BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2013

jointly with the Independent Auditors' Report

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2013
(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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REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have examined the accompanying consolidated financial statements of BANCO PATAGONIA S.A. (the "Entity"), including the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of income, comprehensive statement of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Responsibility of Management regarding the consolidated financial statements

The Bank's Management is responsible for the preparation and fair presentation of the attached consolidated financial statement in accordance with the International Financial Reporting Standards. Their responsibility includes (a) the design, implementation and maintenance of an adequate internal control system so that consolidated financial statements do not include significant misstatements due to error or irregularities; (b) the selection of appropriate accounting policies; and (c) the preparation of accounting estimates that are reasonable under the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements as a whole based on our audit, which was carried out in accordance with International Audit Rules. These standards require that we comply with requirements on ethics, and that we plan and carry out the audit to obtain reasonable assurance that the consolidated financial statements do not contain significant errors. An audit involves performing procedures, on a selective test basis, to obtain judgmental evidence about the amounts and disclosures in the consolidated financial statements. The procedures are selected in accordance with our professional judgment, including a risk assessment that the financial statements do not include significant misstatements due to error or irregularities. In making this risk assessment, the auditor considers the Entity's internal control relevant to the preparation and fair presentation of the consolidated financial statements, in order to select the appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control system in place. An audit also includes assessing the accounting principles used, any significant estimates made by the Management, as well as evaluating the overall financial statement presentation.

We consider that the audit evidence we have obtained is sufficient and adequate to support our professional opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2013, the consolidated results of its operations and cash flow for the year then ended, in conformity with International Financial Reporting Standards.

The amounts included in these consolidated financial statements corresponding to the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of income, comprehensive statement of income, changes in shareholders' equity and cash flows for the year then ended, which are presented for comparative purposes, were audited by other independent auditors, who issued their unqualified auditors' report on March 25, 2013.

Buenos Aires, Argentina
March 31, 2014

KPMG

Mauricio G. Eidelstein
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. 90</td></tr>
<tr><td colspan="2">Beginning date: January 1, 2013</td><td colspan="2">Closing date: December 31, 2013</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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2013	12/31/2012 (*)
Interest income and similar ones	5	4,271,604	2,995,296
Interest expense and similar ones	6	(2,089,916)	(1,130,258)
Net interest income and similar ones		2,181,688	1,865,038
Fee income	7	1,607,378	1,206,443
Fee expenses	7	(353,351)	(265,851)
Net fee income		1,254,027	940,592
Gains (losses) on financial assets measured at fair value held for trading	8	782,323	363,207
Gains (losses) on financial assets measured at fair value from their initial recognition	9	221,156	108,144
Gains (losses) on financial assets measured at amortized cost	10	243	-
Foreign exchange difference (net)	11	418,019	149,097
Other operating income	12	130,039	29,136
TOTAL OPERATING INCOME		4,987,495	3,455,214
Net uncollectibility charges of loans	23	(104,677)	(301,232)
TOTAL OPERATING INCOME, NET		4,882,818	3,153,982

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, 2013

(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2013	12/31/2012 (*)
Personnel expenses	13	(1,145,867)	(866,701)
Depreciation of bank premises and equipment, and other	26	(27,138)	(22,607)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	14	(25,335)	(21,270)
Other operating expenses	15	(1,146,317)	(795,571)
TOTAL OPERATING EXPENSES		(2,344,657)	(1,706,149)
OPERATING INCOME (LOSS)		2,538,161	1,447,833
INCOME BEFORE INCOME TAX		2,538,161	1,447,833
Income tax, net	16	(882,985)	(504,348)
NET INCOME FOR THE YEAR		1,655,176	943,485
Attributable to:			
The parent's shareholders		1,654,078	942,561
Minority interest (see note 3.1)		1,098	924
Earnings per share			
Basic earnings per share	17	2.3001	1.3105
Diluted earnings per share	17	2.3001	1.3105

(*) They are presented solely for comparative purposes.
Notes 1 through 46 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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2013	12/31/2012 (*)
NET INCOME FOR THE YEAR		1,655,176	943,485
OTHER COMPREHENSIVE INCOME:			
Reserves for conversion differences	33	18,305	7,105
Tax effect on other comprehensive income	33	(6,407)	(2,487)
OTHER COMPREHENSIVE INCOME, NET		11,898	4,618
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		1,667,074	948,103
Attributable to:			
The parent's shareholders		1,665,976	947,179
Minority interest (see note 3.1)		1,098	924

(*) They are presented solely for comparative purposes.

Notes 1 through 46 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 BALANCE SHEET
AS OF DECEMBER 31, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2013	12/31/2012 (*)
Cash and due from the BCRA (Central Bank of Argentina)	19	5,605,213	4,446,615
Due from other financial institutions	20	598,563	462,169
Financial assets measured at fair value held for trading	21	1,401,938	1,167,236
Financial assets measured at fair value from their initial recognition	21	985,726	106,800
Financial assets measured at amortized cost	21	56,042	-
Derivative financial instruments	22	6,418	-
Loans	23	23,143,039	19,264,057
Other receivables	24	255,975	136,122
Non-current assets held for sale	25	-	15,659
Bank premises and equipment, and other	26	298,591	286,879
Deferred tax assets	16	263,934	227,015
Other assets	27	146,320	54,865
TOTAL ASSETS		32,761,759	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.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2013

(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

LIABILITIES	NOTE	12/31/2013	12/31/2012 (*)
Financing facilities received from financial institutions	27	401,848	638,745
Derivative financial instruments	21	-	7
Deposits	28	22,613,743	19,005,105
Corporate bonds	29	1,786,289	947,230
Other liabilities	30	2,683,588	1,969,556
Provisions for miscellaneous risks	31	45,891	43,448
TOTAL LIABILITIES		27,531,359	22,604,091

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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2013	12/31/2012 (*)
Capital stock	2	719,265	719,265
Additional paid-in capital		217,191	217,191
Unappropriated retained earnings		1,833,193	1,063,759
Reserve for conversion differences	33	25,958	14,060
Legal reserve	33	725,751	548,822
Optional Reserve	33	1,704,579	996,864
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT'S SHAREHOLDERS		5,225,937	3,559,961
MINORITY INTEREST		4,463	3,365
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		5,230,400	3,563,326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,761,759	26,167,417

(*)They are presented solely for comparative purposes.

Notes 1 through 46 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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(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 (4)	Total
		Additional paid-in capital							
Balance as of January 1, 2013	719,265	217,191	548,822	996,864	14,060	1,063,759	3,559,961	3,365	3,563,326
Net income for the year	-	-	-	-	-	1,654,078	1,654,078	1,098	1,655,176
Other comprehensive income for the year, net	-	-	-	-	11,898	-	11,898	-	11,898
Total comprehensive income for the year, net of taxes	-	-	-	-	11,898	1,654,078	1,665,976	1,098	1,667,074
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/24/13 (2)									
Legal reserve	-	-	176,929	-	-	(176,929)	-	-	-
Optional reserve. Future distribution of earnings	-	-	-	707,715	-	(707,715)	-	-	-
Balance as of December 31, 2013 (4)	719,265	217,191	725,751	1,704,579	25,958	1,833,193	5,225,937	4,463	5,230,400

(1) See note 2.
(2) See note 18.
(3) See note 33.
(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, 2012 (*)

(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions Additional paid-in capital	Legal reserve (2)	Optional 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, 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									
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 (3)	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 33.
(3) See note 3.1.

(*) They are presented solely for comparative purposes.

Notes 1 through 46 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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

	12/31/2013	12/31/2012 (*)
Changes in cash		
Cash at beginning of year (see note 35)	4,618,810	2,430,888
Foreign exchange difference attributable to cash	(624,084)	(216,707)
Cash as of year-end (see note 35)	5,949,704	4,618,810
Net increase in cash	**706,810**	**1,971,215**
Causes of changes in cash		
Operating activities		
Financial assets measured at fair value from their initial recognition		
Payments for purchases	(6,006,413)	(1,494,282)
Interest collections	209,628	97,627
Amortization and sales collections	5,139,015	2,258,337
Interest collected on loans	4,013,750	2,785,249
Interest collected on other receivables	8,113	12,820
Dividends collected of investments in other companies	22,111	17,646
Interest paid on deposits	(1,725,536)	(980,674)
Net collections / (payments) for:		
Financial assets measured at fair value held for trading	(3,820)	196,165
Financial assets measured at amortized cost	(51,306)	-
Loans	(3,514,069)	(6,041,925)
Other assets, net	639,229	123,280
Other receivables	(63,946)	23,426
Deposits	3,273,572	5,249,077
Fees and commissions earned	1,611,978	1,213,992
Fees and commissions paid	(483,387)	(343,571)
Operating expenses paid	(2,070,436)	(1,644,506)
Income tax paid	(780,284)	(332,185)
Net cash flow provided by Operating Activities	**218,199**	**1,140,476**

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, 2013
(Translation of financial statements originally issued in Spanish – See note 47)

(Figures stated in thousands of Argentine pesos)

	12/31/2013	12/31/2012 (*)
Investing activities		
Payments for purchases of bank premises and equipment, and other	(694,533)	(62,585)
Income from sales of bank premises and equipment, and other	709,158	50,044
Net cash flow provided by / (used in) Investing Activities	**14,625**	**(12,541)**
Financing activities		
Financing facilities received from financial institutions	(250,340)	149,558
Interest paid on financing facilities received from financial institutions	(25,459)	(21,713)
Issue of corporate bonds net from payments	749,785	715,829
Other payments by financing activities - Repurchase of treasury stock	-	(394)
Net cash flow provided by financing activities	**473,986**	**843,280**
Net increase in cash	**706,810**	**1,971,215**

(*)They are presented solely for comparative purposes.

Notes 1 through 46 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Figures stated in thousands of Argentine pesos)

NOTE 1: General information - Background of the Bank and its subsidiaries

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.

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. The main activities of these subsidiaries, whose information is disclosed on a consolidated basis, are as follows:

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

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

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

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

As from July 20, 2007, Banco Patagonia S.A.'s shares are publicly offered and listed on the BCBA (Buenos Aires stock exchange) and BOVESPA (São Paulo stock exchange). 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.

On December 27, 2012, Law No. 26,831 on Capital Markets was enforced, which contemplates the comprehensive reform of the current public offering system (Law No. 17,811) and which came into force on January 28, 2013.

On July 29, 2013, Executive Decree No. 1.023/13 was issued, which regulated certain provisions of the above-mentioned Act and established that the CNV shall the enforcement authority of said Decree, being empowered to issue supplementary and clarifying rules as necessary to implement the legal provisions.

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

Finally, on September 9, 2013 the CNV issued General Resolution No. 622/13, which provides for an adaptation of CNV rules to the new requirements, oriented to securing normal performance of the various agents working in the Capital Market, with the purpose to obtain compliance with and observance of the principles established in the new Capital Market Act.

The Entity's equity as of December 31, 2013 exceeds the requirements set by the CNV to operate under the category of agent, to which the Entity has requested registration. Therefore, on January 31, 2014 the Entity filed with the CNV the documents required so as to obtain authorization to perform the following roles:

- Settlement and Clearing Agent and Comprehensive Trading Agent.
- Custodian of Collective Investment Products for Mutual Investment Funds.
- Financial and non-financial trustee.

As of the date of presentation of these financial statements, the CNV has not issued an opinion thereon, besides, under the provisions of the CNV regulation, CNV Interpretation Criterion No. 57 was issued to establish that previously registered Market Agents will be automatically registered as such with the CNV on a temporary basis, until June 30, 2014. Therefore, the Entity will continue operating under present conditions and will comply with the requirements established in the above-mentioned resolution.

In adittion, the Bank's Management continuously monitors the evolution of the abovementioned situations to determine the possible actions to be taken and identify potential effects on its financial position that should be reflected in the financial statements for future periods.

On March 31, 2014, 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.

According to effective legal requirements, the Regular Shareholders' Meeting to be held on April 24, 2014 shall approve the Bank's stand-alone and consolidated Financial Statements as of December 31, 2013, which were issued under local standards and were approved by the Shareholders' Board on February 6, 2014 and filed with the CNV (Argentine Securities Commission) and the CVM on February 7, 2014, and the BCRA on February 20, 2014. 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.

(Figures stated in thousands of Argentine pesos)

NOTE 2: Capital stock

As of December 31, 2013, and 2012, 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	696,377	119	696,496
Total as of January 1, 2013	719,264,737			719,146	119	719,265
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	696,495,919	1	1	696,377	119	696,496
Total as of December 31, 2013	719,264,737			719,146	119	719,265

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	Number	Face value (ARS) per share	Votes per share	Outstanding	Treasury stock	Paid-in
Class “A” common shares	22,768,818	1	1	22,769	-	22,769
Class “B” common shares	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

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.

Marcelo A, Iadarola
Accounting Manager

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

Jorge G. Stuart Milne
Chairman

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.

As from April 12, 2011 the Entity's controlling shareholder is Banco do Brasil S.A., which holds equity interest of 58.9633% on the total corporate capital.

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.

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 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.

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 that date, the program was cancelled.

As of its due date, the Bank purchased and settled a face value of ARS 119,500 share of common stock amounting to 394. 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.

3. Call and Put Options

On April 12, 2011, under the Stock Purchase Agreement made between Banco do Brasil S.A. and the group of former controlling shareholders of the Entity (Sellers), both parties signed a Shareholders' Agreement by means of which, besides establishing other rights and duties, the parties granted certain call and put options to be exercised as from the third anniversary of such date, for acquisition by Banco do Brasil S.A. of the equity interest that the Sellers will maintain in the Entity, at the strike price equivalent to the US dollar price per share established in the Offering.

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, 2013, 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 the financial statements audited as of December 31, 2012. 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 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.

- 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 9 (as revised) "Financial Instruments": with mandatory effective date not established yet, it allows application of the version of the standard which is published at the time of application. It includes a chapter on hedge accounting and amends IFRS 7 "Financial Instruments: Disclosures", with the same effective date.

- 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.

<u>Consolidation bases</u>

Subsidiaries:

Subsidiaries are all entities (including special-purpose ones, if applicable) over which the Bank has control, i.e., Banco Patagonia will control a subsidiary when it is exposed to, or has the right to, variable profits originating in its ownership interest in the subsidiary and has the capacity to exert an influence on such profits through its power upon the subsidiary. Accordingly, it will control a subsidiary if and only if it meets all of the following requirements:

a) Power over the subsidiary, which is related to existing rights that grant the present capacity to manage relevant activities, such activities being the ones that significantly affect the subsidiary's profits;

b) Exposure or right to variable profits originating in its ownership interest in the subsidiary;

c) Capacity to use its power over the subsidiary to exert an influence on the amount of investors' profits;

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.

(Figures stated in thousands of Argentine pesos)

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, 2013 and 2012, the Bank has consolidated these financial statements with the financial statements of the following companies:

Company	Shares		Percentage of	
	Class	Number	Total capital stock	Possible votes
Patagonia Valores S.A. Sociedad de Bolsa	Common stock	13,862,667	99.99%	99.99%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common stock	13,317,237	99.99%	99.99%
Banco Patagonia (Uruguay) S.A. I.F.E.	Common stock	50,000	100.00%	100.00%
GPAT Compañía Financiera S.A.	Common stock	86,837,083	99.00%	99.00%

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, 2013, and 2012.

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, 2013, and 2012 (see note 3.2.f)).

b) Income (loss) for the years ended December 31, 2013, and 2012, were converted into Argentine pesos on a monthly basis, using the monthly average of BCRA's benchmark exchange rate.

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

(Figures stated in thousands of Argentine pesos)

Total assets, liabilities, shareholders' equity and income (loss) of Banco Patagonia S.A. and each of its subsidiaries as of December 31, 2013, and 2012, are disclosed below:

As of 12/31/2013	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	30,577,491	23,771	65,040	2,159,012	631,078	(694,633)	32,761,759
Liabilities	25,363,751	2,603	35,223	1,723,978	556,791	(150,987)	27,531,359
Shareholders' equity	5,213,740	21,168	29,817	435,034	74,287	(543,646)	5,230,400
Income for the year	1,660,019	1,664	11,054	115,269	(19,945)	(112,885)	1,655,176

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

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. Actual results may differ from these estimates.

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.

The main valuation and disclosure methods followed in the preparation of these financial statements as of December 31, 2013, and 2012, 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, as from year 2010, 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 31,2013 and 2012, 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) Activos financieros valuados a costo amortizado:

Representan activos financieros que son mantenidos para obtener flujos de efectivo contractuales. Posteriormente al reconocimiento inicial, los activos financieros valuados a costo amortizado son valuados al costo amortizado usando el método del interés efectivo (ver Nota 3.2.a.1)). A tales efectos el interés es la contraprestación por el valor temporal del dinero y por el riesgo de crédito asociado con el importe del principal pendiente durante un periodo de tiempo concreto. Los mismos son registrados en el estado Consolidado de Resultado en la cuenta “Resultados por activos financieros valuados a costo amortizado”.

b.3) 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 23 and 24, 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 42).

b.4) 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.5) Financial liabilities:

After the initial recognition, all financial liabilities are valued at amortized cost using the effective interest rate method, as explained in note 3.2.a.1), except derivatives financial instruments, which on December 31, 2012 were valued at fair value (see note 22).

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. Next is described the method used for the following categories 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 23)

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.

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

j) Non - current assets held for sale::

The Entity reclassifies in this cathegory non-current assets, of which the book value will be recovered mainly through sale, which were available to be sold inmediately in its present conditions and for which the management had 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, 2013 such properties were sold and derecognized from the Entity's accounts, and at the same time the proceeds were recognized under "Other Operating Income".

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, 2013, and 2012, Banco Patagonia S.A. did not hold any financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same.

p) Segment reporting:

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

q) Investment management and trust activities:

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

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

r) Customer loyalty program:

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

As of each year-end, the Bank measures the rewards to be granted as an identifiable component of the main transaction, the fair value of which, i.e. the amount at which the reward may be sold separately, is recorded in the "Other liabilities – Customer loyalty program" account (see note 31).

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, 2013:

- 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".

- Entidades de Inversión – Modificaciones a NIIF 10, Estados Financieros Consolidados; NIIF 12 Revelaciones de Participaciones en Otras Entidades y NIC 27 Estados Financieros Separados, con vigencia obligatoria para períodos anuales que se inicien el 1° de enero de 2014.

- CINIIF 21 “Gravámenes”: con vigencia obligatoria para períodos anuales que se inicien el 1° de enero de 2014, considera cuando una Entidad debe contabilizar como obligación a pagar a los gravámenes impuestos por los gobiernos.

- NIC 19 (Revisada) “Beneficios a empleados”: con vigencia obligatoria para períodos anuales que se inicien el 1° de julio de 2014, cuyo objetivo es simplificar la contabilidad de las contribuciones que son independientes de la antigüedad del empleado.

- NIC 36 (Revisada) “Deterioro del valor de los activos”: con vigencia obligatoria para períodos anuales que se inicien el 1° de enero de 2014, enuncia la información a revelar sobre el valor recuperable de activos no financieros.

- NIC 39 (Revisada) “Instrumentos financieros – reconocimiento y medición”: con vigencia obligatoria para períodos que se inicien el 1° de enero de 2014, sobre novación de derivados y continuación de contabilidad de cobertura.

- Mejoras en las NIIF: En diciembre de 2013, el IASB publicó mejoras a las NIIF 1 “Adopción por primera vez de las Normas Internacionales de Información Financiera”, NIIF 2 “Pagos basados en acciones”, NIIF 3 “ Combinaciones de negocios”, NIIF 8 “Segmentos operativos”, NIIF 13 “Medición del valor razonable”, NIC 16 “Propiedad, Planta y Equipos”, NIC 24 “Información a revelar sobre partes relacionadas”, NIC 38 “Activos intangibles”, NIC 40 “Propiedades de inversión”, con vigencia para períodos anuales que se inicien el 1° de julio de 2014. El proyecto tuvo como objetivo realizar mejoras necesarias, pero no urgentes, a las normas que no fueron incluidas en ningún otro proyecto.

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

NOTE 4: Segment reporting

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

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

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

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

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

- Other, not distributed: Includes core functions and those items that cannot be directly attributed to a particular segment such as “Bank premises and equipment, and other”, “Provisions for miscellaneous risks” or those associated with the business funding (Cash and due from the BCRA, 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, 2013, and 2012, 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, 2013, and 2012:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Figures stated in thousands of Argentine pesos)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2013
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	5,605,213	5,605,213
Due from other financial institutions	-	-	-	598,563	598,563
Financial assets measured at fair value held for trading	-	-	1,395,231	6,707	1,401,938
Financial assets measured at fair value from their initial recognition	-	-	985,726	-	985,726
Financial assets measured at amortized cost	-	-	56,042	-	56,042
Derivative financial instruments	-	-	6,418	-	6,418
Loans	13,637,995	7,222,344	2,282,700	-	23,143,039
Other receivables	-	-	135,198	120,777	255,975
Bank premises and equipment, and other	-	-	-	298,591	298,591
Deferred tax assets	-	-	-	263,934	263,934
Other assets	-	-	97,460	48,860	146,320
TOTAL ASSETS	13,637,995	7,222,344	4,958,775	6,942,645	32,761,759
Financing facilities received from financial institutions	317,663	-	84,185	-	401,848
Deposits	7,235,880	9,352,818	6,025,045	-	22,613,743
Corporate bonds	-	1,276,116	510,173	-	1,786,289
Other liabilities	199,880	656,908	511,262	1,315,538	2,683,588
Provisions for miscellaneous risks	-	-	-	45,891	45,891
TOTAL LIABILITIES	7,753,423	11,285,842	7,130,665	1,361,429	27,531,359
Interest income and similar ones	2,412,531	1,641,938	205,923	11,212	4,271,604
Interest expense and similar ones	(584,636)	(506,612)	(998,656)	(12)	(2,089,916)
Net interest income and similar ones	1,827,895	1,135,326	(792,733)	11,200	2,181,688
Fee income	248,867	1,071,711	149,101	137,699	1,607,378
Fee expenses	(73,133)	(231,932)	(19,240)	(29,046)	(353,351)
Net fee income	175,734	839,779	129,861	108,653	1,254,027
Gains on financial assets held for trading	-	-	760,212	22,111	782,323
Gains on financial assets measured at fair value from their initial recognition	-	-	221,156	-	221,156
Gains on financial assets measured at amortized cost	-	-	243	-	243
Foreign exchange difference (net)	45,680	1,487	2,613	368,239	418,019
Other operating income	-	-	-	130,039	130,039
TOTAL OPERATING INCOME	2,049,309	1,976,592	321,352	640,242	4,987,495

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)

	Corporate segment	Individuals segment	Financial and government segment	Other, not distributed	Total as of 12/31/2013
Net charges of loans	(71,936)	(32,762)	21	-	(104,677)
TOTAL OPERATING INCOME, NET	1,977,373	1,943,830	321,373	640,242	4,882,818
Personnel expenses	(193,883)	(287,136)	(25,293)	(639,555)	(1,145,867)
Depreciation of bank premises and equipment, and other	-	-	-	(27,138)	(27,138)
Loss on uncollectibility of other receivables and provisions for miscellaneous risks	-	-	(6,300)	(19,035)	(25,335)
Other operating expenses	(292,005)	(520,420)	(108,574)	(225,318)	(1,146,317)
TOTAL OPERATING EXPENSES	(485,888)	(807,556)	(140,167)	(911,046)	(2,344,657)
OPERATING INCOME (LOSS)	1,491,485	1,136,274	181,206	(270,804)	2,538,161
INCOME BEFORE INCOME TAX					2,538,161
Income tax, net					(882,985)
NET INCOME FOR THE YEAR					1,655,176
Attributable to:					
The parent's shareholders					1,654,078
Non-controlling ownership interest					1,098

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Translation of financial statements originally issued in Spanish – See note 45)

(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					
Non-controlling ownership interest					942,561 924

Marcelo A, Iadarola
Accounting Manager

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Jorge G. Stuart Milne
Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 5: Interest income and similar ones

	12/31/2013	12/31/2012
Loans	4,263,699	2,982,358
Other receivables	1,945	5,344
Other	5,960	7,594
	4,271,604	2,995,296

NOTE 6: Interest expense and similar ones

	12/31/2013	12/31/2012
Deposits	1,783,073	993,363
Subordinated corporate bonds	269,471	98,287
Financing facilities received from financial institutions	23,035	26,014
Other	14,337	12,594
	2,089,916	1,130,258

NOTE 7: Fee income and expenses

	12/31/2013	12/31/2012
Fee income		
Credit and debit cards	444,733	357,856
Checking accounts	231,964	173,329
Insurance	160,964	120,958
Packages of products	115,863	89,878
Checks to be collected and items in custody	92,898	58,332
Safe-deposit boxes	59,452	44,964
Collections	56,715	45,422
Foreign trade	52,467	36,672
Savings accounts	39,990	35,751
Portfolio management and recovery process	33,906	27,331
Trust activity (see note 44)	23,601	19,172
Transfers	13,760	11,042
Other	281,065	185,736
	1,607,378	1,206,443

(Figures stated in thousands of Argentine pesos)

	12/31/2013	12/31/2012
Fee expenses		
Credit and debit cards	233,982	154,398
Salary crediting agreement	64,426	73,911
Other	54,943	37,542
	353,351	265,851

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

	12/31/2013	12/31/2012
Quoted price difference	174,103	192,537
Interest	14,677	135,899
Gains (losses) on forward foreign currency transactions (see note 22)	570,278	22,387
Cash dividends from shares	22,111	17,646
Gain (loss) on forward Badlar rate transactions (see note 22)	1	39
Gain (loss) on interest rate swaps (see note 22)	1,153	(5,301)
	782,323	363,207

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

	12/31/2013	12/31/2012
Interest	209,628	97,627
Quoted price difference	11,528	10,517
	221,156	108,144

NOTE 10: Gains (losses) on financial assets measured at amortized cost

	12/31/2013	12/31/2012
Interest	243	-
	243	-

NOTE 11: Foreign exchange difference (net)

	12/31/2013	12/31/2012
Conversion into pesos of foreign currency assets and liabilities	384,438	111,091
Income/loss from the purchase-sale of foreign currency	33,581	38,006
	418,019	149,097

(Figures stated in thousands of Argentine pesos)

NOTE 12: Other operating income

	12/31/2013	12/31/2012
Gains (losses) on non– current assets held for sale (see note 25)	94,459	-
Assignment of tax credit certificates	13,547	13,406
Income from sales of bank premises and equipment, and other	1,924	7,403
Other	20,109	8,327
	130,039	29,136

NOTE 13: Personnel expenses

	12/31/2013	12/31/2012
Salaries	850,602	652,037
Payroll taxes	197,223	149,297
Personnel bonuses	40,807	13,818
Entertainment, travel & living expenses	20,828	20,794
Services to personnel	18,484	16,545
Administrative services hired	15,177	12,368
Severance payments	2,746	1,842
	1,145,867	866,701

NOTE 14: Loss on uncollectibility of other receivables and provisions for miscellaneous risks

	12/31/2013	12/31/2012
Net charges, less allowances for other receivables (see note 24)	6,300	8,591
Net charges for provisions for miscellaneous risks (see note 32)	19,035	12,679
	25,335	21,270

(Figures stated in thousands of Argentine pesos)

NOTE 15: <u>Other operating expenses</u>

	12/31/2013	12/31/2012
Turnover tax (1)	438,398	240,114
Maintenance, conservation and repair expenses	117,760	103,539
Security services	62,754	46,645
Armored car expenses	60,636	52,496
Rentals	59,496	45,457
Tax on bank account transactions	56,316	38,074
Professional fees	50,759	41,807
Electric power and communications	42,165	32,845
Courier cost	36,537	34,865
Contribution to the deposit guarantee fund	34,728	25,317
Other taxes	25,279	15,734
Cleaning expenses	24,309	19,241
Directors' and statutory auditors' fees	17,488	13,853
Advertising and marketing	17,409	16,808
Office expenses	11,959	12,036
Clearing house expenses	8,053	7,103
Insurance	3,821	3,654
Operating expenses on Mercado Abierto Electrónico	3,400	2,729
Miscellaneous subscription expenses	668	5,458
Other	74,382	37,796
	1,146,317	795,571

(1) On December 2013 and 2012, that tax corresponds to interest income and similar ones in the amount of 315,637 and 169,698, respectively; fees income in the amount of 118,876 and 67,200, respectively and other incomes in the amount of 3,885 and 3,216 respectively.

(Figures stated in thousands of Argentine pesos)

NOTE 16: 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	**12/31/2013**	**12/31/2012**
Deferred tax assets:		
Financial assets measured at fair value	1,265	1,683
Loans	189,540	175,720
Other receivables	5,815	3,589
Other assets	12,054	7,689
Deposits	729	846
Derivative financial instruments	-	2
Other liabilities	40,287	31,964
Provisions for miscellaneous risks	44,207	17,367
Total deferred assets	293,897	238,860
Deferred tax liabilities:		
Non - current assets held for sale	(2,150)	-
Bank premises and equipment, and other	-	(194)
Derivative financial instruments	(27,813)	(11,651)
Total deferred liabilities	(29,963)	(11,845)
Net deferred tax assets as of year-end	263,934	227,015

Changes in net deferred tax assets during the years ended December 31, 2013, and 2012, are summarized as follows:

Description	**12/31/2013**	**12/31/2012**
Net deferred tax assets at beginning of year	227,015	104,808
Deferred tax charge to income	43,326	124,694
Effect booked in shareholders' equity reserves (see note 33)	(6,407)	(2,487)
Net deferred tax assets as of year-end	263,934	227,015

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:

(Figures stated in thousands of Argentine pesos)

Description	12/31/2013	12/31/2012
Income before taxes	2,538,161	1,447,833
Statutory income tax rate	35%	35%
Tax on net income	888,356	506,742
Permanent differences:		
Income not subject to income tax	(73,895)	(71,588)
Expenses not deductible from taxable income	68,524	69,194
Income tax, net	882,985	504,348

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	12/31/2013	12/31/2012
Income tax pursuant to tax regulations	926,311	629,042
Deferred tax income (loss)	(43,326)	(124,694)
Income tax, net	882,985	504,348

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, 2013, and 2012, the amounts assessed for income tax were higher than those assessed for minimum presumed income tax for those years.

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

(Figures stated in thousands of Argentine pesos)

NOTE 17: 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, 2013 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 Treasury Stock Adquisition Plan (see Note 2).

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

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

	12/31/2013	12/31/2012
Numerator:		
Income for the year atribuible to the controller entity´s shareholders	1,654,078	942,561
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	Face value 719,145,237	Face value 719,213,517
Basic and diluted earnings per share (stated in ARS)	2.3001	1.3105
Outstanding common shares at beginning of year (see note 2)	Face value 719,145,237	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 719,145,237

Marcelo A, Iadarola
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(Figures stated in thousands of Argentine pesos)

NOTE 18: Distribution of earnings and restrictions to the distribution of earnings

Distribution of earnings

The Regular Shareholders' Meeting, held on April 24, 2013, related to the fiscal year ended December 31, 2012, approved the following distribution of earnings under BCRA regulations:

To legal reserve	176,929
To Optional Reserve – Future distribution of earnings (see note 2)	707,715
Total	884,644

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 reserve for the future distribution of earnings was 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.

Likewise, considering BCRA provisions on profit distribution and by virtue of the calculation methodology established in Communications "A" 5272, "A" 5485 and "A" 5273, the Entity did not distribute profits through payment of cash dividends.

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, 2013, under BCRA regulations, are restricted by 245,937, which shall be applied by the next Regular Shareholders' Meeting to increase the legal reserve.

BCRA Communiqué "A" 5072, "A" 5485, and supplemented, 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. Likewise, a distribution may only be made with the express authorization of the BCRA, provided that there are no records of financial assistance from that entity due to illiquidity or shortfalls as regards minimum capital requirements or minimum cash requirements, among other previous conditions that must be met.

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(Figures stated in thousands of Argentine pesos)

The BCRA Communiqué “A” 5273 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, due to the application of the provisions described in this section, the Entity is proposing the following profit distribution scheme:

To Optional Reserve – Future Distribution of Earnings	529,758
To Dividends in Cash	451,852
Total	981,610

Payment of cash dividends is subject to authorization by the Foreign Exchange and Financial Institutions Regulatory Agency (SEFyC) of the BCRA and to approval by the Shareholders’ Meeting of this Entity.

NOTE 19: Cash and due from the BCRA (Central Bank of Argentina)

	12/31/2013	12/31/2012
Cash on hand	1,314,833	1,400,825
BCRA – Checking account (1)	4,036,308	2,755,816
BCRA – Special guarantee accounts (1) (2) (see note 37)	254,072	289,974
	5,605,213	4,446,615

(1) As of December 31, 2013 and 2012, those accounts did not bear any interest.
(2) The Bank has special guarantee checking accounts opened with the BCRA for transactions related to electronic clearing houses and other similar ones.

Minimum cash requirement

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

The minimum cash requirement establishes that a financial institution shall keep a portion of deposits or obligations available and not appropriated to lending transactions.
The following table shows the items booked by the Bank and GPAT C.F.S.A. as minimum cash requirement, as provided by the related BCRA regulations, as of December 31, 2013, and 2012:

Item	12/31/2013	12/31/2012
Cash and due from the BCRA (Central Bank of Argentina)		
BCRA – Checking account	4,036,308	2,755,816
BCRA – Special guarantee accounts	254,072	289,974
	4,290,380	3,045,790

(Figures stated in thousands of Argentine pesos)

NOTE 20: Due from other financial institutions

	12/31/2013	12/31/2012
Wells Fargo Bank	271,091	220,984
Standard Chartered Bank N.Y	74,032	83,219
Banco de la Nación Argentina – Miami	57,947	43,220
Unicrédito Italiano S.p.A.	46,206	10,538
Bank of America	28,267	25,852
Banco do Brasil S.A. - N.Y. (see note 36)	24,771	14,913
Intesa Sanpaolo S.p.A.	16,428	3,049
Citibank N.Y.	15,918	9,130
J.P. Morgan Chase Bank	12,223	13,098
The Bank of Montreal (International Branch)	9,400	2,540
Banco Central del Uruguay (see note 37)	7,052	2,459
Banco Popular Español S.A.	5,078	3,630
Banco de la Nación Argentina	4,925	2,820
Commerzbank A.G.	4,525	435
Euroclear Bank S.A.	4,134	3,315
UBS N.Y.	3,369	8,267
Bank of New York	2,702	3,507
Standard Chartered Bank Frankfurt	2,678	-
LLoyds TSB Bank PLC	1,360	1,076
Banco de la Provincia de Buenos Aires	1,221	4,070
Standard Chartered Bank Londres	429	3,297
HSBC Bank USA N.A.	-	305
Other	4,807	2,445
	598,563	462,169

As of December 31, 2013 and 2012, the amounts do not earn any interest.

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

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NOTE 21: Financial assets measured at fair value held for trading, measured at fair value from their initial recognition, and measured at amortized cost

Financial assets measured at fair value held for trading

Description	Maturity	Currency	Rate	Amortization	12/31/2013	12/31/2012
Argentine Government Bond in ARS Private Badlar + 2.75 % (BONAR 2014) (see note 37)	01/30/14	ARS	Badlar + 2.75%	Upon maturity	732,674	516,093
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (see note 37)	09/10/15	ARS	Badlar + 3%	6 semiannual installments	237,757	472,797
Consolidation bond in ARS, 7th Series (see note 37)	01/04/16	ARS	Badlar	4 quaterly installments	140,996	4,387
Consolidation bond in ARS, 8th Series	01/04/22	ARS	Badlar	14 quaterly installments	68,439	-
Argentine Government Bond in USD 7 % (Boden 2015)	10/03/15	USD	7%	Upon maturity	32,406	7,392
Debt bond of the Province of Entre Rios S I	08/06/16	USD	4,8%	9 quaterly installments	28,800	-
Secured bonds, Presidential Decree No, 1,579/02 (BOGAR)	02/04/18	ARS	2% + Cer	156 monthly installments	28,581	19,665
Debt bond of the Province of Buenos Aires S I	02/08/15	USD	4,24%	Upon maturity	28,400	-
Debt bond of the Province of Neuquén Class I Serie I	06/12/16	USD	3%	8 installments 11.11% + 1 installment 11.12%	27,880	-
Debt bond of the Province of Neuquén secured Class 2 Serie I	10/11/18	USD	3%	14 installments 6.65% + 1 installment 6.9%	25,670	-
Argentine Government Bond in USD 7% (BONAR X)	04/17/17	USD	7 %	Upon maturity	16,368	7,256
Argentine Government Consolidation Bond ARS Serie 6	03/15/24	ARS	2%	119 installments 0.83% + 1 installment 1.23%	10,292	-
Debt bond of the Province of Entre Rios S II Class B	05/23/13	USD	Badlar + 3.7%	Upon maturity	8,163	5,087
Social security debt consolidation bond in ARS, 4th Series, 2%	03/15/14	ARS	2% + Cer	72 monthly installments	3,242	26,780
Argentine Government Bond in ARS Private Badlar + 3.50 % (BONAR 2013)	04/04/13	ARS	Badlar + 3.5%	Upon maturity	-	52,135
Discount bonds in ARS + GDP-linked securities in ARS	12/31/33	ARS	5.83% + Cer	20 semiannual installments	-	31,439
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% (BONAR VII)	09/12/13	USD	7 %	Upon maturity	-	3,410
Other (See note 37)					12,270	10,654
					1,401,938	**1,167,236**

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BANCO PATAGONIA S.A.

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Financial assets measured at fair value from their initial recognition:

Description	Maturity	Currency	Rate	Amortization	12/31/2013	12/31/2012
BCRA bills (See Note 37)	From 01/08/2014 through 04/03/2014	ARS	Issuance, with discount	Upon maturity	837,746	-
BCRA notes (See Note 37)	04/23/2014	ARS	Badlar+2.5%	Upon maturity	147,980	106,800
					985,726	**106,800**

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 / (loss)
2013	988,346	985,726	(2,620)
2012	102,035	106,800	4,765

Financial assets measured at amortized cost:

Description	Maturity	Currency	Rate	Amortization	12/31/2013	12/31/2012
Argentine Bond for Economic Development	07/17/16	USD	4%	Uppon maturity	56,042	-
					56,042	**-**

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

1) LEBAC (BCRA bills): They are short-term securities bid by the monetary authority. LEBACs are issued with discount, functioning as a zero-coupon bond, principal being fully amortized upon maturity without interest payments.

2) 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.

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

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4) 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).

5) 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.

6) Social Security Debt Consolidation Bonds in pesos, Series 8: bonds issued by the National Treasury to pay off debts with beneficiaries of the retirement and pension public system. The eighth series refers to a 2010 issue in national currency, with 12 years and 9 months maturity (January 4, 2022). Repayment is made in fourteen quarterly, equal and consecutive installments, the first two equivalent to 5% each, the following eleven to 7% each, and the last one to 13%. Interest is calculated as per the Badlar rate and payable quarterly, from July 4, 2014, capitalizing quaterly as from the issuance date until April 4, 2014.

7) Argentine Bond for Economic Development: These are dollar-denominated bonds issued by the national State in accordance with the provisions of Act No. 26.860 on "Voluntary Disclosure of Foreign Currency", the proceeds of which would be used to finance public investment projects in strategic sectors, such as infrastructure and hydrocarbons. Issuance was on July 17, for a two-year term, bullet at maturity amortization and interest at 4% per annum, payable semiannually.

8) Argentine Government Bond in USD (BODEN 2015): They are bonds in US dollar issued by the Argentine Government, accruing interest at a fixed 7% rate, maturing in 2015.

9) Province of Entre Rios Debt Securities, Series I: these are guaranteed public debt securities issued by the province of Entre Rios in U.S. dollars, maturing within 3 years of their issuance date (August 6, 2016). Amortization will be in 9 quarterly consecutive payments; the first 8 payments representing 11.0% and the last one 12.0% of the issued capital, beginning on August 8, 2014. Fixed annual nominal interest rate will be 4.8%, with quarterly payments as from November 6, 2013.

10) 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.

11) Province of Buenos Aires Debt Securities, Series I: These are guaranteed public debt securities issued by the province of Buenos Aires in U.S. dollars, maturing within 18 years of the issuance date (February 8, 2015). Amortization will be in one payment at maturity, and a fixed nominal annual interest rate of 4.24% with semi-annual payments will be applied, beginning on February 8, 2014

12) Province of Neuquen Debt Securities, Class I, Series I: These are guaranteed debt-cancellation and public work financing securities issued by the province of Neuquen in U.S. dollars, maturing up to 6 years of the issuance date (June 12, 2016). Amortization will be in 8 payments, in months 12, 15, 18, 21, 24, 27, 30 and 33, representing 11.11% of the issued capital, and a final payment in month 36 representing

11.12%. Nominal annual interest rate is 3%, with quarterly payments as from September 12, 2013, which is the first payment date.

13) Province of Neuquen guaranteed Debt Securities, Class 2, Series I: These are guaranteed debt-cancellation and public work financing securities issued by the province of Neuquen in U.S. dollars, maturing up to 5 years of the issuance date (October 11, 2018). Amortization will be in 14 payments, representing 6.65% of the face value, payable in January, April, July and October every year, with a final payment of 6.90% at maturity; the first payment date will be April 28, 2015. Nominal annual interest rate is 3.90%, with quarterly payments as from January 28, 2014, which is the first payment date.

14) 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. payable semiannually.

15) Bono del Gobierno de la Nación Argentina de Consolidación en $ Serie 6: son bonos emitidos por el gobierno de la nación para la consolidación de deudas, emitidos en pesos con vencimiento el 15 de marzo de 2024, con amortización en 120 cuotas mensuales y consecutivas, 119 de 0,83% y la última de 1,23% del capital ajustado por CER, siendo la primera amortización el 15 de abril de 2014. La tasa de interés del 2% capitalizará hasta el 15 de marzo de 2014.

16) 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.

17) 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.

NOTE 22: <u>Derivative financial instruments</u>

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

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

	Notional value as of	
	12/31/2013	12/31/2012
Forward purchases of foreign currency	USD 1,162,350	USD 487,500
Forward sales of foreign currency	USD 490,870	USD 37,500
Interest rate swaps	471,785	300,000

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 interest rate swaps, the fair value of which is 6,418 and (7), resulting in a gain of 1,153 and a loss of (5,301), as of December 31, 2013 and 2012, respectively (see note 8).

(Loss) gain from foreign currency transactions as of December 31, 2013, and 2012, amounted to 570,278 and 22,387, respectively, and (loss) gain from Badlar forward transactions amounted to 1 and 39, respectively (see note 8).

NOTE 23: Loans

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

	12/31/2013	12/31/2012
Notes	8,435,857	6,509,652
Overdrafts	4,282,989	3,255,095
Personal loans	2,826,307	2,649,770
Credit cards	2,632,103	2,156,783
Collateral loans	1,936,785	1,415,507
Financial leases	915,756	633,839
Amounts receivable from repo transactions with financial institutions	696,693	626,399
Loans to dealers	555,584	1,232,982
Loans to financial institutions	465,316	701,595
Loans granted to Public Sector Agencies	240,335	114,729
Export prefinancing loans	70,843	60,474
Mortgage loans	61,954	73,209
Other loans	269,993	138,438
Interest and similar items receivable	331,510	228,777
Total loans	23,722,025	19,797,249
Allowances for uncollectibility risk	(578,986)	(533,192)
Total	23,143,039	19,264,057

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Loans by type as of December 31, 2013, and 2012, are as follows:

	12/31/2013	12/31/2012
Commercial loans	15,389,518	12,808,106
Consumer loans	8,270,561	6,915,530
Mortgage loans	61,946	73,613
Total	23,722,025	19,797,249

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:

Financial Leasing	**12/31/2013**		**12/31/2012**	
Term	**Total gross investment**	**Current value of minimum payments**	**Total gross investment**	**Current value of minimum payments**
Up to 1 year	235,486	179,345	355,494	267,753
From 1 to 5 years	195,346	158,097	433,731	371,613
More than 5 years	733,207	586,046	205	158
	1,164,039	923,488	789,430	639,524

As of December 31, 2013 and 2012, revenue for unearned interest amounted to 240,551 and 149,906, respectively, and accumulated allowances for loan losses amounted to 15,060 and 8,210, respectively.

As of December 31, 2013 and 2012, there were no significant financial leasing agreements. Additionally, their characteristics are the customary ones for this kind of operations, there being no features to set them apart regarding the general aspects prevailing in the Argentine financial system. These operations are atomized among the entity's clients and there are no pre-established automatic renewal clauses or contingent quotas.

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Loan loss reserves

Evolution by type of allowances for uncollectibility risk	**Mortgage loans**	**Consumer loans**	**Commercial loans**	**Total**
At beginning	1,986	399,161	132,045	533,192
Net charge for the year	1,271	40,587	77,918	119,776
Uses	(857)	(58,451)	(14,674)	(73,982)
As of December 31, 2013	2,400	381,297	195,289	578,986
Determination				
Allowances not determined individually	1,401	184,464	92,859	278,724
Allowances determined individually	999	196,833	102,430	300,262
	2,400	381,297	195,289	578,986

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

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

	12/31/2013			**12/31/2012**		
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	481,017	52,175	533,192	226,499	21,143	247,642
Charge for the year	(187,477)	307,253	119,776	279,828	38,380	318,208
Uses	(14,816)	(59,166)	(73,982)	(25,310)	(7,348)	(32,658)
As of closing	278,724	300,262	578,986	481,017	52,175	533,192

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Net uncollectibility charges of loans break down as follows:

	12/31/2013	12/31/2012
Uncollectibility charge for the year	(119,776)	(318,208)
Recoveries of loans	15,099	16,976
Net uncollectibility charges of loans	(104,677)	(301,232)

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, 2013, and 2012, the Bank recorded the following contingent transactions:

	12/31/2013	12/31/2012
Unused agreed overdrafts	736,503	570,476
Guarantees granted	317,256	268,268
Obligations for foreign trade transactions	45,549	36,946
Letters of credit	31,461	63,664
	1,130,769	939,354

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 42.

(Figures stated in thousands of Argentine pesos)

NOTE 24: Other receivables

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

	12/31/2013	12/31/2012
Sundry receivables	81,615	74,181
Trust securities (1)	72,646	16,816
Trade receivables	39,162	3,826
Other	80,325	53,074
	273,748	147,897
Allowance for uncollectibility risk of other receivables	(17,773)	(11,775)
	255,975	136,122

(1) As of December 31, 2013, and 2012, effective trust securities are receivables with fixed installments earning interest at an average nominal rate of 26% and 20% p,a,, respectively, and the weighted average term of which is 19 and 27 months, respectively.

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

	12/31/2013	12/31/2012
At beginning of year	11,775	3,184
Net charges for the year (see note 14)	6,300	8,591
Uses	(302)	-
As of year-end	17,773	11,775

NOTE 25: Non – current assets held for sale

	31/12/2013	31/12/2012
Other miscellaneous assets	-	15,659
	-	15,659

As of December, 2012, it included two properties located in the city of Buenos Aires which were recorded under "Fixed Assets and Miscellaneous Assets – Other Miscellaneous Assets". The Entity did not use those properties for the operation of any branch and therefore management had decided to sell them and had 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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As of December 31, 2013 this properties were sold in a value of 123,450. The profit of 94,459 was recognized under “Other Operating Income” at the moment of the retirement from the Entity’s accounts (see note 12).

NOTE 26: Bank premises and equipment, and other

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

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

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

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 12/31/2013**
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2013	**198,727**	**68,415**	**104,800**	**15,120**	**47,494**	**434,556**
Additions	3,953	9,266	13,423	279	667,612	694,533
Retirements	(3)	(3,054)	(2,624)	(621)	(656,168)	(662,470)
Transfers	8,696	-	-	-	(8,696)	-
As of December 31, 2013	**211,373**	**74,627**	**115,599**	**14,778**	**50,242**	**466,619**
Depreciation:						
As of January 1, 2013	**31,920**	**38,325**	**56,641**	**12,848**	**7,943**	**147,677**
Retirements	-	(2,535)	(2,474)	(511)	(1,267)	(6,787)
Transfers	918	-	-	-	(918)	-
Depreciation charge for the accounting year	4,206	4,894	16,007	758	1,273	27,138
As of December 31, 2013	**37,044**	**40,684**	**70,174**	**13,095**	**7,031**	**168,028**
Residual value as of December 31, 2013	**174,329**	**33,943**	**45,425**	**1,683**	**43,211**	**298,591**

(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 12/31/2012
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**

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 non-current assets held for sale. The residual value of those assets does not exceed their recoverable value.

NOTE 27: Other assets

	12/31/2013	12/31/2012
Financial assets	**97,460**	**27,968**
Security deposits (see note 37)	97,460	27,968
Non-financial assets	**48,860**	**26,897**
Advance payments	36,005	16,311
Prepayments for purchases of assets	4,655	3,152
Works of art	3,244	3,234
Stationery and office supplies	2,401	2,709
Other	2,555	1,491
	146,320	54,865

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)

NOTE 28: Financing facilities received from financial institutions

	12/31/2013	12/31/2012
Corporación Financiera Internacional	112,887	127,810
Wells Fargo Bank	57,822	16,072
Banco Central de la República Argentina	54,377	41,275
Standard Chartered Bank	52,813	72,105
Sociedad de Promoción y Participación para la Cooperación Económica – Agencia Francesa de Desarrollo (Proparco)	51,907	-
Corporación Interamericana de Inversiones	42,234	43,079
Banco de la Provincia de Neuquén	20,031	-
Banco Bradesco Argentina S.A.	9,777	31,981
Banco do Brasil S.A. – N.Y. (see note 36)	-	86,701
Banco Latinoamericano de Comercio Exterior S.A.	-	58,872
Banco Comafi S.A.	-	30,380
Standard Bank Argentina S.A.	-	30,000
HSBC Argentina S.A.	-	20,114
Banco Itaú Argentina S.A.	-	20,000
Banco Macro S.A.	-	18,222
Banco Hipotecario S.A.	-	15,000
Banco Santander Rio S.A.	-	12,000
Banco Ciudad de Buenos Aires	-	7,000
Nuevo Banco de Santa Fe S.A.	-	5,009
J.P. Morgan Chase Bank	-	535
Otros	-	2,590
	401,848	638,745

They relate mainly to prefinancing of exports without guarantees, agreed at variable nominal rates, in a range from 0.25% to 28.5% p.a.. The breakdown of due dates is disclosed in note 40.

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Accounting Manager

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Chairman

(Figures stated in thousands of Argentine pesos)

NOTE 29: Deposits

The following transactions are included under the heading "Financial liabilities valued at depreciated cost":

	12/31/2012	12/31/2011
Nonfinancial government sector	**2,693,639**	**2,045,294**
Checking accounts	860,549	697,705
Certificate of deposit	1,758,212	1,263,277
Other	48,393	65,610
Interest payable	26,485	18,702
Financial sector (see note 36)	**15,463**	**18,925**
Nonfinancial private sector and foreign residents	**19,904,641**	**16,940,886**
Checking accounts	3,569,447	2,891,144
Savings accounts	5,079,708	4,243,892
Certificate of deposit	9,936,262	8,801,165
Other	1,160,878	896,074
Interest and similar items payable	158,346	108,611
	22,613,743	19,005,105

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, 2013, and 2012, such deposit guarantee amounts to 6,019,001 and 3,693,379, respectively.

NOTE 30: Subordinated corporate bonds

The following transactions are included under the heading "Financial liabilities valued at depreciated cost":

	12/31/2013	12/31/2012
Corporate bonds issued	1,786,289	947,230
	1,786,289	947,230

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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 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.

On August 26, 2013, the Board of Directors of Banco Patagonia S.A. approved an update of the Prospectus related to the above-mentioned Global Program for the Issue of Simple Corporate Bonds, and the issue, under said Program, of Class II bonds; on October 23, 2013 both the update and the new issue were authorized by the CNV.

On November 1, 2013, the Banck issued Class II Corporate Bonds with a face value of ARS 300,000,000, 18-month term and amortization in a single payment on the expiration date. The accrual of interest is at a floating annual rate equivalent to the "Private BADLAR Rate" plus a spread rate of 3.9%, payable quarterly in arrears.

As of December 31, 2013, and 2012, the principal plus accrued interest amounted to 510,173 and 200,080, respectively.

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

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) 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 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 (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.

(Figures stated in thousands of Argentine pesos)

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.

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, 2013 and 2012:

Issuance	Currency	Ammount	Rate		Maturity	12/31/2013	12/31/2012
Series V	ARS	100,000	Badlar + 240 b.p.	01/17/2012	01/16/2013	-	97,462
Series VI	ARS	150,000	Badlar + 239 b.p.	03/07/2012	03/07/2013	-	128,738
Series VII Class B	ARS	150,000	Badlar + 200 b.p.	04/24/2012	04/19/2013	-	143,683
Series VIII Class A	ARS	33,500	16,75%	07/03/2012	03/30/2013	-	36,298
Series VIII Class B	ARS	58,205	Badlar + 350 b.p.	07/03/2012	12/25/2013	-	58,265
Series IX Class A	ARS	27,400	18,00%	08/30/2012	05/27/2013	-	23,772
Series IX Class B	ARS	110,100	Badlar + 399 b.p.	08/30/2012	02/21/2014	98,490	107,005
Series X Class A	ARS	50,000	18,90%	11/07/2012	08/04/2013	-	51,424
Series X Class B	ARS	97,611	Badlar + 429 b.p.	11/07/2012	05/07/2014	97,579	100,503
Series XI Class B	ARS	176,667	Badlar + 435 b.p.	01/22/2013	07/22/2014	170,408	-
Series XII Class B	ARS	213,300	Badlar + 430 b.p.	03/22/2013	09/22/2014	202,693	-
Series XIII Class A	ARS	43,889	19,00%	04/23/2013	01/23/2014	37,786	-
Series XIII Class B	ARS	206,111	Badlar + 297 b.p.	04/23/2013	10/23/2014	202,071	-
Series XIV Class A	ARS	43,250	21,00%	08/02/2013	05/06/2014	44,643	-
Series XIV Class B	ARS	206,750	Badlar + 399 b.p.	08/02/2013	02/06/2015	207,818	-
Series XV Class A	ARS	22,650	24,75%	11/21/2013	08/27/2014	23,188	-
Series XV Class B	ARS	210,444	Badlar + 450 b.p.	11/21/2013	05/27/2015	191,440	-
						1,276,116	747,150

On January 20, 2014 the Board of Directors of GPAT C.F.S.A. approved the issue of Series XVI Corporate Bonds in the maximum amount of up to ARS 200 million. As of the date of this financial statements presentation, it is pending to be approved by the CNV.

(Figures stated in thousands of Argentine pesos)

NOTE 31: Other liabilities

	12/31/2013	12/31/2012
Financial liabilities	**1,830,449**	**1,318,625**
Credit card consumption charges payable	603,286	672,655
Salaries and payroll taxes payable	270,329	177,742
Payables for foreign trade transactions	462,672	176,078
Collections on account and behalf of third parties	199,880	139,413
Sundry payables	156,593	107,730
Withholdings on salaries	20,568	14,550
Other financial liabilities	117,121	30,457
Nonfinancial liabilities	**853,139**	**650,931**
Taxes payable	795,346	588,014
Customer loyalty program	53,622	37,144
Prepayments for sales of assets	485	22,525
Other nonfinancial liabilities	3,686	3,248
	2,683,588	1,969,556

NOTE 32: Provisions for miscellaneous risks

Covers the amounts estimated necessary to face likely risks that, if verified, will result in a loss to the Bank. The following are the changes in those provisions during 2013 and 2012:

	Provisions		
Provisions for miscellaneous risks	**Labor and legal matters (1)**	**Other**	**Total**
At beginning	41,184	2,264	43,448
Net charge for the year (see note 14)	16,925	2,110	19,035
Uses	(16,592)	-	(16,592)
As of December 31, 2013	41,517	4,374	45,891
Provisions for miscellaneous risks´maturities			
Less than 12 months	7,208	759	7,967
Over 12 months	34,309	3,615	37,924
As of December 31, 2013	41,517	4,374	45,891

Marcelo A, Iadarola
Accounting Manager

Rubén M. Iparraguirre
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	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 14)	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

(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 33: Shareholders' equity reserves

Evolution	Reserve for conversion differences (1)	Legal reserve (2)	Optional reserve (3)	Total
As of January 1, 2013	14,060	548,822	996,864	1,559,746
Foreign currency conversion	18,305	-	-	18,305
Tax effect on foreign currency conversion (see note 16)	(6,407)	-	-	(6,407)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/24/13 (see note 18)	-	176,929	-	176,929
Future distribution of earnings (see note 18)	-	-	707,715	707,715
As of December 31, 2013	25,958	725,751	1,704,579	2,456,288

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 16)	(2,487)	-	-	(2,487)
Distribution of earnings, as approved by the Regular Shareholders' Meeting held on 04/26/12	-	122,449	-	122,449
Treasury stock acquisition program	-	-	3,452	3,452
Future distribution of earnings	-	-	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

(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 18).

(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.

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Chairman

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NOTE 34: Minimum Capital Requirements

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

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	12/31/2013	12/31/2012
Credit risk (1)	1,923,193	1,426,779
Market risk (2)	57,441	36,986
Interest rate risk (3)	-	376,202
Operational risk (4)	470,974	339,286
Mandatory consolidated minimum capital according to BCRA regulations	**2,451,608**	**2,179,253**
Ordinary Capital Level 1 (5)	4,419,157	3,253,087
Deductible items OC L1 (6)	(35,285)	(22,762)
Ordinary Capital Level 2 (7)	220,780	82,974
Consolidated computable equity according to BCRA regulations	**4,604,652**	**3,313,299**
Capital surplus	**2,153,044**	**1,134,046**

(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.

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Through Communiqué “A” 5369, as supplemented, it repeals, as from January 1, 2013, the provisions governing interest rate risk-based minimum capital requirements; however, financial entities shall continue managing this risk, which shall be reviewed by the Foreign Exchange and Financial Institutions Regulatory Agency, the authority that may establish the duty to contribute a higher regulatory capital. As of December 31, 2013, the interest rate risk-based requirement is 364,880.

(4) The operational risk-based 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.

(5) It is made up of capital stock, noncapitalized contributions, adjustments to capital stock, appropriated retained earnings, unappropriated retained earnings, other positive and negative results, minority interest held by third parties, and debt instruments with certain issuance conditions.

(6) Positive balances of the Minimum Presumed Income Tax, ownership interest related to application of tax payment deferral, 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.

(7) Securities issued by the Entity, not included in item (5), additional paid-in capital on such securities, allowances for bad debts related to debtors in good standing (status 1) and financing secured with class "A" preferred guaranties, and securities issued by subsidiary companies subject to consolidated supervision, held by third parties.

On November 9, 2012, 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.

(Figures stated in thousands of Argentine pesos)

NOTE 35: Additional information of the Consolidated 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

	12/31/2013	12/31/2012
Cash (see note 19)	1,314,833	1,400,825
BCRA – Checking account (see note 19)	4,036,308	2,755,816
Due from other financial institutions (see note 20)	598,563	462,169
TOTAL	5,949,704	4,618,810

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

NOTE 36: Related party information

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

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, 2013, and 2012, Banco Patagonia S.A. and Banco Patagonia (Uruguay) S.A. I.F.E. performed correspondent banking transactions with Banco do Brasil New York Branch and Banco do Brasil S.A. respectively in the amount of 24,771 and 14,913, which are recorded under "Balances in Other Financial Entities" (see note 20).

Furthermore, Banco do Brasil S.A. (Buenos Aires Branch) as of December 31, 2013, and 2012, maintains a current account in the Entity for 784 and 862, respectively, which is recorded under "Deposits", and as of December 31, 2012, Banco do Brasil S.A: (New York Branch) provides financing to the Entity for 86,701, respectively, recorded under "Financing Received from Financial Entities" (see note 28).

Province of Río Negro

As provided in the Bank's bylaws, the Province of Río Negro, sole shareholder holding Class A shares, is empowered to appoint a director for Class A shares, as long as it owns at least one share of that class. Since 1996, the Bank has been acting as financial agent (see note 45) of the Province of Río Negro, by virtue of the agreement executed in 1996, renewed on December 14, 2006, for a 10-year term as from

(Figures stated in thousands of Argentine pesos)

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.

Likewise, on December 31, 2013 Banco Patagonia S.A. approved a syndicated loan in favor of the province of Rio Negro, in which the Bank is a participant and arranger, in the amount of ARS 110,000 at a 27.5% annual nominal interest rate and maturity in December 2016. Related fee income is recorded under "Fee Income - Other" in the amount of 1,690.

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, 2013, and 2012, the outstanding financial assistance granted by the Bank to related parties totaled 68,786 and 29,235, respectively.

	12/31/2013	12/31/2012
Loans	66,681	20,918
Unsecured overdrafts	57,596	8,588
Unsecured notes	4,446	10,366
Unsecured credit cards	3,371	1,199
Financial leases	1,268	765
Other receivables	2,105	8,317
Total credit assistance	68,786	29,235

In addition, as of December 31, 2013, and 2012, there are related party deposits with the Bank amounting to 39,270 and 46,554, respectively.

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

(Figures stated in thousands of Argentine pesos)

As of December 31, 2013, and 2012, loans to employees, including those granted to first-class managers, amounted to 122,384 and 75,625, respectively.
Income (loss) from loan and deposit transactions is not material.

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

The compensation of the group's key personnel was related to salaries and bonuses amounting to 66,792, and 28,730 as of December 31, 2013, and 2012. It is noteworthy that there are no other benefits for key personnel.

NOTE 37: Restricted assets

	12/31/2013	12/31/2012
Cash and due from the BCRA		
Guarantees for transactions with the BCRA / settled on time / MAE (1)	254,072	289,974
Due from other financial institutions		
Banco Central del Uruguay (2)	3,259	2,459
Financial assets measured at fair value held for trading		
Argentine Government Bond in ARS Private Badlar + 2.75% (BONAR 2014) (1)	120,549	44,096
Argentine Government Bond in ARS Badlar + 3% (BONAR 2015) (1)	100,754	-
Argentine Government Bond in ARS Private Badlar + 3% (BONAR 2015) (3)	73,483	83,222
Consolidation bond in ARS, 7th Series (1)	50,500	-
Share of Mercado de Valores S.A. (4)	2,064	2,064
Financial assets measured at fair value from their initial recognition		
BCRA notes – Maturity: 02/19/14 (1)	112,595	-
BCRA notes – Maturity: 04/23/14 (1)	65,103	65,440
Other assets		
Guarantees at credit card managers (1)	90,386	26,366
Court deposits	3,449	-
Deposits as collateral to leases	1,868	1,602
Other deposits as collateral	1,757	
Other	312	311
TOTAL	**880,151**	**515,534**

(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" 4620, "B" 8920 and supplementary standards of the BCRA) of the Global Credit Program for micro, small- and medium-sized enterprises.

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(Figures stated in thousands of Argentine pesos)

(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.

NOTE 38: Loans and deposits concentration

Number of customers	Loans			
	12/31/2013		12/31/2012	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	1,519,363	6.40	1,736,895	8.77
50 next largest customers	3,225,677	13.60	2,616,898	13.22
100 next largest customers	2,883,862	12.16	2,275,709	11.50
Rest of customers	16,093,123	67.84	13,167,747	66.51
Total (see note 23)	23,722,025	100.00	19,797,249	100.00

Number of customers	Deposits			
	12/31/2013		12/31/2012	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	2,856,852	12.63	2,603,641	13.70
50 next largest customers	3,690,194	16.32	3,476,408	18.29
100 next largest customers	2,129,350	9.42	1,841,749	9.69
Rest of customers	13,937,347	61.63	11,083,307	58.32
Total (see note 29)	**22,613,743**	**100.00**	**19,005,105**	**100.00**

NOTE 39: Fair value of financial instruments

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

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

(Figures stated in thousands of Argentine pesos)

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.

<u>Determining fair value and its hierarchy</u>

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:

Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total as of 12/31/2013**
Financial assets measured at fair value held for trading	1,368,102	33,836	-	1,401,938
Financial assets measured at fair value from their initial recognition	985,726	-	-	985,726
Derivative financial instruments	-	6,418	-	6,418
TOTAL ASSETS	**2,353,828**	**40,254**	**-**	**2,394,082**

Financial Instruments	**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**

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, 2013, includes principaly Province of Neuquén and Entre Rios Debt Security and as of 31 de December de 2012, Argentine Government Bonds in ARS Badlar + 275 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.

(Figures stated in thousands of Argentine pesos)

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.

Transfers between hierarchy levels

	Transfers from level 1 to level 2	
	12/31/13	**12/31/12**
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.

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. Likewise, as of December 31, 2013, there were no transfers between hierarchies as of December 31, 2012.

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

(Figures stated in thousands of Argentine pesos)

Other financial instruments

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

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

	December 31, 2013	
	Book value	**Fair value**
Financial assets		
Cash and due from the BCRA (Central Bank of Argentina)	5,605,213	5,605,213
Due from other financial institutions	598,563	598,563
Financial Assets measured at amortized cost	56,042	67,808
Loans	23,143,039	22,919,480
Other receivables	255,975	252,146
Other financial assets	97,460	97,460
Financial liabilities		
Financing facilities received from financial institutions	401,848	401,848
Deposits	22,613,743	22,672,005
Corporate bonds	1,786,289	1,802,940
Other financial liabilities	1,830,449	1,830,449

	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

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

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(Figures stated in thousands of Argentine pesos)

NOTE 40: 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, 2013, and 2012:

	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 12/31/2013
Cash and due from the BCRA (Central Bank of Argentina)	5,605,213	-	-	-	-	-	-	-	5,605,213
Due from other financial institutions	(a) 598,563	-	-	-	-	-	-	-	598,563
Financial assets measured at fair value held for trading	12,217	734,424	62,939	8,692	77,731	432,300	73,584	51	1,401,938
Financial assets measured at fair value from their initial recognition	-	365,210	453,481	167,035	-	-	-	-	985,726
Financial assets measured at amortized cost	-	-	-	-	-	56,042	-	-	56,042
Derivative financial instruments	-	1,183	1,635	1,545	1,894	161	-	-	6,418
Loans	-	10,095,665	2,048,486	2,249,262	1,856,014	6,794,370	91,460	7,782	23,143,039
Other receivables	162,263	34,760	21,303	4,282	2,598	29,231	1,538		255,975
Other financial assets	97,460	-	-	-	-	-	-	-	97,460
TOTAL ASSETS	**6,475,716**	**11,231,242**	**2,587,844**	**2,430,816**	**1,938,237**	**7,312,104**	**166,582**	**7,833**	**32,150,374**
Financing facilities received from financial institutions	-	117,874	22,471	70,551	-	190,952	-	-	401,848
Deposits	(a) 10,701,587	8,432,490	2,553,156	570,871	355,535	104	-	-	22,613,743
Corporate bonds	-	53,887	132,258	523,356	580,328	496,460	-	-	1,786,289
Other financial liabilities	165,305	1,636,815	737	21,620	1,525	4,447	-	-	1,830,449
TOTAL LIABILITIES	**10,866,892**	**10,241,066**	**2,708,622**	**1,186,398**	**937,388**	**691,963**	**-**	**-**	**26,632,329**

(a) Including demand deposit accounts.

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(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 12/31/2012
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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NOTE 41: <u>Classification of financial instruments:</u>

The following are the amounts of financial assets and liabilities of the Consolidated Balance Sheet items, classified by categories, as defined by IFRS 9 as of December 31, 2013 and 2012 respectively:

Financial assets and liabilities	**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 12/31/2013**
Cash and due from the BCRA (Central Bank of Argentina)	-	-	-	5,605,213	-	5,605,213
Due from other financial institutions	-	-	-	598,563	-	598,563
Financial assets held for trading	1,401,938	-	-	-	-	1,401,938
Financial assets measured at fair value from their initial recognition	-	985,726	-	-	-	985,726
Financial assets measured at amortized cost	-	-	-	56,042	-	56,042
Derivative financial instruments	-	-	6,418	-	-	6,418
Loans	-	-	-	23,143,039	-	23,143,039
Other receivables	-	-	-	255,975	-	255,975
Other financial assets	-	-	-	97,460	-	97,460
Total	1,401,938	985,726	6,418	29,756,292	-	**32,150,374**
LIABILITIES						
Financing facilities received from financial institutions	-	-	-	-	401,848	401,848
Deposits	-	-	-	-	22,613,743	22,613,743
Corporate bonds	-	-	-	-	1,786,289	1,786,289
Other financial liabilities	-	-	-	-	1,830,449	1,830,449
Total	-	-	-	-	**26,632,329**	**26,632,329**

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(Figures stated in thousands of Argentine pesos)

Financial assets and liabilities	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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NOTE 42: Risk management policy

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

The Bank's management and administration is under the charge of the Board of Directors, formed by a number of directors established by the Shareholders' Meeting, from seven to nine, elected for three years with the possibility of indefinite reelection. 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 in Capital Market Law No. 26,831, Section 110th, and in CNV General Resolution 622/2013, Section 18th, paragraph C, chapter III, title II. 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.

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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, among others, 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.

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 acts independently from business areas and is responsible for the supervision of the Operational Risk Management and Regulatory Compliance Office and the Financial Risk Management Office.

The Entity's risk management policies are being adapted to regulatory requirements set by Basel II and the B.C.R.A. These guidelines have helped define a series of procedures and processes to identify, measure and value the risks to which the Entity is exposed, striving at all times to be consistent with its conservative business strategy.

Risk management processes are disclosed to the whole institution, and are in accordance with the guidelines established by the Entity's Board of Directors and Senior Management which, through the Committees, define the global objectives expressed as goals and limits for risk-managing business units.

During fiscal year 2013 the consolidation of this risk management process was pursued, the following being the most relevant aspects:

- Consolidation of the organizational structure of the Financial Risk Management Office, in accordance with the guidelines set by the BCRA, and approval of its policies and procedures by the Board of Directors.

- Definition of new risk tolerance limits and adaptation of existing limits, considering an assessment of the main risks to which the Entity is exposed. Such limits are regularly monitored and the results are passed on to the Committee of Global Risk and Board of Directors.

- Drafting of regular reports the purpose of which is to identify, measure, monitor and mitigate the risks to which the entity is exposed, and disclosure thereof to the Board of Directors and senior officers.

- The Capital Self-Assessment Process was set up; it will measure the requirements of economic capital for each of the risks identified by the Entity.

- Preparation and performance of stress tests for scenarios of varying degree of severity, in order to assess the potential impact of stress situations and foresee contingency actions for the management of the various risks.

Risk measurement and reporting systems

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

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

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

The Bank actively uses guarantees to mitigate its credit risk.

Excessive risk concentration

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

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

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

Credit risk

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

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

(Figures stated in thousands of Argentine pesos)

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

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

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

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

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

Individuals and mortgage loans portfolio

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

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

Commercial loans portfolio

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

Situation 1:

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

Situation 2:

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

Situation 3:

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

Situation 4:

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

Situation 5:

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

Allowances individually evaluated

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

Allowances collectively evaluated

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

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

Loan follow-up and review

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

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

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

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.

(Figures stated in thousands of Argentine pesos)

Below is the exposure percentage by issuer calculated on the total financial assets disclosed in note 21:

Security	Issuer	2013 percentage	2012 percentage	
Government securities issued by the Argentine government	Argentine government	60%	92%	a)
Notes and bills issued by the BCRA	BCRA	40%	8%	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 debt instruments short-term maturities issued by the BCRA.

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, 2013, 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:

- ✓ 98% and 99% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2013, and 2012, respectively;

- ✓ 91% and 90% of the loan portfolio is considered not to be past due or impaired as of December 31, 2013, and 2012, respectively;

(Figures stated in thousands of Argentine pesos)

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

Main industries	Gross maximum exposure as of 12/31/2013	Net maximum exposure as of 12/31/2013 (1)	Gross maximum exposure as of 12/31/2012	Net maximum exposure as of 12/31/2012 (1)
Monetary intermediation	33,912,770	33,912,770	8,960,411	8,960,411
Natural persons not included in previous items	7,848,412	7,730,820	6,783,043	6,638,653
Dryland farming	1,051,824	530,993	1,183,407	825,760
Financial services, except those provided by central banks and financial entities	921,371	900,695	790,210	789,935
Sale of motor vehicles, except motorcycles	720,078	599,304	493,668	438,424
Wholesaling of household and/or personal appliances	636,066	544,418	228,576	227,096
Animal breeding	510,005	334,019	328,076	235,915
Manufacture of motor vehicles	495,209	495,209	206,268	206,268
Manufacture of plastic goods	448,600	420,687	195,008	193,043
Manufacture of parts, pieces and accessories for motor vehicles and their motors	407,618	368,237	240,385	234,644
Specialized wholesaling	402,086	319,156	521,546	489,300
Manufacture of food items n.p.c.	379,601	353,760	293,382	282,243
Manufacture of footwear and parts	369,202	366,902	64,817	62,963
Road transportation service	342,663	238,046	80,820	49,363
Construction of buildings and their parts	314,614	202,374	174,228	132,924
Other industries	7,805,288	6,641,814	7,072,860	6,123,862
Total	**56,565,407**	**53,959,204**	**27,616,705**	**25,890,804**

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.

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.

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)

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 12/31/2013
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	14,797,493	7,216	470,317	5,581	5,577	94,379	8,955	15,389,518
Mortgage loans	57,242	1,532	1,413	561	209	660	329	61,946
Consumer loans	6,736,777	91,864	1,094,961	96,249	61,904	130,655	58,151	8,270,561
Totals	**21,591,512**	**100,612**	**1,566,691**	**102,391**	**67,690**	**225,694**	**67,435**	**23,722,025**

	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**

The other financial assets are neither delinquent nor impaired.

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

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)

	Delinquent, not impaired				Total as of
	Up to 30	From 31 to 60	From 61 to 90	Over 90	12/31/2013
Commercial loans	428,025	29,392	8,222	10,259	475,898
Mortgage loans	1,552	422	-	-	1,974
Consumer loans	1,053,692	105,644	31,820	54	1,191,210
TOTAL	**1,483,269**	**135,458**	**40,042**	**10,313**	**1,669,082**

	Delinquent, not impaired				Total as of
	Up to 30	From 31 to 60	From 61 to 90	Over 90	12/31/2012
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**

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.

The Entity has developed policies regarding liquidity, which are oriented to managing liquidity efficiently, optimizing costs and diversifying funding sources, maximizing profits from placements through a sensible management that secures the funds necessary to continue with operations as well as compliance with applicable regulations.

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 2013 and 2012, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Figures stated in thousands of Argentine pesos)

	12/31/2013	12/31/2012
	%	%
As of December 31	35.2	35.6
Average for the year	33.2	35.4
Higher	37.5	40.2
Lower	28.5	32.3

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 12/31/2013
Cash and due from the BCRA (Central Bank of Argentina)	5,605,213	-	-	-	-	-	5,605,213
Due from other financial institutions	598,563	-	-	-	-	-	598,563
Financial assets measured at fair value held for trading	12,218	-	871,966	191,320	642,190	230,912	1,948,606
Financial assets measured at fair value from their initial recognition	-	-	843,631	168,444	-	-	1,012,075
Financial assets measured at amortized cost	-	-	386	1,107	59,551	-	61,044
Derivative financial instruments	-	6,418	-	-	-	-	6,418
Loans	-	-	12,780,405	5,400,567	7,914,088	107,489	26,202,549
Other receivables	162,263	-	56,458	7,883	29,231	1,998	257,833
Other financial assets	97,460	-	-	-	-	-	97,460
Total	**6,475,717**	**6,418**	**14,552,846**	**5,769,321**	**8,645,060**	**340,399**	**35,789,761**
Financing facilities received from financial institutions	-	-	118,249	94,793	243,651	-	456,693
Deposits	10,701,587	-	11,112,216	1,049,264	125	-	22,863,192
Corporate bonds	-	-	227,089	1,315,783	557,930	-	2,100,802
Other financial liabilities	165,305	-	1,818,292	23,146	4,446	-	2,011,189
Total	**10,866,892**	**-**	**13,275,846**	**2,482,986**	**806,152**	**-**	**27,431,876**

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)

	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**	**11,453,905**	**1,368,821**	**705,593**	**-**	**22,397,306**

Marcelo A, Iadarola	Rubén M. Iparraguirre	Jorge G. Stuart Milne
Accounting Manager	Superintendent Finance, Administration and Public Sector Area	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 12/31/2013
Unused agreed overdrafts	502,483	-	234,020	-	-	-	-	736,503
Guarantees granted	196,513	78,772	9,840	7,944	23,166	1,021	-	317,256
Obligations for foreign trade transactions	11,327	27,666	3,697	655	2,204	-	-	45,549
Letters of credit	13,001	5,543	1,914	7,819	3,184	-	-	31,461
TOTAL	723,324	111,981	249,471	16,418	28,554	1,021	-	1,130,769

	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

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.

The Entity has established policies for the management of Market Risk, which set the processes for monitoring and controlling the risks of changes in the quotation of financial instruments as a result of market fluctuations, in order to optimize the risk-profit ratio through a structure of adequate management limits, models and tools. Besides, the Entity has implemented adequate tools and procedures which allow the Committee on Global Risk and the Finance Committee to measure and manage this risk.

Likewise, the Entity has established policies to diversity funding sources, avoid concentration of deposits, as well as to identify key risk factors (interest rate, exchange rate, price volatility, etc.).

(Figures stated in thousands of Argentine pesos)

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 (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 10 days and is calculated by multiplying the one-day VaR by the square root of 10.

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, 2013 and 2012, the Bank's VaR by type of risk is as follows:

VaR of the trading portfolio	12/31/2013	12/31/2012
Currency exchange rate risk	5,556	3,219
Interest rate risk	314,525	366,521
Price risk	53,026	33,843

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.

(Figures stated in thousands of Argentine pesos)

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. As regards management of the interest rate risk, the Entity uses internal measurement tools, such as interest rate curves, sensitivity analysis of balance sheet items, interest rate gap, among others.

Also, for the management of the interest rate risk, the Entity has implemented a series of policies, procedures and internal controls that are included in the Manual of Rules and Procedures for this kind of risk.

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, 2013, and 2012.

The equity sensitivity is calculated revaluing net financial assets, before income tax, as of December 31, 2013, and 2012, due to the effects of estimated changes in interest rates:

	As of December 31, 2013					
Currency	**Changes in basis points**		**Equity sensitivity**		**Statement of income sensitivity**	
Foreign currency	+/-	50	+/-	(163)	+/-	(998)
Foreign currency	+/-	75	+/-	(245)	+/-	(1,498)
Foreign currency	+/-	100	+/-	(326)	+/-	(1,995)
Foreign currency	+/-	150	+/-	(490)	+/-	(2,993)
Argentine pesos	+/-	50	+/-	4,902	+/-	4,629
Argentine pesos	+/-	75	+/-	7,353	+/-	6,943
Argentine pesos	+/-	100	+/-	9,804	+/-	9,258
Argentine pesos	+/-	150	+/-	14,706	+/-	13,886

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

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

Currency	As of December 31, 2012 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Translation of financial statements originally issued in Spanish – See note 45)

(Figures stated in thousands of Argentine pesos)

Foreign currency transactions are performed at the supply and demand exchange rates. As of December 31, 2013, and 2012, the Bank's open position, stated in Argentine pesos by currency, is as follows:

ITEMS	Total as of 12/31/13	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Central Bank of Argentina)	2,217,689	54,829	2,159,779	441	-	2,640
Due from other financial institutions	594,217	57,077	510,011	1,278	337	25,514
Financial assets measured at fair value held for trading	167,826	20	167,806	-	-	-
Financial assets measured at amortized cost	56,042	-	56,042	-	-	-
Loans	1,363,022	659	1,362,363	-	-	-
Other receivables	10,935	-	10,935	-	-	-
Totals	**4,409,731**	**112,585**	**4,266,936**	**1,719**	**337**	**28,154**
LIABILITY POSITION						
Financing facilities received from financial institutions	327,439	-	327,439	-	-	-
Deposits	1,711,135	29,042	1,682,093	-	-	-
Other liabilities	504,081	9,904	479,558	44	24	14,551
Totals	**2,542,655**	**38,946**	**2,489,090**	**44**	**24**	**14,551**
Net position	**1,867,076**	**73,639**	**1,777,846**	**1,675**	**313**	**13,603**

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**

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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)

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

Sensitivity analysis	Exchange rate percentage variation	2013	2012
Peso devaluation with respect to the foreign currency	5	93,354	56,346
Peso devaluation with respect to the foreign currency	10	186,708	112,692
Peso revaluation with respect to the foreign currency	5	(93,354)	(56,346)
Peso revaluation with respect to the foreign currency	10	(186,708)	(112,692)

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 and modifiers. 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 made up of a Vice-Chairman, the Superintendent of Internal Control and Risk Management, the Superintendent of Finance, Administration and Public Sector, the Superintendent of Credits, Foreign Trade and Business Advisory, the Superintendent of Infraestructure, Technology and System, and the Executive Manager of Risk 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 and Technology Management and all the areas involved in such 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.

(Figures stated in thousands of Argentine pesos)

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

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

e) Database: The Bank has an Operational Risk event database prepared pursuant to the guidelines established in Communiqué "A" 4904, as supplemented

In addition the Bank has a "Policy for IT asset risk management" approved by de Board of Directors, 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 43: Mutual fund custodian

Under section 32, Chapter XI (11), of the revised text of CNV regulations, below is the information on the total amount in custody as of December 31, 2013, and 2012, of the portfolio of the following mutual funds for which the Bank acts as depository institution:

Name	Deposits	Other	Total assets as of 12/31/2013
Lombard Renta en Pesos Fondo Común de Inversión	814,102	104,193	918,295
Lombard Capital F.C.I.	111,090	450,452	561,542
Fondo Común de Inversión Lombard Renta Fija	1,781	147,971	149,752
Fondo Común de Inversión Lombard Ahorro	8,658	-	8,658
TOTAL	**935,631**	**702,616**	**1,638,247**

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

(Figures stated in thousands of Argentine pesos)

a) On March 6, 2013, CNV Resolution No. 17,037 approved the liquidation process of the Lombard Acciones Mutual Fund ("Fondo Común de Inversión Lombard Acciones). On May 6, 2013 the liquidation financial statements of such mutual fund were presented as of March 22, 2013.

Subsequently, on June 26, 2013, total payment to stakeholders was completed, and on December 4, 2013, redemption of the remaining shares began, thus completing the Fund liquidation process.

Finally, on December 19, 2013, cancellation and deregistration of such Mutual Fund from the CNV's records was requested. As of the date of presentation of these financial statements, the CNV has not issued an opinion thereon.

Fees earned as depository institution are recorded under “Fee income – Other” in the amounts of 2,985 and 2,157 as of December 31, 2013, and 2012, respectively.

NOTE 44: Corpus assets

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

As of December 31, 2013, and 2012, the Bank acts as trustee of 31, 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 23,601 and 19,172 as of December 31, 2013, and 2012, respectively.

The following is a table summarizing the assets and equity managed by the Bank as of December 31, 2013, and 2012.

	12/31/2013	12/31/2012
Total assets	1,714,651	1,467,934
Total shareholders’ equity	405,596	300,632

(Figures stated in thousands of Argentine pesos)

NOTE 45: Financial agent of the Province of Río Negro

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

b) 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.

c) 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.

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

e) 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.

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

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

h) 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.

i) 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.

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(Figures stated in thousands of Argentine pesos)

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 22,706 and 18,112 as of December 31, 2013, and 2012, respectively.

NOTA 46: Subsequent events

There are no other events or transactions occurred between the closing date of this year and the date of issue of these financial statements which were not disclosed in such statements and may significantly affect the Entity's equity and financial position or income of the year.

NOTE 47: Explanation added for translation in English

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

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

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

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