

BANCOPATAGONIA

**Consolidated financial statements in accordance with
International Financial Reporting Standards
as of December 31, 2014
jointly with the Independent Auditors' Report**

Translation from the original prepared in Spanish for publication in Argentina (see note 45)

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2014

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BANCO PATAGONIA S.A.

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the directors and shareholders of
BANCO PATAGONIA S.A.
Legal address: Avenida de Mayo 701, 24th floor
City of Buenos Aires
Republic of Argentina

Report on the Consolidated Financial Statements

We have examined the accompanying consolidated financial statements of BANCO PATAGONIA S.A. (the "Entity") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of income, comprehensive 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.

Management's Responsibility for the Consolidated Financial Statements

The Bank's Management is responsible for the preparation and fair presentation of the attached consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining any such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures, on a selective test basis, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Translation from the original prepared in Spanish for publication in Argentina (see note 45)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity and its subsidiaries as of December 31, 2014, the consolidated results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

City of Buenos Aires, Republic of Argentina, March 30, 2015

KPMG

Mauricio G. Eidelstein
Partner

Translation from the original prepared in Spanish for publication in Argentina (see note 45)

BANCO PATAGONIA S.A.		
Registered office :		
Avenida de Mayo 701 24 th Floor- City of Buenos Aires - Argentina		
Main business activity: Commercial bank		Taxpayer Identification number (CUIT): 30-50000661-3
Incorporation date: May 4, 1928		
Registration with the Buenos Aires City Public Registry of Commerce	Date	(1) Of the articles of incorporation: 09/18/1928
		(2) Of the last amendment: 12/07/2011
	Book	Stock Corporations Book: 57
		Number: 30114
Expiration of the articles of incorporation: August 29, 2038		
Fiscal year No. 91		
Beginning date: January 1, 2014		Closing date: December 31, 2014
Capital structure (See note 2)		
Number and characteristics of shares	In Argentine pesos	
	Subscribed	Paid-in
719,264,737 registered, common shares, with a nominal value of ARS 1, one vote each	719,264,737	719,264,737

Translation from the original prepared in Spanish for publication in Argentina (see note 45)

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2014	12/31/2013 (*)
Interest income and similar income	5	6,179,464	4,271,847
Interest expenses and similar expenses	6	<u>(3,446,255)</u>	<u>(2,089,916)</u>
Net interest income and similar income		2,733,209	2,181,931
Fee income	7	1,983,635	1,607,378
Fee expenses	7	<u>(394,180)</u>	<u>(353,351)</u>
Net fee income		1,589,455	1,254,027
Gains (losses) on financial assets carried at fair value held for trading	8	896,353	782,323
Gains (losses) on financial assets carried at fair value at initial recognition	8	940,431	221,156
Net exchange gains (losses)	9	555,775	418,019
Other operating income	10	63,024	130,039
TOTAL OPERATING INCOME		6,778,247	4,987,495
Loan losses – net	21	(319,644)	(104,677)
TOTAL OPERATING INCOME, NET		6,458,603	4,882,818

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2014	12/31/2013 (*)
Personnel expenses	11	(1,513,631)	(1,145,867)
Depreciation of fixed assets and miscellaneous assets	23	(29,719)	(27,138)
Other loan losses and provisions for miscellaneous risks	12	(56,296)	(25,335)
Other operating expenses	13	(1,600,181)	(1,146,317)
TOTAL OPERATING INCOME		(3,199,827)	(2,344,657)
OPERATING INCOME (LOSS)		3,258,776	2,538,161
INCOME BEFORE INCOME TAX		3,258,776	2,538,161
Income tax, net	14	(1,118,842)	(882,985)
NET INCOME		2,139,934	1,655,176
Attributable to:			
Parent company's shareholders		2,138,484	1,654,078
Non-controlling interest (see note 3.1)		1,450	1,098
Earnings per share			
Basic earnings per share	15	2.9736	2.3001
Diluted earnings per share	15	2.9736	2.3001

(*) They are presented solely for comparative purposes.

Notes 1 to 44 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2014	12/31/2013 (*)
NET INCOME		2,139,934	1,655,176
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Reserves for translation differences	30	23,082	18,305
Tax effect on other comprehensive income	30	(8,079)	(6,407)
OTHER COMPREHENSIVE INCOME, NET		15,003	11,898
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		2,154,937	1,667,074
Attributable to:			
The parent company's shareholders		2,153,487	1,665,976
Non-controlling interest (see note 3.1)		1,450	1,098

(*)They are presented solely for comparative purposes.

Notes 1 to 44 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2014	12/31/2013 (*)
Cash and due from the BCRA (Argentine Central Bank)	17	6,169,481	5,605,213
Due from other financial institutions	18	698,238	598,563
Financial assets carried at fair value held for trading	19	2,361,561	1,401,938
Financial assets carried at fair value at initial recognition	19	4,421,767	985,726
Financial assets measured at amortized cost	19	73,581	56,042
Derivative financial instruments	20	232	6,418
Loans	21	26,086,540	23,143,039
Other receivables	22	517,024	255,975
Fixed assets and miscellaneous assets	23	370,115	298,591
Deferred tax assets	14	317,478	263,934
Other assets	24	233,253	146,320
TOTAL ASSETS		41,249,270	32,761,759

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

LIABILITIES	NOTE	12/31/2014	12/31/2013 (*)
Financing facilities received from financial institutions	25	1,427,408	401,848
Deposits	26	27,821,968	22,613,743
Corporate bonds	27	1,273,547	1,786,289
Other liabilities	28	3,699,700	2,683,588
Provisions for miscellaneous risks	29	93,162	45,891
TOTAL LIABILITIES		34,315,785	27,531,359

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2014	12/31/2013 (*)
Capital stock	2	719,265	719,265
Additional paid-in capital		217,191	217,191
Unappropriated retained earnings		2,744,130	1,833,193
Reserve for translation differences	30	40,961	25,958
Legal reserve	30	971,688	725,751
Optional reserve	30	2,234,337	1,704,579
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		6,927,572	5,225,937
NON CONTROLLING INTEREST		5,913	4,463
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		6,933,485	5,230,400
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41,249,270	32,761,759

(*)They are presented solely for comparative purposes.

Notes 1 to 44 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014**
(Stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Legal reserve (2) (3)	Optional reserve (2) (3)	Reserve for translation differences (3)	Unappropriated retained earnings	Total attributable to parent company's shareholders (4)	Total non-controlling interest (4)	Total
		Additional paid-in capital							
Balance as of January 1, 2014	719,265	217,191	725,751	1,704,579	25,958	1,833,193	5,225,937	4,463	5,230,400
Net income	-	-	-	-	-	2,138,484	2,138,484	1,450	2,139,934
Other comprehensive income, net	-	-	-	-	15,003	-	15,003	-	15,003
Total comprehensive income for the year, net of taxes	-	-	-	-	15,003	2,138,484	2,153,487	1,450	2,154,937
Distribution of earnings, as approved by the Annual Shareholders' Meeting held on 04/24/14 (2)									
Legal reserve	-	-	245,937	-	-	(245,937)	-	-	-
Dividends paid in cash	-	-	-	-	-	(451,852)	(451,852)	-	(451,852)
Optional reserve- Future distribution of earnings	-	-	-	529,758	-	(529,758)	-	-	-
Balances as of December 31, 2014 (4)	719,265	217,191	971,688	2,234,337	40,961	2,744,130	6,927,572	5,913	6,933,485

- (1) See note 2.
(2) See note 16.
(3) See note 30.
(4) See note 3.1.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013 (*)**
(Stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Legal reserve (2)	Optional reserve (2)	Reserve for translation differences (2)	Unappropriated retained earnings	Total attributable to the parent company's shareholders (3)	Total non-controlling interest (3)	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	-	-	-	-	-	1,654,078	1,654,078	1,098	1,655,176
Other comprehensive income, 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 Annual 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 (3)	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 30
(3) See note 3.1.

(*)They are presented solely for comparative purposes.

Notes 1 to 44 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

	<u>12/31/2014</u>	<u>12/31/2013 (*)</u>
Changes in cash		
Cash at beginning of year (see note 32)	5,949,704	4,618,810
Exchange gains/losses attributable to cash	922,106	624,084
Cash at year-end (see note 32)	<u>6,600,443</u>	<u>5,949,704</u>
Net (decrease) increase in cash	<u>(271,367)</u>	<u>706,810</u>
 Causes of changes in cash		
 Operating activities		
Financial assets measured at amortized cost		
Payments for purchases	-	(51,306)
Interest received	2,846	-
Interest received from loans	5,919,673	4,013,750
Interest received from other receivables	8,669	8,113
Dividends received from equity-accounted investees	34,935	22,111
Interest paid on deposits	(2,930,094)	(1,725,536)
Net receipts / (payments) for:		
Financial assets carried at fair value held for trading	(685,887)	(3,820)
Financial assets carried at fair value at initial recognition	(2,495,609)	(657,770)
Loans	(2,497,723)	(3,514,069)
Other assets, net	463,996	639,229
Other receivables	(45,246)	(63,946)
Deposits	4,604,827	3,273,572
Fees and commissions earned	2,013,729	1,611,978
Fees and commissions paid	(545,351)	(483,387)
Operating expenses paid	(3,040,420)	(2,070,436)
Income tax paid	(913,221)	(780,284)
Net cash flows (used in) provided by operating activities	<u>(104,876)</u>	<u>218,199</u>

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Stated in thousands of Argentine pesos)

	<u>12/31/2014</u>	<u>12/31/2013 (*)</u>
Investment activities		
Purchase of fixed assets and miscellaneous assets	(727,568)	(694,533)
Proceeds from sale of fixed assets and miscellaneous assets	<u>644,718</u>	<u>709,158</u>
Net cash flows (used in) / provided by investment activities	(82,850)	14,625
Financing activities		
Financing facilities received from financial institutions	1,028,516	(250,340)
Interest paid on financing facilities received from financial institutions	(7,257)	(25,459)
(Payment) / Issuance of corporate bonds net of payments	(653,048)	749,785
Dividends paid	<u>(451,852)</u>	<u>-</u>
Net cash flows (used in) / provided by financing activities	(83,641)	473,986
Net (decrease)/increase in cash	<u>(271,367)</u>	<u>706,810</u>

(*) They are presented solely for comparative purposes.

Notes 1 to 44 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

(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. (“Patagonia Valores”), Banco Patagonia (Uruguay) S.A.I.F.E. and GPAT Compañía Financiera S.A. (“GPAT C.F.S.A.”). The main activities of these subsidiaries, whose information is disclosed on a consolidated basis, are as follows:

- Patagonia Inversora 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 in charge of trading securities on the Buenos Aires Securities Market (*Mercado de Valores de Buenos Aires*), in which Patagonia Valores holds shares, thus being entitled to act as a shareholder. Patagonia Valores provides the Bank and its customers with services, broadening the offering 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 authorized to conduct financial intermediation activities in Uruguay between nonresidents exclusively and in any foreign currency other than the Uruguayan peso, under the supervision of Banco Central del Uruguay (Uruguayan Central Bank).
- GPAT C.F.S.A is a company authorized to act as a financial institution, specialized in wholesale and retail financing for the acquisition of new automobiles, from both dealers - especially in the General Motors network in Argentina— and private customers.

Since July 20, 2007, Banco Patagonia S.A.’s shares have been publicly offered and listed on the BCBA (Buenos Aires Stock Exchange) and BOVESPA (São Paulo Stock Exchange). Accordingly, these financial statements, prepared in accordance with the International Financial Information Standards (IFRS), are issued to comply with the regulations of the CVM (Brazilian Securities Commission) applicable to the issuers of securities approved for listing.

On December 27, 2012, Law No. 26831 on Capital Markets was enforced. Such rule, which became effective on January 28, 2013, provides for a comprehensive reform of the current public offering system (Law No. 17811).

On July 29, 2013, Executive Decree No. 1023/13 was issued. Such decree partially regulated the abovementioned law and established that the CNV would be the enforcement authority of such decree, being empowered to issue any such supplementary and clarifying rules that are necessary to enforce the legal provisions.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014
(Stated in thousands of Argentine pesos)

Finally, on September 9, 2013, the CNV issued General Resolution No. 622/13, which modifies CNV rules to respond to new circumstances, for the purposes of securing the normal performance of the various agents operating in the Capital Market, with the aim of ensuring compliance with the principles established in the new Capital Market Law.

Furthermore, the CNV has established several interpretation criteria, including details on the implementation of the aforementioned rules.

On January 31, 2014, the Entity filed with the CNV all the documents required under the resolution referred to above for the purposes acting in the following capacities:

- Financial and non-financial trustee: authorized through Resolution No. 17418, issued by the CNV on August 8, 2014.
- Mutual fund custodian: authorized through Order No. 2081 of the CNV dated September 18, 2014.
- Settlement and clearing agent and comprehensive trading agent: authorized through Order No. 2095 of the CNV dated September 19, 2014.

In addition, the Banks' Management continuously checks the scope and contents of the aforementioned reform in order to determine the related potential impact on its financial position that should be reflected in the financial statements for future periods.

On March 30, 2015, Banco Patagonia S.A.'s Board of Directors approved the issuance of these consolidated financial statements to be filed with the CVM.

According to the legal regulations in force, the Annual Shareholders' Meeting to be held on April 23, 2015 must approve the Bank's stand-alone and consolidated financial statements as of December 31, 2014, which were issued under local standards and approved by the Board of Directors on February 9, 2015 and filed with the CNV and with the CVM on February 10, 2015, and with the BCRA on February 20, 2015. Accordingly, these consolidated financial statements prepared in accordance with the IFRS will not be considered by such Annual Shareholders' Meeting and could only be changed upon consideration of the stand-alone and consolidated financial statements issued under the abovementioned local standards. According to the Bank's Management and Board of Directors, the stand-alone and consolidated financial statements prepared under the abovementioned local standards will be approved by the Annual Shareholders' Meeting without introducing any changes.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014
(Stated in thousands of Argentine pesos)

NOTE 2: Capital stock

As of December 31, 2014, and 2013, the capital stock structure and changes therein are as follows:

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	Number	Nominal 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	696,376	120	696,496
Total as of January 1, 2014	719,264,737			719,145	120	719,265
Class "A" common shares	22,768,818	1	1	22,769	-	22,769
Class "B" common shares	696,495,919	1	1	696,376	120	696,496
Total as of December 31, 2014	719,264,737			719,145	120	719,265

SUBSCRIBED AND PAID-IN SHARES				CAPITAL STOCK ISSUED		
Class	Number	Nominal 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	696,376	120	696,496
Total as of January 1, 2013	719,264,737			719,145	120	719,265
Class "A" common shares	22,768,818	1	1	22,769	-	22,769
Class "B" common shares	696,495,919	1	1	696,376	120	696,496
Total as of December 31, 2013	719,264,737			719,145	120	719,265

1. Corporate Capital Structure

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

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

Class "A" shares entitle their holder to appoint one director, provided the Province of Río Negro keeps at least one share. The abovementioned class "A" shall be automatically converted into class "B" shares upon their transfer to a holder other than the Province of Río 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% of the total corporate capital.

Marcelo A. Iadarola
Accounting Manager

Juan D. Mazzón
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

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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 in accordance with section 68, Law 17811 (included by Executive Decree 677/01) and CNV rules, up to the maximum amount of 3,452, with a limit of 1,000,000 registered, common class "B" shares, entitling the holder to one vote per share, with a nominal value of ARS 1 each.

This program was triggered by the international macroeconomic conditions, where capital market volatility, in general, negatively affected the price of local shares, including the Bank's shares.

The maximum price for the shares was set at \$ 3.4515 per share and the term for their acquisition was one hundred and eighty calendar years as from March 27, 2012.

On September 25, 2012, as the circumstances that gave rise to the plan persisted, the Bank's Board of Directors resolved to extend its effective term until March 22, 2013. On that date, the plan was cancelled.

Prior to the cancellation of the aforementioned plan, the Bank purchased shares, whose nominal values were 119,500, in the amount of 394. The due date for the sale of the shares acquired, as set forth in Chapter XXIII.11.14 of CNV rules, is three years as from their acquisition, unless an extension of this term is decided at the Shareholders' Meeting.

In addition, on March 18, 2015, Banco Patagonia S.A.'s Board of Directors resolved to add to the agenda of the call to the Annual and Extraordinary Shareholders' Meetings to be held on April 23, 2015 an item related to the reduction in the corporate stock related to the settlement of \$119,500, representing 119,500 class "B" shares, nominal value \$1.- each, one vote per share, held in portfolio as a result of the Plan for the Repurchase of Treasury Stock, as well as the treatment to be given to the reserve balance created for that purpose.

3. Call and put options

On April 12, 2011, under the Stock Purchase Agreement entered into between Banco do Brasil S.A. and the group of former controlling shareholders of the Entity, both parties signed a Shareholders' Agreement whereby, among other rights and duties, the parties granted certain call and put options to be exercised as from the third anniversary of such date, so that Banco do Brasil S.A. will acquire the equity interest held by sellers in the Entity, at the strike price equivalent to the US dollar price per share established in the Offering. The maximum number of shares that might be subject to these options cannot exceed 25% of the capital and voting stock of the Entity.

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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014
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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, of Financial Position, of Changes in Shareholders' Equity, of Cash Flows and the Notes as of December 31, 2014, 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.

Statement of compliance

These consolidated financial statements have been prepared under the IFRS, which are standards and Interpretations issued by the IASB (International Accounting Standards Board), including 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 Committee (IFRIC) or by its predecessor, the Standards Interpretation Committee (SIC).

These consolidated financial statements have been prepared based on the historical cost model, except for financial assets carried at fair value held for trading, financial assets carried at fair value at initial recognition and derivative financial instruments, which have been carried at fair value.

The accounting policies adopted are consistent with those applied in the financial statements audited as of December 31, 2013. The Entity has adopted the mandatory new and revised IFRS and IAS. The adoption of these new rules had no significant impact on the financial statements prepared for comparative purposes. The new standards adopted for this fiscal year are detailed below:

- IAS 32 (as revised) "Financial Instruments: Presentation": Mandatory for annual periods beginning on January 1, 2014. It clarifies certain requirements relating to the offsetting of financial assets and financial liabilities.
- Investment Entities – Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12 Disclosure of Interests in Other Entities and IAS 27, Separate Financial Statements, mandatorily effective for annual periods beginning on January 1, 2014. These amendments clarify certain aspects of the consolidation of subsidiaries that meet the definition of investment entities and that display specific characteristics.

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- IFRIC 21 “Levies”: mandatorily effective for annual periods beginning on January 1, 2014. This interpretation clarifies when an entity must recognize a liability for the levies imposed by governments, pursuant to IAS 37.
- IAS 36 (as revised) “Impairment of assets”: Mandatorily effective for annual periods beginning on January 1, 2014. It addresses the disclosure of information about the recoverable amount of non-financial assets.
- IAS 39 (as revised) “Instruments– recognition and measurement”: mandatorily effective for annual periods beginning on January 1, 2014. Novation of derivatives and continuance of hedge accounting.
- Improvements to IFRS: In December 2013, the IASB issued improvements to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 16 “Property, Plant and Equipment”, IAS 24 “Related Party Disclosures”, IAS 38 “Intangible Assets”, IAS 40 “Investment Property”, effective for annual periods beginning on July 1, 2014. Early adoption is permitted for fiscal years beginning on January 1, 2014. The improvement process was intended to make necessary, but non-urgent, amendments to standards not included in any other process.

Consolidation bases

Subsidiaries:

Subsidiaries refer to all entities (including special-purpose entities, if applicable) over which the Bank has control, which is evidenced if and only if all the following elements are present:

- a) Power over the subsidiary, which is related to existing rights that give current ability to direct the relevant activities, i.e. activities that significantly affect the subsidiary’s returns.
- b) Exposure or rights to variable returns from its involvement with the investee; and
- c) Ability to use its power over the investee to affect the amount of the investor’s returns.

This is generally verified when the investment comprises more than 50% of the voting stock.

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.

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Translation from the original prepared in Spanish for publication in Argentina (see note 45)

BANCO PATAGONIA S.A.

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

Non-controlling interest:

Non-controlling interests represent profit or loss and equity not attributable, directly or indirectly to the Bank, and in the current financial statements are presented in a separate line item in the Consolidated Statements of Income, of Comprehensive Income, of Financial Position and of Changes in Shareholders' Equity.

On December 31, 2014 and 2013, the Entity's financial statements were consolidated with the financial statements of the following documents:

Company	Shares		Percentage of	
	Type	Number	Total capital stock	Possible voting stock
Patagonia Valores S.A.	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 or special-purpose entities should be included in the consolidated financial statements as of December 31, 2014 and 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

(Stated in thousands of Argentine pesos)

The Bank considers the Argentine peso as its functional and presentation currency. To that effect, prior to their consolidation, the financial statements of Banco Patagonia (Uruguay) S.A.I.F.E., originally issued in US dollars, were converted to Argentine pesos (presentation currency) by applying the following procedure:

- Assets and liabilities were converted by applying BCRA's benchmark exchange rate, prevailing as of the closing of operations on the last business day of fiscal years ended December 31, 2014 and 2013 (see note 3.2.f)).
- Income/loss for the fiscal years ended December 31, 2014 and 2013 were converted to Argentine pesos on a monthly basis, using the monthly average exchange rate set by BCRA.
- The resulting currency translation difference is recognized as a separate equity item in Shareholders' equity, disclosed in the Consolidated Statement of Comprehensive Income in the line "Reserve for translation differences".

Total assets, liabilities, shareholders' equity and income/loss of Banco Patagonia S.A. and each of its subsidiaries as of December 31, 2014, and 2013, are as follows:

As of 12/31/2014	Banco Patagonia S.A.	Patagonia Valores S.A.	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	39,719,381	24,660	40,880	1,914,658	473,972	(924,281)	41,249,270
Liabilities	32,804,129	966	4,919	1,322,200	377,784	(194,213)	34,315,785
Shareholders' equity	6,915,252	23,694	35,961	592,458	96,188	(730,068)	6,933,485
Net income (Loss)	2,149,008	2,525	16,645	169,858	(24,363)	(173,739)	2,139,934

As of 12/31/2013	Banco Patagonia S.A.	Patagonia Valores S.A.	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
Net income (Loss)	1,660,019	1,664	11,054	115,269	(19,945)	(112,885)	1,655,176

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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

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3.2 Valuation criteria and significant accounting estimates

In preparing the financial statements, in certain cases the Bank's Management is required to make estimates to determine the carrying amounts 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.

Recordings 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 fiscal years. The most significant estimates comprised in these consolidated financial statements are related to the estimation of the allowance for loan losses and accounts receivable, the valuation of financial instruments, the provisions for miscellaneous risks, the useful life of fixed assets and miscellaneous assets, the income tax expense and the customer loyalty program.

The main valuation and disclosure criteria applied for the preparation of these consolidated financial statements as of December 31, 2014 and 2013.

a) Recognition of income and expenses:

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

Interest income and expenses, and similar income and expenses are recognized based on their accrual period, applying the effective interest method, by using the rate that allows for the discount of future cash flows estimated to be received or paid over the life of the instrument or a shorter period, if appropriate, equivalent to the net carrying amount of the financial asset or liability. Interest on financial assets carried at fair value held for trading and carried at fair value at initial recognition are disclosed under "Gains (losses) on financial assets carried at fair value held for trading" and "Gains (losses) on financial assets carried at fair value at 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 declared.

a.2) Fees for loans

Fees collected and direct incremental costs related to the provision of financing facilities are deferred and recognized adjusting their effective interest rate.

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.

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BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014
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a.4) Non-financial 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 recorded on the transaction negotiation date, i.e. on the date when the Bank agrees to purchase or sell the asset.

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

As from fiscal year 2010, the Entity early adopted IFRS 9 "Financial Instruments" and financial instruments are measured based on the Entity's business model for managing the financial assets and their characteristics. Accordingly, the Entity's financial assets are carried at fair value, except for those assets that meet the two conditions below, which are measured at amortized cost:

- I) They are held within a business model whose objective is to hold assets to collect the contractual cash flows.
- II) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

On December 31, 2014 and 2013, the Entity included in the sub-category financial assets carried at fair value at their initial recognition, the financial instruments issued by the BCRA, in order to reduce accounting mismatches that may result if other measurement models are applied.

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

(Stated in thousands of Argentine pesos)

Financial assets carried at fair value through profit or loss are recorded in the Consolidated Statement of Financial Position at fair value. Changes in fair value and interest income or expenses are recorded in the Consolidated Statement of Income in the account "Gains (losses) on financial assets carried at fair value held for trading" and "Gains (losses) on financial assets carried at fair value at initial recognition", where appropriate.

The estimated market value of investments carried at fair value was calculated using the effective quoted prices as of each year-end in active markets (Mercado de Valores or Mercado Abierto Electrónico), when they are representative. If there was no active market, valuation techniques were used, including the use of arm's length market transactions between knowledgeable willing parties, if available, as well as reference to the current fair value of another instrument that is substantially the same or the discounted cash flows analysis.

b.2) Financial assets measured at amortized cost

They represent financial assets held to collect contractual cash flows. Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method (see note 3.2.a.1). To that end, interest is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. These items are included in the Consolidated Statement of Financial Position under "Interest income and similar income".

b.3) Loans and accounts receivable:

They are non-derivative financial assets held by the Entity within a business model whose objective is to hold assets in order to collect contractual cash flows and whose contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on outstanding principal.

Subsequent to their initial recognition, loans and accounts receivable are measured at amortized cost, using the effective interest rate method (see note 3.2.a.1), less the allowance for loan losses. The amortized cost is calculated considering any discount or premium upon acquisition, and fees and costs that are part of the effective interest rate. Impairment losses are included in the Consolidated Statement of Income in the accounts "Loan losses – net" and "Other loan losses and provisions for miscellaneous risks". The breakdown of changes in each of these accounts is disclosed in notes 21 and 22, respectively.

Loans and accounts receivable are recorded when funds are disbursed to customers. Guarantees granted and contingent obligations are included in the notes to the consolidated financial statements (outside the financial statements) when the documents supporting those credit facilities are issued, and are originally recognized at the fair value of the fees received under "Other liabilities" in the consolidated statement of financial position. Subsequent to initial recognition, liabilities for each guarantee are recorded at the highest

BANCO PATAGONIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

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value between 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 liabilities related to a financial guarantee is included in the Consolidated Statement of Income. The fees received are 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.

Refinanced loans and accounts receivable:

The Bank considers as refinanced or rescheduled those financing facilities whose payment terms are changed. This may entail extending the payment terms and agreeing new loan conditions. Once the terms have been renegotiated, the loan is no longer considered a past due obligation, if that was the case. Management continuously reviews refinanced and rescheduled loans to ensure that all conditions are met and future payments are likely to be received.

Finance lease:

The Bank grants loans through finance leases. The present value of lease payments is recognized as an asset. The difference between the total value receivable and the present value of financing is recognized as interest to be accrued. 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.

The allowance for loan losses and accounts receivable is set up whenever there is objective evidence that the Entity will not be able to collect the total amount financed under the original contractual terms. Such allowance is set on the basis of the classifications of risks assigned and considering the guarantees received (for further information, see notes 3.2.e. and 39).

b.4) Financial liabilities:

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

c) Derecognition and reclassification of financial assets and liabilities:

Financial assets:

A financial asset (or a part of a financial asset or of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Bank has transferred its rights to the cash flows from the asset or has assumed an obligation to pay all cash flows received immediately to a third party; and the Entity has transferred substantially all of the risks and rewards of the asset or, otherwise, has relinquished control of the asset.

BANCO PATAGONIA S.A.

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Reclassification of financial assets is prospectively made, as from the reclassification date, and profits, losses or interest initially recognized are not to be restated.

If a financial asset is reclassified at fair value, such fair value is determined on the reclassification date. Any profit or loss resulting from differences between the previous carrying amount and the fair value is recognized as profit or loss. However, if the financial asset is reclassified at amortized cost, its fair value as of the reclassification date becomes its new carrying amount.

Financial liabilities:

A financial liability is derecognized when the payment obligation is either discharged or cancelled or expires. Where there has been an Exchange between an existing borrowing and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new liability. A gain or loss from extinguishment of the original liability is recognized in profit or loss.

d) Offsetting financial assets and liabilities:

Financial assets and liabilities should be offset and the net amount reported in the consolidated statement of financial position, when, and only when, the Entity has a legally enforceable right to set off the amounts; and Management intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

e) Impairment of financial assets:

At each reporting date, the Entity assesses whether there is objective evidence of impairment of the financial assets or group of assets. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor; default or delinquency in interest or principal payments; it becoming probable that the entity will enter bankruptcy or other financial reorganization, indicating a decrease in the estimated future cash flows, including changes in economic conditions that correlate with defaults. There follows a description of the criterion adopted for the categories of financial assets listed below:

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e.1) Loans and accounts receivable:

As regards loans and accounts receivable measured at amortized cost, the Entity first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognized in the Consolidated Statement of Income. Interest income continues to be recognized in the reduced balance at the financial asset's original interest rate. If, in a subsequent period, the amount of the impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be increased or reduced by adjusting an allowance account. If a previously impaired asset is subsequently recovered, such recovery is allocated to the allowance for loan losses and accounts receivable. Loans, and their associated allowances, are written off when there is no realistic prospect of future recovery and guarantees have been sold or transferred to the Entity. If a written off asset is subsequently recovered, such recovery is recognized in the Consolidated Statement of Income under "Loan losses – net".

For the calculation of the present value, the estimated future cash flows are discounted at the asset's original effective interest rate. If an asset has a variable interest rate, the discount rate will be the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of the Entity's credit rating system, which considers its historical experience on the basis of statistics, collateral type, past-due status and other relevant factors.

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Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

e.2) Refinanced loans and accounts receivable:

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. For the purpose of evaluating the impairment of these assets, these loans are measured at the present value of future cash flows discounted at the loan's original effective interest rate.

If there are improvements in the credit rating of a debtor in relation to which an impairment was previously recognized, the previously recognized loan loss is reversed by adjusting the related allowance account. Such reversal does not result in an amount that exceeds what the amortized cost would have been on the reversal date, had the impairment loss not been recognized (see note 21).

f) Assets and liabilities in foreign currency:

The Bank considers the Argentine peso as its functional and presentation currency. Assets and liabilities denominated in foreign currency, basically in US dollars, have been valued at BCRA's US dollar benchmark exchange rate prevailing 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. Translation differences were recognized in the statement of 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 recognized in the statement of income for each year.

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

Purchases (sales) of financial instruments under a non-optional agreement to repurchase the same at a fixed price (repos) are recorded in the consolidated statement of financial position as financing facilities granted (received) based on the nature of the related debtor (creditor) under "Loans" or "Financing facilities received from financial institutions" accounts.

BANCO PATAGONIA S.A.

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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 assets: They include forward purchases and sales of foreign currency at the BADLAR rate without delivery of the underlying agreed-upon asset. Such transactions are measured at the fair value of the contracts and are performed by the Bank for the purpose of conducting intermediation activities on its own account. Gains/losses resulting therefrom are recognized in the statement of income for each year.

i.2) Interest rate swaps: They include agreements with the BCRA and other financial institutions, and are measured at their fair value, determined on the basis of the present value of the differences between future flows of interest determined by applying fixed and floating interest rates to the notional amount of agreements. Gains/losses resulting therefrom are recognized in the statement of income for each year.

j) Non-current assets held for sale:

Non-current assets are classified as held for sale if their carrying amount will be recovered primarily through sale and the asset was available for immediate sale under ordinary sale conditions, and Management was committed to an active plan for marketing them at a reasonable sales price. Therefore, sales are considered highly probable and it is expected that they will be completed within a year following classification as held for sale.

As of December 31, 2013 all pieces of real property included in this category were sold and derecognized, while recognizing income under "Other operating income" as of that date.

k) Fixed assets and miscellaneous assets:

These assets are recorded at their historical acquisition cost, less the related accumulated depreciation and impairment in value, where 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.

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Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
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BANCO PATAGONIA S.A.

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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 fixed assets and miscellaneous assets are reviewed to detect significant changes therein, which, upon occurrence, will be adjusted through the related adjustment to the depreciation expense on fixed assets and miscellaneous assets.

The residual value of fixed assets and miscellaneous assets, taken as a whole, does not exceed their recoverable value.

l) Impairment of non-financial assets:

At least at each year-end, the Entity assesses whether there are any events or changes in the circumstances indicating that the value of non-financial assets may be impaired or if there is any indication that an asset may be impaired. If there is an indication or an annual impairment test is required for an asset, the Entity calculates the asset's recoverable amount. If the carrying amount of an asset (or cash-generating unit) is higher than its recoverable value, the asset (or cash-generating unit), is considered impaired and its carrying amount is reduced to its recoverable value.

As of the date of presentation of the consolidated financial statements, a test is conducted to verify whether there is an indication that a previously recognized impairment loss may have ceased to exist or decreased. A previously recognized impairment loss may only be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss has been recognized. If this is the case, then the carrying amount of the asset is increased to its recoverable amount.

The Bank has made these estimates and, given that the recoverable value of assets (value in use) exceeds their carrying amount, it has determined that no adjustment for impairment has to be recognized.

m) Provisions for miscellaneous risks:

The Bank recognizes a provision if and only if: (a) the Bank has a present obligation resulting from past events; (b) it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation; and (c) the amount payable can be estimated reliably.

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 performed, the Bank recognized a provision in the amount considered to be the best estimate of the potential expenditure required to settle the present obligation as of each year-end.

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The provisions recognized by the Bank are reviewed at each balance sheet date and adjusted to reflect the current best estimate available. Additionally, provisions are allocated to a specific item so that they only be used for the purpose for which they were originally recognized.

In the event a) the obligation is possible; or b) it is not probable that an outflow of resources will be required to settle the obligation; or c) the amount of the obligation cannot be reliably measurable, said contingent liability is not recognized and is disclosed in the notes. However, disclosure is not required if payment is remote.

n) Income tax:

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

Deferred income tax reflects the effects of temporary differences between the carrying amount and tax base of assets and liabilities. Assets and liabilities are measured at the tax rates that are expected to be applied to taxable income in the years when these differences are recovered or settled. The measurement of deferred assets and liabilities reflects the tax effects derived from the Bank' and subsidiaries' expectations as to recovery and settlement of its assets and liabilities at 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) Earnings per share:

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to Banco Patagonia S.A.'s shareholders by the weighted average number of common shares outstanding during each fiscal year. In the fiscal years ended December 31, 2014, and 2013, 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 intended to provide 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 resource assignment and performance evaluation. (See note 4.)

BANCO PATAGONIA S.A.

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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 gains/losses therefrom are not included in the consolidated financial statements, since they are not the Bank's assets. (See notes 40 and 41).

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.

At 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 under "Other liabilities – Customer loyalty program" account (see note 28).

3.3 New pronouncements

The Bank has decided not to early adopt the following standards and interpretations, which have been issued but are not yet effective as of December 31, 2014:

- IAS 16 (as revised) "Property, plant and equipment" and IAS 38 (as revised) "Intangible assets": mandatorily effective for annual periods beginning on January 1, 2016. They provide clarification of acceptable methods of depreciation and amortization.
- IAS 16 (as revised) "Property, plant and equipment" and IAS 41 (as revised) "Agriculture": Mandatorily effective for annual periods beginning on January 1, 2016. Bearer plants are included within the scope of IAS 16, instead of IAS 41, enabling that these assets be accounted for in the same way as property, plant and equipment and they are subsequently measured either using a cost or revaluation model, in accordance with IAS 16.
- IFRS 9 "Financial instruments": mandatorily effective for annual period beginning on January 1, 2018. This standard replaces IAS 39 Financial Instruments. Major changes include: changes in the classification of financial assets, calculation of financial assets impairment and hedge accounting.
- IFRS 10 (as revised) "Consolidated Financial Statements" and IAS 28 (as revised) "Investments in Associates and Joint Ventures": mandatorily effective for annual periods beginning on January 1, 2016. Amendments address an acknowledged inconsistency between the requirements of these standards in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

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- IFRS 11 (as revised) “Joint arrangements”: mandatorily effective for annual periods beginning on January 1, 2016. It outlines the accounting of the acquisition of an interest in a joint operation.
- IFRS 14 “Regulatory referral accounts”: mandatorily effective for annual periods beginning on January 1, 2016. It permits IFRS first-time adopters to continue to recognize amounts related to rate regulations in accordance with their previous standards. However, to enhance comparability with entities that already apply IFRS, the effects of rate regulation must be presented separately from other items.
- IFRS 15 “Revenue from Contracts with Customers”: mandatorily effective for annual periods beginning on January 1, 2017. It specifies how and when revenues shall be recognized, as well as relevant disclosures.
- IAS 27 “Equity Method in Separate Financial Statements”: effective for annual periods beginning on January 1, 2016. It proposes the introduction of the equity method to account for interests in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.
- IAS 19 (as revised) “Employee benefits”: mandatorily effective for annual periods beginning on July 1, 2014, with an early adoption option for periods beginning on January 1, 2014. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.
- IFRS Annual Improvements cycle 2012-2014: effective for annual periods beginning on July 1, 2016.

Except for IFRS 9, the Entity does not expect that the impact of the abovementioned standards and interpretations may be significant for its consolidated financial statements.

NOTE 4: Segment reporting

For the purposes of reporting relevant information, the Bank has determined the business segments listed below, for which discrete financial information is available, considering the nature of risks and returns.

- Individuals: The individuals segment groups transactions of customers that are individuals. These customers mainly acquire the following products, among others: personal loans, credit cards, overdrafts, time deposits and demand deposit accounts.

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- Companies: The companies segment groups the transactions performed by large, micro, small and medium-sized companies that use the credit facilities offered by the Entity, as well as transactional services and deposits.
- Financial and government: This segment includes 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, time deposits, 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 42), perform with the Bank.

- Other, not elsewhere classified: This segment includes core functions and items that are not directly attributable to a particular segment such as "Fixed assets and miscellaneous assets", "Provisions for miscellaneous risks" or those associated with business funding (Cash and due from the BCRA, Corporate bonds, among others).

The Bank does not disclose any information by geographical segment because no products and services are provided within economic environments with significantly different risks and returns.

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, 2014, and 2013, there are no transactions with individual customers representing 10% or more than the Bank's total income.

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The following tables show the Bank's business segment reporting for the accounting fiscal years ended December 31, 2014, and 2013:

	<u>Companies segment</u>	<u>Individuals segment</u>	<u>Financial and government segment</u>	<u>Other, not elsewhere classified</u>	<u>Total as of 12/31/2014</u>
Cash and due from the BCRA (Argentine Central Bank)	-	-	-	6,169,481	6,169,481
Due from other financial institutions	-	-	-	698,238	698,238
Financial assets carried at fair value held for trading	-	-	2,357,697	3,864	2,361,561
Financial assets carried at fair value at initial recognition	-	-	4,421,767	-	4,421,767
Financial assets measured at amortized cost	-	-	73,581	-	73,581
Derivative financial instruments	-	-	232	-	232
Loans	16,829,185	7,378,566	1,878,789	-	26,086,540
Other receivables	-	-	381,659	135,365	517,024
Fixed assets and miscellaneous assets	-	-	-	370,115	370,115
Deferred tax assets	-	-	-	317,478	317,478
Other assets	-	-	125,395	107,858	233,253
TOTAL ASSETS	16,829,185	7,378,566	9,239,120	7,802,399	41,249,270
Financing facilities received from financial institutions	679,515	-	747,893	-	1,427,408
Deposits	8,629,662	11,510,092	7,682,214	-	27,821,968
Corporate bonds	-	965,715	307,832	-	1,273,547
Other liabilities	227,694	1,056,157	735,076	1,680,773	3,699,700
Provisions for miscellaneous risks	-	-	-	93,162	93,162
TOTAL LIABILITIES	9,536,871	13,531,964	9,473,015	1,773,935	34,315,785
Interest income and similar income	3,881,367	2,005,266	275,049	17,782	6,179,464
Interest expenses and similar expenses	(846,276)	(828,400)	(1,749,756)	(21,823)	(3,446,255)
Net interest income and similar income	3,035,091	1,176,866	(1,474,707)	(4,041)	2,733,209
Fee income	284,145	1,417,966	186,844	94,680	1,983,635
Fee expenses	(99,764)	(229,244)	(22,217)	(42,955)	(394,180)
Net fee income	184,381	1,188,722	164,627	51,725	1,589,455
Gains (losses) on financial assets carried at fair value held for trading	-	-	861,418	34,935	896,353
Gains (losses) on financial assets carried at fair value at initial recognition	-	-	940,431	-	940,431
Net exchange gains (losses)	72,376	11,918	1,695	469,786	555,775
Other operating income	-	-	-	63,024	63,024
TOTAL OPERATING INCOME	3,291,848	2,377,506	493,464	615,429	6,778,247

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	<u>Companies segment</u>	<u>Individuals segment</u>	<u>Financial and government segment</u>	<u>Other, not elsewhere classified</u>	<u>Total as of 12/31/2014</u>
Loan losses – net	(72,863)	(246,829)	48	-	(319,644)
TOTAL OPERATING INCOME, NET	<u>3,218,985</u>	<u>2,130,677</u>	<u>493,512</u>	<u>615,429</u>	<u>6,458,603</u>
Personnel expenses	(162,644)	(113,337)	(17,886)	(1,219,764)	(1,513,631)
Depreciation of fixed assets and miscellaneous assets	-	-	-	(29,719)	(29,719)
Other loan losses and provisions for miscellaneous risks	-	-	(471)	(55,825)	(56,296)
Other operating expenses	(365,987)	(909,184)	(198,151)	(126,859)	(1,600,181)
TOTAL OPERATING EXPENSES	<u>(528,631)</u>	<u>(1,022,521)</u>	<u>(216,508)</u>	<u>(1,432,167)</u>	<u>(3,199,827)</u>
OPERATING INCOME (LOSS)	<u>2,690,354</u>	<u>1,108,156</u>	<u>277,004</u>	<u>(816,738)</u>	<u>3,258,776</u>
INCOME BEFORE INCOME TAX					3,258,776
Income tax, net					(1,118,842)
NET INCOME					2,139,934
Attributable to Parent company's shareholders					2,138,484
Non-controlling interest					<u>1,450</u>

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	<u>Companies segment</u>	<u>Individuals segment</u>	<u>Financial and government segment</u>	<u>Other, not elsewhere classified</u>	<u>Total as of 12/31/2013</u>
Cash and due from the BCRA (Argentine Central Bank)	-	-	-	5,605,213	5,605,213
Due from other financial institutions	-	-	-	598,563	598,563
Financial assets carried at fair value held for trading	-	-	1,395,231	6,707	1,401,938
Financial assets carried at fair value at 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
Fixed assets and miscellaneous assets	-	-	-	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 income	2,412,531	1,641,938	206,166	11,212	4,271,847
Interest expenses and similar expenses	(584,636)	(506,612)	(998,656)	(12)	(2,089,916)
Net interest income and similar income	1,827,895	1,135,326	(792,490)	11,200	2,181,931
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 (losses) on financial assets carried at fair value held for trading	-	-	760,212	22,111	782,323
Gains (losses) on financial assets carried at fair value at initial recognition	-	-	221,156	-	221,156

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	<u>Companies segment</u>	<u>Individuals segment</u>	<u>Financial and government segment</u>	<u>Other, not elsewhere classified</u>	<u>Total al 12/31/2013</u>
Net exchange gains (losses)	45,680	1,487	2,613	368,239	418,019
Other operating income	-	-	-	130,039	130,039
TOTAL OPERATING INCOME	<u>2,049,309</u>	<u>1,976,592</u>	<u>321,352</u>	<u>640,242</u>	<u>4,987,495</u>
(Loan losses) /recoveries from loans	(71,936)	(32,762)	21	-	(104,677)
TOTAL OPERATING INCOME, NET	<u>1,977,373</u>	<u>1,943,830</u>	<u>321,373</u>	<u>640,242</u>	<u>4,882,818</u>
Personnel expenses	(193,883)	(287,136)	(25,293)	(639,555)	(1,145,867)
Depreciation of fixed assets and miscellaneous assets	-	-	-	(27,138)	(27,138)
Other loan losses 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	<u>(485,888)</u>	<u>(807,556)</u>	<u>(140,167)</u>	<u>(911,046)</u>	<u>(2,344,657)</u>
OPERATING INCOME (LOSS)	<u>1,491,485</u>	<u>1,136,274</u>	<u>181,206</u>	<u>(270,804)</u>	<u>2,538,161</u>
INCOME BEFORE INCOME TAX					2,538,161
Income tax, net					(882,985)
NET INCOME					1,655,176
Attributable to Parent company's shareholders					1,654,078
Non-controlling interest					<u>1,098</u>

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NOTE 5: Interest income and similar income

	<u>12/31/2014</u>	<u>12/31/2013</u>
Loans	6,167,716	4,263,699
Other receivables	3,617	1,945
Other	8,131	6,203
	<u>6,179,464</u>	<u>4,271,847</u>

NOTE 6: Interest expenses and similar expenses

	<u>12/31/2014</u>	<u>12/31/2013</u>
Deposits	2,961,411	1,783,073
Corporate bonds	414,677	269,471
Financing facilities received from financial institutions	41,087	23,035
Other	29,080	14,337
	<u>3,446,255</u>	<u>2,089,916</u>

NOTE 7: Fee income and expenses

	<u>12/31/2014</u>	<u>12/31/2013</u>
<u>Fee income</u>		
Credit and debit cards	544,278	444,733
Checking accounts	300,629	231,964
Insurance	192,537	160,964
Packages of products	144,032	115,863
Checks to be collected and items in custody	113,530	92,898
Safe-deposit boxes	72,475	59,452
Collections	74,781	56,715
Foreign trade	68,363	52,467
Savings accounts	47,494	39,990
Portfolio management and recovery process	40,898	33,906
Trust activity (See note 41)	22,796	23,601
Other	361,822	294,825
	<u>1,983,635</u>	<u>1,607,378</u>
<u>Fee expenses</u>		
Credit and debit cards	282,051	233,982
Salary crediting agreement	36,448	64,426
Other	75,681	54,943
	<u>394,180</u>	<u>353,351</u>

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NOTE 8: Gains/losses on financial assets carried at fair value held for trading

	<u>12/31/2014</u>	<u>12/31/2013</u>
Gains (losses) on financial assets carried at fair value held for trading		
Forward foreign currency transactions (see note 20)	552,844	570,278
Financial assets carried at fair value held for trading	303,780	188,780
Cash dividends from shares	34,935	22,111
Forward Badlar rate transactions (see note 20)	-	1
Interest rate swaps (see note 20)	4,794	1,153
	<u>896,353</u>	<u>782,323</u>
 Gains (losses) on financial assets carried at fair value at initial recognition		
Financial assets carried at fair value at initial recognition	940,431	221,156
	<u>940,431</u>	<u>221,156</u>
	<u>1,836,784</u>	<u>1,003,479</u>

NOTE 9: Net exchange gains (losses)

	<u>12/31/2014</u>	<u>12/31/2013</u>
Conversion into Argentine pesos of foreign currency assets and liabilities	478,725	384,438
Gains / Losses from purchase-sale of foreign currency	77,050	33,581
	<u>555,775</u>	<u>418,019</u>

NOTE 10: Other operating income

	<u>12/31/2014</u>	<u>12/31/2013</u>
Assignment of tax credit certificates	9,311	13,547
Proceeds from the sale of fixed assets and miscellaneous assets	4,199	1,924
Income from the sale of assets held for sale	-	94,459
Other	49,514	20,109
	<u>63,024</u>	<u>130,039</u>

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NOTE 11: Personnel expenses

	<u>12/31/2014</u>	<u>12/31/2013</u>
Salaries	1,148,694	850,602
Social security contributions	255,195	197,223
Personnel bonuses	37,781	40,807
Representation and per diem expenses	32,150	20,828
Services to personnel	23,605	18,484
Administrative services hired	14,418	15,177
Severance payments	1,788	2,746
	<u>1,513,631</u>	<u>1,145,867</u>

NOTE 12: Other loan losses and provisions for miscellaneous risks

	<u>12/31/2014</u>	<u>12/31/2013</u>
Net allowances for other losses (see note 22)	471	6,300
Provisions for miscellaneous risks, net (see note 29)	55,825	19,035
	<u>56,296</u>	<u>25,335</u>

NOTE 13: Other operating expenses

	<u>12/31/2014</u>	<u>12/31/2013</u>
Turnover tax (1)	602,082	438,398
Maintenance, conservation and repair expenses	159,630	117,760
Security services	88,617	62,754
Armored vehicle services	84,116	60,636
Other taxes	79,000	25,279
Rentals	77,916	59,496
Tax on bank accounts debits and credits	76,016	56,316
Contribution to the deposit guarantee fund	65,118	34,728
Professional fees	59,174	50,759
Electric power and communications	55,706	42,165
Courier cost	50,765	36,537
Advertising and marketing	26,305	17,409
Directors' and supervisory auditors' fees	26,028	17,488
Cleaning expenses	23,140	24,309
Office supplies expenses	19,177	11,959
Clearing house expenses	9,292	8,053
Operating expenses on Mercado Abierto Electrónico	5,011	3,400
Other	93,088	78,871
	<u>1,600,181</u>	<u>1,146,317</u>

(1) As of December 2014 and 2013, this tax is related to interest income and similar income in the amounts of 461,228 and 315,637, respectively; to fee income in the amounts of 135,231 and 118,876, respectively; and to other income in the amounts of 5,623 and 3,885, respectively.

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NOTE 14: Income tax

Income tax

Income tax should be accounted for by applying the balance sheet liability method, which consists in recognizing (as credit or debit) the tax effect of temporary differences between the carrying amount and tax base of assets and liabilities, and in subsequently recording them in the statement of income for the years in which such differences are reversed, considering the possibility of using tax loss carryforwards.

Deferred tax liabilities and assets are as follows:

Description:	12/31/2014	12/31/2013
Deferred tax assets:		
Financial assets carried at fair value	-	1,265
Loans	249,097	189,540
Other receivables	4,033	5,815
Other assets	10,349	12,054
Deposits	729	729
Other liabilities	42,070	40,287
Provisions for miscellaneous risks	60,794	44,207
Total deferred assets	<u>367,072</u>	<u>293,897</u>
Deferred tax liabilities:		
Financial assets carried at fair value	(29,409)	-
Derivative financial instruments	(81)	(2,150)
Fixed assets and miscellaneous assets	(20,104)	(27,813)
Total deferred liabilities	<u>(49,594)</u>	<u>(29,963)</u>
Net deferred tax assets as of year-end	<u>317,478</u>	<u>263,934</u>

Changes in net deferred tax assets during the years ended December 31, 2014, and 2013, are as follows:

Description	12/31/2014	12/31/2013
Net deferred tax assets at beginning of year	263,934	227,015
Deferred tax expense	61,623	43,326
Effect recorded in shareholders' equity reserves (see note 30)	(8,079)	(6,407)
Net deferred tax assets at year-end	<u>317,478</u>	<u>263,934</u>

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

Description	12/31/2014	12/31/2013
Income before taxes	3,258,776	2,538,161
Statutory income tax rate	35%	35%
Tax on net income	1,140,572	888,356
Permanent differences:		
Income not subject to income tax	(91,550)	(73,895)
Expenses not deductible from taxable income	69,820	68,524
Income tax, net	1,118,842	882,985

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

Description	12/31/2014	12/31/2013
Income tax pursuant to tax regulations	1,180,465	926,311
Deferred tax expense	(61,623)	(43,326)
Income tax, net	1,118,842	882,985

Minimum presumed income tax

Minimum presumed income tax was established by Law No. 25063 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, whereas the latter is levied on taxable income for the year, minimum presumed income tax is a minimum levy on the potential income of certain productive assets at a 1% rate. Therefore, the Bank's tax liability will be represented by the highest of the two taxes. In the case of institutions governed by the Financial Institutions Law, the abovementioned law sets forth that they shall consider as taxable income 20% of their taxable assets, after deducting those assets defined as non-computable. However, should minimum presumed income tax exceed income tax in a given fiscal year, such excess may be computed as a credit towards future income taxes occurring in any of the next ten fiscal years.

As of December 31, 2014, and 2013, the amounts assessed for income tax were higher than those assessed for minimum presumed income tax for those years.

The AFIP (Argentine Tax Authorities) 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 permanent tax audits. As of the date of issuance of these financial statements, no further significant liabilities resulted from such reviews.

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NOTE 15: 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 December 31, 2014 includes the number of outstanding common shares at the beginning of the year and excludes the number of common shares that were acquired since March 27, 2012 under the Treasury Stock Acquisition 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 table below shows the calculation of basic and diluted earnings per share:

	12/31/2014	12/31/2013
Numerator:		
Net income attributable to parent company's shareholders	2,138,484	1,654,078
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	Face value 719,145,237	Face value 719,145,237
Basic and diluted earnings per share (stated in ARS)	<u>2.9736</u>	<u>2.3001</u>
Outstanding common shares at beginning of year and as of year-end (see note 2)	Face value 719,145,237	Face value 719,145,237

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NOTE 16: Distribution of earnings and restrictions to the distribution of earnings

Distribution of earnings

The Annual Shareholders' Meeting held on April 24, 2014 for fiscal year ended December 31, 2013, approved the following distribution of earnings:

Legal reserve	245,937
Optional Reserve – Future distribution of earnings	529,758
Cash dividends	451,852

The legal reserve was set up in accordance with BCRA's provisions requiring that 20% of the profits for the year, recorded in the financial statements prepared as per the BCRA's standards, be allocated for that purpose.

On June 16, 2014, the BCRA's SEFyC authorized payment of cash dividends, which were made available to the Bank's shareholders on June 27, 2014.

The optional reserve for the future distribution of earnings was set up to comply with the provisions of CNV General Resolution No. 593/11, which states that after restoring the legal reserve and covering all losses of previous years, the allocation of retained earnings is to be resolved by the shareholders' meeting, which may decide to allocate them to the distribution of dividends, to capitalize them by issuing bonus shares, to set up reserves other than the legal reserve, or a potential combination of such options.

The abovementioned distribution of earnings considers the off-balance sheet adjustments set forth by sections 2.1.1 to 2.1.6, BCRA's Revised Text "Distribution of Earnings" in the total amount of 2,138.

Restriction to the distribution of earnings

BCRA regulations establish that 20% of net income recorded in the financial statements prepared as per the BCRA's rules shall be allocated to set up the legal reserve. Therefore, the next Annual Shareholders' Meeting shall allocate 435,195 of unappropriated retained earnings to increase the legal reserve balance.

Under the provisions of Law No. 25063, dividends distributed in cash or in kind, in excess of accumulated taxable income determined at the end of the fiscal year immediately prior to the date of payment or distribution will be subject to a 35% withholding tax rate as a one-off payment. The amount of income to be considered shall be that resulting from deducting the amount of taxes paid for the year or years in which such income, or the relevant proportionate amount of it, originated or was distributed plus dividends or earnings from other stock companies not considered when determining such income in the fiscal year. Such distribution of dividends is not subject to the previously mentioned withholding because it does not exceed the earnings determined based on the application of the referred regulations.

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In addition, on September 20, 2013, Law No. 26893 stated that cash or kind dividends (except for shares or units of interest) will make their beneficiaries subject to the income tax at a 10% rate, as a one-off payment, notwithstanding the withholding rate mentioned before, if applicable.

BCRA Communication "A" 5072, 5485, and supplementary provisions, establishes the general procedure for the distribution of earnings, according to which 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.

Additionally, earnings may only be distributed as long as a positive balance remains after deducting –on an off-balance sheet basis– the amounts of the mandatory legal reserves and those set forth by the by-laws, the positive net difference between the carrying amount of government securities and/or monetary regulation instruments governed by the BCRA, with no published volatility or present value published by the BCRA, and the value determined by the Bank, from unappropriated retained earnings.

BCRA Communication "A" 5273, still in force to date, introduced adjustments to the standards related to the distribution of earnings, in which, it is 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.

Then, on January 8, 2015, BCRA Communication "A" 5689 set forth that financial institutions intending to distribute earnings in 2015, related to the fiscal year ended December 31, 2014, shall deduct the amount of the allowance for administrative, disciplinary and criminal sanctions set up as provided for by such rule.

Finally, based on what has been described so far, the amount of income subject to distribution totals 1,742,920 and the Bank proposes to distribute them as follows:

- Optional Reserve – Future Distribution of Earnings	698,312
- Cash dividends	<u>1,044,608</u>
Total	<u>1,742,920</u>

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 the Bank.

NOTE 17: Cash and due from the BCRA (Argentine Central Bank)

	<u>12/31/2014</u>	<u>12/31/2013</u>
Cash	1,965,572	1,314,833
BCRA – Current account (1)	3,936,633	4,036,308
BCRA – Special guarantee accounts (1) (2) (See Note 34)	<u>267,276</u>	<u>254,072</u>
	<u>6,169,481</u>	<u>5,605,213</u>

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- (1) As of December 31, 2014 and 2013, those accounts did not bear any interest.
 (2) The Bank has special guarantee current accounts opened with the BCRA for transactions related to electronic clearing houses and the like.

Minimum cash requirements

The BCRA establishes different requirements that should be met by financial institutions regarding solvency, liquidity, maximum amount of loans that may be granted per customer and foreign currency positions, among others (see also Note 31).

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 computed by the Bank and GPAT C.F.S.A. as minimum cash requirements, as provided by the related BCRA regulations, as of December 31, 2014 and 2013:

Item	12/31/2014	12/31/2013
Due from the BCRA (Argentine Central Bank)		
BCRA – Current account	3,936,633	4,036,308
BCRA – Special guarantee accounts	267,276	254,072
	4,203,909	4,290,380

NOTE 18: Due from other financial institutions

	12/31/2014	12/31/2013
Wells Fargo Bank	369,783	271,091
Banco de la Nación Argentina – Miami	76,030	57,947
Standard Chartered Bank	75,745	77,139
Bank of America	30,368	28,267
Citibank N.Y.	27,705	15,918
Banco do Brasil S.A. - N.Y. (see Note 33)	24,912	24,771
Unicredito Italiano S.p.A.	18,996	46,206
J.P. Morgan Chase Bank	14,239	12,223
Intesa Sanpaolo S.p.A.	12,480	16,428
Banco Central del Uruguay (see Note 34)	11,589	7,052
Commerzbank A.G.	10,122	4,525
Other	26,269	36,996
	698,238	598,563

As of December 31, 2014 and 2013, the amounts do not earn any interest.

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NOTE 19: Financial assets carried at fair value held for trading, carried at fair value at initial recognition, and measured at amortized cost

Financial assets carried at fair value held for trading:

Description	Maturity	Currency	Rate	Amortization	12/31/2014	12/31/2013
Argentine Government Bond in ARS Badlar + 250 P.B. (BONAR 2019) (see note 34)	03/11/19	\$	Badlar + 2.5%	Upon maturity	483,313	-
Secured bonds Decree No. 1.579/02 (BOGAR) (see note 34)	02/04/18	\$	2% + Cer	156 monthly installments	403,439	28,581
Argentine Government Bond in ARS Badlar + 200 P.B. (BONAR 2016)	09/29/16	\$	Badlar + 2%	Upon maturity	399,175	-
Argentine Government Bond in ARS Badlar + 200 P.B. (BONAR 2017)	03/28/17	\$	Badlar + 2%	Upon maturity	331,888	-
Consolidation bond in ARS, 7 th Series (see note 34)	01/04/16	\$	Badlar	4 quarterly installments	207,140	140,996
Consolidation bond in ARS, 8 th Series	10/04/22	\$	Badlar	14 quarterly installments	152,640	68,439
Argentine Government Bond in USD 2,40% (BONAD 2018)	03/18/18	US\$	2.40%	Upon maturity	82,600	-
Argentine Government Bond in USD 7 % (Boden 2015)	10/03/15	US\$	7%	Upon maturity	67,812	32,406
Argentine Government Bond in USD 7% (BONAR X)	04/17/17	US\$	7 %	Upon maturity	49,232	16,368
Argentine Government Bond in ARS Private Badlar + 3 % (BONAR 2015) (see note 34)	09/10/15	\$	Badlar + 3%	6 semiannual installments	44,589	237,757
Secured debt securities of the Province of Neuquén Class 2 Series I	10/11/18	US\$	3.9%	14 installments of 6,65% + 1 installment of 6,9%	32,604	25,670
Argentine Government Consolidation Bond in ARS Series 6	03/15/24	\$	2%	119 installments of 0,83% + 1 installment of 1,23%	23,355	10,292
Debt securities of the Province of Neuquén Class I Series I	06/12/16	US\$	3%	8 installments of 11,11% + 1 installment of 11,12%	22,432	27,880
Discount bonds in ARS + GDP-linked securities in ARS	12/15/33	\$	5.83% + Cer	20 semiannual installments	20,175	-
Argentine Government Bond in USD 1,75% (BONAD 2016)	10/28/16	US\$	1.75 %	Upon maturity	14,926	-
Debt securities of the Province of Entre Ríos Series II Class B	05/23/13	US\$	Badlar + 3.7%	Upon maturity	10,771	8,163
Argentine Government Bond in ARS Badlar + 275 P.B. (BONAR 2014) (see note 34)	01/30/14	\$	Badlar + 2.75%	Upon maturity	-	732,674
Debt securities of the Province of Entre Ríos Series I	08/06/16	US\$	4.8%	9 quarterly installments	-	28,800
Debt securities of the Province of Buenos Aires Series I	02/08/15	US\$	4.24%	Upon maturity	-	28,400
Social security debt consolidation bond in ARS, 4 th Series 2%	03/15/14	\$	2% + Cer	72 monthly installments	-	3,242
Other (see note 34)					15,470	12,270
					2,361,561	1,401,938

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Financial assets carried at fair value at initial recognition:

Description	Maturity	Currency	Rate	Amortization	12/31/2014	12/31/2013
BCRA bills (see note 34)	from 01/07/2015 to 07/29/2015	\$	Issuance, with discount	Upon maturity	4,421,767	837,746
BCRA notes (see note 34)	04/23/2014	\$	Badlar + 2.5%	Upon maturity	-	147,980
					<u>4,421,767</u>	<u>985,726</u>

The table below shows the amortized cost of those holdings and its difference with fair value:

BCRA bills and notes	Amortized cost	Fair value	Unrealized loss
2014	4,429,671	4,421,767	(7,904)
2013	988,346	985,726	(2,620)

Financial assets measured at amortized cost:

Description	Maturity	Currency	Rate	Amortization	12/31/2014	12/31/2013
Argentine Bond for Economic Development (BAADE)	07/17/16	US\$	4%	Upon maturity	73,581	56,042
					<u>73,581</u>	<u>56,042</u>

The Bank's holdings are primarily composed of the financial assets described below:

1) LEBAC (BCRA bills): They are short-term peso denominated securities offered by the monetary authority. LEBACs are issued at discount, as a zero-coupon bond, principal being fully amortized upon maturity with no interest payments.

2) Argentine Government Bond (BONAR 2019): On March 8, 2013, the Treasury and Finance Departments issued Joint Resolutions No. 35/2013 and No. 11/2013 to introduce a debt swap involving certain secured loans that would be swapped for a new bond or promissory note called "Argentine Government Bond or Promissory Note in ARS Private BADLAR + 250 bps maturing in 2019" to be issued on March 11, 2013. Such Bond would be completely amortized upon maturity on March 11, 2019. The quarterly interest rate to be paid equals the private Badlar rate plus 250 basis points spread. Badlar rates are calculated by the BCRA based on a sample of the interest rates paid by financial institutions to depositors for 30 to 35-day deposits exceeding 1 million pesos or dollars.

3) Secured Bonds Decree No. 1579/02 (BOGAR): They are government securities arising from the swap of loans granted to provinces, maturing on February 4, 2018, and paying principal and interest adjusted by CER at a 2% fixed rate, on a monthly basis.

4) Argentine Government Bond (BONAR 2016): On September 23, 2014, the Treasury and Finance Departments issued Joint Resolutions No. 221 and No. 60 providing for the issuance of "Argentine

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Government Bond in ARS Private BADLAR + 200 bps, maturing in 2016” on September 29, 2014. Such bonds, which will be in force for two years and will mature on September 29, 2016, will accrue interest on a quarterly basis at a Private Badlar interest rate plus 200 basis points.

5) Argentine Government Bond (BONAR 2017): On March 25, 2014, the Treasury and Finance Departments issued Joint Resolutions No. 65 and No. 13 providing for the issuance of “Argentine Government Bond in ARS Private BADLAR + 200 bps maturing in 2017” on March 28, 2014. Such bonds, which will be in force for 3 years and will mature on March 28, 2017, will accrue interest on a quarterly basis at a Private Badlar rate plus 200 basis points.

6) Social Security Debt Consolidation Bonds in pesos, 7th Series: 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. Amortization 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 on a quarterly basis.

7) Social Security Debt Consolidation Bonds in pesos, 8th Series: 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, maturing on October 4, 2022 (in 12 years and 9 months). Amortization is made in fourteen quarterly, equal and consecutive installments, the first two equivalent to 5% each, the next eleven equivalent to 7% and the last one equivalent to 13%, as from July 4, 2019. Interest is calculated as per the Badlar rate and payable on a quarterly basis as from July 4, 2014. Interest is quarterly capitalized as from the issuance date until April 4, 2014.

8) Argentine Government Bond in USD 2.40% (BONAD 2018): On November 11, 2014, the Treasury and Finance Departments issued Joint Resolutions No. 286 and No. 75 providing for the issuance of “Argentine Government Bond pegged to the US dollar 2.40%, maturing in 2018 (BONAD 2.40% 2018)” on November 18, 2014. Such US dollar-denominated bonds will be in force for a term of three years and 4 months, will mature on March 18, 2018, and will accrue interest at an annual nominal rate of 2.40%. The first interest coupon will be quarterly paid, whereas all other will be paid on a half-yearly basis until maturity.

9) Argentine Bond for Economic Development (BAADE): these are US dollar-denominated bonds issued by the National Government in accordance with the provisions of Law No. 26860 “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. They were issued on July 17, 2013, for a two-year term. They will be amortized upon maturity at a 4% annual interest rate payable on a half-yearly basis.

10) Argentine Government Bond in USD (BODEN 2015): They are US dollar-denominated bonds issued by the National Government accruing a fixed interest rate of 7% and maturing in 2015.

11) Argentine Government Bond in USD 7% (BONAR X): They are US dollar-denominated bonds issued by the National Government maturing on April 17, 2017. Principal will be completely paid off upon maturity, and interest will accrue at an annual, nominal, fixed rate of 7%, payable on a half-yearly basis.

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12) Argentine Government Bond (BONAR 2015): They are bonds issued by the Argentine Government, maturing on September 10, 2015. Principal will be repaid in 6 semiannual installments, the first 5 equivalent to 16.66% and the last one equivalent to 16.70%. Interest will accrue at a variable rate payable on a quarterly basis and calculated as per the Badlar rate, explained above, plus 300 basis points.

13) Secured Debt Securities of the Province of Neuquén Class 2 I Series: These are secured debt-settlement and public work financing securities issued by the province of Neuquén in U.S. dollars, maturing up to 5 years from issuance date (October 11, 2018). Amortization will be in 14 installments of 6.65% of the nominal value in January, April, July and October each year, and one final installment of 6.90% upon maturity. The first date of payment will be April 28, 2015. A nominal annual interest rate of 3.90% will be applied, with quarterly payments as from January 28, 2014, date of the first payment.

14) Social Security Debt Consolidation Bond in ARS 6th series: They are pesos-denominated bonds issued by the National Government to consolidate debts, maturing on March 15, 2024, and amortized over 120 monthly consecutive installments, 119 of which account for 0.83% and the last one for 1.23% of the principal amount adjusted by CER. The first amortization payment will be made on April 15, 2014. The 2% interest rate will be capitalized up to March 15, 2014.

15) Debt securities of the Province of Neuquén Class I Series I: These are guaranteed debt-settlement and public work financing securities issued by the province of Neuquén in U.S. dollars, maturing up to 6 years from issuance date (June 12, 2016). Amortization will be in 8 installments of 11.11% in months 12, 15, 18, 21, 24, 27, 30 and 33, and one final installment of 11.12% in month 36. A nominal annual interest rate of 3% will be applied, with quarterly payments as from September 12, 2013, date of the first payment.

16) Discount bonds in ARS + GDP-linked securities in ARS: They are pesos-denominated securities issued by the National Government on December 31, 2003 and maturing on December 15, 2033 for a 30-year term. They will be amortized in 20 half-yearly and consecutive installments, starting on June 30, 2024, adjusted by CER. A 5.83% fixed interest rate will be applied to every half-yearly payment.

17) Argentine Government Bond in USD 1.75% (BONAD 2016): On October 21, 2014, the Treasury and Finance Departments issued Joint Resolutions No. 258 and No. 68 providing for the issuance of "Argentine Government Bond pegged to the US dollar 1.75%, maturing in 2016 (BONAD 1.75% 2016)" on October 28, 2014. Such US dollar-denominated bonds have a term of 2 years, mature on October 28, 2016, and will accrue interest at an annual nominal rate of 1.75% payable on a half-yearly basis until maturity.

18) Debt securities of the Province of Entre Ríos Series II Class B: These are debt securities issued by the province of Entre Ríos, maturing on May 23, 2013. The principal amount will be completely paid off upon maturity and accrue variable interest at a Badlar rate, as previously explained, plus 370 basis points. Payments will be made on February 26 and May 23, 2013.

19) Argentine Government Bond (BONAR 2014): On February 2, 2009, the Treasury and Finance Departments issued Joint Resolutions No. 8/2009 and No. 5/2009 to introduce a debt swap involving certain secured loans that would be swapped for a new bond or promissory note called "Argentine Government Bond or Promissory Note in ARS Private BADLAR + 275 bps maturing in 2019" to be issued on January 30, 2009. Such Bond would be completely amortized upon maturity on January 30, 2014. An interest rate of

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15.4% will be paid on a quarterly basis during the first year and the Badlar rate plus 275 basis points will be paid during the remaining term.

20) BCRA Notes (NOBAC): They are pesos-denominated notes issued by the BCRA. Interest is paid on a quarterly basis, while principal is paid upon maturity. Average maturity is less than two years and they may accrue interest at a fixed or variable rate (Badlar rate).

21) Debt securities of the Province of Entre Ríos Series I: These are US dollar-denominated secured debt securities issued by the province of Entre Ríos, maturing on August 6, 2016 (3 years from date of issuance). Amortization will be in 9 quarterly, consecutive installments, the first 8 of which will account for 11.0% and the last one will account for 12.0% of the issued capital as from August 8, 2014. A fixed, nominal, annual interest rate of 4.8% will be applied, with quarterly payments as from November 6, 2013.

22) Debt securities of the Province of Buenos Aires Series I: These are US dollar-denominated secured debt securities issued by the province of Buenos Aires maturing on February 8, 2015 (18 months from the date of issuance). Amortization will be in one installment upon maturity and a fixed, nominal, annual interest rate of 4.24% will be applied with half-yearly payments as from February 8, 2014.

23) Social Security Debt Consolidation Bond in ARS series 4 2%: They are pesos-denominated bonds issued by the National Government 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 equal and consecutive monthly installments, adjusted by CER. Interest is capitalized on a monthly basis and paid jointly with the amortization installments. A 2% annual rate is applied.

NOTE 20: Derivative financial instruments

In the ordinary course of business, the Bank completed forward transactions with daily settlement of differences without delivery of the underlying assets, as well as interest rates swap. Both transaction types are carried at fair value. Gains/losses on changes in fair values are disclosed in each year's Consolidated Statement of Income. Such transactions do not qualify as hedging as per IAS 39.

Notional values as of December 31, 2014 and 2013, stated in thousands of the original currency, broken down as follows:

	Notional value as of	
	12/31/2014	12/31/2013
Forward purchases of foreign currency	USD 344,700	USD 1,162,350
Forward sales of foreign currency	USD 344,700	USD 490,870
Interest rate swaps	\$ 8,785	\$ 471,785

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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 or loss, except for interest rate swaps, the fair value of which is 232 and 6,418, resulting in a gain of 4,794 and 1,153 as of December 31, 2014 and 2013, respectively (see note 8).

Gains/losses on forward foreign currency transactions as of December 31, 2014 and 2013 amounted to 552,844 and 570,278, respectively. In addition, 2013 gains/losses on forward transactions at the Badlar rate amounted to 1 (see note 8).

NOTE 21: Loans

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

	12/31/2014	12/31/2013
Notes	10,020,400	8,435,857
Overdrafts	4,749,096	4,282,989
Consumer loans	3,250,580	2,826,307
Credit cards	3,482,452	2,632,103
Car loans	1,559,071	1,936,785
Financial leases	1,011,375	915,756
Loans to financial institutions	389,645	696,693
Amounts receivable from repo transactions with financial institutions	410,272	555,584
Loans to car dealers	770,477	465,316
Loans granted to Public Sector Agencies	159,400	240,335
Export prefinancing loans	188,318	70,843
Mortgage loans	49,027	61,954
Other loans	438,910	269,993
Interest and similar items receivable	409,807	331,510
Total loans	26,888,830	23,722,025
Allowances for loan loss	(802,290)	(578,986)
Total	26,086,540	23,143,039

Loans by type as of December 31, 2014 and 2013 are as follows:

	12/31/2014	12/31/2013
Commercial loans	17,809,605	15,389,518
Consumer loans	9,030,198	8,270,561
Mortgage loans	49,027	61,946
Total	26,888,830	23,722,025

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

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Finance lease

The following table shows reconciliation between the total gross investment in finance lease and the present value of minimum payments to be received therefrom:

Finance lease Term	12/31/2014		12/31/2013	
	Total gross investment	Present value of minimum payments	Total gross investment	Present value of minimum payments
Up to 1 year	511,438	358,795	235,486	179,345
From 1 to 5 years	787,477	660,933	195,346	158,097
More than 5 years	1,667	1,387	733,207	586,046
	<u>1,300,582</u>	<u>1,021,115</u>	<u>1,164,039</u>	<u>923,488</u>

As of December 31, 2014 and 2013, revenue from unearned interest amounted to 279,467 and 240,551, respectively, and accumulated allowances for loan losses amounted to 20,625 and 15,060, respectively.

As of December 31, 2014 and 2013, there were no significant finance lease agreements. Additionally, their characteristics are those regularly present in 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 installments.

Allowances for loan losses

Changes in allowances by type of loan	Mortgage loans	Consumer loans	Commercial loans	Total
At beginning	2,400	381,297	195,289	578,986
Net expense for the year	(330)	260,791	79,043	339,504
Uses	(673)	(99,586)	(15,941)	(116,200)
As of December 31, 2014	<u>1,397</u>	<u>542,502</u>	<u>258,391</u>	<u>802,290</u>

Assessment

Allowances not individually assessed	1,033	252,532	118,926	372,491
Allowances individually assessed	364	289,970	139,465	429,799
	<u>1,397</u>	<u>542,502</u>	<u>258,391</u>	<u>802,290</u>

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Changes in allowances by type of loan	Mortgage loans	Consumer loans	Commercial loans	Total
At beginning	1,986	399,161	132,045	533,192
Net expense for the year	1,271	40,587	77,918	119,776
Uses	(857)	(58,451)	(14,674)	(73,982)
As of December 31, 2013	<u>2,400</u>	<u>381,297</u>	<u>195,289</u>	<u>578,986</u>

Assessment

Allowances not individually assessed	1,401	184,464	92,859	278,724
Allowances individually assessed	<u>999</u>	<u>196,833</u>	<u>102,430</u>	<u>300,262</u>
	<u>2,400</u>	<u>381,297</u>	<u>195,289</u>	<u>578,986</u>

The following is a reconciliation of allowances for loan losses determined and not determined individually:

Changes in allowances based on their assessment	12/31/2014			12/31/2013		
	Allowances not individually assessed	Allowances individually assessed	Total	Allowances not individually assessed	Allowances individually assessed	Total
At beginning	278,724	300,262	578,986	481,017	52,175	533,192
(Reversal) net expense for the year	101,795	237,709	339,504	(187,477)	307,253	119,776
Uses	<u>(8,028)</u>	<u>(108,172)</u>	<u>(116,200)</u>	<u>(14,816)</u>	<u>(59,166)</u>	<u>(73,982)</u>
At year-end	<u>372,491</u>	<u>429,799</u>	<u>802,290</u>	<u>278,724</u>	<u>300,262</u>	<u>578,986</u>

Loan losses broken down as follows:

Loan losses for the year, net	<u>12/31/2014</u>	<u>12/31/2013</u>
Recoveries of loans	(339,504)	(119,776)
Loan losses, net of recoveries	<u>19,860</u>	<u>15,099</u>
	<u>(319,644)</u>	<u>(104,677)</u>

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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, 2014 and 2013, the Bank recorded the following contingent transactions:

	<u>12/31/2014</u>	<u>12/31/2013</u>
Unused agreed overdrafts	1,052,417	736,503
Guarantees granted	309,355	317,256
Obligations from foreign trade transactions	41,687	45,549
Letters of credit	<u>126,446</u>	<u>31,461</u>
	<u>1,529,905</u>	<u>1,130,769</u>

The above-mentioned credit facilities are initially recognized at fair value of 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 39.

NOTE 22: Other receivables

These transactions correspond to the "Financial assets measured at amortized cost". They are broken down as follows:

	<u>12/31/2014</u>	<u>12/31/2013</u>
Receivables from forward transactions	180,943	-
Sundry receivables	115,551	81,615
Trust securities (1)	85,940	72,646
Other receivables – sale of fixed assets	19,814	39,162
Other	<u>131,657</u>	<u>80,325</u>
	533,905	273,748
Allowance for other loan losses	<u>(16,881)</u>	<u>(17,773)</u>
	<u>517,024</u>	<u>255,975</u>

(1) As of December 31, 2014 and 2013, effective trust securities are receivables with fixed installments earning interest at an average, annual, nominal rate of 25% and 26%, respectively, and the weighted average term of which is 8 and 19 months, respectively.

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The following are the changes in the allowance for other loan losses:

	12/31/2014	12/31/2013
At beginning of year	17,773	11,775
Net expenses for the year (see note 12)	471	6,300
Uses	(1,363)	(302)
At year-end	16,881	17,773

NOTE 23: Fixed Assets and Miscellaneous Assets

Fixed assets: they include tangible assets owned by the Bank and used for its specific business activity.

Miscellaneous assets: they include tangible assets owned by the Bank but not used in the branches' operations and assets acquired for future use.

The table below shows a breakdown of fixed and miscellaneous assets:

Changes in fixed assets and miscellaneous assets	Other					Total as of 12/31/2014
	Real property	Furniture and fixtures	Machinery and equipment	Vehicles and aircraft	miscellaneous assets(1)	
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2014	211,373	74,627	115,599	14,778	50,242	466,619
Additions	3,238	8,754	33,815	4,673	677,088	727,568
Retirements	-	(145)	(1,099)	(395)	(626,107)	(627,746)
As of December 31, 2014	214,611	83,236	148,315	19,056	101,223	566,441
Depreciation:						
As of January 1, 2014	37,044	40,684	70,174	13,095	7,031	168,028
Retirements	-	-	(1,065)	(297)	(59)	(1,421)
Depreciation for the year	4,477	5,753	17,801	1,108	580	29,719
As of December 31, 2014	41,521	46,437	86,910	13,906	7,552	196,326
Residual value as of December 31, 2014	173,090	36,799	61,405	5,150	93,671	370,115

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Changes in fixed assets and miscellaneous assets	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 for the 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

- (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 24: Other assets

	<u>12/31/2014</u>	<u>12/31/2013</u>
<u>Financial assets</u>	125,395	97,460
Security deposits (see note 34)	125,395	97,460
<u>Non-financial assets</u>	107,858	48,860
Advance payments	78,021	36,005
Prepayments for purchases of assets	9,995	4,655
Stationery and office supplies	3,452	2,401
Works of art	3,344	3,244
Other	13,046	2,555
	<u>233,253</u>	<u>146,320</u>

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NOTE 25: Financing facilities received from financial institutions

	<u>12/31/2014</u>	<u>12/31/2013</u>
Banco do Brasil S.A. – N.Y. (see note 33)	415,053	-
BBVA Banco Francés S.A.	179,984	-
Sociedad de Promoción y Participación para la Cooperación Económica – Agencia Francesa de Desarrollo (Proparco)	129,271	51,907
Banco de la Provincia de Bs. As.	99,986	-
Citibank N.A.	84,707	-
Banco del Tucumán S.A.	80,123	-
Ford Credit Compañía Financiera	70,107	-
Banco de Santiago del Estero	60,082	-
BNP Paribas S.A.	59,835	-
Corporación Financiera Internacional	58,089	112,887
Banco Bradesco Argentina S.A.	40,064	9,777
Corporación Interamericana de Inversiones	36,942	42,234
Banco Central de la República Argentina	27,500	54,377
Standard Chartered Bank	24,919	52,813
Wells Fargo Bank	19,532	57,822
Other	41,214	20,031
	<u>1,427,408</u>	<u>401,848</u>

They relate mainly to pre-financing of exports without guarantees, agreed at variable nominal rates, in a range from 2.8% to 30.0% p.a. The breakdown of due dates is disclosed in Note 37.

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NOTE 26: Deposits

The following transactions are included under the heading "Financial liabilities measured at amortized cost":

	<u>12/31/2014</u>	<u>12/31/2013</u>
<u>Nonfinancial public sector</u>	2,991,496	2,693,639
Checking accounts	1,327,909	860,549
Time deposits	1,440,521	1,758,212
Other	195,498	48,393
Interest payable	27,568	26,485
<u>Financial sector</u> (see Note 33)	168,475	15,463
<u>Nonfinancial private sector and foreign residents</u>	24,661,997	19,904,641
Checking accounts	5,204,313	3,569,447
Savings accounts	6,446,168	5,079,708
Time deposits	11,658,486	9,936,262
Other	1,164,555	1,160,878
Interest and similar items payable	188,475	158,346
	<u>27,821,968</u>	<u>22,613,743</u>

Deposit guarantee

Law No. 24485 and Decree No. 540/95 created a Deposit Guarantee Insurance System to provide coverage for risks inherent in bank deposits, supplementary to the bank deposit privileges and protection system established by the Financial Institutions Law. This system shall cover the deposits in Argentine pesos and foreign currency with the participating institutions, such as checking accounts, savings accounts, time deposits or any other determined by the BCRA, as long as the requirements under Decree No. 540/95 and any other established by the applicable authorities are met.

As of December 31, 2014 and 2013, such deposit guarantee amounts to 8,465 and 6,019, respectively.

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NOTE 27: Corporate bonds

The following transactions are included under the heading "Financial liabilities measured at amortized cost":

	<u>12/31/2014</u>	<u>12/31/2013</u>
Corporate bonds	<u>1,273,547</u>	<u>1,786,289</u>
	<u>1,273,547</u>	<u>1,786,289</u>

1. Banco Patagonia S.A.'s 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 held on February 27, 1996 and by the CNV through certificate No. 115 dated June 4, 1996.

As of the date of these financial statements, no issuance of corporate bonds under the abovementioned program is in force.

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

The Annual Shareholders' Meeting of Banco Patagonia S.A., held on April 26, 2012, approved the creation of a Global Program for the Issue of Simple Corporate Bonds 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 Bank 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. 23576, and BCRA Communication "A" 3046, or as established in applicable regulations, depending on the related pricing appendix.

On July 2, 2012, the Bank filed with the CNV, the Corporate Bond Issuance Prospectus under the abovementioned Program and the Pricing Appendix related to the Issuance of the first series, and on October 25, 2012, through Resolution No. 16950, 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.

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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.

The series final maturity was on June 3, 2014.

On August 26, 2013, the Board of Directors of the Bank approved an update of the Prospectus related to the abovementioned Global Program for the issuance of Simple Corporate Bonds, and the issuance, under said Program, of Class II bonds. On October 23, 2013, both the update and the new issuance were authorized by the CNV.

On November 1, 2013, the Bank issued Class II Corporate Bonds with a face value of ARS 300,000,000, for an 18-month term and amortized 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, 2014, the Bank's Board of Directors approved the issuance of Class III Corporate Bonds for a maximum amount of up to V\$N 350,000,000 to be conducted under the Global Program for the Issuance of Simple Corporate Bonds in force.

As of December 31, 2014 and 2013, principal plus accrued interest amounted to 307,832 and 510,173, respectively.

3. GPAT C.F.S.A.'s Global corporate bond issuance program approved by CNV on February 11, 2011

The Argentine Securities Commission Resolution No. 15868, 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 issuance 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.

On May 6, 2008, the Board of Directors of GPAT C.F.S.A. approved the final terms and conditions of said program as well as the issuance of class 1 corporate bonds maturing in 2009, with fixed interest rate and face value of up to ARS 50,000, guaranteed by GMAC LLC (later GMAC Inc. and currently Ally Financial Inc.), and class 2 corporate bonds maturing in 2011, with variable interest rate and 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. and currently Ally Financial Inc.).

On July 24, 2008, the Argentine Securities Commission was informed that the Corporate Bonds subscription period would be suspended and that GPAT C.F.S.A. may, at its sole discretion, restart it by issuing a notice supplementary to the Prospectus Appendix to be published for one day in the Buenos Aires Stock Exchange Daily Journal.

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Together with the approval of the capital stock transfer to Banco Patagonia S.A., the BCRA resolved to cancel the requirement to have a guarantee granted by GMAC LLC (later GMAC Inc. currently Ally Financial Inc.) for the issuance of corporate bonds. Therefore, the Annual and Extraordinary Shareholders' Meeting of GPAT C.F.S.A. held on July 26, 2010 resolved to amend section 4, item 5 of the by-laws, to reflect this situation, deleting the requirement to grant a guarantee for the issuance 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 issuance 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 issuance of short-term corporate bonds under such Program.

On January 12, 2011, the Shareholders' Extraordinary Meeting of GPAT C.F.S.A. resolved to request a transfer of the authorization regarding the abovementioned corporate bonds global program due to change of corporate name, and to approve the global program prospectus appendix, including the relevant amendments as a result of the change of corporate name. The CNV granted such authorization on February 11, 2011.

On January 26, 2012, the Board of Directors of GPAT Compañía Financiera S.A., considering that the amount of the abovementioned program is approaching the authorized limit, resolved to request the CNV authorization to enlarge the program from 400,000 to 800,000, and to issue short-term corporate bonds under such program, being approved 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 issuance of corporate bonds from 800,000 to 1,500,000 and its extension for a 5-year term as from the above date. Funds obtained under this issuance were applied to grant consumer loans.

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The following is a detail of the issuance of Corporate Bonds of GPAT Compañía Financiera S.A. as of December 31, 2014 and 2013:

Issuance	Currency	Issued value	Annual nominal rate	Issuance date	Maturity date	Balance as of 12/31/2014	Balance as of 12/31/2013
Series XV Class B	\$	210,444	Badlar + 450 b,p,	11/21/2013	05/27/2015	205,200	191,440
Series XIV Class B	\$	206,750	Badlar + 399 b,p,	08/06/2013	02/06/2015	193,858	207,818
Series XVII Class B	\$	185,556	Badlar + 3,25 b,p,	07/22/2014	01/22/2016	189,787	-
Series XVI Class B	\$	131,000	Badlar + 4,00 b,p,	03/26/2014	09/26/2015	130,521	-
Series XVIII Class B	\$	90,769	Badlar + 3,00 b,p,	09/23/2014	03/23/2016	91,298	-
Series XVIII Class A	\$	87,500	28,00%	09/23/2014	06/23/2015	87,097	-
Series XVII Class A	\$	64,444	28,00%	07/22/2014	04/22/2015	67,954	-
Series IX Class B	\$	110,100	Badlar + 399 b,p,	08/30/2012	02/21/2014	-	98,490
Series X Class B	\$	97,611	Badlar + 429 b,p,	11/07/2012	05/07/2014	-	97,579
Series XI Class B	\$	176,667	Badlar + 435 b,p,	01/22/2013	07/22/2014	-	170,408
Series XII Class B	\$	213,300	Badlar + 430 b,p,	03/22/2013	09/22/2014	-	202,693
Series XIII Class A	\$	43,889	19,00%	04/23/2013	01/23/2014	-	37,786
Series XIII Class B	\$	206,111	Badlar + 297 b,p,	04/23/2013	10/23/2014	-	202,071
Series XIV Class A	\$	43,250	21,00%	08/06/2013	05/06/2014	-	44,643
Series XV Class A	\$	22,650	24,75%	11/21/2013	08/27/2014	-	23,188
						<u>965,715</u>	<u>1,276,116</u>

NOTE 28: Other liabilities

	12/31/2014	12/31/2013
<u>Financial liabilities</u>	<u>2,606,084</u>	<u>1,830,449</u>
Credit card charges payable	991,633	603,286
Payroll and social security contributions	434,226	270,329
Payables from foreign trade transactions	724,224	462,672
Collections on account and on behalf of third parties	227,694	199,880
Sundry payables	123,502	156,593
Withholdings on salaries	11,450	20,568
Other financial liabilities	93,355	117,121
	<u>12/31/2014</u>	<u>12/31/2013</u>
<u>Nonfinancial liabilities</u>	<u>1,093,616</u>	<u>853,139</u>
Taxes payable	972,405	795,346
Customer loyalty program (Nota 3.2.r))	64,524	53,622
Prepayments for sales of assets	969	485
Other nonfinancial liabilities	55,718	3,686
	<u>3,699,700</u>	<u>2,683,588</u>

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NOTE 29: Provisions for miscellaneous risks

They have been set up to cover the amounts estimated necessary to face risks of probable occurrence, which, if verified, will result in a loss to the Bank. The table below shows a breakdown of changes in those provisions during fiscal years 2014 and 2013:

Changes in provisions for miscellaneous risks	Provisions		
	Labor and legal (1)	Other	Total
At beginning	41,517	4,374	45,891
Net expense for the year (See note 12)	54,574	1,251	55,825
Uses	(8,538)	(16)	(8,554)
As of December 31, 2014	87,553	5,609	93,162

Maturity of provisions for miscellaneous risks

Less than 12 months	15,452	990	16,442
Over 12 months	72,101	4,619	76,720
As of December 31, 2014	87,553	5,609	93,162

Changes in provisions for miscellaneous risks	Provisions		
	Labor and legal (1)	Other	Total
At beginning	41,184	2,264	43,448
Net expense for the year (See note 12)	16,925	2,110	19,035
Uses	(16,592)	-	(16,592)
As of December 31, 2013	41,517	4,374	45,891

Maturity of provisions for miscellaneous risks

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

(1) Due to the nature of its business, the Bank has several pending lawsuits, for which provisions are set up 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. According to the Bank's Management and its legal counsel, no provision has been set up for all other legal actions against the Bank because they will not result in additional liabilities to those already recorded or will not have a material impact on the Bank's financial statements.

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 present value of those estimates, as well as the probable date of their final resolution.

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NOTE 30: Shareholders' equity reserves

Changes	Reserve for translation differences (1)	Legal reserve (2)	Optional reserve (3)	Total
As of January 1, 2014	25,958	725,751	1,704,579	2,456,288
Foreign currency translation	23,082	-	-	23,082
Tax effect on foreign currency translation (See note 14)	(8,079)	-	-	(8,079)
Distribution of earnings, as approved by the Annual Shareholders' Meeting held on 04/24/14 (See note 16)	-	245,937	-	245,937
Future distribution of earnings (See note 16)	-	-	529,758	529,758
As of December 31, 2014	<u>40,961</u>	<u>971,688</u>	<u>2,234,337</u>	<u>3,246,986</u>

Changes	Reserve for translation 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 translation	18,305	-	-	18,305
Tax effect on foreign currency translation (See note 14)	(6,407)	-	-	(6,407)
Distribution of earnings, as approved by the Annual Shareholders' Meeting held on 04/24/13	-	176,929	-	176,929
Future distribution of earnings	-	-	707,715	707,715
As of December 31, 2013	<u>25,958</u>	<u>725,751</u>	<u>1,704,579</u>	<u>2,456,288</u>

- (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 for the year obtained as established by BCRA regulations must be allocated to the legal reserve (see note 16).
- (3) They were set up to comply with the provisions of CNV General Resolution No. 593/11, establishing that after the restoration of the legal reserve and full coverage of prior year's losses, retained earnings allocation is to be expressly resolved by the shareholders' meeting, which may decide to distribute dividends, capitalize them with delivery of bonus stock, set up reserves other than the legal reserve, or a combination of such decisions.

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NOTE 31: Minimum Capital Requirements

The BCRA establishes that the financial institutions shall meet, on an individual and consolidated basis, the minimal capital requirements ("minimum capital"), defined for credit, market and operational risks purposes.

The Bank's capital management is primarily focused on ensuring that the Bank meets all externally set capital requirements while keeping 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 inherent to 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 fiscal years.

Regarding this requirement, the Bank has a surplus, which accounts for 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 reasonably foreseeable needs.

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

Breakdown	12/31/2014	12/31/2013
Credit risk (1)	2,158,764	1,923,193
Market risk (2)	144,605	57,441
Operational risk (3)	683,118	470,974
Mandatory consolidated minimum capital as per BCRA regulations	2,986,487	2,451,608
Ordinary Capital Level 1 (4)	6,093,788	4,419,157
Deductible items OC L1 (5)	(38,877)	(35,285)
Ordinary Capital Level 2 (6)	254,534	220,780
Consolidated computable equity as per BCRA regulations	6,309,445	4,604,652
Capital surplus	3,322,958	2,153,044

- (1) It is the capital requirement needed to cover credit risk calculated with a formula based on weighing several financing transactions according to the associated risk.
- (2) It represents the addition of different amounts necessary to cover market risk by category of assets. Compliance is daily calculated.
- (3) The operational risk-based minimum capital requirement is 15% on the average net interest and fee income, and other profits over the last 36 months. If applicable, extraordinary income from interests in other financial institutions, recovered receivables and the set-up or reversal of miscellaneous provisions shall be deducted from such amount. No deduction of administrative expenses and loan allowances is allowed.

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- (4) It is made up of capital stock, non-capitalized contributions, adjustments to equity, appropriated retained earnings, unappropriated retained earnings, other income or loss, non controlling interest held by third parties, and debt instruments with certain issuance conditions.
- (5) Minimum Presumed Income Tax credit balance, interest related to the 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 pending deed of title, organization costs, items pending allocation and other.
- (6) Securities issued by the Entity, not included in item (5), additional paid-in capital of such securities, allowances for loan losses related to debtors regularly performing (situation 1) and financing secured with class "A" preferred guarantees, and securities issued by subsidiaries, held by third parties, subject to consolidated supervision.

On November 9, 2012, BCRA Communication "A" 5369 and supplementary rules amended the current system, both as regards requirement and payment, effective as from January and February 2013, respectively.

These amendments will trigger changes in risk weighing methods and in the treatment of delinquent portfolios, the inclusion of the "credit risk coverage" notion used to assess the treatment to be granted to collateral, the elimination of the interest rate risk requirement (in spite of which, such risk will continue to be managed by the Entity) and changes in the treatment of securitizations, among others.

In addition, it repeals, as from January 1, 2013, the provisions governing interest rate risk-based minimum capital requirements; however, financial institutions shall continue managing this risk, which shall be reviewed by the Foreign Exchange and Financial Institutions Regulatory Agency. Such Agency may require a higher amount of regulatory capital. As of December 31, 2014 and 2013, the interest rate risk-based requirement amounted to 467,785 and 364,880, respectively.

NOTE 32: Additional information of the Consolidated Statement of Cash Flows

The Bank recorded the cash flows of its transactions using the direct method, whereby the main types of gross receipts and payments are presented separately.

Cash

	<u>12/31/2014</u>	<u>12/31/2013</u>
Cash (See note 17)	1,965,572	1,314,833
BCRA - Current account (See note 17)	3,936,633	4,036,308
Due from other financial institutions (See note 18)	698,238	598,563
TOTAL	<u>6,600,443</u>	<u>5,949,704</u>

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Cash and cash equivalents comprise cash, current accounts with the BCRA and other financial institutions that are highly liquid.

NOTA 33: Related party information

All transactions with related parties (individuals and companies related to the Bank) are described below.

Banco do Brasil S.A.

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

As of December 31, 2014 and 2013, Banco Patagonia S.A. and Banco Patagonia (Uruguay) S.A. I.F.E. performed correspondent banking transactions with Banco do Brasil Sucursal New York and Banco do Brasil S.A., respectively in the amounts of 24,912 and 24,771, which are recorded under "Balances in Other Financial Institutions" (see note 18).

Furthermore, as of December 31, 2014 and 2013, Banco do Brasil S.A. (Sucursal Buenos Aires) holds a current account with the Bank for 1,662 and 784, respectively, which is recorded under "Deposits", and as of December 31, 2014, Banco do Brasil S.A. (Sucursal New York) provided financing to the Entity in the amount of 415,053 recorded under "Financing Received from Financial Institutions" (see note 25).

Province of Río Negro

As provided in the Bank's by laws, 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 42) of the Province of Río Negro, by virtue of the agreement executed in 1996, renewed on December 14, 2006, for a 10-year term as from January 1, 2007. As provincial financial agent, the Bank may provide several services to meet the financial and service needs of the different government areas in the province (central management, agencies and affiliates, as well as municipalities) such as tax revenue, 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., granted a syndicated loan to the province of Río 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, maturing in December 2016. The related fee income for fiscal year 2013 is recorded under "Fee Income - Other" in the amount of 1,690.

Transactions with directors, assistant managers or their close relatives

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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. Some of these persons have taken part in certain credit transactions with the Bank, as allowed by the Companies Law and the BCRA's rules, which allow 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 that a breakdown of the outstanding amounts of credits granted to directors, controlling shareholders, officers and other related entities, as approved by the Board of Directors, be filed on a monthly basis.

As of December 31, 2014 and 2013, the outstanding financial assistance granted by the Bank to related parties totaled 52,184 and 68,786, respectively.

	<u>12/31/2014</u>	<u>12/31/2013</u>
Loans	50,675	66,681
Unsecured notes	28,600	57,596
Unsecured overdrafts	19,158	4,446
Unsecured credit cards	2,817	3,371
Finance lease	-	1,268
Consumer loans	100	-
Other receivables	<u>1,509</u>	<u>2,105</u>
Total credit assistance	<u>52,184</u>	<u>68,786</u>

In addition, as of December 31, 2014 and 2013, there are related party deposits with the Bank amounting to 35,088 and 39,270, respectively.

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

As of December 31, 2014 and 2013, loans to employees, including those granted to top-line managers, amounted to 168,300 and 122,384, respectively.

Income/loss from loans and deposit transactions is not material.

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

Compensation of the group's key personnel includes salaries and bonuses amounting to 87,370 and 66,792, as of December 31, 2014 and 2013, respectively. It is worth noting that there are no other benefits for key personnel.

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NOTE 34: Restricted assets

	<u>12/31/2014</u>	<u>12/31/2013</u>
Cash and due from the BCRA		
Guarantees for transactions with the BCRA / MAE (1)	267,276	254,072
Due from other financial institutions		
Banco Central del Uruguay (2)	4,276	3,259
Financial assets measured at fair value held for trading		
Argentine Government Bond in ARS Private Badlar + 250 B.P. (BONAR 2019) (1)	57,055	-
Consolidation Bond in ARS, 7th Series (1)	51,536	50,500
Argentine Government Bond in ARS Private Badlar + 3 % (BONAR 2015) (3)	36,045	73,483
Argentine Government Bond in ARS Private Badlar + 250 B.P. (BONAR 2019) (3)	19,767	-
Secured bonds Decree No. 1.579/02 (BOGAR) (5)	7,712	-
Argentine Government Bond in ARS Private Badlar + 250 B.P. (BONAR 2019) (5)	4,492	-
Share of Mercado de Valores S.A. (4)	2,064	2,064
Argentine Government Bond in ARS Badlar + 275 B.P. (BONAR 2014) (1)	-	120,549
Argentine Government Bond in ARS Badlar + 3% (BONAR 2015) (1)	-	100,754
Financial assets measured at fair value at initial recognition		
BCRA Bills – Maturity 01/07/15 (1)	59,851	-
BCRA Bills – Maturity 02/18/15 (1)	43,415	-
BCRA Bills – Maturity 03/18/15 (1)	23,617	-
BCRA Bills – Maturity 01/21/15 (5)	9,846	-
BCRA Bills – Maturity 04/29/15 (5)	9,161	-
BCRA Bills – Maturity 02/25/15 (1)	4,815	-
BCRA Bills – Maturity 04/01/15 (5)	4,676	-
BCRA Bills – Maturity 03/25/15 (5)	4,514	-
BCRA Bills – Maturity 02/11/15 (5)	2,038	-
BCRA Bills – Maturity 01/07/15 (5)	1,992	-
BCRA Bills – Maturity 02/04/15 (5)	1,213	-
BCRA Bills – Maturity 02/19/14 (1)	-	112,595
BCRA Notes – Maturity 04/23/14 (1)	-	65,103
Other assets		
Guarantees at credit card managers (1)	114,490	90,386
Court deposits	4,228	3,449
Other security deposits	4,308	1,757
Security deposits for leases	2,369	1,868
Other	310	312
TOTAL	<u>741,066</u>	<u>880,151</u>

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- (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. 1192/OC-AR (Communications "A" 4620, "B" 8920 and supplementary standards of the BCRA) of the Global Credit Program for micro, small- and medium-sized enterprises.
- (4) Patagonia Valores holds a share in Mercado de Valores S.A. as security for the transactions performed thereby.
- (5) They are used as security for repurchase agreements.

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

NOTE 35: Loans and deposits concentration

Number of customers	Loans			
	12/31/2014		12/31/2013	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	2,121,646	7.89	1,519,363	6.40
50 next largest customers	3,795,221	14.11	3,225,677	13.60
100 next largest customers	3,215,633	11.96	2,883,862	12.16
Rest of customers	17,756,330	66.04	16,093,123	67.84
Total (See note 21)	26,888,830	100.00	23,722,025	100.00

Number of customers	Deposits			
	12/31/2014		12/31/2013	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	3,929,767	14.12	2,856,852	12.63
50 next largest customers	4,126,107	14.83	3,690,194	16.32
100 next largest customers	2,190,197	7.87	2,129,350	9.42
Rest of customers	17,575,897	63.18	13,937,347	61.63
Total (See note 26)	27,821,968	100.00	22,613,743	100.00

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NOTE 36: 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 knowledgeable and willing parties within an ordinary transaction under the assumption that the Bank is a going concern.

When a financial instrument is sold on a liquid and active market, the price traded on the market in an actual transaction provides the best evidence of its fair value. When there is no established market price or it does not indicate the fair value of the instrument, the fair value can be determined by using the market value of another instrument of similar characteristics, the analysis of discounted cash flows or other applicable techniques, which may be significantly affected by the assumptions used.

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

Determining fair value and its hierarchy

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

- a) Level 1: Prices on active markets for the same instruments.
- b) Level 2: Other valuation techniques based on observable market data.
- c) Level 3: Valuation techniques based on non-observable market data.

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

Financial Instruments	Level 1	Level 2	Level 3	Total as of 12/31/2014
Financial assets carried at fair value held for trading	2,111,046	250,515	-	2,361,561
Financial assets carried at fair value at initial recognition	4,421,767	-	-	4,421,767
Derivative financial instruments	-	232	-	232
TOTAL ASSETS	6,532,813	250,747	-	6,783,560

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

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

Financial assets carried at fair value held for trading: As of December 31, 2014, this account includes mainly, Consolidation Bonds Series 7 and Debt securities of the Province of Neuquén and Entre Ríos, and as of December 31, 2013, Debt securities of the Province of Neuquén and Entre Ríos, which are carried at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price and of similar duration.

Derivative financial instruments: It includes interest payable in connection with interest rate swaps carried 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

	<u>Transfers from level 1 to level 2</u>	
	<u>12/31/2014</u>	<u>12/31/2013</u>
Financial assets carried at fair value held for trading (1)	207,140	-

- (1) It corresponds to the Consolidation Bonds Series 7, included in hierarchy level 1 as of December 31, 2013, which as of December 31, 2014, were carried at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price and of similar duration.

As of December 31, 2013, there were no transfers to financial instruments hierarchy level 1 included in hierarchy level 2 as of December 31, 2012.

Fair value of financial assets and liabilities not carried 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 carrying amount

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

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

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

Other financial instruments

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

The following table shows a comparison between the fair value and the carrying amount of financial instruments not carried at fair value.

	December 31, 2014	
	Carrying amount	Fair value
Financial assets		
Cash and due from the BCRA (Argentine Central Bank)	6,169,481	6,169,481
Due from other financial institutions	698,238	698,238
Financial Assets measured at amortized cost	73,581	72,956
Loans (1)	26,086,540	25,756,018
Other receivables (1)	517,024	515,655
Other financial assets	125,395	125,395
Financial liabilities		
Financing facilities received from financial institutions	1,427,408	1,427,408
Deposits	27,821,968	27,579,113
Corporate bonds	1,273,547	1,310,335
Other financial liabilities	2,606,084	2,606,084

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João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

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	December 31, 2013	
	Carrying amount	Fair value
Financial assets		
Cash and due from the BCRA (Argentine Central Bank)	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

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

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NOTE 37: 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, 2014, and 2013:

	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 12/31/2014
Cash and due from the BCRA (Argentine Central Bank)	6,169,481	-	-	-	-	-	-	-	6,169,481
Due from other financial institutions	(a) 698,238	-	-	-	-	-	-	-	698,238
Financial assets carried at fair value held for trading	13,082	11,594	46,829	94,728	279,564	1,774,112	141,565	87	2,361,561
Financial assets carried at fair value at initial recognition	-	919,163	1,296,348	2,029,643	176,613	-	-	-	4,421,767
Financial assets measured at amortized cost	-	-	-	-	-	73,581	-	-	73,581
Derivative financial instruments	-	88	74	-	70	-	-	-	232
Loans	5,336,827	1,972,232	204,440	2,317,714	5,559,558	8,244,932	2,441,971	8,866	26,086,540
Other receivables	448,202	1,745	13,398	6,021	22,546	24,097	1,015	-	517,024
Other financial assets	125,395	-	-	-	-	-	-	-	125,395
TOTAL ASSETS	12,791,225	2,904,822	1,561,089	4,448,106	6,038,351	10,116,722	2,584,551	8,953	40,453,819
Financing facilities received from financial institutions	-	786,309	128,248	226,050	105,279	181,522	-	-	1,427,408
Deposits	(a) 12,005,778	12,038,293	3,027,243	246,235	495,099	9,320	-	-	27,821,968
Corporate bonds	-	-	314,542	351,389	130,000	477,616	-	-	1,273,547
Other financial liabilities	6,417	2,589,795	763	905	1,849	6,355	-	-	2,606,084
TOTAL LIABILITIES	12,012,195	15,414,397	3,470,796	824,579	732,227	674,813	-	-	33,129,007

(a) Including demand deposit accounts.

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	Without maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2013
Cash and due from the BCRA (Argentine Central Bank)	5,605,213	-	-	-	-	-	-	-	5,605,213
Due from other financial institutions	(a) 598,563	-	-	-	-	-	-	-	598,563
Financial assets carried 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 carried at fair value at 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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NOTE 38: Classification of financial instruments

The financial assets and liabilities recognized in the Consolidated Statement of Financial Position, classified in accordance with IFRS 9 as of December 31, 2014 and 2013, respectively, are as follows:

<u>Financial assets and liabilities</u>	<u>Financial assets and liabilities carried at fair value through profit or loss</u>						
	ASSETS	Held for trading	At initial recognition	Derivative financial instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Total as of 12/31/2014
Cash and due from the BCRA (Argentine Central Bank)	-	-	-	6,169,481	-	6,169,481	
Due from other financial institutions	-	-	-	698,238	-	698,238	
Financial assets carried at fair value held for trading	2,361,561	-	-	-	-	2,361,561	
Financial assets carried at fair value at initial recognition	-	4,421,767	-	-	-	4,421,767	
Financial assets measured at amortized cost	-	-	-	73,581	-	73,581	
Derivative financial instruments	-	-	232	-	-	232	
Loans	-	-	-	26,086,540	-	26,086,540	
Other receivables	-	-	-	517,024	-	517,024	
Other financial assets	-	-	-	125,395	-	125,395	
Total	2,361,561	4,421,767	232	33,670,259	-	40,453,819	
LIABILITIES							
Financing facilities received from financial institutions	-	-	-	-	1,427,408	1,427,408	
Deposits	-	-	-	-	27,821,968	27,821,968	
Corporate bonds	-	-	-	-	1,273,547	1,273,547	
Other financial liabilities	-	-	-	-	2,606,084	2,606,084	
Total	-	-	-	-	33,129,007	33,129,007	

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Financial assets and liabilities	Financial assets and liabilities carried at fair value through profit or loss					Total as of 12/31/2013
	ASSETS	Held for trading	At initial recognition	Derivative financial instruments	Financial assets at amortized cost	
Cash and due from the BCRA (Argentine Central Bank)	-	-	-	5,605,213	-	5,605,213
Due from other financial institutions	-	-	-	598,563	-	598,563
Financial assets carried at fair value held for trading	1,401,938	-	-	-	-	1,401,938
Financial assets carried at fair value at 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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NOTE 39: Risk management policy

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

The Bank is managed and controlled by the Board of Directors. The quantity of directors, ranging from seven to nine, is established by the Shareholders' Meeting. They are elected for a term of office of three years with the possibility of indefinite reelection.

The Board of Directors is in charge of managing the Bank and takes all decisions necessary to such end. It is responsible for implementing the decisions adopted by the Shareholders at Meeting, performing the tasks particularly delegated to it by the shareholders and developing the business strategy by approving the general and particular policies aimed at adequately managing the business. Its objectives are, among others, coordinating and supervising whether operations are consistent with the institutional objectives, facilitating business performance with efficiency, control and productivity, for the purposes 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 operational, 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 in 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 the Committee are established in section 110 of the Capital Market Law No. 26831 and in paragraph C, section 18, Chapter III, Title II of CNV General Resolution 622/2013. The committee members may be proposed by any of the Board members, subject to the independence requirements established by the entity above.

BCRA audit committee: It is in charge of managing the actions required to ensure the appropriate implementation of the Bank's internal control procedures and systems in accordance with the guidelines set forth by the Board of Directors. This committee also approves the Annual Internal Audit Plan and reviews compliance therewith, and analyzes the Bank's annual and interim financial statements, the external auditors' reports, the relevant financial reporting, and the Supervisory Auditors' reports.

Committee on Non-Performing Corporate Banking: it is responsible for assessing delinquent customers of the Corporate segment, deciding on the applicable procedure and their follow-up.

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Committee on Control and Prevention of Money Laundering and Terrorist 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 prevention or timely detection of transactions that may be suspected of money laundering from illegal activities, pursuant to the Argentine Central Bank and the Financial Intelligence Unit ("FIU") rules.

Ethics Committee: It is responsible for deciding 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, 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 to the strategic quality plan, approving the quality goals of each product or service offered by the Bank, approving quality standards and indicators to be used, preparing quality annual reports, defining the products or services to be tested for quality, and selecting the certifying entity.

Committee of Compensations and Incentives to Staff: It is responsible for overseeing that the system of compensations is consistent with the Bank's policies.

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 IT security risks or, if applicable, corrective actions.

IT Committee: It is in charge of submitting for the consideration of the Board of Directors the proposed IT policy for the development of the Bank business, and assessing the IT, micro IT and communication systems needs in line with the commercial strategy of the Bank, in order to secure the provision of information and services necessary for operation and management.

Finance Committee: It is responsible for the decisions on management of the Bank's financial assets and liabilities.

Executive Committee: It is responsible for analyzing and approving credit facilities in excess of the credit attributes of the other Bank's Committees, additionally, it monitors management of the different business segments.

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: It is mainly responsible for proposing the strategies to manage market, interest rate, liquidity and credit risks, among others, as well as for establishing the global exposure limits to such risks. Besides, the Committee will be informed of each risk position and of compliance with policies. The scope of its duties will extend to the Bank and its subsidiaries.

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Operational Risk Committee: It is responsible for securing that processes and procedures are in place for each business unit, aimed at the operational risk management of products, activities, processes, and systems of the financial institution, by assessing whether the managerial supervision process adapts to inherent risks. Additionally, the Committee shall inform the Board of Directors of the main aspects related to the operational risk, at least, on a two-month basis.

The Bank has implemented a comprehensive risk management process in accordance with the guidelines included in Communications "A" 5203 and "A" 5398 and the best practices recommended by the Basel Committee on Banking Supervision.

Accordingly, the Risk Management Executive Office is responsible for the comprehensive management of the risks faced by the Bank and its subsidiaries, regardless of the business areas.

On the other hand, the Global Risk Committee is made up of two vice-presidents, the Superintendent of Internal Control and Risk Management, the Superintendent of Finance, Administrative matters and Public Sector, the Superintendent of Credits, Foreign Trade and Business Advisory Services, the Executive Manager of Risk Management, and the Manager of Financial Risk. This Committee is mainly responsible for proposing the strategies to manage market, interest rate, liquidity and credit risks, among others, as well as for establishing the global exposure limits to such risks. Besides, the Committee will be informed of each risk position and of compliance with policies. The scope of its duties will extend to the Bank and its subsidiaries.

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

Risk management processes are disclosed to the whole organization in accordance with the guidelines established by the Bank'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 2014, there was a progress in the consolidation of this risk management process, with the following salient features:

- Adjustment to the Credit Risk, Liquidity Risk and Market Risk Management policies and implementation of Strategic Risk and Reputational Risk policies.
- Review of risk tolerance limits in place, by assessing the main risks to which the Bank is exposed. Such limits are regularly monitored and the results are reported to the Global Risk Committee and the Board of Directors.
- Regular reporting to identify, measure, monitor and mitigate the risks to which the Bank is exposed, and disclosure thereof to the Board of Directors and Senior Management.

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- Preparing the first report on Capital Self-Assessment conducted on the basis of advanced methods set forth by the guidelines of Basel II in order to estimate the capital requirements for each of the significant risks identified.
- Preparing and conducting bank stress tests under different unfavorable economic scenarios, in order to assess the potential impact of adverse developments and take preventive actions within risk management.

Risk measurement and reporting systems

The Bank's risks are measured through a method reflecting both the expected loss that may probably arise from normal circumstances and unexpected losses, which are an estimate of the latest actual losses based on statistical models. Estimates are based on probabilities arising from historical data, adjusted to reflect the economic environment. The Bank also considers worst-case scenarios that may take place if those extreme assumptions with low likelihood of occurrence actually occur.

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 able to accept, particularly focused on the industries selected. In addition, the Bank controls and measures all risks it is able to bear with respect to total risk exposure entailed in 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 concentration risk

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

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

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

Credit risk

The credit risk implies the possibility that the Bank may incur in losses 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 that allow the Bank to attain an

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adequate correlation between the risk assumed and profitability. The Bank's procedural manuals containing guidelines in this regard, besides compliance with current regulations and the prescribed limits are aimed at attaining the following purposes:

- a) Achieving an adequate portfolio segmentation by type of customer and economic sector;
- b) Boosting the use of risk analysis and assessment tools that best adjust to the customer's profile;
- c) Setting consistent standards for granting loans, following conservative criteria 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 area of concern, will be in charge of defining the financial facilities;
- e) Optimizing the quality of risk assumed, having appropriate guarantees according to the loan term and the level for the risk involved;
- f) Continuous monitoring of the loan portfolio and customers' performance.

In order to evaluate the credit risk, based on the credit analysis and proposal prepared by the banking officer, the corporate analysis sector of Risk Management analyzes the customer's creditworthiness and repayment capacity and issues a report which includes, among other aspects, the main risks to which the company is exposed and that may affect its payment capacity as well as findings regarding any litigation within the framework of the legal regulations of the financial system or deriving from commercial activities, such as disqualifications, petitions for bankruptcy, and litigation in progress. Based on the risk report, the banking 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 by the Credit Facilities to Large Companies Committee, the Non-Performing Corporate Banking Committee, or it should be approved by area or online in the case of small- and medium-sized enterprises.

The senior credit committee, which is in charge of analyzing the credit facilities involving large amounts, is made up of members of the Bank's senior management of the Corporate Banking and Risks area, including the general assistant manager in charge of the corporate commercial area.

Consumer banking customers are rated by 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 line authority depending on the financing to be agreed upon. Once the loan is granted, each customer is rated

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following the same pattern. The rating makes reference to the quality of customers, in line with the BCRA regulations regarding "Debtor classification and minimum allowances for loan losses".

It is noteworthy that the Bank requests guarantees for the financing facilities granted to mitigate the credit risk. The main guarantees received are collateralized or pledged time deposits, cash, standby letters of credit (with the Finance Management's acceptance of the issuing bank), atomized postdated checks (guarantee may be considered according to the credit limits granted), progress certificate, discount of credit card vouchers, first mortgage and first lien on vehicle and/or machinery. The Bank commits itself to return the collaterals received to their holders on repayment of the secured loans.

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

The classification and periodical monitoring of customers help protect the quality of assets and take corrective actions, if necessary, in order to maintain the Bank's equity.

To assess the impairment of loans, the Bank considers 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 value impairment in two areas: allowances individually evaluated and allowances collectively evaluated.

The guarantees granted, letters of credit and foreign trade transaction obligations are assessed and an allowance is recorded 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 credit loss risk is represented by the amounts established in the related agreements.

The financing facilities granted to the nonfinancial public sector and financing facilities for a term of less than 30 days granted to the financial sector customers are excluded from the analysis of allowances.

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

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The classification, including a description of the appropriate characteristics, is as follows:

Consumer and mortgage loans portfolio

The criterion used to classify debtors of the consumer and mortgage loans portfolio is based on the delinquency days incurred, as specified below:

<u>Situation</u>	<u>Delinquency days</u>
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 that the customer is able to meet appropriately all its financial commitments. The most significant indicators reflecting this situation are: liquidity, with a low level and adequate structure of indebtedness with respect to its capacity to generate profits, and a high debt repayment capacity (principal and interest) under the agreed-upon conditions, while generating funds to an acceptable degree. The cash flows are not subject to significant variations in the face of important changes in the behavior of variables both internal and those related to its industry sector. The debtor regularly complies with the payment of its obligations –even though it may incur in delays of up to 31 days–, since they are settled without resorting to the Bank's new direct or indirect financing facilities.

Situation 2:

The analysis of the customer's cash flows shows that, at the reporting date, it may meet all its financial commitments. The most significant indicators reflecting this situation are: the customer has a healthy financial position and a good profitability level, with moderate indebtedness and adequate cash flows to repay principal and interest when due. Cash flows tend to weaken to afford payments, since they are extremely sensitive to changes in one or two variables, which introduce a significant degree of uncertainty, as they are especially linked to changes in the industry-related environment. The customer incurs in payment delays of up to 90 days.

Situation 3:

The analysis of the customer's cash flows shows that the customer experiences problems to meet all its financial commitments on a regular basis and, if not resolved, these problems may result in a loss for the financial institution. The most significant indicators reflecting this situation are: illiquidity and a cash flow

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level insufficient to meet the payment of all principal and interest when due; it can only pay interest. The customer has limited capacity to generate profits. Projected cash flows show a gradual impairment and are highly sensitive to minor and foreseeable changes in either internal or environment variables, weakening the payment capacity even more. It incurs in payment delays of up to 180 days.

Situation 4:

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

Situation 5:

Customers' debts classified into this category are deemed uncollectible. Although these assets might have some recoverable value under a given set of future circumstances, their uncollectibility is clear upon the analysis. The most significant indicators reflecting this situation are: the customer has a poor financial position, unable to pay debts, adjudication of bankruptcy or voluntary bankruptcy petition, with the obligation to sell, at a loss, highly significant assets and material to the business activity carried out. Cash flows are not enough to bear operating costs. It incurs in payment delays over one year.

Allowances individually assessed

Banco Patagonia assesses the appropriate allowances for each significant loan on an individual basis. The matters considered upon determining the amounts of the allowance include the counterparty's business plan, its capacity to improve profitability once the financial difficulty arises, projected inflows, percentage of net earnings intended for the payment of dividends, in case of bankruptcy, another financial support available, the realizable value of the guarantee and the term of expected cash flows. Impairment losses are assessed at year-end.

Allowances collectively assessed

Allowances are collectively assessed in the event of loan losses that are not individually significant. Allowances are assessed and set up at year-end.

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

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Loan follow-up and review

The verification of the request formal aspects, the implementation of the related guarantees, and the control over payments regularly made are 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 efforts are delegated to the risk area, which –considering the specific characteristics of each case– is required to serve notices and perform the procedures aimed at obtaining the repayment of the loan.

If this goal is not be achieved, the loan will move through the “pre-legal” stage, in which the Bank’s risk management intensifies collection efforts in order to obtain the repayment from customers or proposes refinancing according to the customer’s payment capacity. Once this stage is over and no positive results have been obtained, the collection efforts will be entrusted to the Bank’s Legal Affairs Management, which –depending on the loan amount and guarantees– will decide on the use of court or out-of-court procedures.

Credit risk management of investments in financial assets

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

Below is the exposure percentage by issuer calculated on the total financial assets disclosed in Note 19:

Security	Issuer	2014 percentage	2013 percentage	
Government securities issued by the Argentine government and Treasury Bills issued by the Province of Buenos Aires	Argentine government	36%	60%	a)
Notes and bills issued by the BCRA	BCRA	64%	40%	b)

a) BONAR 2016, 2017 and 2019, BOGAR and the Consolidation bonds Series 7 and 8 are the Bank’s main holding of government securities issued by the Argentine Government. The Argentine Government has timely and duly paid principal and interest in the original currency, as defined in the issuance conditions of such securities. To the date of issuance of these financial statements, there are no indications that make us assume that in the future the Issuer of those securities will fail to meet its obligations.

b) Related to short-term debt instruments issued by the BCRA.

Regarding all financial assets, their book value best represents the maximum credit risk exposure. As of December 31, 2014, 98% of such risk is concentrated in Argentina.

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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% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2014, and 2013;
- ✓ 91% of the loan portfolio is considered not to be past due or impaired as of December 31, 2014, and 2013.

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

Main industries	Gross maximum exposure as of 12/31/2014	Net maximum exposure as of 12/31/2014 (1)	Gross maximum exposure as of 12/31/2013	Net maximum exposure as of 12/31/2013 (1)
Monetary intermediation	43,300,027	43,299,269	33,912,770	33,912,770
Individuals not included in previous items	7,271,234	7,167,207	7,848,412	7,730,820
Seasonal farming	1,448,420	705,230	1,051,824	530,993
Financial services, except those provided by central banks and financial institutions	1,261,943	1,209,580	921,371	900,695
Sale of motor vehicles, except motorcycles	1,075,300	889,800	720,078	599,304
Wholesaling of household and/or personal appliances	835,555	734,670	636,066	544,418
Animal breeding	717,928	446,055	510,005	334,019
Manufacture of food items n.p.c.	556,708	540,870	379,601	353,760
Specialized wholesaling	496,111	349,010	402,086	319,156
Manufacture of plastic goods	491,216	444,855	448,600	420,687
Road transportation service	456,427	321,640	342,663	238,046
Wholesale on a commission basis or on consignment	419,637	381,816	274,640	243,197
Manufacture of motor vehicles	416,097	416,097	495,209	495,209
Production of beverages	416,039	364,900	234,573	178,333
Manufacture of pharmaceutical products, chemical substances, etc.	396,987	345,433	203,548	196,580
Other industries	9,573,597	8,201,031	8,183,961	6,961,217
Total	69,133,226	65,817,463	56,565,407	53,959,204

- 1) It is obtained by deducting from the "gross maximum exposure" the amounts of the guarantees received to secure the financing facilities as a credit risk improvement.

The amount and type of guarantees required to secure the financing facilities granted depend on an assessment of the counterparty's credit risk. The parameters are implemented based on the acceptance of the types of guarantees and valuation metrics.

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The main types of guarantees received are as follows:

- Collateralized time deposits at the Bank;
- Cash on hand;
- Postdated checks;
- Mortgage on real property and pledges on personal assets.

The Bank controls the market values of guarantees to determine whether the allowances for loan losses are adequate and requests additional guarantees according to the loan agreements involved.

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

Loan quality by sector

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

	Neither delinquent nor impaired		Delinquent, not impaired		Impaired			Total as of 12/31/2014
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	16,741,826	110,102	775,956	35,980	6,744	29,580	109,417	17,809,605
Mortgage loans	38,795	372	1,543	403	227	266	-	41,606
Consumer loans	7,413,957	102,888	1,021,624	140,113	66,172	179,363	113,502	9,037,619
Total	24,194,578	213,362	1,799,123	176,496	73,143	209,209	222,919	26,888,830

	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
Total	21,591,512	100,612	1,566,691	102,391	67,690	225,694	67,435	23,722,025

The other financial assets are neither delinquent nor impaired.

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Aging analysis of delinquent loans but not impaired (in days):

	Delinquent, not impaired				Total as of 12/31/2014
	Up to 30	From 31 to 60	From 61 to 90	Over 90	
Commercial loans	758,454	39,290	5,674	8,518	811,936
Mortgage loans	1,836	92	18	-	1,946
Consumer loans	1,035,180	92,089	34,358	110	1,161,737
TOTAL	1,795,470	131,471	40,050	8,628	1,975,619

	Delinquent, not impaired				Total as of 12/31/2013
	Up to 30	From 31 to 60	From 61 to 90	Over 90	
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

Liquidity risk

The liquidity risk is defined as the risk of imbalances occurring between marketable assets and liabilities due ("mismatches" between payments and collections) that may 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 mitigate the liquidity risk deriving from the uncertainty to which the Bank may be exposed regarding 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, corporate bonds issued by the Bank, repurchase agreements and the financial and interbank loans taken out, maturing before a 90-day term.

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

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purpose, the Bank has implemented the following policies, the follow-up and control of which are under the responsibility 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 time 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 time deposits for an amount exceeding 10% of the total deposits portfolio.
- e) Finally, financial and interbank loans taken out may not exceed 20% of total liabilities. No entity can exceed 50% of such limit.

The Executive Risk Management Department regularly monitors compliance with 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 conservative 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, including the following actions:

- a) Sale of high-liquidity assets that are 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.

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The following table shows the liquidity ratios during fiscal years 2014 and 2013 which arise from dividing net liquid assets, made up of cash, due from the BCRA, due from other financial institutions, repo transactions involving government securities, BCRA bills and BCRA notes and other financial assets carried at fair value, by total deposits.

	<u>12/31/2014</u>	<u>12/31/2013</u>
	%	%
As of December 31	46.3	35.2
Average for the year	44.5	33.2
Higher	46.3	37.5
Lower	43.7	28.5

The following table shows the breakdown of financial assets and liabilities by contractual maturity, considering the total amounts at their due date:

	Demand deposits	Derivative financial instruments	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total as of 12/31/2014
Cash and due from the BCRA (Argentine Central Bank)	6,169,481	-	-	-	-	-	6,169,481
Due from other financial institutions	698,238	-	-	-	-	-	698,238
Financial assets carried at fair value held for trading	10,062	-	135,491	611,797	2,735,929	281,988	3,775,267
Financial assets carried at fair value at initial recognition	-	-	3	2,443,000	-	-	2,443,003
Financial assets measured at amortized cost	-	-	1,477	1,453	75,203	-	78,134
Derivative financial instruments	-	232	-	-	-	-	232
Loans	5,336,827	-	2,923,642	9,330,228	9,606,531	2,460,782	29,658,010
Other receivables	448,202	-	15,382	28,797	24,097	1,015	517,493
Other financial assets	125,395	-	-	-	-	-	125,395
Total	12,788,205	232	3,075,995	12,415,275	12,441,760	2,743,785	43,465,253
Financing facilities received from financial institutions	-	-	915,824	331,996	183,924	-	1,431,744
Deposits	12,005,778	-	15,422,831	916,599	9,331	-	28,354,539
Corporate bonds	-	-	390,179	586,563	493,989	-	1,470,731
Other financial liabilities	6,417	-	2,862,478	2,754	6,355	-	2,878,004
Total	12,012,195	-	19,591,312	1,837,912	693,599	-	34,135,017

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	Demand deposits	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 (Argentine Central Bank)	5,605,213	-	-	-	-	-	5,605,213
Due from other financial institutions	598,563	-	-	-	-	-	598,563
Financial assets carried at fair value held for trading	12,218	-	871,966	191,320	642,190	230,912	1,948,606
Financial assets carried at fair value at 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

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

	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 12/31/2014
Unused agreed overdrafts	1,052,417	-	-	-	-	-	-	1,052,417
Guarantees granted	78,990	6,025	4,277	34,086	90,923	95,054	-	309,355
Obligations from foreign trade transactions	21,895	12,274	3,521	1,153	2,844	-	-	41,687
Letters of credit	27,582	32,104	46,229	18,226	2,305	-	-	126,446
TOTAL	1,180,884	50,403	54,027	53,465	96,072	95,054	-	1,529,905
	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 from 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

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Market risk

Market risk is defined as the possibility of incurring losses as a consequence of adverse fluctuations in the market prices of different assets. Market risks are related to the interest rates, 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 held for trading, which result from changes in market prices, the Bank's net positions in foreign currency, and government and private securities with regular 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 Global Risk Committee and the Finance Committee to measure and manage this risk.

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

The 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 in 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.

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As of December 31, 2014 and 2013, the Bank's VaR by type of risk is as follows:

<u>VaR of the trading portfolio</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Currency exchange rate risk	21,191	5,556
Interest rate risk	466,862	314,525
Price risk	124,682	53,026

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 at the end of each business day, and does not record the losses that may occur when 99% of confidence level is exceeded.

Sensitivity to interest rate changes

The interest rate risk is defined as the possibility that changes occur in the entity's financial position 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, considering its assets and liabilities accruing interest as well as the segments in local and foreign currency. To manage 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.

For the purpose of managing 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.

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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, 2014, and 2013.

The equity sensitivity is calculated by revaluing net financial assets, before income tax, as of December 31, 2014, and 2013, due to the effects of estimated changes in interest rates:

As of December 31, 2014						
Currency	Changes in basis points		Equity sensitivity		Statement of income sensitivity	
Foreign currency	+/-	50	+/-	(2,800)	+/-	(4,300)
Foreign currency	+/-	75	+/-	(4,200)	+/-	(6,400)
Foreign currency	+/-	100	+/-	(5,600)	+/-	(8,600)
Foreign currency	+/-	150	+/-	(8,400)	+/-	(12,800)
Argentine pesos	+/-	50	+/-	(67,600)	+/-	(17,900)
Argentine pesos	+/-	75	+/-	(101,400)	+/-	(26,900)
Argentine pesos	+/-	100	+/-	(135,200)	+/-	(35,800)
Argentine pesos	+/-	150	+/-	(202,800)	+/-	(53,800)

As of December 31, 2013						
Currency	Changes in basis points		Equity sensitivity		Statement of income sensitivity	
Foreign currency	+/-	50	+/-	(2,052)	+/-	(3,911)
Foreign currency	+/-	75	+/-	(3,079)	+/-	(5,866)
Foreign currency	+/-	100	+/-	(4,105)	+/-	(7,821)
Foreign currency	+/-	150	+/-	(6,157)	+/-	(11,732)
Argentine pesos	+/-	50	+/-	(53,007)	+/-	(37,865)
Argentine pesos	+/-	75	+/-	(79,510)	+/-	(56,798)
Argentine pesos	+/-	100	+/-	(106,013)	+/-	(75,730)
Argentine pesos	+/-	150	+/-	(159,020)	+/-	(113,596)

The tables above are illustrative and are based on simplified scenarios. Figures represent the effect of proforma changes in net financial income based on projected scenarios. 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 the same changes in interest rates for all maturities, therefore, they do not reflect the potential impact on the net financial income of some changing rates, whereas others remain unchanged. Projections also include assumptions to facilitate calculations, for example, that all positions are kept to maturity.

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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 end of the reporting period, 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 by 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 upon assessing and interpreting these financial statements.

Foreign currency exchange rate risk

Banco Patagonia is exposed to fluctuations in foreign currency exchange rates prevalent in its financial position and cash flows. Most of assets and liabilities are denominated in US dollars.

The foreign currency position includes assets and liabilities disclosed in Argentine pesos at the exchange rate at the end of the reporting periods below. An institution's open position comprises assets, liabilities and memorandum accounts stated in the foreign currency in which the institution assumes the risk. Any devaluation / revaluation of those currencies would affect the Bank's statement of income.

Foreign currency transactions are performed at the supply and demand exchange rates. As of December 31, 2014, and 2013, the Bank's open position, stated in Argentine pesos by currency, is as follows

ITEMS	Total as of 12/31/14	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Argentine Central Bank)	1,764,619	73,961	1,682,476	545	-	7,637
Due from other financial institutions	691,406	40,591	642,700	2,353	364	5,398
Financial assets carried at fair value held for trading	280,709	24	280,685	-	-	-
Financial assets measured at amortized cost	73,581	-	73,581	-	-	-
Loans	1,647,057	1,243	1,645,814	-	-	-
Other receivables	175,235	-	175,235	-	-	-
Total	4,632,607	115,819	4,500,491	2,898	364	13,035
LIABILITY POSITION						
Financing facilities received from financial institutions	683,806	-	683,806	-	-	-
Deposits	1,822,090	33,138	1,788,952	-	-	-
Other liabilities	776,309	5,990	767,817	46	7	2,449
Total	3,282,205	39,128	3,240,575	46	7	2,449
Net position	1,350,402	76,691	1,259,916	2,852	357	10,586

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ITEMS	Total as of 12/31/13	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and due from the BCRA (Argentine Central Bank)	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 carried 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	-	-	-
Total	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
Total	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

In connection with the exposure to exchange rate variations, gains /losses on 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 (%)	2014	2013
Argentine Peso devaluation in relation to the foreign currency	5	67,520	93,354
Argentine Peso devaluation in relation to the foreign currency	10	135,040	186,708
Argentine Peso revaluation in relation to the foreign currency	5	(67,520)	(93,354)
Argentine Peso revaluation in relation to the foreign currency	10	(135,040)	(186,708)

Operational risk

The operational risk is the risk of loss arising from inadequate internal processes or failures therein, human error and /or failures in the internal systems or from external events. This definition includes the Legal Risk but excludes the Strategic and Reputational Risks.

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Under such framework, the legal risk –that can be internally or externally verified– includes, among other aspects, the exposure to fines, penalties or other economic consequences and of other nature, due to noncompliance with standards and contractual obligations.

On the other hand, the Entity has implemented an operational risk management system in line with the guidelines set forth by BCRA Communication “A” 4793 and amendments, and through Communication “A” 5272, the BCRA set forth the minimum capital requirements in this regard effective on or after February 1, 2012.

The operational risk management system includes:

- 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, Administrative matters and Public Sector, the Superintendent of Infrastructure, the Superintendent of Processes and Support of Operations, the Superintendent of Technology, Communications and Systems, the Executive Manager of Risk Management and Manager of Operational risk and Technology.
- 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 account for those losses, by including specific accounting items that allow the automatic inclusion of the operational losses recorded in such items in the related database.

In addition, the Bank has a procedure that establishes the guidelines to conduct internal risk assessments and, in the event of risks exceeding allowed tolerance levels, guidelines have been set forth 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: internal risk assessments, risk indicators and actions plans, as well as the management of the operational losses database.
- e) **Database:** The Bank has an Operational Risk event database prepared pursuant to the guidelines established in Communication “A” 4904 and supplementary regulations.

In addition, the Bank has a “Policy for IT asset risk management” approved by de Board of Directors, which is in line with the concepts and definitions included in other regulations in this regard.

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Pursuant to such 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 40: 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 of the portfolio of the following mutual funds for which the Bank acts as depository institution as of December 31, 2014, and 2013:

Name	Deposits	Other	Total assets as of 12/31/2014
Lombard Renta en Pesos Fondo Común de Inversión	1,040,997	181,004	1,222,001
Lombard Capital F.C.I.	391,159	1,625,061	2,016,220
Fondo Común de Inversión Lombard Renta Fija	10,635	169,538	180,173
Fondo Común de Inversión Lombard Ahorro	8,895	-	8,895
TOTAL	1,451,686	1,975,603	3,427,289

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

Fees earned as a depository institution are recorded under "Fee income – Other" in the amounts of 5,990 and 2,985 as of December 31, 2014, and 2013, respectively.

NOTE 41: Assets in trust

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

As of December 31, 2014, and 2013, the Bank acts as a trustee of 35 and 311 trusts, respectively, and in no case will it meet the obligations assumed upon executing these trusts with its own assets; these obligations will only be satisfied with and up to the amount of the assets in trusts and the proceeds therefrom.

The fees earned by the Bank for acting as a trustee are calculated under the terms of the respective agreements, and the Bank's compensation as a trustee is recorded under "Fee income – Trust activity" in

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the amounts of 22,796 and 23,601 as of December 31, 2014, and 2013, respectively.

The following table summarizes the assets and equity managed by the Bank as of December 31, 2014 and 2013.

	12/31/2014	12/31/2013
Total assets	1,412,015	1,714,651
Total shareholders' equity	354,830	405,596

NOTE 42: Financial agent of the Province of Río Negro

Under Law No. 2929 of the Province of Río Negro and the agreement signed on May 27, 1996, the Bank acted as a financial agent of the Provincial Government, being in charge of the following banking duties:

- a) Transfer and deposit of federal tax revenue sharing resources, those related to special laws and other federal funds in official checking accounts opened or to be opened in the Bank, except for those federal funds that as required by the Federal Government should be credited to accounts authorized to such end in banks other than Banco Patagonia.
- b) The distribution to municipalities of provincial tax revenue sharing resources by crediting them to the checking account opened in the branch nearer to the holder of funds to be received.
- c) The deposit of currency, securities or other cash equivalents provided as security for agreements or bids of the governmental authorities and court deposits.
- d) Compliance with payment of salaries, according to their different terms and conditions, to governmental agents and officers, and payment of other provincial benefits, as well as compliance with payment orders to suppliers.
- e) Receipt of deposits for payment of taxes, rates, assessments, pension fund contributions and any other service of the governmental authorities.
- f) Crediting of deposits, mentioned above, to the checking accounts that the province has authorized to such end.
- g) Hoarding of funds, in cash and/or securities, of the governmental authorities and provision of all banking services supplementary to the activities summarized in this section, including principal and coupon interest payment services in connection with the Province government debt securities.
- h) Those other related or new services that in the future the Bank may implement, provide or develop for its customers and that the Province may accept to introduce.

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

Furthermore, through bidding process No. 1/2006, the Department of Finance, Public Works and Services of the Province of Río Negro requested the services of a bank to act as agent. The bids opening date was August 4, 2006, and Banco Patagonia submitted the related bid.

Finally, as a result of such bidding process, on December 14, 2006, the Río Negro Province Banking and Financial Services Agreement was signed for a 10-year term as from January 1, 2007. Such duties do not include the obligation to provide financial aid to the Province of Río Negro under conditions other than those consistent with the private banking 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 28,827 and 22,706 as of December 31, 2014 and 2013, respectively.

NOTE 43: Context of the financial market

Over the last years, the international economic context showed moderate growth levels and certain degree of volatility in the value of financial assets that impact interest rates, prices of raw materials and employment levels.

At a local level, an increased volatility in the value of government and corporate securities, interest rates as well as in certain variables of the economy has been noted.

Additionally, the claims by the international bondholders that had not adhered to the debt restructuring conducted in 2005 and 2010 were unfavorably resolved by the Argentine Government in year 2014, which generated consequences in the service of interest of certain government securities and added volatility to the performance of different economic and financial variables.

On the other hand, on September 12, 2014, Law No. 26984 "Sovereign Payment and debt restructuring" was enacted. This Law declares that the sovereign debt restructuring conducted in 2005 and 2010 is of public interest, in order to guarantee collection by total bondholders.

Market conditions are continuously analyzed by the Entity's Management in order to determine the possible actions to be adopted and identify potential impacts on the financial position that should be disclosed in the financial statements for future periods.

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NOTE 44: Subsequent events

No other events or transactions have occurred from year-end to the date of issuance of these financial statements that would have a material effect on the financial position of the Company or the results of its operations at year-end.

NOTE 45: Explanation added for translation into 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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