Translation from the original prepared in Spanish

BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2015 jointly with the Independent Auditors' Report

Translation from the original prepared in Spanish

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2015

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Translation from the original prepared in Spanish

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2015

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Translation from the original prepared in Spanish

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, 2015, 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 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 these 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 financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2015, 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 28, 2016

KPMG

Mauricio G. Eidelstein
Partner

Translation from the original prepared in Spanish

<table>
<tr><td colspan="5">BANCO PATAGONIA S.A.</td></tr>
<tr><td colspan="5">Registered office:</td></tr>
<tr><td colspan="5">Avenida de Mayo 701 24th Floor- City of Buenos Aires - Argentina</td></tr>
<tr><td colspan="3">Main business activity: Commercial bank</td><td colspan="2">Taxpayer Identification number (CUIT): 30-50000661-3</td></tr>
<tr><td colspan="5">Incorporation date: May 4,1928</td></tr>
<tr><td rowspan="4">Registration with the Public Registry of Commerce of the City of Buenos Aires</td><td rowspan="2">Date</td><td colspan="3">(1) Of articles of incorporation: 09/18/1928</td></tr>
<tr><td colspan="3">(2) Of latest amendment: 12/07/2011</td></tr>
<tr><td rowspan="2">Book</td><td colspan="3">Stock Companies Book: 57</td></tr>
<tr><td colspan="3">Number: 30114</td></tr>
<tr><td colspan="5">Expiration of articles of incorporation: August 29, 2038</td></tr>
<tr><td colspan="5">Fiscal year No. 92</td></tr>
<tr><td colspan="2">Beginning date: January 1, 2015</td><td colspan="3">Closing date: December 31, 2015</td></tr>
<tr><td colspan="5">Capital structure (See note 2)</td></tr>
<tr><td colspan="2" rowspan="2">Number and characteristics of shares</td><td colspan="3">In Argentine pesos</td></tr>
<tr><td colspan="2">Subscribed</td><td>Paid-in</td></tr>
<tr><td colspan="2">719,264,737 registered, common shares, with a nominal value of ARS 1, one vote each</td><td colspan="2">719,264,737</td><td>719,264,737</td></tr>
</table>

Translation from the original prepared in Spanish

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

(Stated in thousands of Argentine pesos)

ASSETS	NOTE	12/31/2015	12/31/2014 (*)
Cash and cash equivalents	17	9,599,808	6,600,443
Special guarantee accounts in central banks	18	399,542	267,276
Financial assets carried at fair value held for trading	19	2,790,590	2,361,561
Financial assets carried at fair value at initial recognition	19	6,824,472	4,421,767
Financial assets measured at amortized cost	19	111,885	73,581
Derivative financial instruments	20	52,859	181,175
Loans	21	37,817,414	26,086,540
Other receivables	22	385,065	336,081
Fixed assets and miscellaneous assets	23	560,076	370,115
Deferred tax assets	14	327,364	317,478
Other assets	24	345,345	233,253
TOTAL ASSETS		59,214,420	41,249,270
LIABILITIES			
Financing facilities received from financial institutions	25	2,621,336	1,427,408
Derivative financial instruments	20	910,938	-
Deposits	26	42,051,125	27,821,968
Corporate bonds	27	1,094,608	1,273,547
Other liabilities	28	4,048,999	3,699,700
Provisions for miscellaneous risks	29	142,220	93,162
TOTAL LIABILITIES		50,869,226	34,315,785

Marcelo A. Iadarola	Juan D. Mazzón	João Carlos de Nóbrega Pecego
Executive Manager	Superintendent	President
of Administration, Accounting and Taxes	Finance, Administration and Public Sector area	

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

(Stated in thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2015	12/31/2014 (*)
Capital stock	2	719,265	719,265
Additional paid-in capital		217,191	217,191
Unappropriated retained earnings		2,986,480	2,744,130
Translation differences reserve	30	74,644	40,961
Legal reserve	30	1,406,883	971,688
Optional reserve	30	2,932,649	2,234,337
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		8,337,112	6,927,572
NON CONTROLLING INTEREST		8,082	5,913
TOTAL SHAREHOLDERS' EQUITY (as per related statement)		8,345,194	6,933,485
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59,214,420	41,249,270

(*)They are presented solely for comparative purposes.

Notes 1 to 43 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola Executive Manager of Administration, Accounting and Taxes	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, 2015

(Stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2015	12/31/2014 (*)
Interest income and similar income	5	7,615,587	6,179,464
Interest expenses and similar expenses	6	(4,149,043)	(3,446,255)
Net interest income and similar income		3,466,544	2,733,209
Fee income	7	2,505,860	1,983,635
Fee expenses	7	(556,437)	(394,180)
Net fee income		1,949,423	1,589,455
Gains (losses) on financial assets carried at fair value held for trading	8	1,125,257	896,353
Gains (losses) on financial assets carried at fair value at initial recognition	8	1,486,754	940,431
Net exchange gains (losses)	9	335,764	555,775
Other operating income	10	36,395	63,024
TOTAL OPERATING INCOME		8,400,137	6,778,247
Loan losses – net	21	(287,423)	(319,644)
TOTAL OPERATING INCOME, NET		8,112,714	6,458,603

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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, 2015

(Stated in thousands of Argentine pesos)

STATEMENT OF INCOME	NOTE	12/31/2015	12/31/2014 (*)
Personnel expenses	11	(2,056,781)	(1,513,631)
Depreciation of fixed assets and miscellaneous assets	23	(39,501)	(29,719)
Other loan losses and provisions for miscellaneous risks	12	(27,417)	(56,296)
Other operating expenses	13	(2,255,240)	(1,600,181)
TOTAL OPERATING INCOME		(4,378,939)	(3,199,827)
OPERATING INCOME (LOSS)		3,733,775	3,258,776
INCOME BEFORE INCOME TAX		3,733,775	3,258,776
Income tax, net	14	(1,311,141)	(1,118,842)
NET INCOME		2,422,634	2,139,934
Attributable to:			
Parent company's shareholders		2,420,465	2,138,484
Non-controlling interest	3.1	2,169	1,450
Earnings per share			
Basic earnings per share	15	3,3658	2,9736
Diluted earnings per share	15	3,3658	2,9736

(*)They are presented solely for comparative purposes.

Notes 1 to 43 are an integral part of these consolidated financial statements

Marcelo A. Iadarola Executive Manager of Administration, Accounting and Taxes	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, 2015

(Stated in thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTA	12/31/2015	12/31/2014 (*)
NET INCOME		2,422,634	2,139,934
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Translation differences reserves	30	51,820	23,082
Tax effect on other comprehensive income	30	(18,137)	(8,079)
OTHER COMPREHENSIVE INCOME, NET		33,683	15,003
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAXES		2,456,317	2,154,937
Attributable to:			
The parent company's shareholders		2,454,148	2,153,487
Non-controlling interest	3.1	2,169	1,450

(*)They are presented solely for comparative purposes.

Notes 1 to 43 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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, 2015
(Stated in thousands of Argentine pesos)

Changes	Capital stock (1)	Non-capitalized contributions Additional paid-in capital	Legal reserve (2) (3)	Optional reserve (2) (3) (5)	Translation differences reserve (3)	Unappropriated retained earnings	Total attributable to parent company's shareholders (4)	Total non-controlling interest (4)	Total
Balance as of January 1, 2015	719,265	217,191	971,688	2,234,337	40,961	2,744,130	6,927,572	5,913	6,933,485
Net income	-	-	-	-	-	2,420,465	2,420,465	2,169	2,422,634
Other comprehensive income, net	-	-	-	-	33,683	-	33,683	-	33,683
Total comprehensive income for the year, net of taxes	-	-	-	-	33,683	2,420,465	2,454,148	2,169	2,456,317
Distribution of earnings, as approved by the Annual Shareholders' Meeting held on 04/23/15 (2):									
Legal reserve	-	-	435,195	-	-	(435,195)	-	-	-
Dividends paid in cash	-	-	-	-	-	(1,044,608)	(1,044,608)	-	(1,044,608)
Optional reserve- Future distribution of earnings	-	-	-	698,312	-	(698,312)	-	-	-
Balances as of December 31, 2015 (4)	719,265	217,191	1,406,883	2,932,649	74,644	2,986,480	8,337,112	8,082	8,345,194

(1) See note 2.
(2) See note 16.
(3) See note 30.
(4) See note 3.1.
(5) The optional reserve is net of the purchase of treasury shares in the amount of 394. (See note 2.2)

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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 – Additional paid-in capital	Legal reserve (2)	Optional reserve (2) (4)	Translation differences reserve (2)	Unappropriated retained earnings	Total attributable to parent company's shareholders (3)	Total non-controlling interest (3)	Total
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 (3)	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 30.
(3) See note 3.1.
(4) The optional reserve is net of the purchase of treasury shares in the amount of 394. (See note 2.2)

(*)They are presented solely for comparative purposes.

Notes 1 to 43 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Stated in thousands of Argentine pesos)

	12/31/2015	12/31/2014 (*)
Changes in cash		
Cash at beginning of year (see note 32)	6,600,443	5,949,704
Exchange gains/losses attributable to cash	584,504	922,106
Cash at year-end (see note 32)	9,599,808	6,600,443
Net increase / (decrease) in cash	**2,414,861**	**(271,367)**
Causes of changes in cash		
Operating activities		
Financial assets measured at amortized cost		
Interest received	5,902	2,846
Interest received from loans	7,221,869	5,919,673
Interest received from other receivables	18,337	8,669
Dividends received from equity-accounted investees	35,316	34,935
Interest paid on deposits	(3,564,197)	(2,930,094)
Net receipts / (payments) for:		
Financial assets carried at fair value held for trading	3,713,974	(685,887)
Financial assets carried at fair value at initial recognition	(3,908,785)	(2,495,609)
Loans	(11,414,894)	(2,497,723)
Other assets, net	1,045,781	463,996
Other receivables	(32,104)	(45,246)
Deposits	13,414,750	4,604,827
Fees and commissions earned	2,520,358	2,013,729
Fees and commissions paid	(764,363)	(545,351)
Operating expenses paid	(3,716,776)	(3,040,420)
Income tax paid	(1,694,965)	(913,221)
Net cash flows provided by / (used in) operating activities	**2,880,203**	**(104,876)**

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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

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President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Stated in thousands of Argentine pesos)

	12/31/2015	**12/31/2014** (*)
Investment activities		
Purchase of fixed assets and miscellaneous assets	(1,065,610)	(727,568)
Proceeds from sale of fixed assets and miscellaneous assets	839,161	644,718
Net cash flows used in investment activities	**(226,449)**	**(82,850)**
Financing activities		
Financing facilities received from financial institutions	1,164,485	1,028,516
Interest paid on financing facilities received from financial institutions	(43,952)	(7,257)
Net payments from corporate bonds	(314,818)	(653,048)
Dividends paid	(1,044,608)	(451,852)
Net cash flows used in financing activities	**(238,893)**	**(83,641)**
Net increase/ (decrease) in cash	**2,414,861**	**(271,367)**

(*)They are presented solely for comparative purposes.

Notes 1 to 43 are an integral part of these consolidated financial statements.

Marcelo A. Iadarola Executive Manager of Administration, Accounting and Taxes	Juan D. Mazzón Superintendent Finance, Administration and Public Sector area	João Carlos de Nóbrega Pecego President

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 a 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*). 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 consolidated 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 and regulated by the Executive Branch Decree No. 1023/13 dated July 29, 2013. Such rule, which became effective on January 28, 2013, provides for a comprehensive reform of the current public offering system (Law No. 17811).

Through General Resolution No. 622/13, dated September 9, 2013 and subsequent administrative criteria, the CNV amended its 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. The Bank has been granted the CNV registration to act 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.

(Stated in thousands of Argentine pesos)

On March 28, 2016, 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 27, 2016 must approve the Bank's stand-alone and consolidated financial statements as of December 31, 2015, which were issued under local standards and approved by the Board of Directors on February 10, 2016 and filed with the CNV and with the CVM on February 11, 2016, and with the BCRA on February 19, 2016. 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.

NOTE 2: Capital stock

As of December 31, 2015 and 2014, the capital stock structure is 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	719,264,737			719,145	120	719,265

1. 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 companies. 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 Bank's controlling shareholder is Banco do Brasil S.A., which holds an equity interest of 58.9633% of the total capital stock.

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 in 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, adversely affected the price of local shares, including the Bank’s shares.

The price paid for the shares was $ 3.4515 per share and the term for their acquisition was one hundred and eighty calendar days as from March 27, 2012. Additionally, on September 25, 2012, the Bank’s Board of Directors resolved to extend its effective term until March 22, 2013.

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 section 67 of Law No. 26831, is three years as from their acquisition, unless an extension of this term is decided at the Shareholders’ Meeting.

According to the provisions of Title IV, Chapter III of CNV rules, the accounting treatment given to the acquisition of treasury stock is as follows:

a) The acquisition cost of such stock is debited from “Optional reserve – Repurchase of shares” created for such purpose.

b) The nominal value of the stock acquired is debited from the “Capital stock – Shares issued and outstanding” account, and credited to the "Capital stock - Treasury stock issued" account.

3. Capital stock reduction

On December 14, 2015, the Board of Directors of the Bank approved the capital stock reduction in the amount of 119,500 Class “B”, registered, common shares with a nominal value of ARS 1, one vote per share, which account for 0.016% of the capital stock in portfolio and that were acquired in accordance with section 68 of Law No. 17811, as mentioned in paragraph 2 of this note. To the date of filing these financial statements, all proceedings required to report and register the capital reduction with the applicable authorities are in progress.

4. 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 Bank (Sellers), 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 the sellers in the Bank, 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 Bank.

NOTE 3: Basis for presentation of the Financial Statements and accounting policies applied

3.1 Basis for 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, 2015, are presented comparatively with those of the prior year-end.

Additionally, and for comparative purposes only, certain non-material reclassifications were made to prior-year financial statements in order to disclose the figures on a consistent basis. The modification of the comparative information does not significantly affect the information presented in the financial statements considered as a whole, nor does it imply changes in the decisions taken based thereon.

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, unless otherwise indicated.

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 to the financial statements audited as of December 31, 2014. As from fiscal year beginning January 1, 2015, the Bank adopted the new IFRS and the revised and mandatory IAS as issued by the IASB. The adoption of these new rules had no impact on the financial statements as of December 31, 2015 or on the comparative balances.

(Stated in thousands of Argentine pesos)

Consolidation bases

Subsidiaries:

Subsidiaries refer to all entities (including structured 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.

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 no 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, 2015 and 2014, the Bank's financial statements were consolidated with the financial statements of the following companies:

Company	**Shares**		**Percentage of**	
	Type	**Number**	**Type**	**Number**
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, 2015 and 2014.

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:

a) Assets and liabilities were converted by applying BCRA's benchmark exchange rate, prevailing at closing of operations on the last business day of fiscal years ended December 31, 2015 and 2014 (see note 3.2.f)).

b) Income/loss for the fiscal years ended December 31, 2015 and 2014 were converted to Argentine pesos on a monthly basis, using the monthly average exchange rate set by BCRA.

c) 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 "Translation differences reserve".

3.2 <u>Valuation criteria and significant accounting estimates</u>

Upon 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, at 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 estimate 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 to the preparation of these consolidated financial statements as of December 31, 2015 and 2014 are as follows:

a) <u>Recognition of income and expenses:</u>

a.1) <u>Interest income and expenses, and similar income and expenses:</u>

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.

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 trading 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.

Since fiscal year 2010, the Bank has early applied IFRS 9 “Financial Instruments”, then, its financial instruments are measured based on the Bank’s business model for managing the financial assets and their characteristics. Accordingly, the Bank’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, 2015 and 2014, the Bank 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.

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 at 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 else, 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 Bank 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 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 Bank will not be able to collect the total amount financed under the original contractual terms. Such allowance is set on the basis of the classification 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.

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 becomes its new carrying amount at the reclassification date.

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 Bank 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 Bank 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:

e.1) Loans and accounts receivable:

As regards loans and accounts receivable measured at amortized cost, the Bank 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 Bank. 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 Bank's credit rating system, which considers its historical experience on the basis of statistics, collateral type, past-due status and other relevant factors.

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 cash equivalents:

They were measured at nominal value, plus accrued interest at 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.

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 is available for immediate sale under ordinary sale conditions, and Management is 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, 2015 and 2014, there are no non current assets meeting the conditions mentioned above.

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.

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, at 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 of 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 Bank 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 Bank 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 at each year-end.

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, 2015 and 2014, 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.)

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, 2015:

- IAS 34 "Interim financial reporting". Other disclosures included by cross reference to information outside the interim financial statements. This amendment explains that the disclosure that is not directly included in the interim financial statements, but by cross referencing to other financial documents prepared by the Bank, shall be made available to users in the same conditions and at the same time as the interim financial statements. This amendment will be retrospectively applied and will be effective for the annual periods beginning on or after January 1, 2016.

- IAS 16 (as revised) "Property, plant and equipment" and IAS 38 (as revised) "Intangible assets": mandatorily effective for annual periods beginning on or after 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 or after 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 was 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 periods beginning on January 1, 2018. This standard replaces IAS 39 Financial Instruments. Major changes include: changes in the classification and measurement of financial assets and liabilities, 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 or after 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.

- IFRS 11 (as revised) "Joint arrangements": mandatorily effective for annual periods beginning on or after 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 or after 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 or after 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 or after 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.

- IFRS Annual Improvements cycle 2012-2014: effective for annual periods beginning on or after July 1, 2016.

Except for IFRS 9, the Bank 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 operation 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.

- 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, including the Province of Río Negro (see note 42), perform with the Bank.

- Treasury: it includes core functions and investment activities, exchange transactions, derivatives and funding transactions that cannot be directly attributable to the segments mentioned above.

- Other without distribution: it includes the balances of the Bank’s subsidiaries and the reconciliation of segment information, prepared based on the local accounting information to the accounting balances adjusted under IFRS.

For management information purposes, the balance sheet balances are those corresponding to the average month and not those at period-end. In order to reconcile the amounts with the financial statements, the difference between the average and period-end balances is included in “Other without distribution”.

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 operation 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, 2015, and 2014, there are no transactions with individual customers representing 10% or more than the Bank’s total income.

(Stated in thousands of Argentine pesos)

The following tables show the Bank's business segment reporting for the accounting fiscal years ended December 31, 2015, and 2014:

	Individuals segment	Companies segment	Financial and Government segment	Treasury	Other without distribution	Total as of 12/31/2015
Loans	8,131,850	22,120,278	2,020,664	159,947	5,384,675	37,817,414
Other assets	1,034,797	338,337	1,585,794	21,745,735	(3,307,657)	21,397,006
TOTAL ASSETS	9,166,647	22,458,615	3,606,458	21,905,682	2,077,018	59,214,420
Deposits	16,694,564	12,296,965	10,502,342	342,587	2,214,667	42,051,125
Other liabilities	10,845	8,643	2,257,790	7,274,987	(734,164)	8,818,101
TOTAL LIABILITIES	16,705,409	12,305,608	12,760,132	7,617,574	1,480,503	50,869,226
Interest income and similar income	496,165	3,112,888	(978,444)	32,911	803,024	3,466,544
Fee income	763,673	794,163	118,937	(15,165)	287,815	1,949,423
Gains (losses) on financial assets carried at fair value	-	117,372	269,336	2,112,109	113,194	2,612,011
Net exchange gains (losses)	(53,291)	30,643	(57,881)	245,496	170,797	335,764
Other operating income	34,042	75,740	28,946	264,043	(366,376)	36,395
TOTAL OPERATING INCOME	1,240,589	4,130,806	(619,106)	2,639,394	1,008,454	8,400,137
(Loan losses) /recoveries from loans	(136,423)	(189,960)	(1,912)	(62,016)	102,888	(287,423)
TOTAL OPERATING INCOME, NET	1,104,166	3,940,846	(621,018)	2,577,378	1,111,342	8,112,714
Total operating expenses	-	-	-	(3,397,212)	(981,727)	(4,378,939)
OPERATING INCOME (LOSS)	1,104,166	3,940,846	(621,018)	(819,834)	129,615	3,733,775
INCOME BEFORE INCOME TAX						3,733,775
Income tax, net						(1,311,141)
NET INCOME						2,422,634
Attributable to						
Parent company's shareholders						2,420,465
Non-controlling interest						2,169

(Stated in thousands of Argentine pesos)

	Individuals segment	Companies segment	Financial and Government segment	Treasury	Other without distribution	Total as of 12/31/2014
Loans	5,367,569	16,469,604	1,458,656	34,424	2,756,287	26,086,540
Other assets	712,313	281,881	388,315	14,385,362	(605,141)	15,162,730
TOTAL ASSETS	6,079,882	16,751,485	1,846,971	14,419,786	2,151,146	41,249,270
Deposits	11,058,507	8,255,887	8,311,263	251,723	(55,412)	27,821,968
Other liabilities	7,732	6,936	989,262	3,890,279	1,599,608	6,493,817
TOTAL LIABILITIES	11,066,239	8,262,823	9,300,525	4,142,002	1,544,196	34,315,785
Interest income and similar income	647,050	2,603,379	(931,280)	5,720	408,340	2,733,209
Fee income	575,651	622,340	89,510	620	301,334	1,589,455
Gains (losses) on financial assets carried at fair value	-	10,365	39,493	1,611,104	175,822	1,836,784
Net exchange gains (losses)	(13,528)	53,116	(25,653)	479,445	62,395	555,775
Other operating income	(8,262)	30,109	11,439	172,934	(143,196)	63,024
TOTAL OPERATING INCOME	1,200,911	3,319,309	(816,491)	2,269,823	804,695	6,778,247
(Loan losses) /recoveries from loans	(212,239)	(104,643)	(862)	1,328	(3,228)	(319,644)
TOTAL OPERATING INCOME, NET	988,672	3,214,666	(817,353)	2,271,151	801,467	6,458,603
Total operating expenses	-	-	-	(2,397,856)	(801,971)	(3,199,827)
TOTAL OPERATING INCOME, NET	988,672	3,214,666	(817,353)	(126,705)	(504)	3,258,776
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						1,450

NOTE 5: Interest income and similar income

	12/31/2015	12/31/2014
Loans	7,593,478	6,167,716
Other receivables	13,913	4,610
Financial assets carried at amortized cost	6,084	3,163
Other	2,112	3,975
	7,615,587	6,179,464

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Executive Manager	Superintendent	President
of Administration, Accounting and Taxes	Finance, Administration and Public Sector area	

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NOTE 6: Interest expenses and similar expenses

	12/31/2015	12/31/2014
Deposits	3,792,146	2,961,411
Corporate bonds	259,557	414,677
Financing facilities received from financial institutions	53,377	41,087
Other	43,963	29,080
	4,149,043	3,446,255

NOTE 7: Fee income and expenses

	12/31/2015	12/31/2014
Fee income		
Credit and debit cards	887,198	544,278
Checking accounts	363,361	300,629
Insurance	258,868	192,537
Packages of products	182,561	144,032
Checks to be collected and items in custody	124,264	113,530
Collections	101,929	74,781
Safe-deposit boxes	92,484	72,475
Foreign trade	89,664	68,363
Trust activity (See Note 41)	82,021	22,796
Savings accounts	62,828	47,494
Portfolio management and recovery process	43,413	40,898
Other	217,269	361,822
	2,505,860	1,983,635
Fee expenses		
Credit and debit cards	414,991	282,051
Salary crediting agreement	28,708	36,448
Other	112,738	75,681
	556,437	394,180

(Stated in thousands of Argentine pesos)

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

	12/31/2015	12/31/2014
Gains (losses) on financial assets carried at fair value held for trading		
Financial assets carried at fair value held for trading	816,914	303,780
Forward foreign currency transactions (see Note 20)	272,981	552,844
Cash dividends from shares	35,316	34,935
Interest rate swaps (see Note 20)	46	4,794
	1,125,257	**896,353**
Gains (losses) on financial assets carried at fair value at initial recognition		
Financial assets carried at fair value at initial recognition	1,486,754	940,431
	1,486,754	**940,431**
	2,612,011	1,836,784

NOTE 9: Net exchange gains (losses)

	12/31/2015	12/31/2014
Conversion into Argentine pesos of foreign currency assets and liabilities	220,923	478,725
Gains / Losses from purchase-sale of foreign currency	114,841	77,050
	335,764	555,775

NOTE 10: Other operating income

	12/31/2015	12/31/2014
Proceeds from credit card transactions	20,319	17,610
Proceeds from the sale of fixed assets and miscellaneous assets	4,376	4,199
Other	11,700	41,215
	36,395	63,024

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NOTE 11: Personnel expenses

	12/31/2015	12/31/2014
Salaries	1,578,611	1,148,694
Social security contributions	337,092	255,195
Services to personnel	48,961	23,605
Personnel bonuses	41,851	37,781
Representation and per diem expenses	40,505	32,150
Administrative services hired	9,220	14,418
Severance payments	541	1,788
	2,056,781	1,513,631

NOTE 12: Other loan losses and provisions for miscellaneous risks

	12/31/2015	12/31/2014
Net allowances for other losses (see note 22)	5,497	471
Provisions for miscellaneous risks, net (see note 29)	21,920	55,825
	27,417	56,296

NOTE 13: Other operating expenses

	12/31/2015	12/31/2014
Turnover tax (1)	707,926	602,082
Maintenance, conservation and repair expenses	228,930	159,630
Contribution to the deposit guarantee fund	216,705	65,118
Armored vehicle services	127,373	84,116
Security services	123,916	88,617
Tax on bank accounts debits and credits	108,165	76,016
Sundry taxes	104,247	79,000
Rentals	100,395	77,916
Advertising and marketing	94,100	26,305
Professional fees	86,061	59,174
Electric power and communications	67,937	55,706
Courier cost	53,658	50,765
Directors' and supervisory auditors' fees	45,016	26,028
Cleaning expenses	36,149	23,140
Office supplies expenses	33,439	19,177
Other	121,223	107,391
	2,255,240	1,600,181

(1) As of December 2015 and 2014, this tax is related to interest income and similar income in the amounts of 515,810 and 461,228, respectively; to fee income in the amounts of 182,561 and 135,231, respectively; and to other income in the amounts of 9,555 and 5,623, 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 assets and liabilities are as follows:

Description:	12/31/2015	12/31/2014
Deferred tax assets:		
Loans	271,638	249,097
Other receivables	4,016	4,033
Other assets	2,467	10,349
Deposits	729	729
Corporate bonds	724	-
Other liabilities	54,738	42,070
Provisions for miscellaneous risks	62,336	60,794
Total deferred assets	396,648	367,072
Deferred tax liabilities:		
Financial assets carried at fair value	(50,375)	(29,409)
Derivative financial instruments	-	(81)
Fixed assets and miscellaneous assets	(18,909)	(20,104)
Total deferred liabilities	(69,284)	(49,594)
Net deferred tax assets at year-end	327,364	317,478

Changes in net deferred tax assets during the years ended December 31, 2015, and 2014, are as follows:

Description	12/31/2015	12/31/2014
Net deferred tax assets at beginning of year	317,478	263,934
Deferred tax expense	28,023	61,623
Effect recorded in shareholders' equity reserves (see Note 30)	(18,137)	(8,079)
Net deferred tax assets at year-end	327,364	317,478

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	12/31/2015	12/31/2014
Income before taxes	3,733,775	3,258,776
Statutory income tax rate	35%	35%
Tax on net income	1,306,821	1,140,572
Permanent differences:		
Income not subject to income tax	(12,140)	(91,550)
Expenses not deductible from taxable income	16,460	69,820
Income tax, net	1,311,141	1,118,842

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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	12/31/2015	12/31/2014
Income tax pursuant to tax regulations	1,339,164	1,180,465
Deferred tax expense	(28,023)	(61,623)
Income tax, net	1,311,141	1,118,842

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 both 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, once the accumulated tax losses are exhausted.

As of December 31, 2015, and 2014, 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.

(Stated in thousands of Argentine pesos)

NOTE 15: <u>Earnings per share</u>

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, 2015 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:

	12/31/2015	12/31/2014
Numerator:		
Net income attributable to parent company’s shareholders	2,420,465	2,138,484
Denominator:		
Weighted average of common shares for the year, adjusted by acquisition of treasury stock	VN 719,145,237	VN 719,145,237
Basic and diluted earnings per share (stated in ARS)	3.3658	2.9736
Outstanding common shares at beginning of year and as of year-end (see note 2)	VN 719,145,237	VN 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 23, 2015 for fiscal year ended December 31, 2014, approved the following distribution of earnings:

Legal reserve	435,195
Optional Reserve – Future distribution of earnings	698,312
Cash dividends	1,044,608

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 September 28, 2015, the BCRA's SEFyC authorized payment of cash dividends, which were made available to the Bank's shareholders on October 15, 2015.

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.

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 481,107 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.

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.

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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.

Afterwards, on November 10, 2015, through Communication "A" 5827, it is stated that the financial institutions shall have a capital buffer in addition to the minimum capital requirement to be able to distribute earnings. This additional margin shall be made of a capital conservation reserve equivalent to 2.5% of its assets weighed according to risk; this margin will be raised to 3.5% in the case of financial institutions of importance for the financial system. The distribution of earnings will be restricted when, based on the level and computable equity of financial institutions –despite meeting the minimum capital requirements–, they are placed within the capital margin range.

The use of the additional capital margin will be progressive, as it will be introduced from January 1, 2016 to the end of year 2018, to be fully effective on January 1, 2019. Accordingly, the capital margin will be 0.625% of assets weighed according to risk as from January 1, 2016, increasing each year by 0.625 percentage points until reaching the definitive figure of 2.5% of the assets weighed according to risk on January 1, 2019. Additionally, the financial institutions classified by the BCRA as of importance for the local or global system shall have a level of capital that provides a higher capacity of loss absorption. Therefore, the additional capital required to the entities of importance for the system will start on January 1, 2016 with the 0.25 % of assets weighed according to risk, increasing each year by 0.25 percentage points until reaching the definitive figure of 1% of the assets weighed according to risk on January 1, 2019.

Finally, based on what has been described so far, the amount of earnings subject to distribution totals 1,924,426 and the Bank proposes to distribute it as follows:

- Optional Reserve – Future Distribution of Earnings	1,871,698
- Cash dividends	52,728
Total	**1,924,426**

The distribution of earnings is subject to the approval of the Shareholders' Meeting and prior authorization by the Foreign Exchange and Financial Institutions Regulatory Agency (SEFyC) of the BCRA.

(Stated in thousands of Argentine pesos)

NOTE 17: Cash and cash equivalents

	12/31/2015	12/31/2014
Cash	2,887,536	1,965,572
BCRA – Current account (1)	5,678,629	3,936,633
Balances with other financial institutions (1)	1,033,643	698,238
	9,599,808	6,600,443

(1) As of December 31, 2015 and 2014, those accounts did not bear any interest.

The table below includes a breakdown of the main financial institutions in which funds are deposited as of December 31, 2015 and 2014:

	12/31/2015	12/31/2014
Wells Fargo Bank	572,105	369,783
Standard Chartered Bank	95,490	75,745
Banco de la Nación Argentina	75,823	76,030
Banco do Brasil S.A. - N.Y. (ver Nota 33)	72,027	24,912
Bank of America	71,955	30,368
Unicrédito Italiano S.p.A.	45,444	18,996
Citibank N.Y.	18,243	27,705
Bank of Montreal	18,060	940
J.P. Morgan Chase Bank	15,444	14,239
Euroclear Bank SA	14,783	5,226
Other	34,269	54,294
	1,033,643	698,238

(Stated in thousands of Argentine pesos)

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 for by the related BCRA regulations, as of December 31, 2015 and 2014:

Item	12/31/2015	12/31/2014
Due from the BCRA (Argentine Central Bank)		
BCRA – Current account	5,678,629	3,936,633
BCRA – Special guarantee accounts	399,542	267,276
	6,078,171	4,203,909

NOTE 18: Special guarantee accounts

The Bank holds special guarantee accounts in the BCRA in connection with clearing house transactions and the like. Additionally, Banco Patagonia Uruguay S.A. I.F.E. holds deposits in the Central Bank of Uruguay in connection with the mandatory placement of assets in the Republic of Uruguay, in compliance with section 221 of the Compilation of Regulatory and Control Rules of the Financial System of the Central Bank of Uruguay. (See Note 34).

	12/31/2015	12/31/2014
BCRA – Special guarantee accounts	393,039	267,276
Central Bank of Uruguay – Special guarantee accounts	6,503	-
	399,542	267,276

(Stated in thousands of Argentine pesos)

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

Financial assets carried at fair value held for trading:

Description	Maturity	Currency	Rate	Amortization	12/31/2015	12/31/2014
Argentine Government Bond in $ Badlar + 250 B.P. (BONAR 2019) (see Note 34)	03/11/19	$	Badlar + 2.5%	Upon maturity	530,324	483,313
Argentine Government Bond US$ (BONAD 2017)	09/21/17	US$	0.75%	Upon maturity	430,429	-
Argentine Government Bond in $ Badlar + 200 B.P. (BONAR 2017)	03/28/17	$	Badlar + 2%	Upon maturity	424,448	331,888
Argentine Treasury Bonds, maturity July 2016 (BONAC July 2016)	07/12/16	$	Variable	Upon maturity	388,036	-
Argentine Government Bond in US$ 0.75%	06/09/17	US$	0,75%	Upon maturity	227,241	-
Argentine Government Bond in $ Badlar + 200 B.P. (BONAR 2016)	09/29/16	$	Badlar + 2%	Upon maturity	227,237	399,175
Argentine Government Bond in US$ 7% (BONAR X)	04/17/17	US$	7 %	Upon maturity	222,670	49,232
Argentine Government Bond in $ Badlar + 300 B.P.	10/09/17	$	Badlar + 3%	Upon maturity	101,866	-
Consolidation bond in $ Series 8	10/04/22	$	Badlar	14 quarterly installment	96,317	152,640
Argentine Treasury Bonds, maturity May 2016 (BONAC May 2016)	05/09/16	$	Variable	Upon maturity	41,465	-
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%	27,558	32,604
Debt securities of the Province of Entre Ríos S.2"A	01/20/17	US$	28.10%	3 quarterly installments from July 2016	15,825	-
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%	11,090	22,432
Secured Bonds Decree No. 1579/02 (BOGAR) (see Note 34)	02/04/18	$	2% + Cer	156 monthly installments	83	403,439
Consolidation bond in $ Series 7 (see Note 34)	01/04/16	$	Badlar	4 quarterly instalments	2	207,140
Argentine Government Bond in US$ 2.40% (BONAD 2018)	03/18/18	US$	2,40%	Upon maturity	-	82,600
Argentine Government Bond in US$ 7 % (Boden 2015)	10/03/15	US$	7%	Upon maturity	-	67,812
Argentine Government Bond in $ Private Badlar +3 % (BONAR 2015) (see Note 34)	09/10/15	$	Badlar + 3%	6 half-yearly instalments	-	44,589
Argentine Government Consolidation Bond in $ Series 6	03/15/24	$	2%	119 installments of 0.83% + 1 installment of 1,23%	-	23,355
Discount bonds in $ + GDP-linked in $	12/15/33	$	5.83% + Cer	20 half-yearly installments	-	20,175
Argentine Government Bond in US$ 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	12/27/16	US$	2.25%	8 installments of 11% + 1 installment of 12%	-	10,771
Other (see Note 34)					45,999	15,470
					2,790,590	**2,361,561**

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Financial assets carried at fair value at initial recognition:

Description	Maturity	Currency	Rate	Amortization	12/31/2015	12/31/2014
BCRA bills (see note 34)	From 01/13/16 to 05/18/16	$	Issuance with discount	Upon maturity	6,376,287	4,421,767
BCRA bills (see note 34)	From 01/13/16 to 01/20/16	US$	Issuance with discount	Upon maturity	448,185	-
					6,824,472	**4,421,767**

Financial assets measured at amortized cost:

Description	Maturity	Currency	Rate	Amortization	12/31/2015	12/31/2014
Argentine Bond for Economic Development (BAADE)	07/17/16	US$	4%	Upon maturity	111,885	73,581
					111,885	**73,581**

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

1) LEBAC (BCRA bills): They are short-term 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) Argentine Government Bond linked to the US$ (BONAD 2017): bonds issued by the Argentine Government on September 21, 2015, in United Sates dollars, maturing on September 21, 2017. They accrue interest at an annual nominal rate of 0.75 % payable on a half-yearly basis until maturity. First service of interest will be March 21, 2016.

4) 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 2017" for a term of 3 years, maturing on March 28, 2017. It accrues interest at a Private Badlar rate plus 200 B.P. payable on a quarterly basis.

5) Argentine Treasury bonds, maturity July 2016 (BONAC July 2016): they are bonds issued by the Argentine Treasury on June 12, 2015. Final maturity: July 12, 2016. They accrue interest at a variable rate equivalent to the simple average of implicit interest rates of the BCRA internal bills in ARS. Interest will be payable on a quarterly basis until maturity. The first service of interest was made on September 14, 2015.

6) Argentine Government Bond linked to the US$: bonds issued by the Argentine Government on October 9, 2015, in United Sates dollars, maturing on June 9, 2017. They accrue interest at an annual nominal rate of 0.75 % payable on a half-yearly basis until maturity. First service of interest will be April 9, 2016.

7) 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 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.

8) Argentine Government Bond in USD 7% (BONAR X): They are US dollar-denominated bonds issued by the Argentine 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.

9) Argentine Bond for Economic Development (BAADE): These are US dollar-denominated bonds issued by the Argentine 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 (BONAR 2017): On October 9, 2015, bonds under the name “Argentine Government Bond in ARS private BADLAR + 300 bps, maturity 2017” were issued, to be fully amortized on October 9, 2017. They accrue interest at a rate payable on a quarterly basis equivalent to the Private Badlar rate plus a 300 basis points spread. The first service of interest will be January 9, 2016.

11) 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.

12) Argentine Treasury bonds, maturity May 2016 (BONAC May 2016): they are bonds issued by the Argentine Treasury on May 8, 2015. Final maturity: May 9, 2016. They accrue interest at a variable rate equivalent to the simple average of implicit interest rates of the BCRA internal bills in ARS. Interest will be payable on a quarterly basis until maturity. The first service of interest was made on August 10, 2015.

13) Secured Debt Securities of the Province of Neuquén Class 2, Series I: 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) Debt securities of the Province of Entre Ríos: These are secured debt securities issued by the province of Entre Ríos in ARS, maturing at 18 months from the date of issuance (January 20, 2017). It will be amortized in 3 quarterly installments as from July 20, 2016. Interest is accrued at an annual, nominal, fixed rate of 28.10% for the first 9 months and then it becomes variable, it is made up of the Badlar rate plus an annual nominal 4.8% spread.

(Stated in thousands of Argentine pesos)

15) 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.

16) Social Security Debt Consolidation Bonds in pesos, 7th Series: bonds issued by the Argentine 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 by applying the Badlar rate and payable on a quarterly basis.

17) 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.

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

19) 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 by applying the Badlar rate, explained above, plus 300 basis points.

20) Social Security Debt Consolidation Bond in ARS 6th series: They are pesos-denominated bonds issued by the Argentine 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.

21) Debt securities of the Province of Neuquén Class I Series I: These are secured 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.

22) Discount bonds in ARS + GDP-linked securities in ARS: They are pesos-denominated securities issued by the Argentine 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.

23) 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.

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24) Debt securities of the Province of Entre Ríos Series II: These are debt securities issued by the province of Entre Ríos, maturing on December 27, 2016, accruing interest at a 2.25% rate, payable on a quarterly basis on the 27th day of March, June, September and December of each year. The principal amount will be amortized in nine quarterly and consecutive installments from the 12th month, being the first 8 installments equivalent to 11% of the nominal value and the last installment equivalent to 12% of the nominal value, payable on the 27th day of March, June, September and December of each year.

NOTE 20: Derivative financial instruments

In the ordinary course of business, the Bank completed forward transactions with daily or monthly 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, 2015 and 2014, stated in thousands of the original currency, are broken down as follows:

	Notional value as of	
	12/31/2015	12/31/2014
Forward purchases of foreign currency	US$ 500,100	US$ 344,700
Forward sales of foreign currency	US$ 496,262	US$ 344,700
Interest rate swaps	-	$ 8,785

The fair value of the interest rate swaps is 232 as of December 31, 2014, which result in a gain of 46 and 4,794 as of December 31, 2015 and 2014, respectively (see Note 8).

The fair value of forward transactions with daily settlement is zero because of the difference between the agreed-upon and market values with impact on profit or loss. As of December 31, 2015 and 2014, the fair value of forward transactions with monthly settlement is 52,859 and 180,943, respectively, for the transactions that resulted in balances receivable, and of 910,938 as of December 31, 2015 for the transactions that resulted in balances payable.

Gains/losses on forward foreign currency transactions as of December 31, 2015 and 2014 amounted to 272,981 and 552,844, respectively, (see Note 8).

(Stated in thousands of Argentine pesos)

NOTE 21: Loans

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

	12/31/2015	12/31/2014
Notes	13,164,058	10,020,400
Overdrafts	6,743,509	4,749,096
Credit cards	5,328,437	3,482,452
Consumer loans	4,109,044	3,250,580
Amounts receivable from repo transactions with financial institutions	2,729,780	410,272
Car loans	2,000,553	1,559,071
Finance lease	1,278,433	1,011,375
Loans to financial institutions	977,552	389,645
Loans to car dealers	468,481	770,477
Loans granted to Public Sector Agencies	424,513	159,400
Mortgage loans	45,894	49,027
Export pre-financing loans	35,058	188,318
Other loans	881,403	438,910
Interest and similar items receivable	500,047	409,807
Total loans	38,686,762	26,888,830
Allowances for loan loss	(869,348)	(802,290)
Total	37,817,414	26,086,540

Loans by type as of December 31, 2015 and 2014 are as follows:

	12/31/2015	12/31/2014
Commercial loans	26,241,184	17,809,605
Consumer loans	12,399,684	9,030,198
Mortgage loans	45,894	49,027
Total	38,686,762	26,888,830

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

(Stated in thousands of Argentine pesos)

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	**12/31/2015**		**12/31/2014**	
Term	**Total gross investment**	**Present value of minimum payments**	**Total gross investment**	**Present value of minimum payments**
Up to 1 year	686,249	466,587	511,438	358,795
From 1 to 5 years	1,004,340	822,125	787,477	660,933
More than 5 years	1,650	1,373	1,667	1,387
	1,692,239	1,290,085	1,300,582	1,021,115

As of December 31, 2015 and 2014, unearned interest amounted to 402,154 and 279,467, respectively, and accumulated allowances for loan losses amounted to 22,070 and 17,861, respectively.

As of December 31, 2015 and 2014, 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	1,397	542,502	258,391	802,290
Net expense for the year	986	222,955	142,244	366,185
Uses	(754)	(189,104)	(109,269)	(299,127)
As of December 31, 2015	1,629	576,353	291,366	869,348
Assessment				
Allowances not individually assessed	1,037	340,952	157,535	499,524
Allowances individually assessed	592	235,401	133,831	369,824
	1,629	576,353	291,366	869,348

(Stated in thousands of Argentine pesos)

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

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

Changes in allowances based on their assessment	12/31/2015			12/31/2014		
	Allowances not individually assessed	Allowances individually assessed	Total	Allowances not individually assessed	Allowances individually assessed	Total
At beginning	372,491	429,799	802,290	278,724	300,262	578,986
(Reversal) net expense for the year	140,640	225,545	366,185	101,795	237,709	339,504
Uses	(13,607)	(285,520)	(299,127)	(8,028)	(108,172)	(116,200)
At year-end	499,524	369,824	869,348	372,491	429,799	802,290

Loan losses broken down as follows:

	12/31/2015	12/31/2014
Loan losses for the year, net	(366,185)	(339,504)
Recovery of loans	78,762	19,860
Loan losses, net of recovery	(287,423)	(319,644)

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.

(Stated in thousands of Argentine pesos)

As of December 31, 2015 and 2014, the Bank recorded the following contingent transactions:

	12/31/2015	12/31/2014
Unused agreed overdrafts	1,183,005	1,052,417
Guarantees granted	587,790	309,355
Obligations from foreign trade transactions	268,613	41,687
Letters of credit	103,197	126,446
	2,142,605	1,529,905

The abovementioned 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: <u>Other receivables</u>

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

	12/31/2015	12/31/2014
Corporate bonds purchased (1)	132,570	60,360
Sundry receivables	109,034	115,551
Trust securities (2)	10,670	85,940
Other receivables – sale of fixed assets	512	19,814
Other	151,169	71,297
	403,955	352,962
Allowance for other loan losses	(18,890)	(16,881)
	385,065	336,081

(1) As of December 31, 2015 and 2014, the corporate bonds purchased in local currency accrue interest at an average rate of 23.60% and 17.45%, respectively, and have an average weighted term of 11 and 19 months, respectively. In addition, holdings in US dollars accrue interest at an annual nominal rate of 3.31% and 3.59%, respectively, and have an average weighted term of 14 and 19 months, respectively.

(2) As of December 31, 2015 and 2014, effective trust securities are receivables with fixed installments earning interest at an average, annual, nominal rate of 27.59% and 25%, respectively, the weighted average term of which is 5 and 8 months, respectively.

(Stated in thousands of Argentine pesos)

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

	12/31/2015	12/31/2014
At beginning of year	16,881	17,773
Net expenses for the year (see note 12)	5,497	471
Uses	(3,488)	(1,363)
At year-end	18,890	16,881

NOTE 23: <u>Fixed Assets and Miscellaneous Assets</u>

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	**Real property**	**Furniture and fixtures**	**Machinery and equipment**	**Vehicles and aircraft**	**Other miscellaneous assets(1)**	**Total as of 12/31/2015**
Estimated useful life in years	50	10	5	5	5 - 50	
Original value:						
As of January 1, 2015	**214,611**	**83,236**	**148,315**	**19,056**	**101,223**	**566,441**
Additions	24,581	21,561	40,527	6,522	1,091,025	1,184,216
Retirements	-	(374)	(833)	(1,689)	(953,826)	(956,722)
Transfers	41,246	-	-	-	(41,246)	-
As of December 31, 2015	**280,438**	**104,423**	**188,009**	**23,889**	**197,176**	**793,935**
Depreciation:						
As of January 1, 2015	**41,521**	**46,437**	**86,910**	**13,906**	**7,552**	**196,326**
Retirements	-	-	(486)	(1,388)	(94)	(1,968)
Depreciation for the year	6,231	6,979	23,934	1,990	367	39,501
As of December 31, 2015	**47,752**	**53,416**	**110,358**	**14,508**	**7,825**	**233,859**
Residual value as of December 31, 2015	**232,686**	**51,007**	**77,651**	**9,381**	**189,351**	**560,076**

(Stated in thousands of Argentine pesos)

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 12/31/2014**
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**

(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

	12/31/2015	12/31/2014
Financial assets	**170,163**	**125,395**
Security deposits (see note 34)	167,042	125,395
Other	3,121	-
Non-financial assets	**175,182**	**107,858**
Advance payments	109,213	78,021
Prepayments for purchases of assets	55,206	9,995
Works of art	3,350	3,344
Other	7,413	16,498
	345,345	233,253

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Executive Manager
of Administration, Accounting and Taxes

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

João Carlos de Nóbrega Pecego
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(Stated in thousands of Argentine pesos)

NOTE 25: Financing facilities received from financial institutions

	12/31/2015	12/31/2014
Banco do Brasil S.A. – N.Y. (see Note 33)	1,726,619	415,053
Sociedad de Promoción y Participación para la Cooperación Económica – Agencia Francesa de Desarrollo (Proparco)	227,933	129,271
Citibank N.A.	171,905	84,707
Banco de Galicia y Buenos Aires S.A.	143,500	-
Standard Chartered Bank	137,704	24,919
Intesa Sanpaolo	61,834	-
Banco Cetelem Argentina S.A.	38,034	9,002
Corporación Interamericana de Inversiones	28,089	36,942
BNP Paribas S.A.	26,460	59,835
Banco Central de la República Argentina	20,572	27,500
Other	38,686	640,179
	2,621,336	1,427,408

They relate mainly to pre-financing of exports without guarantees, agreed at variable nominal rates. Transactions in foreign currency accrue interest at an average annual nominal rate of 23%. Transactions in local currency accrue interest at an average annual nominal rate of 4%.The breakdown of due dates is disclosed in Note 37.

During fiscal years 2015 and 2014, the Bank has not defaulted on the payment of principal and interest relating to the financing received from financial institutions. In addition, it has not defaulted on covenants and other promises related to such financing.

NOTA 26: Deposits

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

	12/31/2015	12/31/2014
Nonfinancial public sector	**2,791,670**	**2,991,496**
Checking accounts	1,316,717	1,327,909
Time deposits	1,240,919	1,440,521
Other	202,686	195,498
Interest payable	31,348	27,568
Financial sector (see Note 33)	**31,678**	**168,475**

(Stated in thousands of Argentine pesos)

	12/31/2015	12/31/2014
Nonfinancial private sector and foreign residents	**39,227,777**	**24,661,997**
Checking accounts	5,990,938	5,204,313
Savings accounts	10,751,776	6,446,168
Time deposits	20,409,674	11,658,486
Other	1,662,775	1,164,555
Interest and similar items payable	412,614	188,475
	42,051,125	27,821,968

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, 2015 and 2014, such deposit guarantee amounts to 11,500,753 and 8,465,209, respectively.

NOTE 27: Corporate bonds

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

	12/31/2015	12/31/2014
Corporate bonds	1,094,608	1,273,547
	1,094,608	1,273,547

1. 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.

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 ARS 200,000,000, maturing within 18 months and amortized in a single payment on the maturity date. Interest accrued at an annual floating 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 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. The series final maturity was on May 4, 2015.

On March 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.

Subsequently, on January 26, 2015, the Bank's Board of Directors approved the update of the Corporate Bond Issuance Prospectus under the Global Program for the Issuance of Simple Corporate Bonds, extending the maximum amount of issuance of Class III Corporate Bonds up to 500,000,000 (nominal value), such extension was approved by the CNV on July 8, 2015.

Finally, on July 21, 2015, the Bank issued Class III corporate bonds with a nominal value of ARS 332,200,000, for an 18-month term and amortized in a single payment on the expiration date. During the first nine months, accrual of interest will be at an annual fixed rate of 25.50% and, for the following nine months, at an annual floating rate equivalent to the "Private BADLAR Rate" plus a spread of 3.75%, payable quarterly in arrears.

As of December 31, 2015 and 2014, principal plus accrued interest amounted to 351,957 and 307,832, respectively.

(Stated in thousands of Argentine pesos)

2. <u>GPAT C.F.S.A.´s Global corporate bond issuance program approved by CNV on February 11, 2011</u>

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 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.

On January 4, 2011, 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 26, 2012, the Board of Directors of GPAT C.F.S.A. requested the CNV to enlarge the program from 400,000 to 800,000, 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.

On December 14, 2015 the Board of Directors of GPAT C.F.S.A approved the issusance of Corporate Bonds Series XXI in the maximum amount of 250,000.

The following is a detail of the issuance of Corporate Bonds of GPAT Compañía Financiera S.A. as of December 31, 2015 and 2014:

Issuance	Currency	Issued value	Annual nominal rate	Issuance date	Maturity date	Balance as of 12/31/2015	Balance as of 12/31/2014
Series XIX Class A	$	200,000	26,35%	06/16/2015	03/16/2016	202,061	-
Series XX Mixed Class	$	250,000	28,50% (03.11. 2016) Badlar + 4,25 %	09/11/2015	03/11/2017	255,117	-
Series XVII Class B	$	185,556	Badlar + 3,25 %	07/22/2014	01/22/2016	194,190	189,787
Series XVIII Class B	$	90,769	Badlar + 3,00 %	09/23//2014	03/23/2016	91,283	91,298
Series XV Class B	$	210,444	Badlar + 4,50 %	11/21//2013	05/27/2015	-	205,200
Series XIV Class B	$	206,750	Badlar + 3,99 %	08/06/2013	02/06/2015	-	193,858
Series XVI Class B	$	131,000	Badlar + 4,00 %	03/26/2014	09/26/2015	-	130,521
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
						742,651	965,715

(Stated in thousands of Argentine pesos)

NOTE 28: Other liabilities

	12/31/2015	12/31/2014
Financial liabilities	**2,837,758**	**2,606,084**
Credit card charges payable	1,216,022	991,633
Payables from foreign trade transactions	553,551	724,224
Payroll and social security contributions	441,640	434,226
Collections on account and on behalf of third parties	267,330	227,694
Sundry payables	150,128	123,502
Withholdings on salaries	25,396	11,450
Other financial liabilities	183,691	93,355
Nonfinancial liabilities	**1,211,241**	**1,093,616**
Taxes payable	1,082,051	972,405
Customer loyalty program (Nota 3.2.r))	74,668	64,524
Other nonfinancial liabilities	54,522	56,687
	4,048,999	3,699,700

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 2015 and 2014:

	Provisions		
Changes in provisions for miscellaneous risks	**Labor and legal (1)**	**Other**	**Total**
At beginning	87,553	5,609	93,162
Net expense for the year (See note 12)	12,676	9,244	21,920
Uses	(18,089)	(917)	(19,006)
Transfers	-	46,144	46,144
As of December 31, 2015	82,140	60,080	142,220
Maturity of provisions for miscellaneous risks			
Less than 12 months	11,707	8,563	20,270
Over 12 months	70,433	51,517	121,950
As of December 31, 2015	82,140	60,080	142,220

(Stated in thousands of Argentine pesos)

	Provisions		
Changes in provisions for miscellaneous risks	**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

(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.

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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.

NOTE 30: Shareholders' equity reserves

Changes	**Reserve for translation differences (1)**	**Legal reserve (2)**	**Optional reserve (3)**	**Total**
As of January 1, 2015	40,961	971,688	2,234,337	3,246,986
Foreign currency translation	51,820	-	-	51,820
Tax effect on foreign currency translation (See note 14)	(18,137)	-	-	(18,137)
Distribution of earnings, as approved by the Annual Shareholders' Meeting held on 04/23/15 (See note 16)	-	435,195	-	435,195
Future distribution of earnings (See note 16)	-	-	698,312	698,312
As of December 31, 2015	74,644	1,406,883	2,932,649	4,414,176

(Stated in thousands of Argentine pesos)

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	-	245,937	-	245,937
Future distribution of earnings	-	-	529,758	529,758
As of December 31, 2014	40,961	971,688	2,234,337	3,246,986

(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.

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.

(Stated in thousands of Argentine pesos)

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	12/31/2015	12/31/2014
Credit risk (1)	3,068,955	2,158,764
Market risk (2)	262,049	144,605
Operational risk (3)	894,728	683,118
Default (4)	40,945	-
Mandatory consolidated minimum capital as per BCRA regulations	**4,266,677**	**2,986,487**
Ordinary Capital Level 1 (5)	7,313,694	6,093,788
Deductible items OC L1 (6)	(28,446)	(38,877)
Ordinary Capital Level 2 (7)	344,314	254,534
Consolidated computable equity as per BCRA regulations	**7,629,562**	**6,309,445**
Capital surplus	**3,362,885**	**3,322,958**

(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.

(4) In June 2015, the SEFyC notified the Bank about an excess in the limit on the credit rating technical ratio in connection with the financing granted to two clients. Such excess occurred between May 2014 and October 2014 in the amount of 53,647, and between January 2013 and September 2015 in the amount of 27,297. The excess referred to above gave rise to an increase in the minimum capital requirements in an amount equivalent to 150% of the highest amount of the excess recorded in those periods, and for the months during which the excess was maintained, and, additionally, once the excess was corrected, for a number of months equivalent to the number of periods during which the excess occurred and was not timely reported by the Bank. To the date of issuance of these financial statements, no such events have taken place.

(5) 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.

(6) If applicable, 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.

(Stated in thousands of Argentine pesos)

(7) Securities issued by the Entity, not included in item (6), 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.

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 and cash equivalents

	12/31/2015	12/31/2014
Cash (See note 17)	2,887,536	1,965,572
BCRA – current account (See note 17)	5,678,629	3,936,633
Due from other financial institutions (See note 17)	1,033,643	698,238
TOTAL	9,599,808	6,600,443

“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 2.1.

As of December 31, 2015 and 2014, 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 72,027 and 24,912, which are recorded under "Cash and cash equivalents" (see note 17).

Furthermore, as of December 31, 2015 and 2014, Banco do Brasil S.A. (Sucursal Buenos Aires) holds a current account with the Bank for 24,651 and 1,662, respectively, which is recorded under "Deposits", and Banco do Brasil S.A. (Sucursal New York) provided financing to the Bank in the amount of 1,726,619 and 415,053, respectively, 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, 2015, 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 250,000 at a 34.76% annual nominal interest rate, maturing in December 2019.

Transactions with directors, assistant managers or their close relatives

The Bank has not been involved in transactions with its directors, assistant managers or their close relatives. The Bank has not granted any loans or has not performed any proposed transaction with those people, except for those allowed by effective laws, which are of little significance due to the amounts involved. 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, 2015 and 2014, the outstanding financial assistance granted by the Bank to related parties totaled 48,103 and 52,184, respectively.

(Stated in thousands of Argentine pesos)

	12/31/2015	12/31/2014
Loans	48,103	50,675
Unsecured notes	34,112	28,600
Secured notes	3,642	-
Unsecured overdrafts	4,440	19,158
Unsecured credit cards	4,763	2,817
Consumer loans	1,146	100
Other receivables	-	1,509
Total credit assistance	48,103	52,184

In addition, as of December 31, 2015 and 2014, there are related party deposits with the Bank amounting to 959,201 and 35,088, respectively.

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

As of December 31, 2015 and 2014, loans to employees, including those granted to top-line managers, amounted to 296,374 and 168,300, 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 126,571 and 87,370 as of December 31, 2015 and 2014, respectively. It is worth noting that there are no other benefits for key personnel.

(Stated in thousands of Argentine pesos)

NOTA 34: Restricted assets

	12/31/2015	12/31/2014
Special guarantee accounts (1)	399,542	267,276
Financial assets measured at fair value held for trading		
Argentine Government Bond in ARS Private Badlar + 250 P.B. (BONAR 2019) (1) (2)	102,120	57,055
Par Bonds in $ Maturity 2038 (4)	1,012	-
Argentine Government Bond in USD Maturity 2024 (4)	3,020	-
Consolidation Bond in ARS, 7th Series (1)	-	51,536
Argentine Government Bond in ARS Private Badlar + 3 % (BONAR 2015) (2)	-	36,045
Argentine Government Bond in ARS Private Badlar + 250 B.P. (BONAR 2019) (2)	-	19,767
Secured bonds Decree No. 1.579/02 (BOGAR) (4)	-	7,712
Argentine Government Bond in $ Badlar Privada + 250 P.B. (BONAR 2019) (4)	-	4,492
Share of Mercado de Valores S.A. (3)	2,064	2,064
Financial assets measured at fair value at initial recognition		
BCRA Bills (1)	183,095	131,698
BCRA Bills (4)	-	33,440
Other assets		
Guarantees at credit card managers	139,522	114,490
Court deposits	9,083	4,228
Other security deposits	15,291	4,308
Security deposits for leases	3,146	2,369
Other	-	4,586
TOTAL	**857,895**	**741,066**

(1) They are used as security for the transaction with the BCRA and MAE. Deposits with the Central Bank of Uruguay are used as security for compliance with section 393, Compilation of Central Bank of Uruguay's Financial System Regulation and Control Rules.

(2) 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.

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

(4) 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.

Marcelo A. Iadarola Executive Manager of Administration, Accounting and Taxes	Juan D. Mazzón Superintendent Finance, Administration and Public Sector area	João Carlos de Nóbrega Pecego President

(Stated in thousands of Argentine pesos)

NOTE 35: Loans and deposits concentration

Number of customers	Loans			
	12/31/2015		12/31/2014	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	5,718,227	14.78%	2,121,646	7.89%
50 next largest customers	7,161,410	18.51%	3,795,221	14.11%
100 next largest customers	4,843,793	12.52%	3,215,633	11.96%
Rest of customers	20,963,332	54.19%	17,756,330	66.04%
Total (See note 21)	**38,686,762**	**100.00%**	**26,888,830**	**100.00%**

Number of clients	Deposits			
	12/31/2015		12/31/2014	
	Outstanding amount	Outstanding amount	Outstanding amount	Outstanding amount
10 largest customers	6,217,709	14.79%	3,929,767	14.12%
50 next largest customers	6,472,148	15.39%	4,126,107	14.83%
100 next largest customers	3,342,281	7.95%	2,190,197	7.87%
Rest of customers	26,018,987	61.87%	17,575,897	63.18%
Total (See note 26)	**42,051,125**	**100.00%**	**27,821,968**	**100.00%**

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.

(Stated in thousands of Argentine pesos)

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 12/31/2015**
Financial assets carried at fair value held for trading	2,706,876	83,714	-	2,790,590
Financial assets carried at fair value at initial recognition	3,199,001	3,625,471	-	6,824,472
Derivative financial instruments	52,859	-	-	52,859
TOTAL ASSETS	**5,958,736**	**3,709,185**	**-**	**9,667,921**
Derivative financial instruments	910,938	-	-	910,938
TOTAL LIABILITIES	**910,938**	**-**	**-**	**910,938**

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	180,943	232	-	181,175
TOTAL ASSETS	**6,713,756**	**250,747**	**-**	**6,964,503**

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, 2015, this account includes mainly Debt securities of the Province of Entre Ríos, Chubut and Neuquén, and as of December 31, 2014, Consolidation Bonds Series 7 and 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.

Financial assets measured at fair value at initial recognition: As of December 31, 2015 it includes unlisted BCRA Bills carried at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price of similar duration.

Derivative financial instruments: As of December 31, 2015 it includes the fair value of forward transactions with monthly settlement estimated as the difference between the agreed-upon values and market prices. As of December 31, 2014, 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.

<u>Transfers between hierarchy levels</u>

	Transfers from level 1 to level 2	
	12/31/2015	**12/31/2014**
Financial assets carried at fair value held for trading (1)	18,656	207,140

(1) The amount as of December 31, 2015 corresponds to the Consolidation Bonds Series 4 and Debt Securities of the Province of Neuquén, included in hierarchy level 1 as of December 31, 2014, which as of December 31, 2015, 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.

(Stated in thousands of Argentine pesos)

The amount as of December 31, 2014 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.

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.

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, 2015	
	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	9,599,808	9,599,808
Special guarantee accounts	399,542	399,542
Financial Assets measured at amortized cost	111,885	123,403
Loans (1)	37,817,414	35,699,114
Other receivables (1)	385,065	360,926
Other financial assets	170,163	170,163
Financial liabilities		
Financing facilities received from financial institutions	2,621,336	2,621,975
Deposits	42,051,125	41,868,910
Corporate bonds	1,094,608	924,278
Other financial liabilities	2,837,758	2,837,758

(Stated in thousands of Argentine pesos)

	December 31, 2014	
	Carrying amount	**Fair value**
Financial assets		
Cash and cash equivalents	6,600,443	6,600,443
Special guarantee accounts	267,276	267,276
Financial Assets measured at amortized cost	73,581	72,956
Loans (1)	26,086,540	25,756,018
Other receivables (1)	336,081	334,712
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

(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.

BANCO PATAGONIA S.A.

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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, 2015 and 2014:

	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 12/31/2015
Cash and cash equivalents	(a) 9,599,808	-	-	-	-	-	-	-	9,599,808
Special guarantee accounts	399,542	-	-	-	-	-	-	-	399,542
Financial assets carried at fair value held for trading	6,432	27	9,047	59,627	643,506	2,016,183	55,563	205	2,790,590
Financial assets carried at fair value at initial recognition	-	1,394,541	4,170,694	1,259,237	-	-	-	-	6,824,472
Financial assets measured at amortized cost	-	-	-	-	-	111,885	-	-	111,885
Derivative financial instruments	-	15,374	37,485	-	-	-	-	-	52,859
Loans	7,515,716	9,791,084	6,388,464	2,812,068	10,932,777	263,261	114,044	-	37,817,414
Other receivables	241,832	-	6,828	16,619	81,839	37,947	-	-	385,065
Other financial assets	170,163	-	-	-	-	-	-	-	170,163
TOTAL ASSETS	**17,933,493**	**11,201,026**	**10,612,518**	**4,147,551**	**11,658,122**	**2,429,276**	**169,607**	**205**	**58,151,798**
Financing facilities received from financial institutions	-	290,046	848,254	333,199	774,029	375,808	-	-	2,621,336
Derivative financial instruments	-	910,938	-	-	-	-	-	-	910,938
Deposits	(a) 17,142,385	17,199,654	5,546,548	1,121,317	1,037,072	4,149	-	-	42,051,125
Corporate bonds	-	214,503	297,905	-	-	582,200	-	-	1,094,608
Other financial liabilities	1,271	2,830,421	584	837	1,105	3,540	-	-	2,837,758
TOTAL LIABILITIES	**17,143,656**	**21,445,562**	**6,693,291**	**1,455,353**	**1,812,206**	**965,697**	**-**	**-**	**49,515,765**

(a) Including demand deposit accounts.

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

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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 12/31/2014
Cash and cash equivalents	(a) 6,600,443	-	-	-	-	-	-	-	6,600,443
Special guarantee accounts	267,276	-	-	-	-	-	-	-	267,276
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	-	181,031	74	-	70	-	-	-	181,175
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	267,259	1,745	13,398	6,021	22,546	24,097	1,015	-	336,081
Other financial assets	125,395	-	-	-	-	-	-	-	125,395
TOTAL ASSETS	**12,610,282**	**3,085,765**	**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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(Stated in thousands of Argentine pesos)

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, 2015 and 2014, respectively, are as follows:

Financial assets and liabilities	Financial assets and liabilities carried at fair value through profit or loss					
ASSETS	**Held for trading**	**At initial recognition**	**Derivative financial instruments**	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Total as of 12/31/2015**
Cash and cash equivalents	-	-	-	9,599,808	-	9,599,808
Special guarantee accounts	-	-	-	399,542	-	399,542
Financial assets carried at fair value held for trading	2,790,590	-	-	-	-	2,790,590
Financial assets carried at fair value at initial recognition	-	6,824,472	-	-	-	6,824,472
Financial assets measured at amortized cost	-	-	-	111,885	-	111,885
Derivative financial instruments	-	-	52,859	-	-	52,859
Loans	-	-	-	37,817,414	-	37,817,414
Other receivables	-	-	-	385,065	-	385,065
Other financial assets	-	-	-	170,163	-	170,163
Total	**2,790,590**	**6,824,472**	**52,859**	**48,483,877**	**-**	**58,151,798**
LIABILITIES						
Financing facilities received from financial institutions	-	-	-	-	2,621,336	2,621,336
Derivative financial instruments	-	-	910,938	-	-	910,938
Deposits	-	-	-	-	42,051,125	42,051,125
Corporate bonds	-	-	-	-	1,094,608	1,094,608
Other financial liabilities	-	-	-	-	2,837,758	2,837,758
Total	**-**	**-**	**910,938**	**-**	**48,604,827**	**49,515,765**

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Financial assets and liabilities	Financial assets and liabilities carried at fair value through profit or loss					
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 cash equivalents	-	-	-	6,600,443	-	6,600,443
Special guarantee accounts	-	-	-	267,276	-	267,276
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	-	-	181,175	-	-	181,175
Loans	-	-	-	26,086,540	-	26,086,540
Other receivables	-	-	-	336,081	-	336,081
Other financial assets	-	-	-	125,395	-	125,395
Total	2,361,561	4,421,767	181,175	33,489,316	-	**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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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. It 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.

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 Information 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 evaluating and proposing to the Board of Directors the policies and strategies oriented to the Bank's Culture and Quality Management. The Committee carries out the planning of and follow-up to improvement actions and action plans defined, resulting from the various client analyses and surveys regularly performed. The matters dealt with by the Quality Committee are focused on the improvement in Customer Experience, in line with the Strategic Plan of Banco Patagonia.

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 and IT Asset Protection 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 Security 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. At least monthly, it must inform the Board of Directors about the main aspects relating to the financial risk management. Its functions are within the scope of the Bank and its subsidiaries. The Global Risk Committee is made up of two Vice-chairmen; the Risk Management and Internal Control Superintendent; the Finance, Administration and Public Sector Superintendent; the Credit, Foreign Trade and Business Advisory Superintendent; the Risk Management Executive Manager; and the Financial Risk Manager.

Operational Risk Committee: It is responsible for proposing the Board of Directors the policies, strategies and manuals aimed at the operational risk management of products, activities, processes, and systems of the financial institution applicable to each business unit, 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.

Own assets and PP&E Architecture and Management Committee: It analyzes all matters associated with the Bank's building structure and furniture.

Moreover, the Bank has a Special Investigations area, responsible for receiving complaints and evaluating their truthfulness in order to take the necessary action in each case. Such area performs each investigation by gathering the information obtained and interacting with the different areas of the Bank.

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.

The risk management policies are being adapted to regulatory requirements set by Basel III 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 conservative business strategy.

In addition, in order to achieve an ongoing improvement in risk management models, the Executive Risk Management area is constantly developing state-of-the-art risk management tools, methodologies, and models, in compliance with the recommendations of the BCRA and international subject-matter specialized bodies.

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.

On a monthly basis, the Global Risk Committee holds meetings, mainly aimed at proposing the strategy to manage market, interest-rate, liquidity, and credit risks as well as the global exposure limits in relation to such risks to the Bank's Board of Directors. In addition, the Committee becomes aware of the positions of each risk and compliance with policies.

The Bank has a Comprehensive Risk Management process in place, in accordance with the guidelines suggested by the BCRA, in line with the best practices recommended by the Basel Committee.

During fiscal 2015, the Risk Management Executive Office has gone on strengthening the work methodology enabling the management of market, interest rate, liquidity, credit, operational and technology risks.

There was a comprehensive review and update of the Operational Risk Management Manual and Policy.

Regarding the IT Risk Management, the Bank performs and documents the analysis of risks over the information systems, information technology and associated resources, in line with the guidelines set by the BCRA in Communication "A" 4609 and supplementary rules.

In this way, there was an update of the inventory of information assets, the classification of data, the analysis of gaps and the maturity questionnaires, in order to perform the corresponding risk analyses from which the action plans appear. The results of these analyses are formally reported to the Board of Directors, through the Operational Risk Committee.

Moreover, in fiscal year 2015, the IT Risk Analysis Methodology and Procedure was reviewed.

As it relates to Financial Risk management, the Bank has established a set of limits for each type of risk, which are reviewed with an annual minimal frequency and defined based on the risk tolerance limits established by the Board of Directors.

To identify, measure, monitor and mitigate the financial risks faced by the Bank, the Financial Risk Management prepares various reports, which are sent to the members of the Global Risk Committee on a daily, weekly and monthly basis.

Furthermore, individual Stress Tests on credit, market and liquidity have been performed, by analyzing different unfavorable scenarios, in order to assess the potential impact of adverse events and take preventive actions within risk management

In fiscal year 2015, new management tools have been analyzed in the Special Research area, intended to mitigate the occurrence, motivation and timing of fraud.

To achieve a continuous improvement in risk management models, advanced tools, methodologies and models will be developed in terms of risk management, in line with the recommendations of the BCRA and international organizations specialized in this area.

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; both estimates are developed on the basis of 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, interest rate 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

Credit risk is defined as the possibility to sustain losses as a result of a debtor's or counterparty's noncompliance with the contractual obligations assumed.

Management of this kind of risk is based on an analysis of the transactions and a deep knowledge of the client portfolio, which allows for a detailed follow-up on such risk, minimizing exposure as far as possible.

Policies for credit risk management are within the scope of the objectives set by the Bank's Board of Directors, and establish limits, procedures, mitigation strategies, and controls to keep exposure to this risk within acceptable limits. These aspects are regulated in the Banks's manuals and rules (Credit Facilities, Guarantees, Credit Recovery, and Risk Management), and are regularly reviewed.

The definition of risk limits is one of the main strategic instruments of credit risk management, the purpose of which is to avoid undesired concentration and levels of exposure.

The Bank's Board of Directors approves the credit and credit assessment policy in order to provide a framework for the creation of businesses to attain an adequate relationship 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 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.

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(Stated in thousands of Argentine pesos)

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.

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:

Situation	Delinquency days
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 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.

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.

(Stated in thousands of Argentine pesos)

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 and bills 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	2015 percentage	2014 percentage	
Government securities issued by the Argentine government and by provincial governments	Argentine government	29%	36%	a)
Bills issued by the BCRA	BCRA	71%	64%	b)

a) BONAR 2016, 2017 and 2019, BONAD 2017, BONAC 2016 and BONAR X, 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.

Management relies on the capacity to continue to control and keep a minimum credit risk exposure for the Bank as a result of its portfolio of loans and financial assets based on the following:

- ✓ 99% and 98% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2015, and 2014, respectively;
- ✓ 94% and 91% of the loan portfolio is considered not to be past due or impaired as of December 31, 2015 and 2014, respectively.

(Stated in thousands of Argentine pesos)

Main industries	Gross maximum exposure as of 12/31/2015	Net maximum exposure as of 12/31/2015 (1)	Gross maximum exposure as of 12/31/2014	Net maximum exposure as of 12/31/2014 (1)
Monetary intermediation	26,100,351	26,100,351	17,213,487	17,212,729
Individuals	11,692,734	11,578,784	7,271,234	7,167,207
Manufacture of motor vehicles	1,817,219	1,817,219	416,097	416,097
Seasonal farming	1,382,979	618,620	1,448,420	705,230
Extraction of crude oil	1,230,255	1,180,811	375,318	375,318
Financial services, except those provided by central banks and financial institutions	1,078,497	980,135	1,261,943	1,209,580
Wholesaling of household and/or personal appliances	974,210	770,588	835,555	734,670
Sale of motor vehicles, except motorcycles	846,148	585,409	1,075,300	889,800
Retailing in non-specialized stores	777,127	577,029	182,981	171,737
Retailing of household appliances in specialized stores	636,362	590,797	240,177	197,680
Animal breeding	608,221	338,396	717,928	446,055
Road transportation service	558,715	387,747	456,427	321,640
Mobile telephone services	531,782	530,948	-	-
Manufacture of pharmaceutical products, chemical substances, etc.	516,458	472,495	396,987	345,433
Manufacture of plastic goods	484,269	416,396	491,216	444,855
Other industries	11,742,460	9,710,011	10,663,616	9,092,892
Total	**60,977,787**	**56,655,736**	**43,046,686**	**39,730,923**

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.

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.

(Stated in thousands of Argentine pesos)

	Neither delinquent nor impaired		Delinquent, not impaired		Impaired			Total as of 12/31/2015
	Situation		Situation		Situation			
	1	2	1	2	3	4	5	
Commercial loans	25,698,771	77,942	308,192	15,588	6,657	92,419	41,616	26,241,185
Mortgage loans	43,675	407	897	208	163	537	6	45,893
Consumer loans	10,474,463	156,599	1,335,008	141,901	53,054	153,603	85,056	12,399,684
Total	**36,216,909**	**234,948**	**1,644,097**	**157,697**	**59,874**	**246,559**	**126,678**	**38,686,762**

	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**

The other financial assets are neither delinquent nor impaired.

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

	Delinquent, not impaired				Total as of 12/31/2015
	Up to 30	From 31 to 60	From 61 to 90	Over 90	
Commercial loans	287,956	33,823	981	1,020	323,780
Mortgage loans	873	218	14	-	1,105
Consumer loans	1,353,305	88,635	34,955	14	1,476,909
Total	**1,642,134**	**122,676**	**35,950**	**1,034**	**1,801,794**

Marcelo A. Iadarola	Juan D. Mazzón	João Carlos de Nóbrega Pecego
Executive Manager	Superintendent	President
of Administration, Accounting and Taxes	Finance, Administration and Public Sector area	

	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**

Liquidity risk

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

In order to minimize the unintended effects of illiquidity deriving from the possible withdrawal of deposits and/or the repayment of interbank loans taken, the Bank has a high-liquidity assets portfolio, and it intends to diversify its liabilities structure as regards sources and instruments. In this respect, the objective is to attract funds from as many clients and in many volumes as possible, offering the greatest diversity of financial instruments. The Bank has thus implemented a series of policies, including monitoring currency mismatches. The most significant aspects of the policies are the following:

Assets: a high-liquidity assets portfolio will be maintained to cover at least 30% 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 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.

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 70% of the total time deposit portfolio.

(Stated in thousands of Argentine pesos)

c) No investor may have time deposits for an amount exceeding 15% of the total time deposit portfolio.

The Executive Risk Management Department regularly monitors compliance with the different limits set by the Board of Directors in relation to liquidity risk management, which include minimum liquidity levels, maximum concentration levels by type of product, client, and segment.

The Bank 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.

The following table shows the liquidity ratios during fiscal years 2015 and 2014 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 other financial assets carried at fair value, by total deposits.

	12/31/2015	12/31/2014
	%	%
As of December 31	52.4	46.3
Average for the year	52.5	44.5
Higher	57.0	46.3
Lower	48.6	43.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015
(Stated in thousands of Argentine pesos)

	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 12/31/2015
Cash and cash equivalents	9,599,808	-	-	-	-	-	9,599,808
Special guarantee accounts in Central Banks	399,542	-	-	-	-	-	399,542
Financial assets carried at fair value held for trading	5,961	-	154,048	1,051,043	2,865,129	72,121	4,148,302
Financial assets carried at fair value at initial recognition	-	-	5,773,019	1,373,226	-	-	7,146,245
Financial assets measured at amortized cost	-	-	2,247	112,115	-	-	114,362
Derivative financial instruments	-	52,859	-	-	-	-	52,859
Loans	7,515,716	-	17,186,093	15,748,954	2,636,297	120,917	43,207,977
Other receivables	241,832	-	7,213	99,438	37,947	-	386,430
Other financial assets	167,042	-	-	-	-	-	167,042
Total	**17,929,901**	**52,859**	**23,122,620**	**18,384,776**	**5,539,373**	**193,038**	**65,222,567**
Financing facilities received from financial institutions	-	-	1,152,831	1,148,464	447,757	-	2,749,052
Derivative financial instruments	-	910,938	-	-	-		910,938
Deposits	17,142,385	-	23,479,498	2,655,476	4,356	-	43,281,715
Corporate bonds	-	-	539,682	251,043	492,505	-	1,283,230
Other financial liabilities	1,271	-	3,435,339	1,942	3,540	-	3,442,092
Total	**17,143,656**	**910,938**	**28,607,350**	**4,056,925**	**948,158**	**-**	**51,667,027**

	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 cash equivalents	6,600,443	-	-	-	-	-	6,600,443
Special guarantee accounts in Central Banks	267,276	-	-	-	-	-	267,276
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	-	-	2,279,865	2,443,000	-	-	4,722,865
Financial assets measured at amortized cost	-	-	1,477	1,453	75,204	-	78,134
Derivative financial instruments	-	181,175	-	-	-	-	181,175
Loans	5,336,827	-	2,923,642	9,330,228	9,606,531	2,460,782	29,658,010
Other receivables	267,259	-	15,382	28,797	24,097	1,015	336,550
Other financial assets	125,395	-	-	-	-	-	125,395
Total	**12,607,262**	**181,175**	**5,355,857**	**12,415,275**	**12,441,761**	**2,743,785**	**45,745,115**
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**	**-**	**34,135,018**

(Stated in thousands of Argentine pesos)

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 12/31/2015
Unused agreed overdrafts	1,183,005	-	-	-	-	-	-	1,183,005
Guarantees granted	134,367	11,700	20,068	66,706	240,211	114,738	-	587,790
Obligations from foreign trade transactions	74,989	101,841	52,874	21,290	17,619	-	-	268,613
Letters of credit	50,277	40,488	10,004	2,428	-	-	-	103,197
TOTAL	1,442,638	154,029	82,946	90,424	257,830	114,738	-	2,142,605

	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

Market risk

Market risk is defined as the possibility of incurring losses in balance sheet and off-balance sheet positions as a consequence of adverse fluctuations in the market prices.

Market risks arise from net positions on trading portfolios subject to risk factors such as: interest rates, currency and price positions; all of which are exposed to general and specific market changes.

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 Bank 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 in order to optimize the risk-profit ratio through a structure of adequate management limits, models and tools. Besides, the Entity has implemented tools and procedures which allow the Global Risk Committee and the Finance Committee to measure and manage this risk.

Likewise, the Bank has established policies to diversify funding source and identify key risk factors (interest rate, exchange rate, price volatility, among others).

(Stated in thousands of Argentine pesos)

The risks to which those portfolios are exposed are monitored through parameter estimation 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 in normal market conditions, but with a certain confidence level (99%). Therefore, there is a specific statistical possibility (1%) for the actual loss to exceed the estimated VaR. The VaR model assumes a certain “retention period” until positions can be closed (10 days). The time horizon used to calculate the VaR is one day. However, the one-day VaR is extended to a time period of 10 days and is calculated by multiplying the one-day VaR by the square root of 10.

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

As of December 31, 2015 and 2014, the Bank’s VaR by type of risk is as follows:

VaR of the trading portfolio	**12/31/2015**	**12/31/2014**
Currency exchange rate risk	70,118	21,191
Interest rate risk	540,457	466,862
Price risk	191,931	124,682

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 the last 500 sessions. 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, in our case, a standard normal 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.

(Stated in thousands of Argentine pesos)

Sensitivity to interest rate changes

The interest rate risk is defined as the possibility that changes occur in the Bank's financial position as a result of interest rate fluctuations with a negative impact on net financial income and its economic value. The Bank 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 Bank uses the internal measurement tool called PV01, based on the volatility of the last 500 transfer rate curves through a parameter VaR applied to interest rate gaps.

For the purpose of managing the interest rate risk, the Bank 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 methodology applied by Banco Patagonia is the PV01 or basis point present value, an interest rate sensibility model. This methodology shows the sensibility of the present value of a cash flow (CF) upon the increase in a basis point in the market interest rate (the formula is described below).

$$PVBP = CF * DF_{(t+1)} - CF * DF_t$$

Where:

$$DF_{(t+1)} = \frac{1}{(1 + r + 1\,bps)}$$

$$DF_{(t)} = \frac{1}{(1 + r)}$$

We assume that the Transfer Rate (TR) is normal multivariate with covariance Ω and, therefore, the analysis of the Interest Rate Value at Risk is as follows:

$$Interest\ Rate\ VaR = \Phi^{-1}(1 - \alpha)\sqrt{\theta'\Omega\theta}$$

Where $\theta = (PV01_1, \dots, PV01_n)$ the volatility vector of the last 500 sessions of transfer rate.

The following table shows the results of the sensitivity analysis with respect to a possible change in interest rates, keeping all the other variables constant:

Interest rate risk	
December 2014	($ 252.MM)
December 2015	($ 379.MM)

Marcelo A. Iadarola
Executive Manager
of Administration, Accounting and Taxes

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

João Carlos de Nóbrega Pecego
President

(Stated in thousands of Argentine pesos)

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, 2015, and 2014, the Bank's open position, stated in Argentine pesos by currency, is as follows

ITEMS	Total as of 12/31/15	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and cash equivalents	4,450,688	160,342	4,246,660	4,138	1,728	37,820
Special guarantee accounts	6,503	-	6,503	-	-	-
Financial assets carried at fair value held for trading	934,065	42	934,023	-	-	-
Financial assets carried at fair value at initial recognition	454,488	-	454,488	-	-	-
Financial assets measured at amortized cost	111,885	-	111,885	-	-	-
Loans	3,032,028	3,483	3,028,545	-	-	-
Other receivables	50,406	-	50,401	-	-	5
Total	**9,040,063**	**163,867**	**8,832,505**	**4,138**	**1,728**	**37,825**
LIABILITY POSITION						
Financing facilities received from financial institutions	2,363,584	-	2,363,584	-	-	-
Deposits	3,606,610	43,996	3,562,614	-	-	-
Other liabilities	673,515	9,930	662,549	925	9	102
Total	**6,643,709**	**53,926**	**6,588,747**	**925**	**9**	**102**
Net position	**2,396,354**	**109,941**	**2,243,758**	**3,213**	**1,719**	**37,723**

(Stated in thousands of Argentine pesos)

ITEMS	Total as of 12/31/14	Euro	US dollar	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and cash equivalents	2,456,025	114,552	2,325,176	2,898	364	13,035
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**

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:

Sensibility analysis	Exchange rate percentage variation (%)	2015	2014
Argentine Peso devaluation in relation to the foreign currency	5	119,818	67,520
Argentine Peso devaluation in relation to the foreign currency	10	239,635	135,040
Argentine Peso revaluation in relation to the foreign currency	5	(119,818)	(67,520)
Argentine Peso revaluation in relation to the foreign currency	10	(239,635)	(135,040)

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.

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.

The Bank has implemented an operational risk management system in line with the guidelines set forth by BCRA Communication "A" 5398 and amendments. Additionally, 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 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.

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.

(Stated in thousands of Argentine pesos)

Reputational Risk

Reputation Risk is defined as any event that might have a negative impact on an organization's reputation. Due to its nature, this risk often results from the occurrence of other risks (operational, liquidity, market, legal, etc.).

For reputational risk management purposes, the Bank has policies and a structure in place aimed at identifying, assessing, monitoring, and controlling reputational risk exposure.

Strategic Risk

Strategic Risk is the impact on capital resulting from adverse business decisions, the wrong implementation of such decisions, or the failure to respond to political, fiscal, regulatory, economic, and cultural changes in the market.

For strategic risk management purposes, the Bank monitors its budget in terms of income and capital return, risk profile, capital requirements, liquidity volume, payroll, and the structural changes necessary to execute the business plan. In addition, the results of stress tests conducted, and other qualitative factors, such as market and competition expected growth rates, are taken into account.

NOTE 40: Custodian agent of mutual funds

As of December 31, 2015 and 2014, the Bank, in its capacity as a custodian agent of mutual funds, keeps the custody of shares subscribed by third parties and assets in the following Mutual Funds:

Name	Deposits	Other	Total assets as of 12/31/2015
Lombard Renta en Pesos Fondo Común de Inversión	2,209,646	206,031	2,415,677
Lombard Capital F.C.I.	498,201	2,255,491	2,753,692
Fondo Común de Inversión Lombard Renta Fija	6,007	212,154	218,161
Fondo Común de Inversión Lombard Pesos Plus	104,054	-	104,054
Fondo Común de Inversión Lombard Ahorro	6,601	-	6,601
Fondo Común de Inversión Lombard Abierto Plus	38	1,184	1,222
Fondo Común de Inversión Lombard Acciones Líderes	2	1,982	1,984
TOTAL	**2,824,549**	**2,676,842**	**5,501,391**

(Stated in thousands of Argentine pesos)

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**

Fees earned as a Custodian Agent are recorded under "Fee income – Other" in the amounts of 13,416 and 5,990 as of December 31, 2015 and 2014, respectively.

NOTE 41: <u>Assets in trust</u>

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, 2015, and 2014, the Bank acts as a trustee of 28 and 35 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 the amounts of 82,021 and 22,796 as of December 31, 2015, and 2014, respectively.

The following table summarizes the assets and equity managed by the Bank as of December 31, 2015 and 2014.

	12/31/2015	12/31/2014
Total assets	1,747,397	1,412,015
Total shareholders' equity	445,204	354,830

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.

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 37,877 and 28,827 as of December 31, 2015 and 2014, 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 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.

Market conditions are continuously analyzed by the Bank’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.

NOTE 44: 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.