Report on Banks

SEPTEMBER 2007

Central Bank of Argentina

Year V - No. 1

Contents

Note: This report contains information from September 2007 available on 23 October 2007. Description centers mainly on the behavior of the financial system (including breakdowns by uniform sub-groups). Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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Summary

- **In September, the banking system evidenced a sound position in the face of international financial markets turmoil.** In a context of greater volatility, the BCRA's prudent financial and monetary policies contributed to ensuring lending to the private sector continued to grow, avoiding a negative impact on the real economy. During the month banks posted positive results, enabling the third quarter to show profits. These results, added to new capitalizations, have strengthened the solvency of the sector.

- **Lending to the private sector recorded an increase of 3.1% in September (41%a. in the first 9 months of the year)**. Promissory notes, personal loans and mortgage loans were the main credit lines accounting for the growth in lending during the month. In the context of the measures **established by the BCRA, growth in mortgage lending up to September (40%a.) matched the rate of expansion of total lending to the private sector.** In the view of prevailing limited credit risk, this performance took place together with a drop in non-performance loans: the level of this indicator for the private sector reached 3.5% for the month, accumulating a drop of 1 p.p. in 2007.

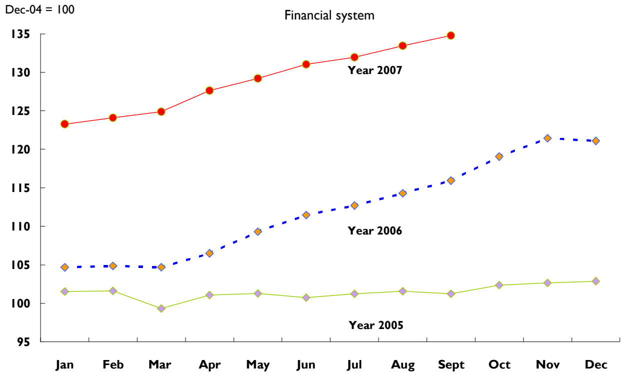
- **Growth in lending to companies has reached 34% in the last 12 months, with a wider and more uniform spread across all loan stock segments.** In the last year the segments with greatest relative growth have been those with the lowest outstanding stock, which registered an acceleration in their rhythm of expansion. This greater dynamism in the smaller segment of lending took place in the context of reduced concentration in the group of participating financial entities. The drop in the overall non-performance loans to companies ratio (1.6 p.p. in 2007 to date, to a level of 3.6% in September), reflected the effects of the reduction in non-performance across all segments of loan stocks.

- **Non-financial sector deposits grew again in September.** Driven by time deposits, and to a lesser extent by sight deposits, non-financial sector deposits went up $1.7 billion during the month. **Liquidity ratios remained at high levels**. Liquid assets represented 21.9% of total deposits at the end of September, while the liquidity indicator that includes holdings of Lebac and Nobac stood at close to 39.6% of total deposits.

- **There was a reduction in the banking system's foreign currency mismatching during the month.** Mainly as a result of a drop in dollar liquid assets, currency mismatching of the financial system in terms of net worth fell 4.9 p.p. in September, reaching 21.6% (3.9 p.p. less than at the end of 2006).

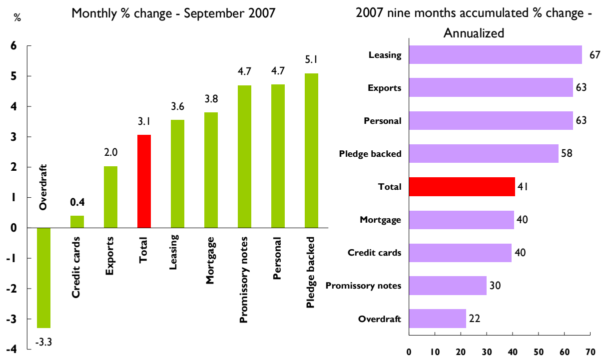
- **Financial system net worth continued to grow,** posting an increase of 2.1% in September, for a total expansion of 15.4% in the last 12 months. The improvement of the month was mainly due to the profits recorded, and to a lesser extent, to capital contributions by two private financial entities. **Unlike the situation in the two previous months, during September banks obtained positive results**. Financial system recorded a ROA of 2.5%a. and a ROE of 18.8%a. for the month. Accrued profits in September improved by 2.6 p.p. of assets compared with the previous month. This recovery was driven mainly by the increase in gains on securities. Lastly, financial system ROA for the third quarter of 2007 stood at 0.5%a., while ROE amounted to 4.1%a.. Profits accrued in the first 9 months of the year reached $2.6 billion.

Chart 1
Netted Assets
Financial system



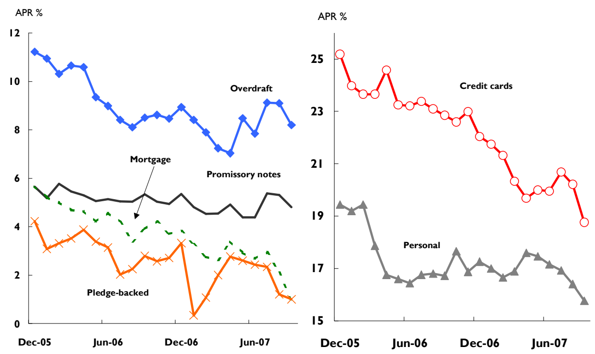
Source: BCRA

Chart 2
Credit to the Private Sector by Type of Line



Note: Not adjusted by financial trusts
Source: BCRA

Chart 3
Financial Intermediation Spread
Spread between lending interest rates and less than 59-day time deposits interest rate



Source: BCRA

Activity:

Banking system lowers foreign currency mismatching

In September the financial system continued to expand its financial intermediation activity with the private sector, despite the turbulent context of international financial markets. While lending to the private sector grew at above the average rate of expansion for the year (in a context of limited private sector credit risk), private deposits continued to rise during the month. As a result, **netted assets grew 1% in September** (see Chart 1), **accumulating year-on-year growth of 16.3%.**

The main source of funds in September was the growth in private sector deposits ($1.5 billion). In addition, the reduction in liquid assets ($350 million), the drop in credit to the public sector ($300 million), the sale of private sector securities ($210 million) and net income from interest and services were other origins of resources during the month. **As has been the case in recent years, in September the main destination of funds was the increase in lending to the private sector**[1] ($3.2 billion).

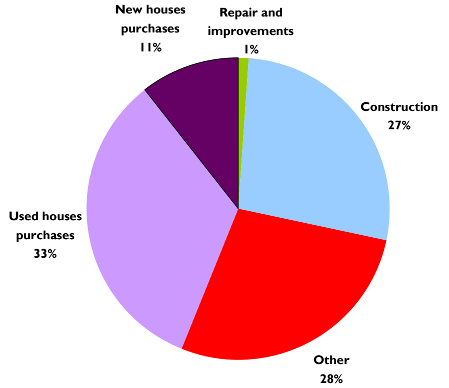
Lending to the private sector increased by 3.1% (41%a.) in September. The credit lines showing the greatest growth were promissory notes ($940 million), personal loans ($850 million) and mortgage loans ($500 million). **This change for the month took place in the context of lower levels of non-performing loans to the private sector,** with a drop for September of 0.1 p.p., to 3.5% of total private sector credit lines.

Lending to the private sector accumulated growth of 41%a. in the first 9 months of 2007, while the private loan delinquency ratio fell 1 p.p. in the period. The most dynamic lines in 2007 were leasing (up 67%a., although starting from a relatively low base), export credit, and personal loans (both of which recorded growth of 63%a.) (see Chart 2). Growth in lending to the private sector in the first 9 months of the year took place in the context of a slight increase in lending interest rates, except in the case of mortgage interest rates, which remained stable. Despite these movements, interest rate spreads continue to display the downward trend seen in the last two years (see Chart 3).

In the context of the measures established by the BCRA[2]**, growth in mortgage lending (40%a. in the first 9 months of 2007) attained the level reached by total private sector lending.** This positive performance took place with a limited credit risk, encouraged by the possibility of continuing to borrow in local currency and by the increase in formal employment and wages. In particular, the delinquency ratio of mortgage loans has dropped 2.4 p.p. in the year to date, reaching 3.8% for the month. By September, slightly over two-

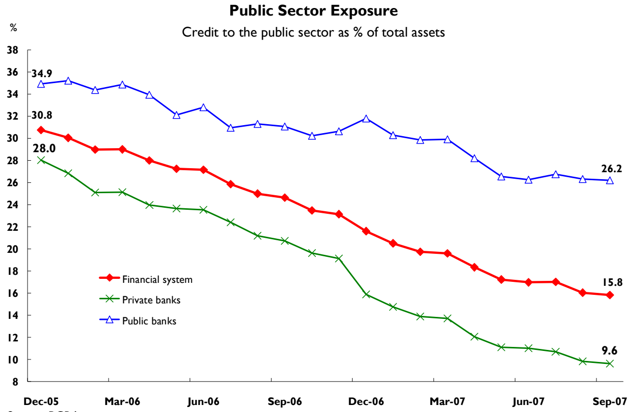
[1] Adjusted to take into account the setting up of financial trusts during the month. Includes financing by means of leasing.
[2] These measures included relaxing capital requirements on mortgage lines, encouragement for the use of specific documentation (such as rent payment receipts) to replace confirmation of income, permitting the use of screening and credit-scoring techniques (with an increase in the margin allowed of $200,000 for housing). In addition, changes were made in relation to the "Manual for Origination and Administration of Mortgage Loans" to facilitate portfolio securitization by banks.

Chart 4
Uses of Household Mortgage Loans
Granted amounts - August 2007



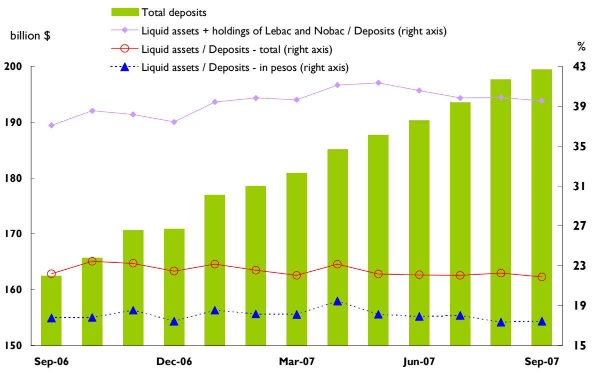
Source: BCRA

Chart 5
Public Sector Exposure
Credit to the public sector as % of total assets



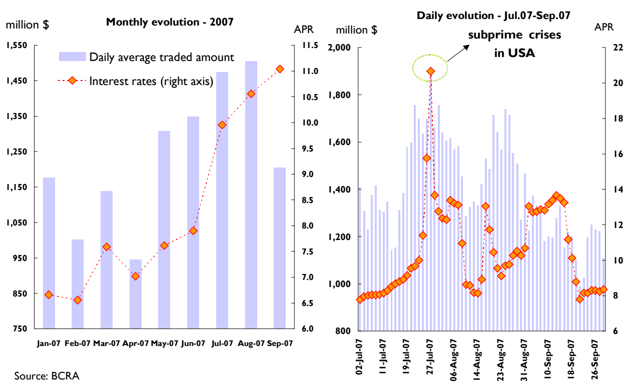
Source: BCRA

Chart 6
Deposits and Liquidity
Financial system



Source: BCRA

Chart 7
Call Market
1-day maturity operations in pesos



Source: BCRA

thirds of the mortgage loan stock corresponded to households, a group that in the last twelve months has accounted for 61% of the increase in such credit line. The main use of mortgage loans by households in August was the construction of homes and the purchase of used houses (see Chart 4). In the case of companies, service sector enterprises were the most dynamic, followed by primary goods industries, in line with the behavior of these branches of economic activity.

The mayor relative maturity of mortgage loans was behind the increase in the average term of loans granted to the private sector. While the average term for mortgage loans exceeded 12 years in September (30 months more than at the end of 2006), the rest of the credit lines (excluding credit cards and overdrafts) also lengthened their term to maturity in 2007.

At the same time as increasing lending to the private sector, banks reinforced their independence from the financial requirements of the public sector. In September the drop in exposure to the public sector was 0.3 p.p., reaching 15.8% of total assets (see Chart 5), accumulating a drop of 5.8 p.p. in 2007 to date. This monthly movement was led by private sector financial entities, which lowered their exposure to the public sector by 0.2 p.p. in September, so that it stood in a single figure (9.6% of assets).

In September, the fall in cash at banks and in the current accounts of financial entities at the BCRA ($2.4 billion) was basically compensated by the recovery of the BCRA repo stock (up $2.0 billion). In this context, the liquidity ratio dropped 0.4 p.p. in the month to 21.9% of total deposits (see Chart 6). **The liquidity indicator that includes holdings of Lebac and Nobac was down 0.3 p.p. in September to 39.6% of total deposits.**

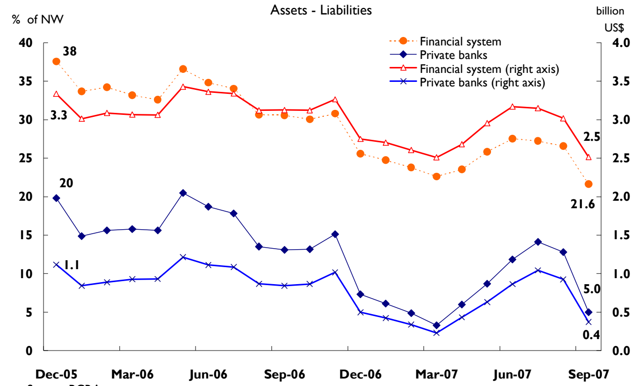
The BCRA's monetary and financial policy demonstrated its effectiveness in limiting inter-bank interest rate volatility in an adverse international scenario (see Chart 7). Complementing the measures adopted in July and August, during the second half of September the BCRA offered reverse repos at fixed interest rates for a daily amount of $1.0 billion (increased to $2.0 billion as from October), and also extended the terms for trades available to 7, 14 and 30 days, initially setting interest rates at 11%, 11.25% and 11.5%, respectively. Subsequently, between the end of September and the beginning of October, the BCRA established reductions in these interest rates, encouraging the normalization of the levels of the remaining short-term interest rates. Furthermore, the BCRA continued to redeem part of the stock of its Lebac and Nobac, both by means of repurchase tenders and direct purchases on the secondary market. In addition, to prevent foreign investors from taking positions in short-term BCRA bills and notes, issues of domestic Lebac and Nobac were made that are only able to be traded locally. This series of measures, added to the setting of a two-monthly minimum cash requirement period for October and November 2007, favored a reduction in uncertainty in relation to future liquidity conditions.

Non-financial sector deposits continued to grow in September. These deposits went up $1.7 billion in the month (0.9% or 22.9% y.o.y.),

Chart 8

Currency Mismatch

Assets - Liabilities

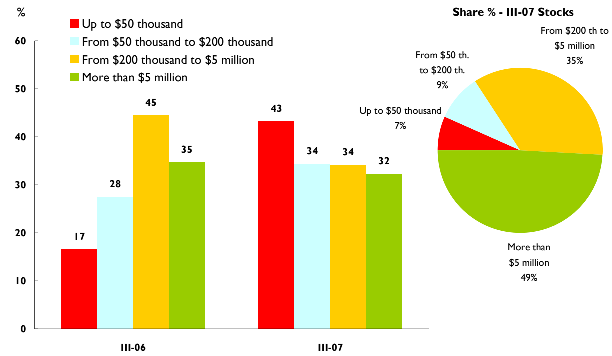


Source: BCRA

Chart 9

Lending to Companies by Stock Range

Year on year % change - Financial system

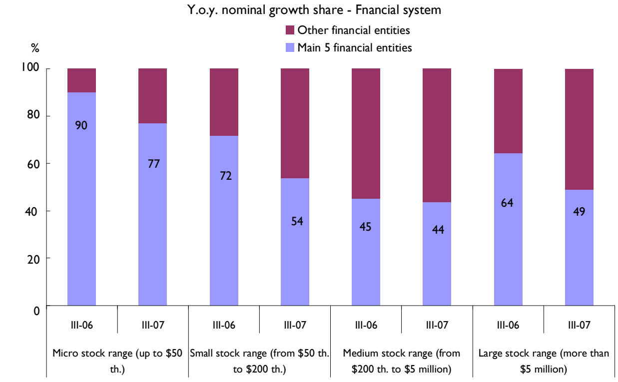


Source: BCRA

Chart 10

Concentration of Lending to Companies by Stock Range

Y.o.y. nominal growth share - Financial system



Source: BCRA

mainly driven by an increase of $1.5 billion (1.1% or 24.5% y.o.y.) in private sector deposits, and to a lesser extent, by a rise in public sector deposits. The increase in non-financial sector deposits in September was driven by time deposits ($750 million) and sight deposits ($650 million).[3]

Liquidity rediscounts granted by the BCRA to the financial system during the 2001-2002 financial crisis are on the verge of disappearance. In September, the only bank with outstanding rediscounts paid its installment for $70 million under the so-called matching schedule. In addition, in October and November this bank made payments for a total of $90 million, reducing its remaining debt with the BCRA to an amount equivalent to 0.5% of the liabilities of the financial system.

Banking system foreign currency mismatching went down in September. Financial system foreign currency assets fell US$470 million, explained mainly by a drop in liquid assets and in government securities. These movements were partly offset by growth in private sector lending in dollars. Liabilities in that currency increased slightly (US$30 million), mainly from the rise in private sector dollar deposits, almost entirely offset by a repurchase of corporate bonds in the same currency by a private bank. In this framework, **financial system foreign currency mismatching in terms of net worth dropped 4.9 p.p. in September** (see Chart 8) to a level of 21.6%, accumulating a reduction in 2007 of almost 3.9 p.p..

Corporate lending:

Widespread and more evenly growth over the different segments determined by size of loan stocks

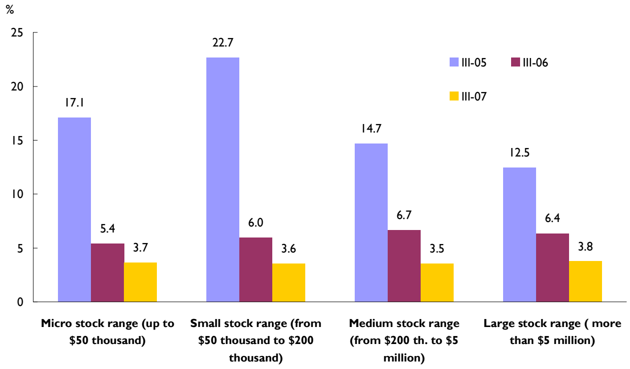
Corporate lending increased 34% in the last 12 months, with widespread growth across all loan stock ranges. Unlike 2006, in the last year the segments with the greatest relative growth were those with lower outstanding stocks (see Chart 9). Loans with stocks of less than $50 thousand grew 43% y.o.y. in the third quarter of 2007, while those from $50 thousand to $200 thousand increased 34% y.o.y.. **Although they still have a low participation in total lending to corporations, these lines for lesser amounts recorded an acceleration in their rate of growth, while larger loans slightly reduced their rhythm of expansion[4].**

Both in Argentina and in the rest of the world, micro, small and medium-size companies account for a significant proportion of employment and the economy's GDP. **To encourage the**

[3] The Other deposits rose $300 million.

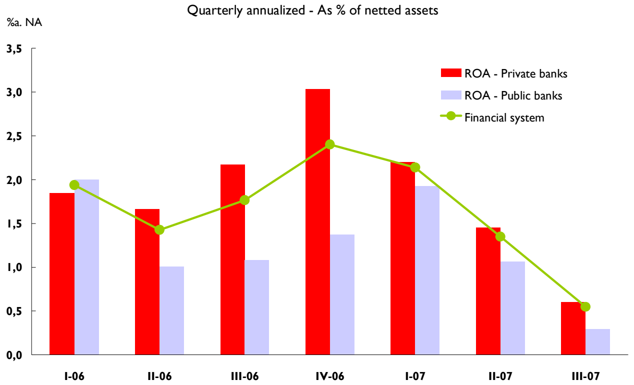
[4] The information used here about loan segments by residual stocks is obtained from the Financial System Debtors and Composition of Economic Groups Information Regime (RI-DSF). Therefore, part of the stock included in each range corresponds to lines that were originally granted for amounts greater than those indicated by such segment. Nevertheless, it is considered that such data provides useful information to analyzing the dynamic of loans granted according to their size (a variable which in principle could be more appropriately related to the size of the companies). Although it has not been used as a primary source of information to the SISCEN, as it includes a reduced amount of data compared with the loans by size in the RI-DSF (in particular, no information is available of non-performance), it should be pointed out that the observation on the basis of amounts granted is in line with what is determined from analysis on the basis of the residual loan stock. In terms of the RI-DSF, it is estimated that the spillover effect towards a lower range would be largely offset by the spillover effect received from the immediately higher segment. In addition, it is assumed that this data limitation is relatively stable between the two years being compared, so that it should not significantly affect the analysis in terms of rate of growth.

Chart 11
Non-Performing Loans to Companies by Stock Range
As % of total financing - Financial system



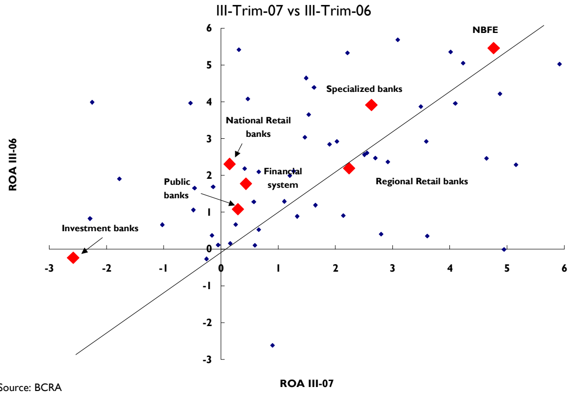
Source: BCRA

Chart 12
Financial System Profitability
Quarterly annualized - As % of netted assets



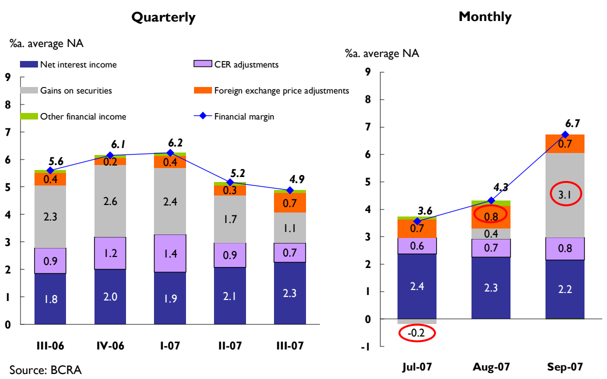
Source: BCRA

Chart 13
Financial Entities Profitability
III-Trim-07 vs III-Trim-06



Source: BCRA

Chart 14
Financial Margin
Financial system



Source: BCRA

development of credit for companies operating on a relatively smaller scale, the BCRA has been implementing a series of measures, taking into consideration the problems that normally arise in this segment of the credit market. In particular, the issue of guarantees by reciprocal guarantee associations (SGRs) was encouraged, and transactions with deferred payment checks were facilitated. In addition, to boost micro-credit it was decided to lengthen the loan installment frequency, as well as allowing banks to offer an initial grace period for principal servicing payments. In another measure to promote development of the segment, the maximum amount of the installment payable was increased from $200 to $300, and the minimum loan maturity was lengthened from 24 to 36 months, the size of loans for household infrastructure was raised from $3,000 to $6,000, and the repayment installment frequency can be either weekly, fortnightly or monthly.

This greater dynamism in the smaller loan segment took place in the context of a lower concentration of banks offering such loans. Whereas the leading 5 banks granting loans in the segment of less than $50 thousand accounted for 90% of the growth in such lending in 2006, in 2007 they had seen a decline in their share by 13 p.p. to 77% (see Chart 10). A similar pattern can be seen in the growth of lending in the $50 thousand to $200 thousand range.

Growth in corporate lending took place in the context of a reduced credit risk. Corporate lending non-performance stood at 3.6% in September 2007, 1.6 p.p. below the level at the end of 2006, with reductions in delinquency for all loan sizes (see Chart 11). In line with the widespread improvement in repayment capacity by borrowing companies, at present the difference between the non-performance ratio for small loans and that for large loans has practically disappeared.

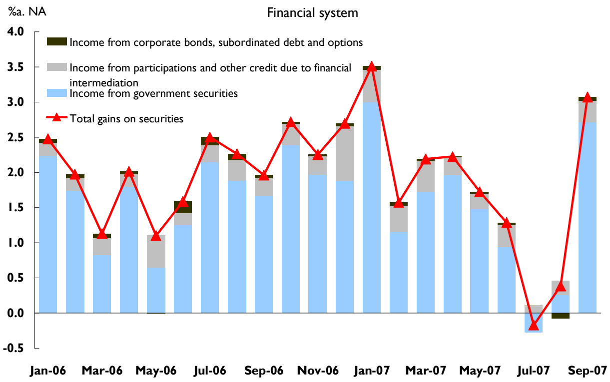
Profitability:

Despite turbulence on international financial markets, the banking system posted profits for the third quarter

Unlike the situation in the two previous months, during September banks recorded profits, succeeding in maintaining the positive trend for quarterly profitability. The financial system recorded an annualized (a.) profit of 2.5% of assets and 18.8%a. in terms of net worth for the month. Financial system accrued profits for September improved by 2.6 p.p. of assets compared with the previous month. **This recovery was driven mainly by the increase in gains from securities, as a result of improved prices for government bonds.**

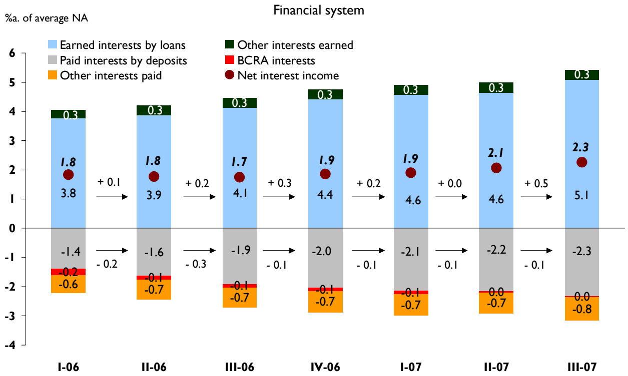
Quarterly financial system ROA totaled 0.5%a. (see Chart 12), while the ROE amounted to 4.1%a.. As a result, **the banking sector concluded its tenth consecutive quarter with positive results, successfully overcoming the period of greatest turbulence on international financial markets seen in recent years.** Profits for the sector accrued in the first nine months of 2007 reached $2.6 billion

Chart 15
Gains on Securities
Financial system



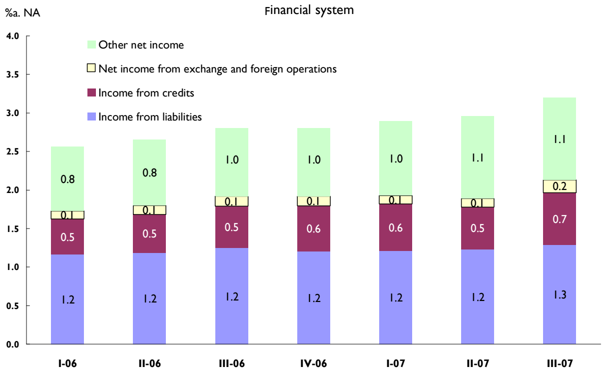
Source: BCRA

Chart 16
Net Interest Income
Financial system



Source: BCRA

Chart 17
Service Income Margin
Financial system



Source: BCRA

(ROA of 1.3%a. and ROE of 9.8%a., 0.4 p.p. and 3.1 p.p. respectively below those in the same period of 2006).

Both public and private banks recorded profits during the month. Private financial entities accrued a ROA of 3.5%a. in September, ending the third quarter with a ROA of 0.6%a.. Public banks achieved a ROA of 1.1%a. for the month, a figure that reached 0.3%a. for the third quarter.

Despite the financial turbulence, during the third quarter of 2007 the good profit performance concerned most financial entities, as 63 recorded positive results (equivalent to 68% of total assets). All bank groups, except investment banks, have recorded positive results in the third quarter of 2007, showing different performance in the actual results from that of the same period of the previous year (see Chart 13). Investment banks and national retail banks were the most affected by market volatility. Public banks and specialized retail banks were also affected. Non-bank financial entities and regional retail banks held their results almost steady. In short, in the third quarter of 2007 a total of 32 financial entities (equivalent to 44% of total assets) posted improvements to their results compared with the same period of 2006.

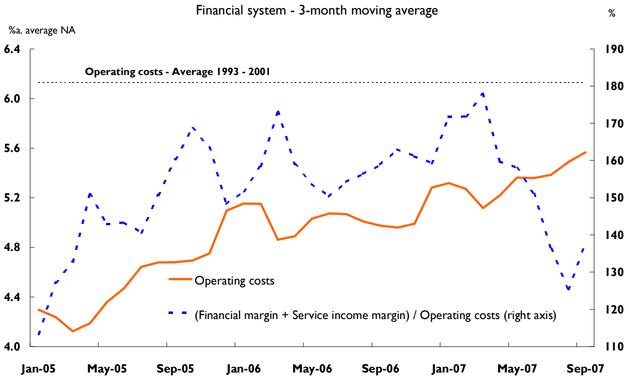
In September, growing gains on securities explained the increase for the month of 2.4 p.p. of assets in bank financial margin, which rose to 6.7%a. during the month (see Chart 14). In the third quarter, this latter item stood at 4.9%a. of assets, slightly less than in previous periods. This drop in financial margin was mainly explained by the effect of market turbulence on gains on securities in July and August. This was partly offset by increased net interest income, in line with the growth in financial intermediation with the private sector, and by higher results from exchange rate differences as a consequence of the slight depreciation of the peso related to dollar.

Gains on securities recorded the largest increase in September. In line with the recovery in the prices of main government bonds held in portfolio seen in the second half of the month, **gains on securities totaled 3.1%a. of assets in September**, 2.7 p.p. higher than the figure for August (see Chart 15). The improvement in the gains on securities for the month was mainly recorded by private banks, and to a lesser extent by public banks. In the third quarter of 2007 gains on securities totaled 1.1%a. of assets, 1.2 p.p. less than in the same period of the previous year.

Net interest income was the second leading source of the financial margin in September, reaching 2.2%a. of assets, 0.1 p.p. less than in August. In quarterly terms, there has been an upward trend in the main interest income headings (see Chart 16). Both interest earned on loans and interest paid on deposits have been rising in recent periods. In the context of a slight rise in lending interest rates, the dynamism of loans granted to the private sector was maintained, while time deposits continued to increase during the quarter.

In a situation in which CER index rose at a faster rate than in the previous month, adjustments on the basis of this coefficient totaled 0.8%a. of assets in September, 0.1 p.p. more than in August. As a result, net interest income plus CER for September remained at a level of 3%a. of assets, as in the two previous months. In the third quarter,

Chart 18
Operating Costs
Financial system - 3-month moving average



Source: BCRA

Table 1
Main Developments in October 2007

	Sep	Oct	Var. Sep	Var. Oct
Prices				
Exchange rate ($/US$)[1]	3.150	3.148	-0.2	-0.1
CPI	197.6	198.9	0.8	0.7
CER[1]	2.00	2.02	0.6	0.8
	%	%	Var b.p	Var b.p
Securities - annual IRR[1]				
BOGAR $ 2018	7.6	7.9	-147	34
BODEN US$ 2012	9.0	8.5	-94	-48
Discount $	7.7	7.7	-60	-6
Discount US$ NY	9.3	8.3	-45	-99
Lebac in $ - 6 months to maturity	13.8	14.4	-85	68
Nobac in $ (BADLAR Private banks) - 9 months to maturity	16.1	16.5	66	37
	%	%	Var b.p	Var b.p
Average percentage rates				
Lending[2]				
Overdraft	19.1	17.9	132	-118
Promissory notes	15.8	14.4	181	-140
Mortgage	11.7	12.0	83	38
Pledge-backed	12.5	13.8	266	128
Personal	27.4	28.2	231	80
30 to 44 day time deposit	10.0	10.0	151	-3
BADLAR	10.8	10.8	174	2
7 day BCRA repos	7.9	8.3	13	38
Lebac in $ - 3 months	10.7	10.7	11	4
	Mill $	Mill $	Var %	Var %
Balance[2,3] - Financial system				
Peso private deposits	122,809	123,470	0.0	0.5
Peso loans - Private sector	80,428	83,077	4.2	3.3
Overdraft	12,910	13,132	-2.1	1.7
Promissory notes	16,672	16,958	4.4	1.7
Mortgage	12,708	13,197	4.0	3.8
Pledge-backed	5,092	5,359	5.2	5.2
Personal	18,699	19,516	6.6	4.4

([1]) End of month figure. Secondary market
([2]) Estimation based on SISCEN data (provisional data subject to change)
([3]) Monthly average
Source: INDEC and BCRA

CER income reached 0.7%a. of assets, 0.2 p.p. less than in the same quarter of the previous year. This can be explained in part by the **gradual reduction in the mismatching in the items adjusted by the CER.**

Results from exchange rate differences fell in September, an indication of the reduction in balance sheet foreign currency mismatching and the decline in the peso-dollar exchange rate. This profit statement heading totaled 0.7%a. of assets in the month, 0.1 p.p. less than in August.

Service income margin is gaining strength as one of the main sources of bank profitability. In September, service income margin totaled 3.2%a. of assets, 0.1 p.p. less than in the previous month, a drop explained by a public bank. As a result, service income margin covered 57% of operating costs, in line with the level recorded in previous months. During the third quarter of 2007, service income margin reached 3.2%a. of assets, 0.3 p.p. more than had been recorded in the same period of the previous year. Although income from deposit-taking accounted for a large portion of income from services, income derived from loans to the private sector has been the most dynamic, and has been gaining share (see Chart 17).

Loan loss provisions recorded a slight decline during the month, remaining at a historically low level, totaling 0.8%a. of assets in September (0.2 p.p. less than in August). This accrued expenditure totaled 2.2%a. of private sector loans in September. In the third quarter of the year, loan loss provisions totaled 0.9%a. of assets, 0.4 p.p. more than in the same period of 2006. The increased share of loans to the private sector in total assets helps to explain this result.

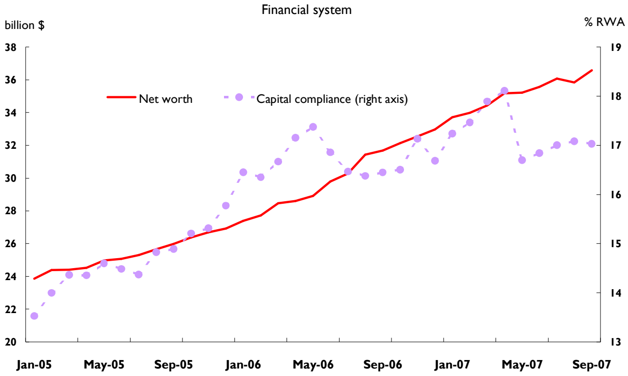
Operating costs remained relatively stable during the month, totaling 5.6%a. of assets in September. Mainly led by the improvement for the month in financial margin, the coverage ratio for operating costs rose in September to 138% (see Chart 18). In a context of gradual expansion in payroll and a recovery in wages, in the third quarter of 2007 operating costs amounted to 5.6%a. of assets, 0.4 p.p. higher than in the same period of the previous year.

The accrual of adjustments to the valuation of public sector assets experienced a positive change for the month due to a public bank. This income statement heading totaled 0.1%a. of assets in September, 0.9 p.p. more than in August. **Other financial system results were down 0.3 p.p. in September,** to 1.1%a. of assets. Although there was an increase in the result on shares and participation, the drop for the month in the miscellaneous category was largely influenced by extraordinary income posted by one private bank. Lastly, **income tax accrual increased by 0.5 p.p. of assets to 0.7%a..**

Outlook for October

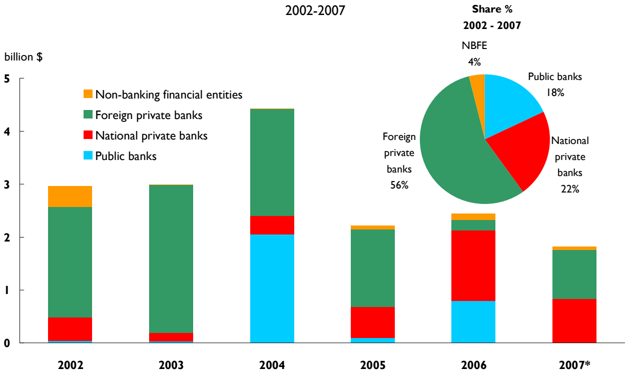
On the basis of steady growth in traditional financial intermediation, in a context of lower volatility on international financial markets compared with the two previous months, it is expected that banks will once again accrue profits in October. The

Chart 19
Solvency
Financial system



Source: BCRA

Chart 20
Capital Contributions
2002-2007



* Up to september
Source: BCRA

consolidation of recurring revenues (net interest income and service income margin) will be the drivers behind these positive results.

It is expected that there will be an increase in net interest income in October. Growth in lending to the private sector during the month, in the context of an uneven development by lending rates, will help increase net interest income. The most dynamic credit lines in October were pledge-backed loans, personal loans and mortgages (see Table 1). CER adjustments are expected to have increased slightly in October, given the larger monthly growth in this coefficient compared with the previous month.

Service income margin will have continued at a high level in October, as a result of deposit growth and increased lending to the private sector. In the context of lower volatility on international financial markets, it is expected that **gains on securities will once again be positive in October, although somewhat lower than in September**, given the mixed performance by the prices of the leading bonds held in banks portfolios. In such a situation, exchange rate differences will post a decline for the month as a consequence of the appreciation of the peso against dollar in October.

Solvency:

Financial system net worth continues to benefit from positive results

Financial system net worth grew $740 million or 2.1% in September (see Chart 19), accumulating an increase of 15.4% in the last 12 months. The increase for the month was led by book profits, and to a lesser extent, by positive adjustments to the valuation of government and BCRA securities in "trading accounts", and capital contributions made by two private sector financial entities. In the specific case of this latter point, in the first 9 months of 2007 capitalization has been in excess of $1.8 billion, accounted for in almost equal parts by domestic and foreign banks (see Chart 20). The increase for the month in net worth was greater in private banks than in public banks. Whereas private banks increased their net worth by 2.6% in September (17.3% y.o.y.), public banks did so by 0.8% (11.1% y.o.y.).

Banking system capital compliance continues to exceed local requirements and minimum levels recommended internationally. In September capital compliance in terms of risk-weighted assets remained at around 17%. Financial entioties capital position in relation to capital requirement dropped 1.3 p.p. in the month, to 97.6%. The performance for the month was particularly linked to a public bank.

Latest regulations:

This section contains a summary of the main regulations related to the business of financial intermediation issued during the month (referenced by the date on which they came into force).

- **Communication "A" 4704 – 7/9/07**

As from 31/8/07, replacing the terms of Communication "A" 3911 and complementing resolutions, calculation of the present value of Guaranteed Loans, BOGAR and other instruments of the public non-financial sector without regular listing shall take place using a discount rate so as to offset the positive result corresponding to their yield, and CER if appropriate, against the loss derived from the reduction in the present value of the items in question from the impact of the use of a higher discount rate than that applied in the previous month.

- **Communication "A" 4707 – 20/9/07**

As a temporary measure it has been established that for the October/November 2007 period, minimum cash requirement calculations should be based on the two-month period. It was however also laid down that any liquidity surplus that might be recorded by financial entities in October shall not be able to be applied to November 2007.

- **Communication "A" 4712 – 24/9/07**

Approval of regulations on Credit Cooperatives (Law 26,173): Operating authorization, minimum capital requirements, minimum cash, and deposit and lending activities. It is also established that credit cooperatives shall be able to open offices for temporary attention to customers, for which they should first obtain approval from the BCRA.

- **Communication "A" 4715 – 26/9/2007**

The BCRA Board has authorized the issue of "Domestic Lebacs" and "Domestic Nobacs", which are only for trading locally; they may be held by legal entities duly constituted in the country subject to continuous supervision by national regulatory and control bodies, and by financial entities authorized by the BCRA for their own portfolios, and by individuals resident in Argentina and official accounts. The sole registration, settlement and depositary agent shall be the CRyL.

- **Communication "A" 4716 – 27/9/07**

As from October 2007, compliance with minimum cash requirements on government security time deposits must be made with holdings market to market of the same kind of public bond. Holdings should be deposited in special accounts opened for the purpose at the BCRA.

Methodology:

(a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). With a view to calculating data for the system aggregate, for entities not providing data for the month under review, the latest information available is repeated in the aggregate balance sheet. In turn, for the analysis of profitability, only taken into consideration are those entities providing data on the month in question.

(b) Due to the possible lack of data for a number of banks at the time of drafting this Report, and given the possibility of subsequent corrections to the data provided by financial entities, the data included –particularly for the last month mentioned- is of a preliminary nature. Consequently, and given the fact that the latest available data are always used, data in connection with earlier periods may not match what was previously mentioned in prior issues of the Report. In such cases, the latter release should be considered the highest quality available one.

(c) Unless provided to the contrary, data on deposits and loans relate to balance sheet information, and do not necessarily agree with those gathered via the Centralized System of Information Requirements (SISCEN). Reasons for discrepancies include: the exact date taken into account for the calculation of monthly variations and the items included in the definition adopted in each case.

(d) Qualitative information on specific transactions involving specific banks has been taken from the notes to the banks financial statements, or obtained on the basis of inquiries made to the supervisors with the Superintendence of Financial and Exchange Institutions.

(e) Profitability indicators are calculated based on monthly results estimated on the grounds of the changes in the amount of aggregated results during the current fiscal year. Unless a provision is made to the contrary, profitability ratios are annualized.

(f) Initially, the breakdown by group of banks was determined on the basis of majority involvement in decision taking –in terms of Shareholders meetings votes- differentiating between privately-owned institutions from public banks. Also and with a view to deepening the scope of the analysis, private institutions were identified according to geographic and business scope of their operations. Thus, wholesale banks were defined as those specializing in the large corporations and investors sector, which usually do not depend for their funding on deposits from the private sector. On the other hand, retail banks were divided into those carrying out business at the domestic level, located in certain geographic regions –municipalities, provinces, or regions- and institutions specializing in a financial sector niche market –generally smaller institutions. Lastly, it should be noted that the grouping herein has solely been carried out for analytical purposes and does not imply the only methodological grouping criterion; whereas, on the other hand, the listing of features pertaining to each set of institutions has been established in a general manner.

Glossary:

%a.: annualized percentage.
%i.a.: interannual percentage.
Adjusted profit: Total profit excluding payments made due to court-ordered releases and adjustments to the valuation of public sector assets according to Com. "A" 3911 and modifications.
ASE: Adjusted stockholders' equity, for Responsabilidad Patrimonial Computable (RPC) in Spanish. The measure for compliance with bank capital regulations.
Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial institutions.
CEDRO: Certificado de Depósito Reprogramado. Rescheduled Stabilization Coefficient.
Financial margin: Income less outlays of a financial nature. Includes interest income, gains from securities, CER/CVS adjustments, exchange rate differences and other financial results. Does not include the items affected by Com. A 3911.
Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt, options and from other income from financial intermediation. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.
Income from services: Commissions collected less commissions paid. Includes commissions on liabilities, credits, securities, guarantees granted, rental of safe deposits boxes and foreign trade and exchange transactions, excluding in the case of the latter results from the trading of foreign currency, which are recorded in the "Exchange difference" accounts (here included under the heading "Other financial results"). Outflows include commissions paid, contributions to the Banking Social Services Institute (ISSB), other contributions on service income and charges accrued for gross income tax.
Interest income (interest margin): Interest collected less interest paid on financial intermediation, on an accrual basis – taken from balance sheet – rather than on a cash basis. Includes interest on loans of government securities and premiums on repos and reverse repos.
Liquid assets: Minimum cash compliance – cash, current account at BCRA and special accounts in guarantee – and other liquid items, including correspondent accounts.
Liquidity ratio: Liquid assets as a percentage of total deposits.
mill.: million
Netted assets (NA) and liabilities: Those net of accounting duplications inherent to the recording of repurchase agreements, term transactions or unsettled spot transactions.
Net worth exposure to counterparty risk: Non-performing portfolio net of allowances in terms of net worth.
Non-performing portfolio: Portfolio in categories 3 to 6, as per the debtor classification system.
Operating costs: Includes remuneration, social security payments, services and fees, miscellaneous expenses, taxes and amortization.
ON: Corporate bonds (Obligaciones Negociables).
OS: Subordinated debt (Obligaciones Subordinadas).
Other financial results: Income from financial leasing, adjustments to valuation of credit to the public sector, contribution to the deposit guarantee fund, interest on liquid funds, difference in market price of gold and foreign exchange, premiums on the sale of foreign currency and other unidentified income (net).
PN: Net worth (Patrimonio Neto).
p.p.a.: annualized percentage points
Private sector credit: Loans to the private sector and private sector securities.
Public sector credit: Loans to the public sector, holdings of government securities and compensation receivable from the Federal Government.
Quotation differences: Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.
ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.
ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.
RPC: Adjusted stockholders´s equity, calculated towards meeting capital regulations. (Responsabilidad Patrimonial Computable)
SMEs: Small and Medium Enterprises.
US$: United States dollars.
RWA: Risk weighted assets.

Statistics Annex: Financial System

Chart 1: Financial Soundness Indicators (see Methodological note in next page)

As %	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Sep 2006	2006	Aug 2007	Sep 2007
1.- Liquidity	22.3	26.1	23.1	25.0	23.4	19.6	22.8	29.1	29.6	20.1	22.2	22.5	22.3	21.9
2.- Lending to the public sector	16.9	16.2	16.2	18.0	17.3	23.0	48.5	46.5	39.6	30.8	24.6	21.6	16.1	15.8
3.- Lending to the private sector	50.8	47.7	48.4	44.9	39.9	42.7	20.8	18.1	19.6	25.8	29.2	31.0	34.7	35.3
4.- Private non-performing loans	16.2	13.8	12.2	14.0	16.0	19.1	38.6	33.5	18.6	7.6	5.0	4.5	3.6	3.5
5.- Net worth exposure to private sector	24.9	22.5	20.6	24.7	26.2	21.9	17.3	12.4	-1.0	-4.1	-3.7	-3.3	-3.3	-3.2
6.- ROA	0.6	1.0	0.5	0.2	0.0	0.0	-8.9	-2.9	-0.5	0.9	1.7	1.9	1.2	1.3
7.- ROE	4.1	6.3	3.9	1.7	0.0	-0.2	-59.2	-22.7	-4.2	7.0	12.9	14.3	8.7	9.8
8.- Efficiency	142	136	138	142	147	143	189	69	125	151	166	165	155	157
9.- Capital compliance	23.8	20.8	20.3	21.0	20.1	21.4	-	14.5	14.0	15.3	16.5	16.7	17.1	17.0
10.- Excess capital compliance	64	73	49	54	58	54	-	116	185	173	130	132	99	98

Source: BCRA

Chart 2: Balance Sheet

In million of current pesos	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Sep 06	Dec 06	Aug 07	Sep 07	Change (%) Last month	Change (%) Accum. 2007	Change (%) Last 12 months
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**221,962**	**252,383**	**258,742**	**289,647**	**293,344**	**1.3**	**13.4**	**16.2**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	20,819	33,008	37,991	42,203	39,874	-5.5	5.0	20.8
Public bonds	10,474	3,694	31,418	45,062	55,382	66,733	62,829	64,395	69,193	70,665	2.1	9.7	12.5
Lebac/Nobac	0	0	-	-	17,755	28,340	30,102	29,091	41,258	42,987	4.2	47.8	42.8
Portfolio	0	0	-	-	11,803	21,067	24,179	25,570	34,807	35,239	1.2	37.8	45.7
Repo	0	0	-	-	5,953	7,273	5,923	3,521	6,451	7,748	20.1	120.1	30.8
Private bonds	633	543	332	198	387	389	738	813	668	458	-31.4	-43.6	-37.9
Loans	83,277	77,351	84,792	68,042	73,617	84,171	97,919	103,611	118,885	122,122	2.7	17.9	24.7
Public sector	15,164	22,694	44,337	33,228	30,866	25,836	22,526	20,815	16,804	16,849	0.3	-19.1	-25.2
Private sector	64,464	52,039	38,470	33,398	41,054	55,885	71,804	77,834	97,344	100,317	3.1	28.9	39.7
Financial sector	3,649	2,617	1,985	1,417	1,697	2,450	3,589	4,962	4,736	4,956	4.6	-0.1	38.1
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-4,930	-4,236	-3,999	-4,056	-4,132	1.9	3.3	-2.5
Other netted credits due to financial intermediat.	42,361	21,485	39,089	27,030	32,554	26,721	33,043	26,030	31,749	32,839	3.4	26.2	-0.6
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	873	776	773	831	687	-17.3	-11.1	-11.5
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,883	4,633	4,881	5,105	5,351	4.8	9.6	15.5
Compensation receivable	0	0	17,111	14,937	15,467	5,841	5,227	763	375	375	0.0	-50.9	-92.8
Other	39,514	18,669	13,572	6,392	12,924	16,124	22,406	19,613	25,439	26,426	3.9	34.7	17.9
Leasing	786	771	567	397	611	1,384	1,987	2,262	3,205	3,319	3.6	46.8	67.1
Shares in other companies	2,645	2,688	4,653	4,591	3,871	4,532	5,749	6,378	6,664	6,889	3.4	8.0	19.8
Fixed assets and miscellaneous	4,939	4,804	8,636	8,164	7,782	7,546	7,508	7,638	7,495	7,543	0.6	-1.3	0.5
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,647	3,892	2,788	2,902	2,928	0.9	5.0	-24.8
Other assets	3,950	5,334	9,338	12,043	13,180	10,950	9,948	10,835	10,739	10,838	0.9	0.0	9.0
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**195,044**	**220,686**	**225,773**	**253,793**	**256,752**	**1.2**	**13.7**	**16.3**
Deposits	86,506	66,458	75,001	94,635	116,655	136,492	162,488	170,898	197,599	199,374	0.9	16.7	22.7
Public sector[2]	7,204	950	8,381	16,040	31,649	34,019	43,140	45,410	51,126	51,295	0.3	13.0	18.9
Private sector[2]	78,397	43,270	59,698	74,951	83,000	100,809	117,063	123,431	144,231	145,768	1.1	18.1	24.5
Current account	6,438	7,158	11,462	15,071	18,219	23,487	25,017	26,900	32,534	32,857	1.0	22.1	31.3
Savings account	13,008	14,757	10,523	16,809	23,866	29,078	33,932	36,442	41,933	42,778	2.0	17.4	26.1
Time deposit	53,915	18,012	19,080	33,285	34,944	42,822	52,324	54,338	63,047	63,182	0.2	16.3	20.8
CEDRO	0	0	12,328	3,217	1,046	17	16	13	12	5	-56.2	-60.4	-66.9
Other netted liabilities due to financial intermediat.	55,297	36,019	75,737	61,690	64,928	52,072	51,261	46,037	47,710	48,587	1.8	5.5	-5.2
Interbanking obligations	3,545	2,550	1,649	1,317	1,461	2,164	3,315	4,578	4,192	4,322	3.1	-5.6	30.4
BCRA lines	102	4,470	27,837	27,491	27,726	17,005	11,046	7,686	2,545	2,449	-3.8	-68.1	-77.8
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,548	6,542	6,603	7,465	7,181	-3.8	8.7	9.8
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	4,684	4,795	4,240	3,676	3,753	2.1	-11.5	-21.7
Other	37,883	17,295	11,955	11,012	18,934	21,671	25,562	22,930	29,832	30,882	3.5	34.7	20.8
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,381	1,244	1,642	1,694	1,645	-2.8	0.2	32.3
Other liabilities	2,210	2,524	6,997	6,569	5,685	5,099	5,694	7,196	6,791	7,145	5.2	-0.7	25.5
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**26,918**	**31,697**	**32,969**	**35,853**	**36,592**	**2.1**	**11.0**	**15.4**
Memo													
Netted assets	129,815	110,275	185,356	184,371	202,447	208,275	234,698	245,149	270,171	272,849	1.0	11.3	16.3
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	203,286	227,534	236,216	261,244	263,585	0.9	11.6	15.8

(1) Includes margin accounts with the BCRA. (2) Does not include accrual on interest or CER.

Source: BCRA

Statistics Annex: Financial System

Chart 3: Profitability Structure

Amounts in million of pesos	Annual							First nine months		Monthly			Last
	2000	2001	2002[1]	2003	2004	2005	2006	2006	2007	Jul-07	Aug-07	Sep-07	12 months
Financial margin	7,291	6,943	13,991	1,965	6,075	9,475	13,061	9,472	10,591	793	973	1,528	14,180
Net interest income	5,106	4,625	-3,624	-943	1,753	3,069	4,150	3,015	4,072	528	509	491	5,207
CER and CVS adjustments	0	0	8,298	2,315	1,944	3,051	3,010	2,300	1,918	132	149	188	2,628
Foreign exchange price adjustments	185	268	5,977	-890	866	751	943	818	988	149	188	152	1,114
Gains on securities	1,481	1,490	3,639	1,962	1,887	2,371	4,725	3,167	3,407	-38	86	698	4,964
Other financial income	519	559	-299	-480	-375	233	233	172	206	22	41	-1	267
Service income margin	3,582	3,604	4,011	3,415	3,904	4,781	6,241	4,484	5,911	696	745	718	7,669
Loan loss provisions	-3,056	-3,096	-10,007	-2,089	-1,511	-1,173	-1,198	-905	-1,301	-176	-215	-188	-1,593
Operating costs	-7,375	-7,362	-9,520	-7,760	-7,998	-9,437	-11,619	-8,398	-10,479	-1,206	-1,289	-1,263	-13,700
Tax charges	-528	-571	-691	-473	-584	-737	-1,087	-767	-1,086	-128	-142	-134	-1,405
Income tax	-446	-262	-509	-305	-275	-581	-765	-599	-827	-18	-37	-153	-993
Adjustments to the valuation of government securities[2]	0	0	0	-701	-320	-410	-746	-530	-323	-124	-176	14	-539
Amortization payments for court-ordered releases	0	0	0	-1,124	-1,686	-1,867	-1,719	-1,292	-1,734	-182	-188	-202	-2,161
Other	535	702	-3,880	1,738	1,497	1,729	2,139	1,378	1,843	161	310	254	2,605
Monetary results	0	0	-12,558	69	0	0	0	0	0	0	0	0	0
Total results	**3**	**-42**	**-19,162**	**-5,265**	**-898**	**1,780**	**4,306**	**2,841**	**2,597**	**-183**	**-20**	**574**	**4,062**
Adjusted results[3]	-	-	-	-3,440	1,337	4,057	6,771	4,663	4,654	122	345	762	6,762
Annualized indicators - As % of netted assets													
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	5.8	5.7	5.4	3.6	4.3	6.7	5.5
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.8	1.8	2.1	2.4	2.3	2.2	2.0
CER and CVS adjustments	0.0	0.0	3.9	1.3	1.0	1.5	1.3	1.4	1.0	0.6	0.7	0.8	1.0
Foreign exchange price adjustments	0.1	0.2	2.8	-0.5	0.4	0.4	0.4	0.5	0.5	0.7	0.8	0.7	0.4
Gains on securities	1.2	1.2	1.7	1.1	1.0	1.2	2.1	1.9	1.7	-0.2	0.4	3.1	1.9
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.0	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.7	2.7	3.0	3.1	3.3	3.2	3.0
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.5	-0.5	-0.7	-0.8	-1.0	-0.8	-0.6
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-5.1	-5.1	-5.4	-5.4	-5.7	-5.6	-5.3
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.5
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.4	-0.1	-0.2	-0.7	-0.4
Adjustments to the valuation of government securities[2]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.3	-0.3	-0.2	-0.6	-0.8	0.1	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.8	-0.8	-0.9	-0.8	-0.8	-0.9	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.9	0.8	0.9	0.7	1.4	1.1	1.0
Monetary results	0.0	0.0	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**0.9**	**1.9**	**1.7**	**1.3**	**-0.8**	**-0.1**	**2.5**	**1.6**
ROA adjusted[3]	0.0	0.0	-8.9	-1.9	0.7	2.0	3.0	2.8	2.4	0.5	1.5	3.4	2.6
ROE	*0.0*	*-0.2*	*-59.2*	*-22.7*	*-4.2*	*7.0*	*14.3*	*12.9*	*9.8*	*-6.1*	*-0.7*	*18.8*	*11.8*

(1) Data at December 2002 currency (2) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.
(3) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.
Source: BCRA

Chart 4: Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Sep 06	Dec 06	Jul 07	Aug 07	Sep 07
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	5.2	3.8	3.4	3.0	2.9	2.9
Non-performing loans to the non-financial private se	**16.0**	**19.1**	**38.6**	**33.5**	**18.6**	**7.6**	**5.0**	**4.5**	**3.7**	**3.6**	**3.5**
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	9.3	5.7	5.0	3.6	3.5	3.5
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	4.8	3.8	3.5	3.7	3.7	3.6
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	125.1	131.5	130.3	130.7	132.8	133.1
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.3	-1.2	-1.0	-0.9	-1.0	-1.0
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-4.1	-3.7	-3.3	-3.0	-3.3	-3.3

(*) Include commercial loans treated as consumer loans for classification purposes.
Source: BCRA

Methodological note (chart 1):

1.-(Cash compliance according to BCRA + Other cash holdings + Central Bank repos) / Total deposits; **2.-**(Public bonds position (without LEBAC and NOBAC) + Loans to the public sector + Compensation receivable) / Netted assets; **3.-**Loans to the private sector / Netted assets; **4.-**Non-performing loans to the non-financial private sector / Loans to the non-financial private sector; **5.-**(Total non-performing loans – Provisions) /Net Worth. The non-performing loans includes loans classified in situation 3,4,5, and 6; **6.-**Accumulated annual results /Average monthly netted assets - % Annualized; **7.-** Accumulated annual results / Average monthly net worth - % Annualized; **8.-**(Financial margin (Net interest income + Restatement by CER and CVS + Gain on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Operating costs; **9.-**Capital compliance (Responsabilidad Patrimonial Computable) / Risk – adjusted assets according to the norm of BCRA about Minimum Capital Compliance; **10.-**(Capital Compliance minus requirements, included franchises) / Capital requirements.

Statistics Annex: Private Banks

Chart 5: Financial Soundness Indicators (see Methodological note in next page)

As %	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Sep 2006	2006	Aug 2007	Sep 2007
1.- Liquidity	23.6	26.9	22.8	24.3	24.1	23.6	24.8	27.6	29.2	21.5	22.1	23.7	24.0	23.5
2.- Lending to the public sector	13.5	13.7	13.6	16.1	14.7	20.8	49.4	47.1	41.2	28.0	20.7	15.9	9.8	9.6
3.- Lending to the private sector	51.0	46.7	47.6	44.6	38.4	45.4	22.4	19.9	22.5	31.1	36.3	37.9	43.7	44.3
4.- Private non-performing loans	11.1	8.5	7.7	8.9	9.8	14.0	37.4	30.4	15.3	6.3	4.1	3.6	2.8	2.8
5.- Net worth exposure to private sector	21.6	14.3	13.2	11.5	13.4	11.4	18.6	11.2	1.9	-2.2	-2.8	-3.0	-3.0	-3.0
6.- ROA	0.6	0.7	0.5	0.3	0.1	0.2	-11.3	-2.5	-1.0	0.5	1.9	2.2	1.1	1.4
7.- ROE	4.1	6.3	4.3	2.3	0.8	1.4	-79.0	-19.1	-8.1	4.1	13.3	15.4	7.6	9.5
8.- Efficiency	144	135	139	146	152	151	168	93	115	136	157	157	146	150
9.- Capital compliance	15.9	15.4	14.6	18.9	18.0	17.6	-	14.0	15.1	17.8	18.6	18.6	19.9	19.8
10.- Excess capital compliance	33	47	27	60	49	43	-	88	157	155	118	116	100	100

Source: BCRA

Chart 6: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Sep 06	Dec 06	Aug 07	Sep 07	Change (%) Last month	Change (%) Accum. 2007	Change (%) Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**129,680**	**144,738**	**152,414**	**167,257**	**169,597**	**1.4**	**11.3**	**17.2**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,074	19,126	22,226	26,297	24,174	-8.1	8.8	26.4
Public bonds	7,583	1,627	19,751	22,260	24,817	29,966	27,250	27,663	27,206	28,216	3.7	2.0	3.5
Lebac/Nobac	0	0	-	-	8,359	15,227	14,638	15,952	18,599	20,412	9.7	28.0	39.4
Portfolio	0	0	-	-	5,611	12,899	13,684	14,220	16,840	16,957	0.7	19.2	23.9
Repo	0	0	-	-	2,749	2,328	955	1,732	1,759	3,454	96.4	99.5	261.8
Private bonds	563	451	273	172	333	307	624	683	484	404	-16.5	-40.8	-35.2
Loans	56,035	52,319	51,774	47,017	50,741	56,565	64,916	69,294	80,104	82,355	2.8	18.8	26.9
Public sector	8,172	13,803	25,056	23,571	21,420	15,954	11,806	10,036	6,513	6,537	0.4	-34.9	-44.6
Private sector	45,103	36,636	26,074	22,816	28,213	39,031	50,675	55,632	70,206	72,069	2.7	29.5	42.2
Financial sector	2,760	1,880	644	630	1,107	1,580	2,435	3,626	3,385	3,749	10.8	3.4	54.0
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,482	-2,244	-2,227	-2,259	-2,270	0.5	1.9	1.2
Other netted credits due to financial intermediat.	36,600	13,037	27,212	22,148	25,753	16,873	19,675	18,387	17,453	18,481	5.9	0.5	-6.1
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	675	578	618	688	508	-26.2	-17.8	-12.1
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,444	2,999	2,982	3,661	3,820	4.3	28.1	27.4
Compensation receivable	0	0	15,971	13,812	14,657	5,575	4,916	760	374	374	0.0	-50.7	-92.4
Other	34,267	10,735	3,523	3,370	7,905	8,179	11,182	14,027	12,729	13,779	8.2	-1.8	23.2
Leasing	776	752	553	387	592	1,356	1,887	2,126	2,964	3,061	3.3	43.9	62.2
Shares in other companies	1,651	1,703	3,123	2,791	1,892	2,416	3,587	4,042	4,295	4,455	3.7	10.2	24.2
Fixed assets and miscellaneous	3,225	3,150	5,198	4,902	4,678	4,575	4,572	4,677	4,554	4,589	0.8	-1.9	0.4
Foreign branches	75	112	-109	-136	-53	-148	-138	-139	-150	-151	0.4	8.6	9.5
Other assets	2,190	2,574	7,549	7,816	7,137	6,178	5,484	5,682	6,309	6,281	-0.4	10.5	14.5
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**112,600**	**124,775**	**131,476**	**144,414**	**146,171**	**1.2**	**11.2**	**17.1**
Deposits	57,833	44,863	44,445	52,625	62,685	75,668	87,869	94,095	109,849	110,443	0.5	17.4	25.7
Public sector[2]	1,276	950	1,636	3,077	6,039	6,946	7,369	7,029	8,407	8,281	-1.5	17.8	12.4
Private sector[2]	55,917	43,270	38,289	47,097	55,384	67,859	79,174	85,714	100,161	100,795	0.6	17.6	27.3
Current account	4,960	7,158	8,905	11,588	13,966	17,946	18,673	20,604	24,666	24,765	0.4	20.2	32.6
Savings account	9,409	14,757	6,309	10,547	14,842	18,362	20,671	23,165	26,672	27,066	1.5	16.8	30.9
Time deposit	39,030	18,012	11,083	18,710	22,729	27,736	35,930	38,043	44,423	44,427	0.0	16.8	23.6
CEDRO	0	0	9,016	2,409	798	3	2	1	1	1	-14.3	-54.4	-70.9
Other netted liabilities due to financial intermediat.	46,271	22,629	49,341	42,367	45,083	32,349	32,372	31,750	29,075	30,142	3.7	-5.1	-6.9
Interbanking obligations	2,293	1,514	836	726	1,070	1,488	2,323	3,383	2,346	2,176	-7.3	-35.7	-6.3
BCRA lines	83	1,758	16,624	17,030	17,768	10,088	6,888	3,689	661	659	-0.3	-82.1	-90.4
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,548	6,502	6,413	7,275	7,061	-2.9	10.1	8.6
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	2,696	2,112	2,249	1,650	1,731	4.9	-23.0	-18.0
Other	33,466	11,010	7,374	7,939	12,878	11,530	14,547	16,015	17,141	18,514	8.0	15.6	27.3
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,319	1,183	1,642	1,690	1,641	-2.9	0.0	38.7
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,264	3,351	3,989	3,800	3,945	3.8	-1.1	17.7
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**17,080**	**19,964**	**20,938**	**22,843**	**23,426**	**2.6**	**11.9**	**17.3**
Memo													
Netted assets	88,501	73,796	117,928	115,091	121,889	123,271	135,833	143,807	157,953	159,298	0.9	10.8	17.3

(1) Includes margin accounts with the BCRA. (2) Does not include accrual on interest or CER.

Source: BCRA

Statistics Annex: Private Banks

Chart 7: Profitability Structure

Amounts in million of pesos	Annual							First nine months		Monthly			Last
	2000	2001	2002[1]	2003	2004	2005	2006	2006	2007	Jul-07	Aug-07	Sep-07	12 months
Financial margin	5,441	5,282	10,628	2,575	3,415	5,253	7,778	5,570	6,242	341	466	1,027	8,449
Net interest income	3,598	3,519	-304	107	1,214	2,069	2,826	2,061	2,870	361	380	388	3,636
CER and CVS adjustments	0	0	1,476	1,082	900	1,215	858	651	494	28	28	37	701
Foreign exchange price adjustments	160	256	6,189	-312	666	576	740	601	705	76	114	129	844
Gains on securities	1,232	962	3,464	1,892	959	1,259	3,154	2,115	1,991	-143	-92	479	3,030
Other financial income	450	546	-197	-195	-322	134	199	142	181	18	37	-5	238
Service income margin	2,554	2,598	2,782	2,341	2,774	3,350	4,459	3,221	4,231	499	513	506	5,469
Loan loss provisions	-2,173	-2,464	-6,923	-1,461	-1,036	-714	-737	-551	-818	-97	-103	-100	-1,003
Operating costs	-5,263	-5,224	-6,726	-5,310	-5,382	-6,303	-7,741	-5,604	-6,960	-782	-869	-834	-9,097
Tax charges	-379	-418	-512	-366	-393	-509	-769	-543	-775	-90	-103	-95	-1,000
Income tax	-393	-216	-337	-295	-202	-217	-365	-192	-236	15	-9	-50	-409
Adjustments to the valuation of government securities[2]	0	0	0	-665	-51	-201	-170	-141	-30	-10	-18	-22	-60
Amortization payments for court-ordered releases	0	0	0	-791	-1,147	-1,168	-1,182	-875	-1,140	-118	-119	-121	-1,447
Other	307	615	-4,164	1,178	846	1,156	1,641	954	1,077	45	217	149	1,764
Monetary results	0	0	-10,531	-20	0	0	0	0	0	0	0	0	0
Total results	**93**	**174**	**-15,784**	**-2,813**	**-1,176**	**648**	**2,915**	**1,839**	**1,592**	**-198**	**-24**	**460**	**2,667**
Adjusted results[3]	-	-	-	-1,357	252	2,016	4,267	2,855	2,762	-69	113	604	4,174
Annualized indicators - As % of netted assets													
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	5.9	5.8	5.5	2.6	3.5	7.7	5.7
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	2.1	2.1	2.5	2.8	2.9	2.9	2.4
CER and CVS adjustments	0.0	0.0	1.1	0.9	0.8	1.0	0.6	0.7	0.4	0.2	0.2	0.3	0.5
Foreign exchange price adjustments	0.2	0.3	4.4	-0.3	0.6	0.5	0.6	0.6	0.6	0.6	0.9	1.0	0.6
Gains on securities	1.4	1.2	2.5	1.7	0.8	1.0	2.4	2.2	1.7	-1.1	-0.7	3.6	2.0
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.2	0.1	0.2	0.1	0.3	0.0	0.2
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	3.4	3.3	3.7	3.8	3.9	3.8	3.7
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8	-0.7
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-5.9	-5.8	-6.1	-6.0	-6.6	-6.3	-6.1
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.6	-0.7	-0.7	-0.8	-0.7	-0.7
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	0.1	-0.1	-0.4	-0.3
Adjustments to the valuation of government securities[2]	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.1	-0.1	0.0	-0.1	-0.1	-0.2	0.0
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-0.9	-0.9	-1.0	-0.9	-0.9	-0.9	-1.0
Other	0.4	0.7	-3.0	1.0	0.7	0.9	1.2	1.0	0.9	0.3	1.7	1.1	1.2
Monetary results	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**0.5**	**2.2**	**1.9**	**1.4**	**-1.5**	**-0.2**	**3.5**	**1.8**
ROA adjusted[3]	0.1	0.2	-11.3	-1.2	0.2	1.6	3.2	3.0	2.4	-0.5	0.9	4.5	2.8
ROE	*0.8*	*1.4*	*-79.0*	*-19.1*	*-8.1*	*4.1*	*15.3*	*13.3*	*9.5*	*-10.3*	*-1.3*	*23.6*	*12.2*

(1) Data at December 2002 currency (2) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.
(3) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.
Source: BCRA

Chart 8: Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Sep 06	Dec 06	Jul 07	Aug 07	Sep 07
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	4.4	3.2	2.9	2.6	2.5	2.5
Non-performing loans to the non-financial private se	**9.8**	**14.0**	**37.4**	**30.4**	**15.3**	**6.3**	**4.1**	**3.6**	**3.0**	**2.8**	**2.8**
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	7.3	4.4	3.8	2.7	2.5	2.6
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	4.2	3.5	3.2	3.4	3.3	3.3
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	114.6	125.7	129.6	132.5	133.0	133.3
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	-0.6	-0.8	-0.9	-0.8	-0.8	-0.8
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	-2.2	-2.8	-3.0	-3.0	-3.0	-3.0

(*) Include commercial loans treated as consumer loans for classification purposes.
Source: BCRA

Methodological note (chart 1):

1.-(Cash compliance according to BCRA + Other cash holdings + Central Bank repos) / Total deposits; **2.-**(Public bonds position (without LEBAC and NOBAC) + Loans to the public sector + Compensation receivable) / Netted assets; **3.-**Loans to the private sector / Netted assets; **4.-**Non-performing loans to the non-financial private sector / Loans to the non-financial private sector; **5.-**(Total non-performing loans – Provisions) /Net Worth. The non-performing loans includes loans classified in situation 3,4,5, and 6; **6.-**Accumulated annual results /Average monthly netted assets - % Annualized; **7.-** Accumulated annual results / Average monthly net worth - % Annualized; **8.-**(Financial margin (Net interest income + Restatement by CER and CVS + Gain on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Operating costs; **9.-**Capital compliance (Responsabilidad Patrimonial Computable) / Risk – adjusted assets according to the norm of BCRA about Minimum Capital Compliance; **10.-**(Capital Compliance minus requirements, included franchises) / Capital requirements.