	12/31/2011
Deposits	993,363	610,476
Subordinated corporate bonds	98,287	19,313
Financing facilities received from financial institutions	16,843	9,825
Other	21,765	6,458
	1,130,258	646,072

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Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 7: Fee income and expenses

	12/31/2012	12/31/2011
Fee income		
Credit and debit cards	357,856	255,230
Checking accounts	173,329	126,408
Insurance	120,958	70,799
Packages of products	89,878	64,747
Checks to be collected and items in custody	58,332	52,039
Collections	45,422	44,861
Safe-deposit boxes	44,964	31,880
Foreign trade	36,672	30,906
Savings accounts	35,751	27,402
Portfolio management and recovery process	27,331	23,802
Trust activity (see note 43)	19,172	13,787
Transfers	11,042	9,086
Other	185,736	75,045
	1,206,443	825,992

	12/31/2012	12/31/2011
Fee expenses		
Credit and debit cards	154,398	97,466
Salary crediting agreement	73,911	57,026
Other	37,542	22,596
	265,851	177,088

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

	12/31/2012	12/31/2011
Quoted price difference	192,537	44,463
Interest	135,899	88,203
Gains (losses) on forward foreign currency transactions (see note 21)	22,387	7,178
Cash dividends from shares	17,646	13,284
Gain (loss) on forward Badlar rate transactions (see note 21)	39	14
Gain (loss) on interest rate swaps (see note 21)	(5,301)	(14)
	363,207	153,128

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(Figures stated in thousands of Argentine pesos)

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

	12/31/2012	12/31/2011
Interest	97,627	208,481
Quoted price difference	10,517	33,050
	108,144	241,531

NOTE 10: Foreign exchange difference (net)

As of December 31, 2012 and 2011 it includes the exchange differences arising from conversion into pesos of foreign currency assets and liabilities in the amount of 111,091 and 49,547, and the income/loss obtained from the purchase-sale of foreign currency in the amount of 38,006 and 56,662, respectively.

NOTE 11: Other operating income

	12/31/2012	12/31/2011
Assignment of tax credit certificates	13,406	5,624
Income from sales of bank premises and equipment, and other	7,403	21,934
Other	8,327	7,356
	29,136	34,914

NOTE 12: Personnel expenses

	12/31/2012	12/31/2011
Salaries	652,037	479,693
Payroll taxes	149,297	107,753
Entertainment, travel & living expenses	20,794	14,239
Services to personnel	16,545	13,396
Personnel bonuses	13,818	7,853
Administrative services hired	12,368	10,276
Severance payments	1,842	4,042
	866,701	637,252

(Figures stated in thousands of Argentine pesos)

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

	12/31/2012	12/31/2011
Net charges, less allowances for other receivables (see note 23)	8,591	588
Net charges for provisions for miscellaneous risks (see note 31)	12,679	8,302
	21,270	8,890

NOTE 14: Other operating expenses

	12/31/2012	12/31/2011
Turnover tax (1)	240.114	151.030
Maintenance, conservation and repair expenses	103.539	64.488
Armored car expenses	52.496	51.790
Security services	46.645	35.527
Rentals	45.457	32.978
Professional fees	41.807	39.495
Tax on bank account transactions	38.074	30.356
Courier cost	34.865	32.966
Electric power and communications	32.845	29.801
Contribution to the deposit guarantee fund	25.317	20.199
Cleaning expenses	19.241	14.577
Advertising and marketing	16.808	16.768
Other taxes	15.734	10.623
Directors' and statutory auditors' fees	13.853	12.227
Office expenses	12.036	10.678
Clearing house expenses	7.103	6.232
Miscellaneous subscription expenses	5.458	5.207
Insurance	3.654	3.468
Operating expenses on Mercado Abierto Electrónico	2.729	1.759
Other	37.796	43.059
	795.571	613.228

(1) On December 2012 and 2011, that tax corresponds to interest income and similar ones in the amount of 169,698 and 107,142, respectively; fees income in the amount of 67,200 and 42,748, respectively and other incomes in the amount of 3,216 and 1,140 respectively.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector 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	12/31/2012	12/31/2011
Deferred tax assets:		
Financial assets measured at fair value	1,683	369
Loans	175,720	66,731
Other receivables	3,589	1,188
Other assets	7,689	-
Deposits	846	846
Derivative financial instruments	2	-
Other liabilities	31,964	32,094
Provisions for miscellaneous risks	17,367	15,086
Total deferred assets	238,860	116,314
Deferred tax liabilities:		
Non - current assets held for sale	(194)	(15)
Bank premises and equipment, and other	(11,651)	(11,446)
Derivative financial instruments	-	(45)
Total deferred liabilities	(11,845)	(11,506)
Net deferred tax assets as of year-end	227,015	104,808

Changes in net deferred tax assets during the years ended December 31, 2012, and 2011, are summarized as follows:

Description	12/31/2012	12/31/2011
Net deferred tax assets at beginning of year	104,808	75,998
Deferred tax charge to income	124,694	30,140
Effect booked in shareholders' equity reserves (see note 32)	(2,487)	(1,330)
Net deferred tax assets as of year-end	227,015	104,808

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
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Description	**12/31/2012**	**12/31/2011**
Income before taxes	1,447,833	941,706
Statutory income tax rate	35%	35%
Tax on net income	506,742	329,597
Permanent differences:		
Income not subject to income tax	(71,588)	(41,737)
Expenses not deductible from taxable income	69,194	61,505
Income tax, net	504,348	349,365

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	629,042	379,505
Deferred tax income (loss)	(124,694)	(30,140)
Income tax, net	504,348	349,365

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, 2012, and 2011, 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.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

(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.

As it was mentioned in the above paragraphs, the weighted average of outstanding common shares during the fiscal year ended on December 31, 2012 includes the quantity of outstanding common shares as of the beginning of the year and excludes the quantity of common shares that were acquired since March 27, 2012 under the Plan for the Repurchase of Treasury Stock (see Note 2).

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

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

	12/31/2012	12/31/2011
Numerator:		
Income for the year atribuible to the controller entity´s shareholders	942,561	591,917
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	Face value 719,213,517	Face value 719,264,737
Basic and diluted earnings per share (stated in ARS)	1.3105	0.8229
Outstanding common shares at beginning of year (see note 2)	Face value 719,264,737	Face value 719,264,737
Treasury stock acquisition program approved by the Board of Directors on March 26, 2012 (see note 2)	Face value (119,500)	-
Outstanding common shares as of year-end (see note 2)	Face value 719,145,237	Face value 719,264,737

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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 0.3347, and resulted from the division of the cash dividends by the outstanding common shares as of the abovementioned year-end.

NOTE 17: Distribution of earnings and restrictions

Distribution of earnings

The Regular Shareholders' Meeting, held on April 26, 2012, related to the fiscal year ended December 31, 2011, approved the following distribution of earnings under BCRA regulations:

To legal reserve	122,449
To Optional Reserve – Treasury stock acquisition program (see note 2)	3,452
To Optional Reserve – Future distribution of earnings (see note 2)	993,806
Total	1,119,707

The constitution of the legal reserve was made in accordance with BCRA provisions that establish that 20% of the profits of the year are to be allocated for that purpose.

Optional reserves for the repurchase of shares and future profit distributions were constituted in compliance with the provisions of CNV General Resolution No. 593/11, establishing that after the refunding of the legal reserve and full coverage of losses of previous years, destination of retained earnings is to be resolved by the shareholders' meeting, which may decide to allocate said retained earnings as dividends, their capitalization with delivery of bonus stock, the constitution of reserves other than the legal reserve, or a combination of such destinations.

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, 2012, under BCRA regulations, are restricted by 176,929, 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.

(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, and notwithstanding the fact that the Bank more than fulfills the requirement in current minimum capital requirement regulations, which includes the requirement related to operational risk, set forth in BCRA Communiqué "A" 5272 (see note 33), it cannot distribute earnings through a cash dividend payment as a result of the application of the Communiqué mentioned in the previous paragraph.

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

	31/12/2012	31/12/2011
Cash on hand	1,400,825	1,030,136
BCRA – Checking account (1)	2,755,816	953,820
BCRA – Special guarantee accounts (1) (2) (see note 36)	289,974	263,070
	4,446,615	2,247,026

(1) As of December 31, 2012 and 2011, 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.

(Figures stated in thousands of Argentine pesos)

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, 2012, and 2011:

Item	12/31/2012	12/31/2011
Cash and due from the BCRA (Central Bank of Argentina)		
Cash on hand	-	566,035
Cash held by armored car companies	-	462,288
BCRA – Checking account	2,755,816	953,820
BCRA – Special guarantee accounts	289,974	263,070
	3,045,790	2,245,213

As from April 1, 2012, Communiqué “A” 5299 stated that the notes and coins kept at the Bank and in custody in other financial institutions and armored car companies shall not be used for minimum cash requirements.

NOTE 19: Due from other financial institutions

	12/31/2012	12/31/2011
Wells Fargo Bank	220,984	145,037
Banco de la Nación Argentina – Miami	83,219	18,278
Standard Chartered Bank N.Y	43,220	55,024
Bank of America	25,852	21,780
Banco do Brasil S.A. - N.Y. (see Note 35)	14,913	28,741
J.P. Morgan Chase Bank	13,098	11,639
Unicrédito Italiano S.p.A.	10,538	48,187
Citibank N.Y.	9,130	2,763
UBS N.Y.	8,267	9,403
Banco de la Provincia de Buenos Aires	4,070	19,984
Banco Popular Español S.A.	3,630	4,590
Bank of New York	3,507	-
Euroclear Bank S.A.	3,315	3,180
Standard Chartered Bank Londres	3,297	2,787
Intesa Sanpaolo S.p.A.	3,049	22,506
Banco de la Nación Argentina	2,820	16,984
The Bank of Montreal (International Branch)	2,540	2,949
Banco Central del Uruguay (see note 36)	2,459	2,791
LLoyds TSB Bank PLC	1,076	-
HSBC Bank USA N.A.	435	8,455
Commerzbank A.G.	305	2,378
Other	2,445	19,476
	462,169	446,932

(Figures stated in thousands of Argentine pesos)

As of December 31, 2012 and 2011, the amounts do not earn any interest.

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	12/31/2012	12/31/2011
Argentine Government Bond in ARS Private Badlar + 2.75 % (BONAR 2014) (see Note 36)	01/30/14	ARS	Badlar + 2.75%	Upon maturity	516,093	204,336
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (see Note 36)	09/10/15	ARS	Badlar + 3%	6 semiannual installments	472,797	303,503
Argentine Government Bond in ARS Private Badlar + 3.50 % (BONAR 2013)	04/04/13	ARS	Badlar + 3.5%	Upon maturity	52,135	51,180
Discount bonds in ARS + GDP-linked securities in ARS	12/31/33	ARS	5.83% + Cer	20 semiannual installments	31,439	31,754
Social security debt consolidation bond in ARS, 4th Series, 2%	03/15/14	ARS	2% + Cer	72 monthly installments	26,780	39,269
Secured bonds, Presidential Decree No, 1,579/02 (BOGAR)	02/04/18	ARS	2% + Cer	156 monthly installments	19,665	18,736
Treasury Bills of the Province of Buenos Aires - ARS	02/21/13	ARS	Badlar + 3.75%	Upon maturity	10,141	-
Argentine Government Bond in USD 7 % (Boden 2015)	10/03/15	U$S	7%	Upon maturity	7,392	25,208
Argentine Government Bond in USD 7% (BONAR X)	04/17/17	U$S	7 %	Upon maturity	7,256	92,334
Debt bond of the Province of Entre Rios S II Class B - ARS	05/23/13	ARS	Badlar + 3.7%	Upon maturity	5,087	-
Consolidation bond in ARS, 7th Series	01/04/16	ARS	Badlar	4 monthly installments	4,387	4,286
Argentine Government Bond in USD 7% (BONAR VII)	09/12/13	U$S	7 %	Upon maturity	3,410	153,146
Argentine government bonds in USD Libor 2012 (Boden 2012)	08/03/12	U$S	Libor	8 annual installments	-	31,749
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
Other (See note 36)					10,654	10,680
					1,167,236	**983,419**

Financial assets measured at fair value from their initial recognition

Description	Maturity	Currency	Rate	Amortization	12/31/2012	12/31/2011
BCRA notes (See Note 36)	From 18/01/2012 through 04/23/2014	ARS	Badlar+2.5%	Upon maturity	106.800	801,573
BCRA bills	From 01/04/2012 through 03/07/2012	ARS	Issuance, with discount	Upon maturity	-	58,776
					106.800	**860,349**

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Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

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

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

4) 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.

5) 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.

6) 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.

7) 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.

8) Province of Buenos Aires' 2013 Short-Term Treasury Notes in pesos: these notes are short-term instruments issued by the Province of Buenos Aires, maturing on February 21, 2013, with full repayment of principal at maturity, accruing interest at a variable rate with quarterly payments to be calculated in accordance with the Badlar rate, as defined above, plus 375 base points.

9) 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.

10) Argentine sovereign bond in USD 7% (BONAR X): U.S. dollar denominated bonds issued by the National Government, maturing on April 17, 2017 with full repayment of principal at maturity and accruing interest at a fixed rate of 7% p.a. with quarterly payments.

11) Province of Entre Rios Notes, Series II, Class B: these notes are issued by the Province of Entre Ríos, with maturity on May 23, 2013, full repayment of principal at maturity, accruing interest at a variable rate and quarterly payments to be calculated in accordance with the Badlar rate, as defined above, plus 370 base points; payments are due on February 26 and May 23, 2013.

12) Social Security Debt Consolidation Bonds in pesos, Series 7: bonds issued by the National Treasury to pay off debts with beneficiaries of the retirement and pension public system. The seventh series refers to a 2010 issue in national currency, with 6-year maturity. Repayment is made in four quarterly, equal and consecutive installments, equivalent to 25% each, the first installment maturing on April 4, 2015. Interest is calculated as per the Badlar rate and payable quarterly.

13) 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.

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
2012	102,035	106,800	4,765
2011	840,703	860,349	19,646

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:

(Figures stated in thousands of Argentine pesos)

	Notional value as of	
	12/31/2012	12/31/2011
Forward purchases of foreign currency	USD 487,500	USD 525,900
Forward sales of foreign currency	USD 37,500	USD 115,825
Interest rate swaps	300,000	10,000

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 (7) and 129, resulting in a loss of (5,301) and (14), as of December 31, 2012 and 2011, respectively (see note 8).

(Loss) gain from foreign currency transactions as of December 31, 2012, and 2011, amounted to 22,387 and 7,178, respectively, and (loss) gain from Badlar forward transactions amounted to 39 and 14, respectively (see note 8).

NOTE 22: Loans

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

	12/31/2012	12/31/2011
Notes	6,509,652	4,313,888
Overdrafts	3,255,095	1,736,315
Personal loans	2,649,770	1,932,832
Credit cards	2,156,783	1,346,737
Collateral loans	1,415,507	832,869
Amounts receivable from repo transactions with financial institutions	1,232,982	972,832
Loans to dealers	701,595	739,190
Financial leases	633,839	488,815
Loans to financial institutions	626,399	390,635
Loans granted to Public Sector Agencies	114,729	94,162
Mortgage loans	73,209	83,131
Export prefinancing loans	60,474	163,278
Other loans	138,438	190,534
Interest and similar items receivable	228,777	121,093
Total loans	19,797,249	13,406,311
Allowances for uncollectibility risk	(533,192)	(247,642)
Total	19,264,057	13,158,669

(Figures stated in thousands of Argentine pesos)

Loans by type as of December 31, 2012, and 2011, are as follows:

	12/31/2012	12/31/2011
Commercial loans	12,808,106	8,557,260
Consumer loans	6,915,530	4,765,486
Mortgage loans	73,613	83,565
Total	19,797,249	13,406,311

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:

	12/31/2012		**12/31/2011**	
	Total gross investment	**Current value of minimum payments**	**Total gross investment**	**Current value of minimum payments**
Up to 1 year	355,494	267,753	259,194	187,259
From 1 to 5 years	433,731	371,613	352,977	305,757
More than 5 years	205	158	177	129
	789,430	639,524	612,348	493,145

As of December 31, 2012 and 2011, revenue for unearned interest amounted to 149,906 and 119,203, respectively, and accumulated allowances for loan losses amounted to 8,210 and 5,120, respectively.

As of December 31, 2012 and 2011, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Figures stated in thousands of Argentine pesos)

Loan loss reserves

Evolution by type of allowances for uncollectibility risk	**Mortgage loans**	**Consumer loans**	**Commercial loans**	**Total**
At beginning	2,630	147,425	97,587	247,642
Net charge for the year	248	276,154	41,806	318,208
Uses	(892)	(24,418)	(7,348)	(32,658)
As of December 31, 2012	1,986	399,161	132,045	533,192
Determination				
Allowances not determined individually	1,986	397,456	81,575	481,017
Allowances determined individually	-	1,705	50,470	52,175
	1,986	399,161	132,045	533,192

Evolution by type of allowances for uncollectibility risk	**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)
As of December 31, 2011	2,630	147,425	97,587	247,642
Determination				
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

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

	12/31/2012			**12/31/2011**		
Evolution by determination of allowances for uncollectibility risk	**Allowances not determined individually**	**Allowances determined individually**	**Total**	**Allowances not determined individually**	**Allowances determined individually**	**Total**
At beginning	226,499	21,143	247,642	154,243	21,553	175,796
Charge for the year	279,828	38,380	318,208	95,236	10,737	105,973
Uses	(25,310)	(7,348)	(32,658)	(22,980)	(11,147)	(34,127)
As of closing	481,017	52,175	533,192	226,499	21,143	247,642

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Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

Net uncollectibility charges of loans break down as follows:

	12/31/2012	12/31/2011
Uncollectibility charge for the year	(318,208)	(105,973)
Recoveries of loans	16,976	16,443
Net uncollectibility charges of loans	(301,232)	(89,530)

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, 2012, and 2011, the Bank recorded the following contingent transactions:

	12/31/2012	12/31/2011
Unused agreed overdrafts	570,476	279,622
Guarantees granted	268,268	210,302
Letters of credit	63,664	34,179
Obligations for foreign trade transactions	36,946	41,523
	939,354	565,626

The above-mentioned credit facilities are initially recognized at fair value for the fee received, under "Other liabilities".

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:

	12/31/2012	12/31/2011
Sundry receivables	74,181	59,274
Trust securities (1)	16,816	61,888
Trade receivables	3,826	3,979
Other	53,074	35,602
	147,897	160,743
Allowance for uncollectibility risk of other receivables	(11,775)	(3,184)
	136,122	157,559

(1) As of December 31, 2012, and 2011, effective trust securities are receivables with fixed installments earning interest at an average nominal rate of 20% and 22% p,a,, respectively, and the weighted average term of which is 27 and 22 months, respectively.

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

	12/31/2012	12/31/2011
At beginning of year	3,184	5,271
Net charges for the year (see note 13)	8,591	588
Uses	-	(2,675)
As of year-end	11,775	3,184

NOTE 24: Non – current assets held for sale

	31/12/2012	31/12/2011
Other miscellaneous assets (see note 25)	15,659	15,659
	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 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)

As of December, 2012 and 2011, these assets are measured at book value at the time of classification and did not depreciate since inclusion in the category and no profit/loss has been recognized for initial or subsequent reductions of assets and increases derived from their measurement.

As of December 31, 2012, they are in the process of being sold, with firm commitments.

As of the date of these Financial Statements, both properties were sold for a total amount of 105,450. The revenue will be recognized at the time of the transfer, when they will be derecognized from the Entity's accounts.

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:

Breakdown of bank premises and equipment´s evolution	Real property	Furniture and fixtures	Machinery and equipment	Vehicles and aircrafts	Other miscellaneous assets (1)	Total as of 12/31/2012
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2012	**192,979**	**63,630**	**76,644**	**14,252**	**56,220**	**403,725**
Additions	5,748	10,477	31,183	1,465	13,712	62,585
Retirements	-	(5,692)	(3,027)	(597)	(22,438)	(31,754)
As of December 31, 2012	**198,727**	**68,415**	**104,800**	**15,120**	**47,494**	**434,556**
Depreciation:						
As of January 1, 2012	**27,992**	**39,833**	**46,208**	**12,525**	**8,490**	**135,048**
Retirements	(16)	(5,669)	(2,849)	(422)	(1,022)	(9,978)
Depreciation charge for the accounting year	3,944	4,161	13,282	745	475	22,607
As of December 31, 2012	**31,920**	**38,325**	**56,641**	**12,848**	**7,943**	**147,677**
Residual value as of December 31, 2012	**166,807**	**30,090**	**48,159**	**2,272**	**39,551**	**286,879**

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(Figures stated in thousands of Argentine pesos)

Breakdown of bank premises and equipment´s evolution	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**

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: <u>Other assets</u>

	12/31/2012	12/31/2011
<u>Financial assets</u>	**27,968**	**46,803**
Security deposits (see note 36)	27,968	46,803
<u>Non-financial assets</u>	**26,898**	**30,708**
Advance payments	16,311	22,299
Works of art	3,234	3,034
Prepayments for purchases of assets	3,152	2,839
Stationery and office supplies	2,709	1,119
Other	1,491	1,417
	54,865	77,511

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(Figures stated in thousands of Argentine pesos)

NOTE 27: Financing facilities received from financial institutions

	12/31/2012	12/31/2011
Corporación Financiera Internacional	127,810	172,128
Banco do Brasil S.A. – N.Y. (ver Nota 35)	86,701	52,490
Standard Chartered Bank	72,105	85,115
Banco Latinoamericano de Comercio Exterior S.A.	58,872	-
Corporación Interamericana de Inversiones	43,079	-
Banco Central de la República Argentina	41,275	-
Banco Bradesco Argentina S.A.	31,981	-
Banco Comafi S.A.	30,380	-
Standard Bank Argentina S.A.	30,000	10,000
HSBC Argentina S.A.	20,114	-
Banco Itaú Argentina S.A.	20,000	-
Banco Macro S.A.	18,222	20,000
Wells Fargo Bank	16,072	66,716
Banco Hipotecario S.A.	15,000	-
Banco Santander Rio S.A.	12,000	-
Banco Ciudad de Buenos Aires	7,000	5,000
Nuevo Banco de Santa Fe S.A.	5,009	5,000
J.P. Morgan Chase Bank	535	30,311
Citibank N.A. N.Y.	-	24,076
Banco de la Nación Argentina	-	9,900
Banco Internacional de Desarrollo	-	2,775
Other	2,590	2,933
	638,745	486,444

They relate mainly to prefinancing of exports without guarantees, agreed at variable nominal rates, in a range from 0.4% to 10% p.a.. The breakdown of due dates is disclosed in note 39.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 28: Deposits

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

	12/31/2012	12/31/2011
Nonfinancial government sector	**2,045,294**	**1,860,863**
Checking accounts	697,705	583,846
Certificate of deposit	1,263,277	1,218,361
Other	65,610	10,426
Interest payable	18,702	48,230
Financial sector	**18,925**	**17,918**
Nonfinancial private sector and foreign residents	**16,940,886**	**11,718,090**
Checking accounts	2,891,144	2,154,367
Savings accounts	4,243,892	3,682,993
Certificate of deposit	8,801,165	5,105,323
Other	896,074	708,985
Interest and similar items payable	108,611	66,422
	19,005,105	13,596,871

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, 2012, and 2011, such deposit guarantee amounts to 3,693,379 and 3,290,766, respectively.

NOTE 29: Subordinated corporate bonds

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

	12/31/2012	12/31/2011
Corporate bonds issued	947,230	228,324
	947,230	228,324

1. Banco Patagonia S.A.´s Global corporate bond issuance program approved by CNV on June 4, 1996.

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

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

2. Banco Patagonia S.A.´s Global corporate bond issuance program approved by CNV on October 25, 2012.

The Regular General Shareholders' Meeting held on April 26, 2012, approved the creation of a simple Global Corporate Bond Issuance Program for a maximum amount outstanding at any time of up to USD 250,000,000 or its equivalent in other currencies.

The Program has a duration of 5 years as from CNV's authorization or for the maximum term that may be established by future applicable regulations; in that case, the Board of Directors of Banco Patagonia S.A. may decide to extend the effective term thereof.

In addition, the Bank's Board of Directors decided that the funds from corporate bonds issued under such Program shall be used for one or more of the purposes under section 36, Law No. 23,576, and BCRA Communiqué "A" 3046, or as established in applicable regulations, depending on the related pricing supplement.

On July 2, 2012, the Bank submitted the Corporate Bond Issuance Prospectus under the abovementioned Program and the Pricing Supplement related to the First Series Issuance to the CNV, and on October 25, 2012, through Resolution No. 16,950, the CNV authorized the abovementioned program.

Under the abovementioned program, on December 3, 2012, the Bank issued Class 1 Series 1 of the simple corporate bonds with a face value of 200,000,000 maturing within 18 months and amortized in a single payment on the maturity date.

This series accrues interest at a floating annual rate equivalent to the "Private BADLAR Rate" plus a spread rate of 4%, payable quarterly in arrears.

As of December 31, 2012, a total of 200,080 was booked under "Other liabilities from financial intermediation" for the principal amount plus accrued interest.

(Figures stated in thousands of Argentine pesos)

3. GPAT C.F.S.A.´s Global corporate bond issuance program aprooved by CNV on Febrery 11, 2011.

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 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, being aproved by the CNV on February 28, 2012.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

Lately, on October 25, 2012, the CNV approved the enlargement of GPAT C.F.S.A.'s global program for the issue of corporate bonds from 800,000 up to 1,500,000 and its extension for a 5-year term as from the above date.

The following is a detail of the issue of Corporate Bonds of GPAT Compañía Financiera S.A. as of December 31, 2012 and 2011:

Issuance	Currency	Ammount	Rate		Maturity	12/31/2012	12/31/2011
Series I	$	50,000	14,30%	03/23/2011	03/22/2012	-	45,095
Series II	$	94,310	Badlar + 300 p.b.	05/20/2011	05/19/2012	-	64,923
Series III	$	71,000	Badlar + 302 p.b.	08/11/2011	08/10/2012	-	73,184
Series IV	$	50,200	Badlar + 375 p.b.	11/10/2011	11/09/2012	-	45,122
Series V	$	100,000	Badlar + 240 p.b.	01/17/2012	01/16/2013	97,462	-
Series VI	$	150,000	Badlar + 239 p.b.	03/07/2012	03/07/2013	128,738	-
Series VII Clase B	$	150,000	Badlar + 200 p.b.	04/24/2012	04/19/2013	143,683	-
Series VIII Clase A	$	33,500	16,75%	07/03/2012	03/30/2013	36,298	-
Series VIII Clase B	$	58,205	Badlar + 350 p.b.	07/03/2012	12/25/2013	58,265	-
Series IX Clase A	$	27,400	18,00%	08/30/2012	05/27/2013	23,772	-
Series IX Clase B	$	110,100	Badlar + 399 p.b.	08/30/2012	02/21/2014	107,005	-
Series X Clase A	$	50,000	18,90%	11/07/2012	08/04/2013	51,424	-
Series X Clase B	$	97,611	Badlar + 429 p.b.	11/07/2012	05/07/2014	100,503	
						747,150	228,324

On November 27, 2012 the Board of Directors of GPAT Compañía Financiera S.A. resolved the issue of Corporate Bonds Series XI in the maximum amount of up to 200,000, which was approved by the CNV on January 10, 2013. On January 22, 2013 Series XI, in the amount of 23,333, maturing on October 22, 2013, and Series XI B, in the amount of 176,667, maturing on July 22, 2014, were issued and settled.

Furthermore, on February 1, 2013 the Board of Directors of GPAT Compañía Financiera S.A. resolved the issue of Corporate Bonds Series XII in the maximum amount of up to 250,000, which was approved by the CNV on March 12, 2013. On March 22, 2013 Series XII A, in the amount of 30,822, maturing on December 22, 2013, and Series XII B, in the amount of 213,300, maturing on September 22, 2014, were issued and settled.

(Figures stated in thousands of Argentine pesos)

NOTE 30: Other liabilities

	12/31/2012	12/31/2011
Financial liabilities	**1,318,625**	**1,000,613**
Credit card consumption charges payable	672,655	402,308
Salaries and payroll taxes payable	177,742	138,982
Payables for foreign trade transactions	176,078	199,212
Collections on account and behalf of third parties	139,413	138,834
Sundry payables	107,730	73,595
Withholdings on salaries	14,550	12,257
Other financial liabilities	30,457	35,425
Nonfinancial liabilities	**650,931**	**353,505**
Taxes payable	588,014	317,641
Customer loyalty program	37,144	32,230
Prepayments for sales of assets	22,525	1,358
Other nonfinancial liabilities	3,248	2,276
	1,969,556	1,354,118

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 2012 and 2011:

	Provisions			
Provisions for miscellaneous risks	**Labor and legal matters (1)**	**Constitutional rights protection actions (2)**	**Other**	**Total**
At beginning	33,946	3,332	2,086	39,364
Net charge for the year (see note 13)	12,404	-	275	12,679
Uses	(5,166)	(3,332)	(97)	(8,595)
As of December 31, 2012	41,184	-	2,264	43,448
Provisions for miscellaneous risks´maturities				
Less than 12 months	8,847	-	486	9,333
Over 12 months	32,337	-	1,778	34,115
As of December 31, 2012	41,184	-	2,264	43,448

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

	Provisions			
Provisions for miscellaneous risks	**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
Provisions for miscellaneous risks´maturities				
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

(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. The Entity had timely calculated the maximum impact resulting from the application of the above-mentioned judgments, and charged to results the impact of the additional amount to be paid. The balance at the beginning of the year accounted for the outstanding balance and was reclassified during this year to "Deposits", together with the deposits originating said balance.

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

(Figures stated in thousands of Argentine pesos)

NOTE 32: Shareholders' equity reserves

Evolution	Reserve for conversion differences (1)	Legal reserve (2)	Optional reserve (3)	Total
As of January 1, 2012	9,442	426,373	-	435,815
Foreign currency conversion	7,105	-	-	7,105
Tax effect on foreign currency conversion (see note 15)	(2,487)	-	-	(2,487)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/12 (see note 17)	-	122,449	-	122,449
Treasury stock acquisition program (see note 17)	-	-	3,452	3,452
Future distribution of earnings (see note 17)	-	-	993,806	993,806
Repurchase of treasury stock (see note 2)	-	-	(394)	(394)
As of December 31, 2012	14,060	548,822	996,864	1,559,746

Evolution	Reserve for conversion differences (1)	Legal reserve (2)	Optional reserve	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	-	96,281	-	96,281
As of December 31, 2011	9,442	426,373	-	435,815

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

(2) 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).

(3) They were constituted in compliance with the provisions of CNV General Resolution No. 593/11, establishing that after the refunding of the legal reserve and full coverage of losses of previous years, destination of retained earnings is to be resolved by the shareholders' meeting, which may decide to allocate said retained earnings as dividends, their capitalization with delivery of bonus stock, the constitution of reserves other than the legal reserve, or a combination of such destination.

(Figures stated in thousands of Argentine pesos)

NOTE 33: Minimum capital requirements

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

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:

Detail	12/31/2012	12/31/2011
Counterparty risk (1)	1,426,779	1,015,138
Market risk (2)	36,986	65,111
Interest rate risk (3)	376,202	289,130
Operational risk (4)	339,286	-
Mandatory consolidated minimum capital according to BCRA regulations	**2,179,253**	**1,369,379**
Stand-alone shareholders' equity (5)	2,482,142	1,870,290
Supplementary shareholders' equity (6)	853,919	558,179
Deductions (7)	(22,762)	(1,395)
Consolidated computable equity according to BCRA regulations	**3,313,299**	**2,427,074**
Capital surplus	**1,134,046**	**1,057,695**

(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) BCRA Communication "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; implementation was carried out gradually until December 2012.

(5) 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.

(6) 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).

(7) 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.

Also, BCRA Communication "A" 5369 and complementary rules amended the current system, both as regards requirement and integration, effective as from January and February 2013, respectively.

These amendments will result in, among other questions, changes in risk weighing methods and treatment of the delinquent portfolio, incorporation of the concept of "coverage of credit risk" through which treatment to be granted to collateral will be assessed, elimination of the requirement of interest rate risk (in spite of which such risk will continue to be managed by the Entity) and changes in the treatment of securitizations.

The Entity's management understands that the new system will not carry about greater capital requirements as compared to the present situation, in which the integration level is higher than required.

(Figures stated in thousands of Argentine pesos)

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

	12/31/2012	12/31/2011
Cash (see note 18)	1,400,825	1,030,136
BCRA – Checking account (see note 18)	2,755,816	953,820
Due from other financial institutions (see note 19)	462,169	446,932
TOTAL	4,618,810	2,430,888

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, 2012, and 2011, Banco Patagonia S.A. performed correspondent banking transactions with Banco do Brasil S.A. (New York Branch) in the amount of 14,913 and 28,741, which are recorded under "Balances in Other Financial Entities" (see note 19).

Furthermore, Banco do Brasil S.A. (Buenos Aires Branch) as of December 31, 2012, and 2011, maintains a current account in the Entity for 862 and 1,679, respectively, which is recorded under "Deposits", and Banco do Brasil S.A: (New York Branch) provides financing to the Entity for 86,701 and 52,490, respectively, 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.

(Figures stated in thousands of Argentine pesos)

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.

As of December 31, 2012, and 2011, the outstanding financial assistance granted by the Bank to related parties totaled 29,235 and 10,146, respectively.

	12/31/2012	12/31/2011
Loans	20,918	3,132
Unsecured overdrafts	10,366	480
Unsecured notes	8,588	1,432
Unsecured credit cards	1,199	511
Financial leases	765	709
Other receivables	8,317	7,014
Total credit assistance	29,235	10,146

In addition, as of December 31, 2012, and 2011, there are related party deposits with the Bank amounting to 46,554 and 44,166, 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, 2012, and 2011, loans to employees, including those granted to first-class managers, amounted to 75,625 and 50,403, 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.

(Figures stated in thousands of Argentine pesos)

The compensation of the group's key personnel was related to salaries and bonuses amounting to 28,730, and 34,351 as of December 31, 2012, and 2011. It is noteworthy that there are no other benefits for key personnel.

NOTE 36: Restricted assets

	12/31/2012	12/31/2011
Cash and due from the BCRA		
Guarantees for transactions with the BCRA / settled on time / MAE (1)	289,974	263,070
Due from other financial institutions		
Banco Central del Uruguay (2)	2,459	2,151
Financial assets measured at fair value held for trading		
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (3)	83,222	35,490
Share of Mercado de Valores S.A. (4)	2,064	2,064
Financial assets measured at fair value from their initial recognition		
Argentine Government Bond in ARS Private Badlar + 2.75% (BONAR 2014) (3)	44,096	-
BCRA notes – Maturity: 04/23/14 (1)	65,440	50,618
BCRA notes – Maturity: 02/29/12 (1)	-	75,036
Other assets		
Guarantees at credit card managers (1)	26,366	44,999
Court deposits	-	339
Deposits as collateral to leases	1,603	1,465
Other	310	310
TOTAL	**515,534**	475,542

(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.

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 37: Loans and deposits concentration

Number of customers	Loans			
	12/31/2012		12/31/2011	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	1,736,895	8.77	1,535,028	11.45
50 next largest customers	2,616,898	13.22	1,714,510	12.79
100 next largest customers	2,275,709	11.50	1,584,783	11.82
Rest of customers	13,167,747	66.51	8,571,990	63.94
Total (see note 22)	19,797,249	100.00	13,406,311	100.00

Number of customers	Deposits			
	12/31/2012		12/31/2011	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	2,603,641	13.70	1,998,743	14.70
50 next largest customers	3,476,408	18.29	1,813,827	13.34
100 next largest customers	1,841,749	9.69	1,083,541	7.97
Rest of customers	11,083,307	58.32	8,700,760	63.99
Total (see note 28)	**19,005,105**	**100.00**	13,596,871	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
Superintendent
Finance, Administration and Public Sector 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 12/31/2012**
Financial assets held for trading	1,115,098	52,138	-	1,167,236
Financial assets measured at fair value from their initial recognition	106,800	-	-	106,800
TOTAL ASSETS	**1,221,896**	**52,138**	**-**	**1,274,036**
Derivative financial instruments	-	7	-	7
TOTAL LIABILITIES	**-**	**7**	**-**	**7**

	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**

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

Financial assets measured at fair value held for trading: As of December 31, 2012, 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.

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

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Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

Transfers between hierarchy levels

	Transfers from level 1 to level 2	
	12/31/12	**12/31/11**
Financial assets measured at fair value held for trading (1)	51,138	-

(1) Relates to Argentine Government Bonds in ARS Badlar + 350 basis points, included in hierarchy level 1 as of December 31, 2011, which as of December 31, 2012, 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, 2012, there were no transfers to financial instruments hierarchy level 1 included in hierarchy level 2 as of December 31, 2011.

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.

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.

(Figures stated in thousands of Argentine pesos)

	December 31, 2012	
	Book value	Fair value
Financial assets		
Cash and due from the BCRA (Central Bank of Argentina)	4,446,615	4,446,615
Due from other financial institutions	462,169	462,169
Loans	19,264,057	19,270,391
Other receivables	136,122	136,795
Other financial assets	27,968	27,968
Financial liabilities		
Financing facilities received from financial institutions	638,745	638,745
Deposits	19,005,105	18,956,824
Corporate bonds	947,230	975,974
Other financial liabilities	1,318,625	1,318,625

	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

(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.

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 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, 2012, and 2011:

	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 12/31/2012
Cash and due from the BCRA (Central Bank of Argentina)	4,446,615	-	-	-	-	-	-	-	4,446,615
Due from other financial institutions	(a) 462,169	-	-	-	-	-	-	-	462,169
Financial assets measured at fair value held for trading	8,864	2,154	93,248	63,684	95,134	870,700	227	33,225	1,167,236
Financial assets measured at fair value from their initial recognition	-	-	-	-	-	106,800	-	-	106,800
Loans	-	8,491,077	1,591,673	2,295,377	1,502,993	5,296,353	76,656	9,928	19,264,057
Other receivables	72,146	12,543	161	32,224	1,891	17,060	97	-	136,122
Other financial assets	27,968	-	-	-	-	-	-	-	27,968
TOTAL ASSETS	**5,017,762**	**8,505,774**	**1,685,082**	**2,391,285**	**1,600,018**	**6,290,913**	**76,980**	**43,153**	**25,610,967**
Financing facilities received from financial institutions	-	199,420	145,537	82,890	5,115	205,783	-	-	638,745
Derivative financial instruments	-	-	7	-	-	-	-	-	7
Deposits	(a) 8,738,038	6,941,125	2,641,170	506,451	177,609	712	-	-	19,005,105
Corporate bonds	-	102,144	7,827	327,869	109,629	399,761	-	-	947,230
Other financial liabilities	119,240	1,173,584	131	14,550	554	10,566	-	-	1,318,625
TOTAL LIABILITIES	**8,857,278**	**8,416,273**	**2,794,672**	**931,760**	**292,907**	**616,822**	**-**	**-**	**21,909,712**

(a) Including demand deposit accounts.

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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 12/31/2011
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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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, 2012 and 2011 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 12/31/2012**
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	4.446.615	-	4.446.615
Due from other financial institutions	-	-	-	462.169	-	462.169
Financial assets held for trading	1.167.236	-	-	-	-	1.167.236
Financial assets measured at fair value from their initial recognition	-	106.800	-	-	-	106.800
Loans	-	-	-	19.264.057	-	19.264.057
Other receivables	-	-	-	136.122	-	136.122
Other financial assets	-	-	-	27.968	-	27.968
Total	1.167.236	106.800	-	24.336.931	-	**25.610.967**
LIABILITIES						
Financing facilities received from financial institutions	-	-	-	-	638.745	638.745
Derivative financial instruments	-	-	7	-	-	7
Deposits	-	-	-	-	19.005.105	19.005.105
Corporate bonds	-	-	-	-	947.230	947.230
Other financial liabilities	-	-	-	-	1.318.625	1.318.625
Total	-	-	7	-	21.909.705	**21.909.712**

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(Figures stated in thousands of Argentine pesos)

	Financial assets 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

NOTE 41: Risk management policy

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

The Bank is headed and managed by a 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. In this regard, the involvement of the Board of Directors in the

topics discussed by the different committees implies a reduction of the risks that may arise associated with the business´management.
The abovementioned structure comprises different separate and independent committees. The committees and a detail of their functions are as follows:

CNV audit committee: The powers and duties of said Committee are established in Decree No. 677/2001. Members of said committee may be proposed by any of the Board members, subject to the independence requirements established by the above-mentioned agency.

BCRA 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 Non-Performing Corporate Banking: Responsible for the evaluation of delinquent customers of the Corporate segment, definition of 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.

Committee of Compensations and Incentives to Staff: this Committee is responsible for overseeing that the system of economic incentives to the staff is consistent with the Entity's policies. Besides, the Committee must assess all the items associated to compensation programs, bonus, scales and salary increases, and salary increases for senior management, in order to secure equal pay for equal work.

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.

During 2012 this risk management process was consolidated even further and the most relevant aspects included:

- The approval of a set of limits reflecting the risk tolerance level prescribed by the Bank's Board of Directors. These limits cover the credit, liquidity, market and interest rate risks.

- Update of the Risk Management Policy Manual, the main points of which include the definition and responsibilities of the committees and departments included in the process, policies, procedures and tools for management of each one of the main risks faced by the Bank, as well as the contingency plans and frameworks for stress tests.

- Regularly monitoring compliance with the risk tolerance levels and reporting the results to the Overall Risk Committee and Board of Directors.

- Performing stress tests for different scenarios, related to future changes in the economic conditions causing an increase of each one of the risks under analysis and how that would impact the Bank as a whole in stressed situations.

- Designing and proposing a set of limits for GPAT Compañía Financiera S.A. as part of the consolidated risk management process.

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, the compliance with current regulations and the prescribed limits have the following purposes:

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.

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:

(Figures stated in thousands of Argentine pesos)

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

Commercial loans portfolio

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

Situation 1:

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

Situation 2:

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

Situation 3:

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

Situation 4:

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

Situation 5:

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

Allowances individually evaluated

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

Allowances collectively evaluated

Allowances are collectively evaluated in the event of loan losses that are not individually significant. Allowances are assessed and set as of the year-end of the Consolidated Financial Statements.

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

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.

(Figures stated in thousands of Argentine pesos)

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

Credit risk management in investments in financial assets

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

Below is the exposure percentage by issuer calculated on the total financial assets disclosed in note 20:

Security	Issuer	2012 percentage	2011 percentage	
Government securities issued by the Argentine government	Argentine government	92%	53%	a)
Notes and bills issued by the BCRA	BCRA	8%	47%	b)

a) BONAR 2014 and 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 BONAR 2014´s interest and BONAR 2015´s principal and interest, as 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) 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, 2012, 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, 2012, and 2011, respectively;

- ✓ 90% and 92% of the loan portfolio is considered not to be past due or impaired as of December 31, 2012, and 2011, respectively;

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

(Figures stated in thousands of Argentine pesos)

	Gross maximum exposure as of 12/31/2012	**Net maximum exposure as of 12/31/2012 (1)**	**Gross maximum exposure as of 12/31/2011**	**Net maximum exposure as of 12/31/2011 (1)**
Financial intermediation and other financial services	8,407,521	8,403,535	5,232,224	5,232,224
Granted to individuals	6,782,950	6,638,558	4,454,762	4,454,762
Crops, agricultural and marketing services	1,304,164	921,461	760,197	760,197
Wholesale and/or on-commission or on-consignment trade, except for the trade of vehicles, automobiles and motorbicycles	1,189,993	1,109,909	837,522	837,522
Construction	572,051	465,663	352,822	352,822
Wholesale sale and manufacture of vehicles, automobiles, trailers and semitrailers of equipment and means of transport	531,065	522,905	144,391	144,391
Production of food and beverages	485,263	452,554	422,067	422,067
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	450,501	396,068	247,335	247,335
Retail trade, except for the trade of vehicles, automobiles and motorbicycles, repair of personal effects and household equipment	440,118	370,950	352,897	352,897
Animal breeding, livestock services, except for veterinary and marketing ones	397,298	305,137	220,031	220,031
Exploitation of mines and quarries; sale and production of products extracted	394,506	374,614	78,130	78,130
Wholesale sale and manufacture of machines and equipment (all), electrical appliances, communications, TV, and radio equipment, precision and optical medical instruments, clocks	251,728	228,136	197,413	197,413
Fishing, related services, production and sale	242,059	92,434	270,983	270,983
Real estate, business and lease	163,772	147,301	172,944	172,944
Public administration, defense and mandatory social security Organizations and extraterritorial bodies	121,515	121,515	130,703	130,703
Extraction, exploitation and sale of oil, rubber and chemical byproducts	141,104	134,624	44,057	44,057
Hunting and capture of living animals, repopulation of hunting animals and related services; forestry, wood extraction and related services	89,058	17,929	5,784	4,518
Electricity, gas, steam and hot water	41,801	39,406	72,377	72,377
Hotels and restaurants	16,427	10,047	4,664	4,609
Other industries	5,593,811	5,138,058	3,435,073	3,049,849
Total	**27,616,705**	**25,890,804**	**17,436,376**	**17,049,831**

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.

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
Superintendent
Finance, Administration and Public Sector Area

Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

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

The main types of guarantees obtained are as follows:

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

The Bank controls the market values of guarantees 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 12/31/2012
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	12,195,388	3,095	544,112	3,274	1,444	49,064	11,729	12,808,106
Mortgage loans	69,235	405	2,217	1,161	118	334	143	73,613
Consumer loans	5,459,561	48,158	1,149,934	121,477	40,239	72,978	23,183	6,915,530
Totals	**17,724,184**	**51,658**	**1,696,263**	**125,912**	**41,801**	**122,376**	**35,055**	**19,797,249**

	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**

The other financial assets are neither delinquent nor impaired.

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Chairman

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

	Delinquent, not impaired				Total as of 12/31/2012
	Up to 30	From 31 to 60	From 61 to 90	Over 90	
Commercial loans	457,813	56,650	5,312	27,611	547,386
Mortgage loans	2,596	676	106	-	3,378
Consumer loans	1,163,893	82,516	23,301	1,701	1,271,411
TOTAL	**1,624,302**	**139,842**	**28,719**	**29,312**	**1,822,175**

	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**

Liquidity risk

Liquidity risk is defined as the risk of imbalances occurring between marketable assets and payable liabilities (“mismatches” between payments and collections) that could affect the Bank's ability to meet all of its current and future financial obligations, taking into consideration the different currencies and settlement terms of its rights and obligations, without incurring significant losses.

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

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

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

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

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

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

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

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

The Executive Risk Management Department regularly monitors compliance of the different levels set by the Board of Directors in relation to liquidity risk, which include minimum levels of liquidity, maximum concentration levels allowed by type of deposit and by type of customer, among others.

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 excesise 2012 and 2011, 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.

(Figures stated in thousands of Argentine pesos)

	12/31/2012 %	12/31/2011 %
As of December 31	35.6	36.5
Average for the year	35.4	41.2
Higher	40.2	51.1
Lower	32.3	35.4

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

	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 12/31/2012
Cash and due from the BCRA (Central Bank of Argentina)	4,446,615	-	-	-	-	-	4,446,615
Due from other financial institutions	462,169	-	-	-	-	-	462,169
Financial assets measured at fair value held for trading	8,863	-	149,672	294,348	992,646	179,936	1,625,465
Financial assets measured at fair value from their initial recognition	-	-	4,584	13,603	109,068	-	127,255
Loans	-	-	10,544,702	4,772,506	6,190,981	95,893	21,604,082
Other receivables	72,147	-	14,364	37,910	19,138	145	143,704
Other financial assets	27,968	-	-	-	-	-	27,968
Total	**5,017,762**	**-**	**10,713,322**	**5,118,367**	**7,311,833**	**275,974**	**28,437,258**
Financing facilities received from financial institutions	-	-	349,102	91,309	262,101	-	702,512
Derivative financial instruments	-	11,712	-	-	-	-	11,712
Deposits	8,738,040	-	9,677,856	730,098	886	-	19,146,880
Corporate bonds	-	-	253,225	386,663	431,939	-	1,071,827
Other financial liabilities	119,235	-	1,173,722	160,751	10,667	-	1,464,375
Total	**8,857,275**	**11,712**	**11,453,904**	**1,368,821**	**705,593**	**-**	**22,397,306**

Marcelo A, Iadarola Accounting Manager	Rubén M. Iparraguirre Superintendent Finance, Administration and Public Sector Area	Jorge G. Stuart Milne Chairman

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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**

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Rubén M. Iparraguirre
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Finance, Administration and Public Sector Area

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Chairman

(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 12/31/2012
Unused agreed overdrafts	205,874	-	364,602	-	-	-	-	570,476
Guarantees granted	115,036	1,644	2,562	4,842	132,192	11,992	-	268,268
Letters of credit	27,537	15,178	20,949	-	-	-	-	63,664
Obligations for foreign trade transactions	20,384	7,165	4,355	2,694	2,348			36,946
TOTAL	368,831	23,987	392,468	7,536	134,540	11,992		939,354

	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
Guarantees granted	10,388	3,556	13,480	11,981	166,860	4,037	-	210,302
Obligations for foreign trade transactions	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

Market risk

Market risk is defined as the possibility of suffering losses in positions on and off the Bank's balance sheet as a result of the adverse fluctuations in the market prices of different assets. 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 (1-5-10 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 and 10 days and is calculated by multiplying the one-day VaR by the square root of 5 and 10.

(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, 2012 and 2011, the Bank's VaR by type of risk is as follows:

VaR of the trading portfolio	12/31/2012	12/31/2011
Currency exchange rate risk	3,219	5,597
Interest rate risk	366,521	289,233
Price risk	33,843	72,905

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, 2012, and 2011.

The equity sensitivity is calculated revaluing net financial assets, before income tax, as of December 31, 2012, and 2011, due to the effects of estimated changes in interest rates:

	As of December 31, 2012					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	239	+/-	62
Foreign currency	+/-	75	+/-	359	+/-	93
Foreign currency	+/-	100	+/-	479	+/-	124
Foreign currency	+/-	150	+/-	718	+/-	185
Argentine pesos	+/-	50	+/-	2,194	+/-	2,071
Argentine pesos	+/-	75	+/-	3,291	+/-	3,107
Argentine pesos	+/-	100	+/-	4,388	+/-	4,143
Argentine pesos	+/-	150	+/-	6,582	+/-	6,214

	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

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.

IAS 29 - Financial Reporting in Hyperinflationary Economies, requires the financial statements of an entity to be stated in terms of the measuring unit current at the balance sheet closing date, when the cumulative inflation rate over three years approaches, or exceeds, 100%, along with other qualitative factors. The Argentine peso does not meet the requirements to be identified as the legal currency of an hyperinflationary economy, in accordance with the guidelines set forth in IAS 29 and, therefore, these financial statements have not been restated in constant currency, in spite of the occurrence of significant variations in the prices of relevant variables in the economy, a situation that should be taken into account in the assessment and interpretation of such financial statements.

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, 2012, and 2011, the Bank's open position, stated in Argentine pesos by currency, is as follows:

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 12/31/12	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Central Bank of Argentina)	1,108,039	37,044	1,068,790	328	-	1,877
Due from other financial institutions	456,192	13,454	432,089	1,034	362	9,253
Financial assets measured at fair value held for trading	18,165	16	18,149	-	-	-
Loans	1,680,754	1,542	1,679,212	-	-	-
Other receivables	4,943	3	4,940	-	-	-
Other assets	248	-	248	-	-	-
Totals	**3,268,341**	**52,059**	**3,203,428**	**1,362**	**362**	**11,130**
LIABILITY POSITION						
Financing facilities received from financial institutions	439,746	919	438,827	-	-	-
Deposits	1,462,145	19,763	1,442,382	-	-	-
Other liabilities	209,094	6,943	195,304	26	99	6,722
Totals	**2,110,985**	**27,625**	**2,076,513**	**26**	**99**	**6,722**
Net position	**1,157,356**	**24,434**	**1,126,915**	**1,336**	**263**	**4,408**

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**

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:

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(Figures stated in thousands of Argentine pesos)

Sensitivity analysis	Exchange rate percentage variation	2012	2011
Peso devaluation with respect to the foreign currency	5	56,346	23,008
Peso devaluation with respect to the foreign currency	10	112,692	46,017
Peso revaluation with respect to the foreign currency	5	(56,346)	(23,008)
Peso revaluation with respect to the foreign currency	10	(112,692)	(46,017)

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, the BCRA Communiqué "A" 5073 established a minimum cash requirement for this item, effective from February 1st, 2012.

The operating risk management system is formed by:

a) Organizational structure: the Bank has an Operational Risk Management that is in charge of managing operational risk 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: the Bank has a "Policy for the Operational Risk Management" approved by the Board of Directors, 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.

(Figures stated in thousands of Argentine pesos)

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.

e) Database: The Bank has an operational risk event database prepared pursuant to the guidelines established in Communiqué “A” 4904, as supplemented

In addition, on October 23, 2012, the Bank’s Board of Directors approved an update of the “Policy for IT asset risk management” update, which aligns the concepts and definitions with the rest of the regulations on this matter.

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.

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, 2012, and 2011, of the portfolio of the following mutual funds for which the Bank acts as depository institution:

Name	Deposits	Other	Total assets as of 12/31/2012
Lombard Renta en Pesos Fondo Común de Inversión	754,569	94,766	849,335
Fondo Nuevo Renta en Dólares Fondo Común de Inversión - a)	165	1,609	1,774
Fondo Común de Inversión Lombard Renta Fija	13,224	63,016	76,240
Fondo Común de Inversión Lombard Ahorro	8,910	-	8,910
Lombard Capital F.C.I.	52,302	210,027	262,329
TOTAL	**829,170**	**369,418**	**1,198,588**

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**

(Figures stated in thousands of Argentine pesos)

a) On August 27, 2012, Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión and Banco Patagonia S.A. (manager and depository, respectively) gave approval for the “Fondo Común de Inversión Lombard Acciones” liquidation process to begin. On September 19, 2012, the application for the liquidation process was submitted to the CNV. As of the date of issuance of these financial statements, the CNV has not issued a decision in this regard.

b) On May 23, 2012, through Resolution No. 16,823, the CNV approved the liquidation process of this fund. On July 23, 2012, liquidation financial statements were issued as of June 15, 2012, the date on which the process for the full payment of such fund began, ending on September 15, 2012.

On December 27, 2012, this fund’s closing down process was completed, and its equity totaled zero.

Fees earned as depository institution are recorded under “Fee income – Other” in the amounts of 2,157 and 913 as of December 31, 2012, and 2011, respectively.

NOTE 43: Corpus assets

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

As of December 31, 2012, and 2011, the Bank acts as trustee of 31 and 29 trusts, respectively, and in no case will it answer for the obligations undertaken in executing these trusts with its own assets; these obligations will only be satisfied with and up to the amount of corpus assets and the proceeds therefrom.

The fees earned by the Bank for acting as trustee are calculated under the terms of the respective agreements and the Bank's compensation as trustee is recorded under "Fee income – Trust activity" in the amounts of 19,172 and 13,787 as of December 31, 2012, and 2011, respectively.

The following is a table summarizing the assets and equity managed by the Bank as of December 31, 2012, and 2011.

	12/31/2012	12/31/2011
Total assets	1,467,934	1,030,326
Total shareholders’ equity	300,632	241,661

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.

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 18,112 and

19,651 as of December 31, 2012, and 2011, 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.