Report on Banks

DECEMBER 2007

Year V – No. 4

Contents

Note: This report contains information from December 2007 available on 29 January 2008. 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

- As in 2005 and 2006, a steady increase in lending to the private sector continued to provide the main impulse to banking activity during 2007. In a low credit risk framework, and in a context of global turbulence, this growth in lending was mainly funded with private sector deposits. Such a dynamic made it possible to keep bank results positive, and this, together with capital contributions, continued to strengthen the solvency of the sector. In 2008 it is expected that banks will continue to expand their intermediation volumes while confronting a volatile international scenario.

- **The policies implemented by the BCRA to confront the high volatility on international financial markets succeeded in preserving adequate banking liquidity levels, avoiding any interruption in the process of financial intermediation growth. As a result, lending to the private sector rose at a rate of over 40% during 2007 for the third consecutive year,** reaching a share of 12.5% of GDP, 1.6 p.p. more than in 2006 and 5 p.p. higher than the post-crisis minimum. Credit lines granted to companies and families grew by 34% and 55% over the course of 2007 respectively, maintaining the dynamism of recent years. In addition, there was a notable resurgence by mortgage loans, which went up 41% during the year.

- The weighting of private sector lending in bank asset portfolios (38.2%), **more than doubled the share represented by the public sector** (15.8%), which fell 24 p.p. in the last three years (5.8 p.p. in 2007). In particular, private banks reached a greater share of lending to the private sector in their assets (46.6%) and a reduced weighting of lending to the public sector (9.1%).

- **Private sector lending growth took place in the context of reduced credit risk.** Private sector portfolio non-performance ended 2007 at a historically low level of 3.2% (1.3 p.p. lower than 2006). Most of the improvement for the year in portfolio quality took place in lending to companies.

- The securitization of credit portfolios generated by financial entities has continued to increase (17% in 2007), enabling **the development of instruments for funding and improving risk management,** thus taking advantage of the benefits of complementation between the financial system and capital markets.

- **In line with the incentives established by the BCRA, private sector deposits have gained strength as the main source of bank funding.** In 2007, private sector deposits increased 25.6% ($31.6 billion), while time deposits went up 21.4% ($11.6 billion), a similar behavior being recorded by both public and private sector banks.

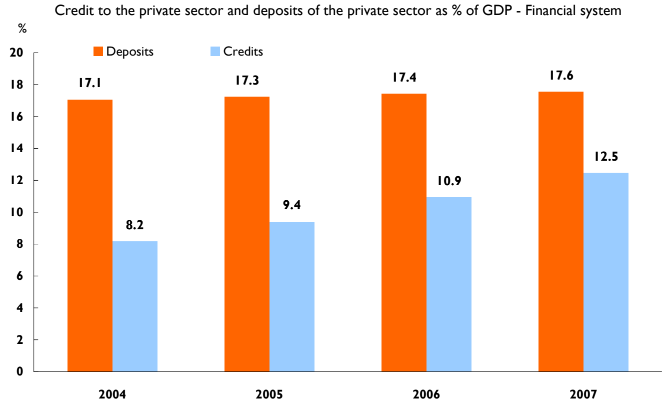
- **As a sign of bank balance sheet normalization, certain headings associated with the 2001-2002 crisis will shortly disappear.** On the assets side, the accumulated amortization of court-order releases reached 87% of all court-ordered releases include in assets, so that at present the remaining court-ordered releases represents only 0.5% of total assets. Similarly, rediscounts granted by the BCRA during the crisis currently represent only 0.5% of total liabilities.

- **Financial system solvency continues to gain strength.** Bank net worth accumulated a growth of 11.7% in 2007, fundamentally from accrued profits (driven by more stable sources of revenue) and by new capital contributions. Financial system capital compliance in terms of assets at risk totaled 16.8% at the end of 2007, a similar level to that at the end of 2006 and higher than both local requirements and those recommended internationally.

Chart 1

Financial Intermediation with the Private Sector

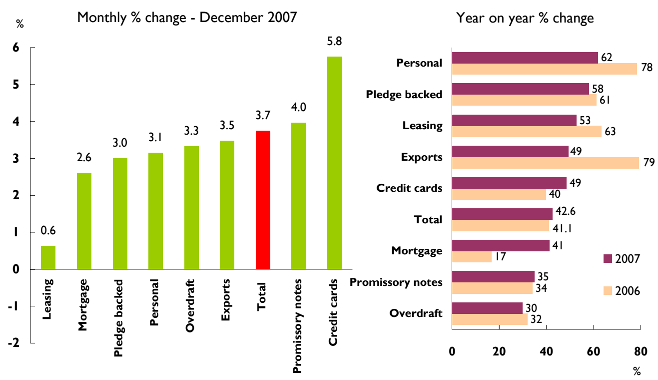
Credit to the private sector and deposits of the private sector as % of GDP - Financial system



Source: BCRA

Chart 2

Credit to the Private Sector by Type of Line

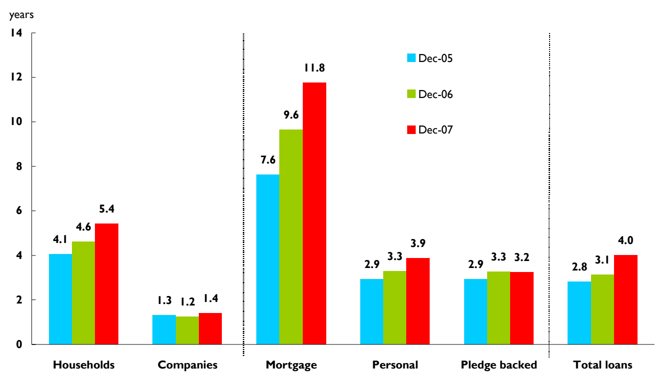


Note: Stocks are not adjusted by financial trusts monthly issues.
Source: BCRA

Chart 3

Lending to the Private Sector

Average maturity weighted by traded amounts



NOTE: Excludes overdraft and credit cards.
Source: BCRA

Activity:

Financial intermediation with the private sector grew steadily during 2007

In 2007 financial system continued the process of balance sheet normalization by increasing levels of private sector intermediation, consolidating the progress achieved during the two previous years. Both lending to the private sector and deposits from the private sector have been gradually increasing their participation in the economy (see Chart 1), reaching 12.5% and 17.6% of GDP, respectively. Over the course of the year, credit to the private sector maintained their notable annual growth rate, in the context of limited credit risk, while financial entities recorded adequate liquidity levels. Private sector deposits gained strength as the main source of funding for the financial system. In this context, during December bank netted assets grew 0.7%, accumulating growth of 14.5% in 2007.

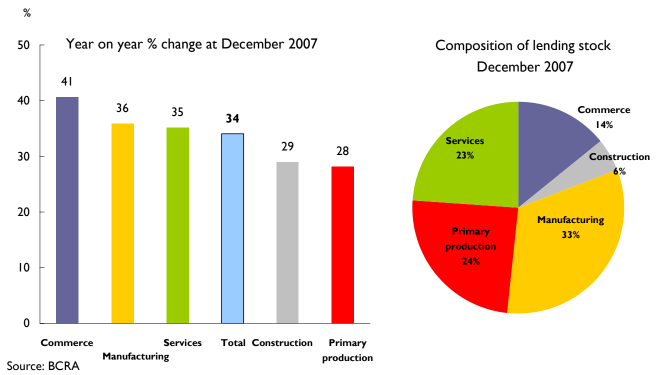
In December increased private sector deposits ($5 billion) **provided the main source of bank funds**. Reduced Lebac and Nobac position ($2 billion) represented another major source of funds for financial entities during the month. A drop in lending to the public sector and the sale of credit portfolios for the issuance of financial trusts completed the sources of funds for December. **The most notable use of funds in December was the increase in lending to the private sector** ($4.5 billion)[1]. Other significant funds applications during the month included the settlement of public sector deposits and an increase in liquid bank assets.

In line with the incentives established by the BCRA, lending to the private sector ended 2007 having grown at a rate of over 40% for the third consecutive year. Specifically in the case of December, lending to the private sector increased 3.7%. Although all credit lines rose during the month, the most dynamic were credit cards and promissory notes (see Chart 2). Following this development for the month, lending to the private sector ended the year with a rise of 42.6% y.o.y., slightly exceeding the performance in 2006. In 2007 the greatest dynamism was seen in personal loans and pledge-backed loans (up 62% and 58%, respectively). Within this framework, consumer loans for households continued to record high growth rates in 2007, reaching 27% of the total balance of loans to the private sector (3 p.p. more than at the end of 2006).

Mortgage loans were the line showing the greatest acceleration in growth rate. In 2007 mortgage loan totals went up 41%, almost matching the average growth rate for total lending to the private sector, and more than doubling the growth recorded in 2006. Together with this acceleration, **an extension took place in the average maturity of loan transactions** (see Chart 3). At the end of 2007 mortgage loans were granted for an average term of 12 years, over 2 years longer than was recorded at the end of 2006 (in the case of mortgage lending to families, the average term lengthened to 14 years). This was responsible for the overall lengthening of the maturity

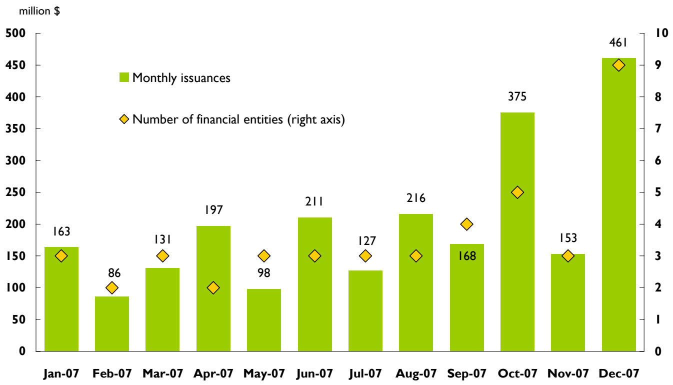
[1] Adjusted by the issuance of financial trusts during the month. Includes leasing.

Chart 4
Lending to Companies by Economic Sector
Financial system



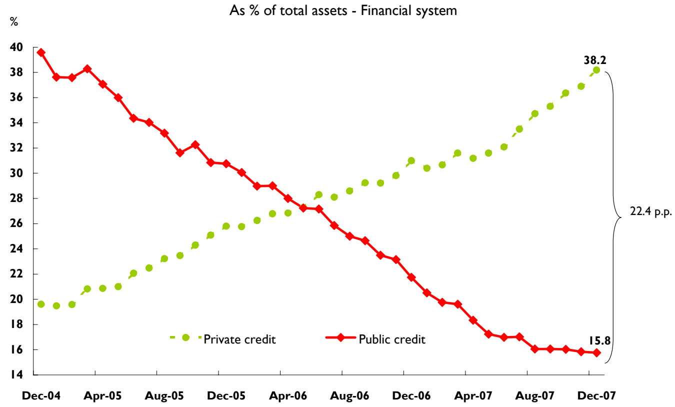
Source: BCRA

Chart 5
Financial Trusts
Issuances made by financial entities using credit portfolio as collateral



Source: BCRA

Chart 6
Public and Private Sector Exposure
As % of total assets - Financial system



Source: BCRA

of private sector loan transactions, which averaged 4 years at the end of 2007 (almost one year more than at the end of 2006).

Progress was also recorded in the last year regarding bank financing to companies. Lending to the corporate sector posted growth of 34% in 2007, **a period during which all sectors of the economy increased their levels of bank financing.** Commerce and manufacturing in particular were the sectors that most dynamically increased their borrowing during the year (41% and 36%, respectively). As a result, at the end of 2007 manufacturing, primary production and services companies accounted for over three-quarters of all lending to companies (see Chart 4).

This growth in lending to companies in 2007 was accompanied by **a lengthening of the term for which loans were granted, particularly in the case of loans in local currency,** which are the ones that have been gaining weight among longer-term lines[2]. Furthermore, **there has been a widespread increase in lending across all loan segments according to size.** In the last year the growth rates in the corporate small balance segment (associated mainly with SMEs) and in the larger balance segment have been similar. These gains in the matter of bank lending to companies are in line with the incentives established by the BCRA for the encouragement of productive investment, bearing in mind that credit lines to companies are largely employed in funding company working capital.

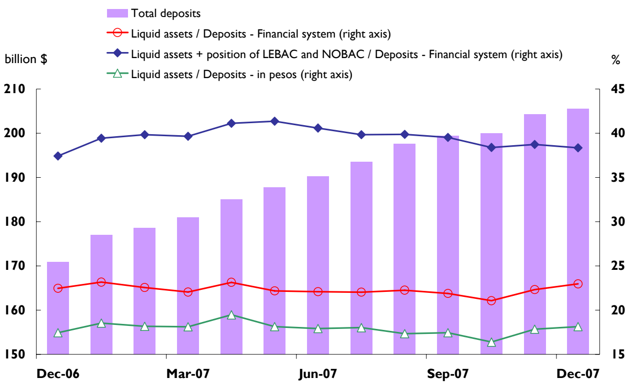
Together with the growth of lending to the private sector, **there has continued to be growth in the securitization of credit portfolios generated by financial entities. This enables advantage to be taken of the benefits of the increasing complementation between the financial system and capital markets, encouraging the development of instruments that contribute to improved management of banking risks.** The issuance of financial trusts using bank loans as collateral assets recorded their highest level for the year in December (see Chart 5). A total of 9 financial entities acted as trustors during the month, securitizing personal loans (84% of the total issued), pledge-backed loans and leasing contracts. In 2007 the issuance of trusts based on portfolios built by financial entities reached \$2.4 billion, growing 17% compared with 2006. A total of 18 financial entities launched trust funds in 2007, 3 more than in the previous year. Of the issues in 2007, 88% used consumer loans as their underlying assets.

The steady rise in lending to the private sector led to an increase in its weighting in bank assets portfolios, while there was a reduction in exposure to the public sector over the course of 2007 (see Chart 6). The weighting of lending to the private sector in financial system assets (38.2%) more than doubled that of lending to the public sector (15.8%), the latter recording a drop of 24 p.p. in the last three years (5.8 p.p. in 2007). Private banks in particular achieved a greater share for lending to the private sector in their assets (46.6%) and a reduction in their exposure to the public sector (9.1%). As a result, the independence of the banking system from the borrowing needs of the public sector has been enhanced.

[2] See Report on Banks - November 2007.

Towards the end of the year an increase was observed in liquid bank assets, in the context of the satisfactory levels of liquidity that had been reported over the course of whole 2007. During December financial system posted an increase in its liquid assets ($1.6 billion): while repo position with the BCRA dropped during the month (by $1.7 billion), the balances of current accounts at the BCRA and of cash held by financial entities increased ($3.3 billion). **This behavior of bank liquidity during the month was driven by the greater seasonal demand for resources by households and companies.** It should be pointed out that, as in recent years, December is the first month of a quarterly minimum cash position measurement period. The liquidity indicator stood at 23% of deposits in December, showing an increase for the month of 0.7 p.p. (see Chart 7) and 0.5 p.p. compared with the end of 2006. The liquidity indicator that includes Lebac and Nobac position fell during the month (0.4 p.p.) to 38.3% of total deposits, following the $2 billion drop in these position. This liquidity indicator was similar for public and private banks over the course of 2007.

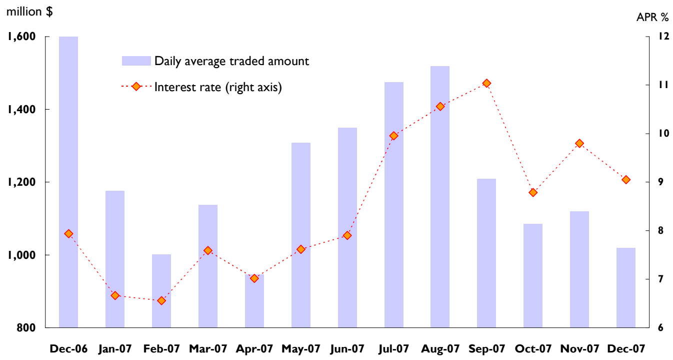
Chart 7
Deposits and Liquidity



Source: BCRA

The BCRA continues to provide tools for consolidation of the financial system in the face of liquidity risk, contributing to the avoidance of sharp movements in short-term interest rates in the face of external shocks. One-day maturity operations of call-money market interest rates during December averaged 9.1%, 0.7 p.p. lower than in November (see Chart 8), a slightly downward trend that has persisted into the early part of 2008. Daily average trading volume on this market reached $1billion in December, showing a small decline for the month. Furthermore, **in 2007 a drop was observed in levels of concentration in the inter-bank liquidity markets on both borrower and lender sides** (see Chart 9).

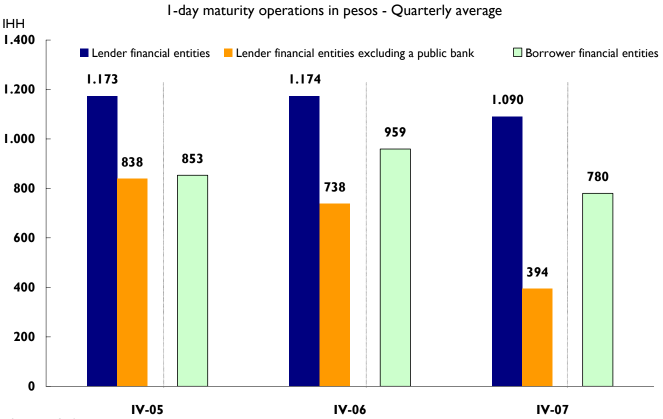
Chart 8
Call Market
1-day maturity operations in pesos



Source: BCRA

The taking of deposits from the private sector consolidated its position as the main source of financial system funding. In December deposit totals went up $1.3 billion (0.6% or 20.3% y.o.y.). Whereas private sector placements grew $5 billion during the month, public sector deposits fell $3.4 billion. During the year, total private sector deposits increased 25.6% ($31.6 billion), with private sector deposits rising 21.4% ($11.6 billion), a similar performance being recorded by both public sector and private banks.

Chart 9
Call Market Concentration
1-day maturity operations in pesos - Quarterly average

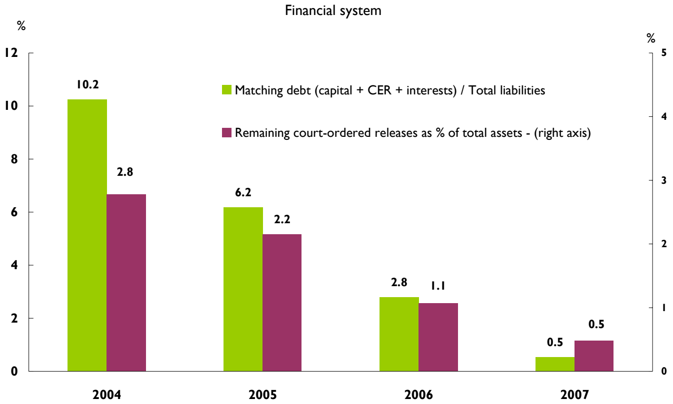


Source: BCRA

As a sign of the return to normalization of balance sheets, certain effects of the crisis in 2001-2002 are on the verge of disappearance (see Chart 10). On the one hand, the accumulated amortization of court-ordered releases reached 87% of the total amount of court order releases in assets, so that the remaining amount totals just 0.5% of total assets (0.6 p.p. less than at the end of 2006). On the other, in December 2007 rediscounts granted by the BCRA during the crisis represented only 0.5% of total liabilities (2.3 p.p. less than at the end of 2006).

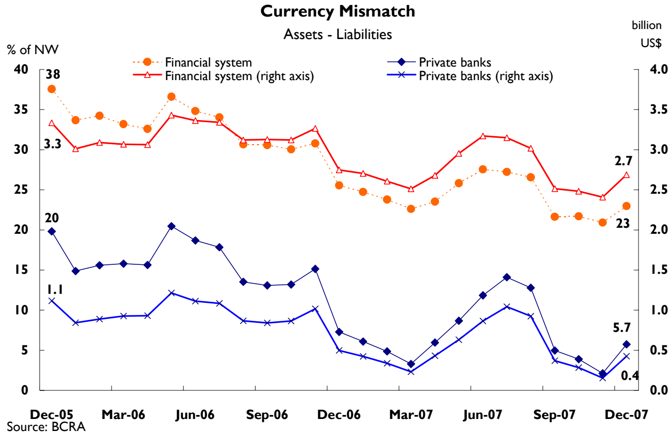
In December, financial system foreign currency assets increased US$320 million, a performance largely explained by the growth in liquid assets, and to a lesser extent by expansion in foreign currency lending. In turn, liabilities in foreign currency grew US$40 million, a movement mainly driven by an increase in private and public sector dollar deposits. As a result of these movements, financial system currency mismatch in terms of net worth grew 2.1 p.p. during the

Chart 10
Balance Sheet Normalization
Financial system



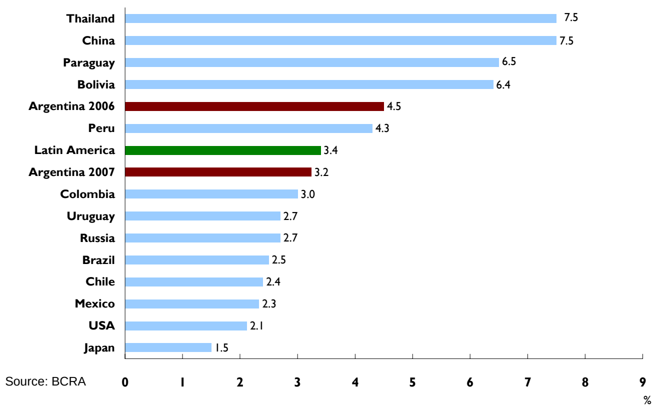
Source: BCRA

Chart 11
Currency Mismatch
Assets - Liabilities



Source: BCRA

Chart 12
Non-performing Private Loans - International Comparison
Non-performing loans / Total loans - Last data available



Source: BCRA

month (see Chart 11) to a level of 23%. Despite this development for the month, **over the course of 2007 financial system foreign currency mismatch has recorded a decline of 2.6 p.p.**.

Portfolio quality:

Private sector non-performance ends year at all-time low

Within the framework of steady growth in bank lending addressed to households and companies, the private sector continues to record low delinquency levels. In December the private sector portfolio non-performance ratio stood at an all-time low of 3.2% of loans, a drop of 0.1 p.p. for the month, accumulating a decline of 1.3 p.p. in 2007. As a result, private sector loan non-performance has fallen into line with the average for the region (see Chart 12).

This improvement in portfolio quality during 2007 was largely explained by loans granted to the corporate sector (see Chart 13), for which non-performance reached 3.2% at the end of 2007, 2 p.p. below the level in 2006. Household lending delinquency remained stable at a low level (3.5% of loans).

The reduction in corporate non-performance was widespread across all productive sectors during 2007. In December 2007 primary production registered the lowest relative non-performance level, followed by commerce, with 1.5% and 1.8% of loans respectively. In addition, **over the course of the year corporate loan delinquency fell across all loan size segments.** Credit lines for amounts of less than $5 million (mainly directed at SMEs) posted a larger drop in their non-performance ratios (2.2 p.p.) than did those loans for amounts of over $5 million (1.9 p.p.), to levels of 2.8% and 3.5% of loans, respectively.

In the case of loans granted to households, in 2007 an increase was recorded in non-performing credit lines mainly related to consumption (personal loans and credit card lending). The non-performance ratio for consumer credit lines stood at 3.6% of such loans, a rise of 0.6 p.p., at the end of 2007, an increase that took place mainly in the first half of the year.

The reduction in private sector portfolio non-performance in 2007 was led by public banks. For this group of banks the drop in the non-performance ratio was 2 p.p. of loans to the private sector over the year, to a level of 4.9% (see Chart 14). In the case of private banks, delinquency dropped 1.1 p.p., to a level of 2.5% in December. Specialized private retail banks and non-bank financial entities posted an increase in their non-performance in 2007, in part because of the dynamism of consumer loans to households.

In December the financial system registered coverage by provisions of close to 130% of non-performing loans, a level similar to that recorded at the end of 2006. Consequently, the ratio for non-performing loans in terms of net worth remains negative for the financial system (–3%), a sign of the sound position of banks in the face of private sector credit risk.

Profitability:

Driven by recurring revenues, banks recorded profits for the third consecutive year

In a context of steady growth in financial intermediation with the private sector, banks consolidated their pattern of positive results in 2007. During December the financial system posted profits for $640 million, or 2.7%a. of assets. Monthly profits rose (by 1.2 p.p. of assets) mainly because of higher gains on securities and miscellaneous (associated mainly with investments in controlled companies). As a result, **ROA for the fourth quarter of 2007 obtained by banks stood at 2%a.** (see Chart 15), **higher than both the figure for the previous quarter and average performance in 2006.**

In 2007 financial system ROA was 1.5%, completing three consecutive profitable years. Profitability in 2007 was lower than in 2006 (0.4 p.p. of assets), in part because of greater operating costs in a context of increasing employment in the sector and higher wages, adjustments from merger processes, and the impact of international financial volatility, which reduced profitability in the third quarter. **Growth in recurring revenues partly offset these effects.**

In 2007 there was less dispersion among financial entities results. A total of 86% of banks posted profits for the year (representing 96% of total bank sector assets). Private and public banks recorded book profits of 1.6% and 1.2% of assets for the year, respectively. Within the private financial entities, investment banks were the most affected by international financial market volatility (see Chart 16), making it the only sub-group registering book losses in 2007.

Specifically with regard to December, **bank financial margin recorded an increase for the month of 1.4 p.p. of assets, to a level of 7.2%a., fundamentally from the increased gains on securities from holding and trading** (see Chart 17). In the fourth quarter of the year, financial margin totaled 6.6%a. of assets, 1.7 p.p. higher than that for the previous quarter, also a reflection of improved gains on securities. As a result, bank financial margin totaled 5.7% of assets in 2007 (0.1 p.p. less than in 2006).

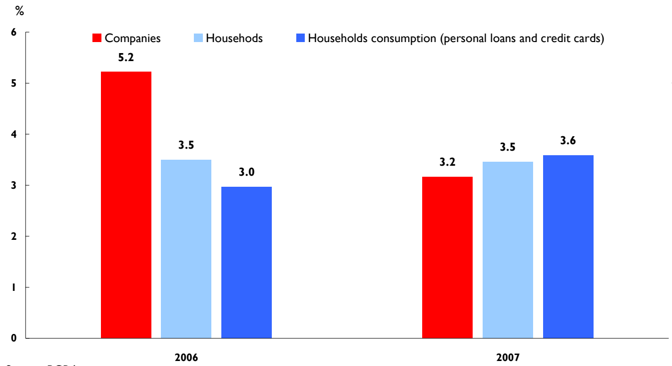
As a consequence of improved prices and the accrual of the IRR on the leading government and BCRA securities held by financial entities, bank earnings from securities stood at 3.1%a. of assets in December, 1.5 p.p. higher than in the previous month. As a result, **the fourth quarter of 2007 ended with gains on securities of 2.5%a. of assets**, more in line with the levels recorded at the end of 2006 and the beginning of 2007, after the volatility on international financial markets had impacted the performance by this heading, particularly during the months of July and August. As a result, net income from the holding and trading of financial assets reached 1.9% of assets in 2007 (0.3 p.p. less than in 2006).

Net interest income grew 0.2 p.p. in December, to 2.6%a. of assets. On the basis of this performance, in the fourth quarter of 2007 net interest income reached 2.4%a. of assets, extending its upward trend associated with the growth in financial intermediation with the private

Chart 13

Non-Performing Credit to the Private Sector

Non-performing loans as % of total financing

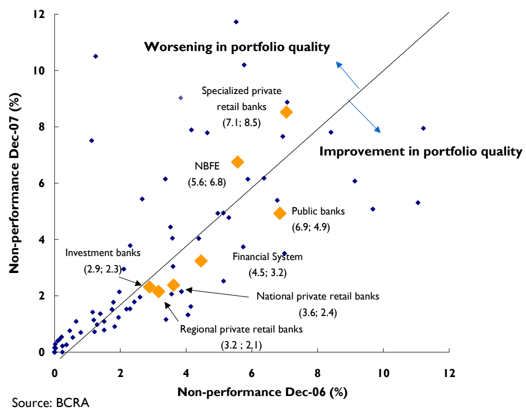


Source: BCRA

Chart 14

Year on Year Change in Private Sector Portfolio Quality

Non-performing portfolio as % of total financing - Financial system

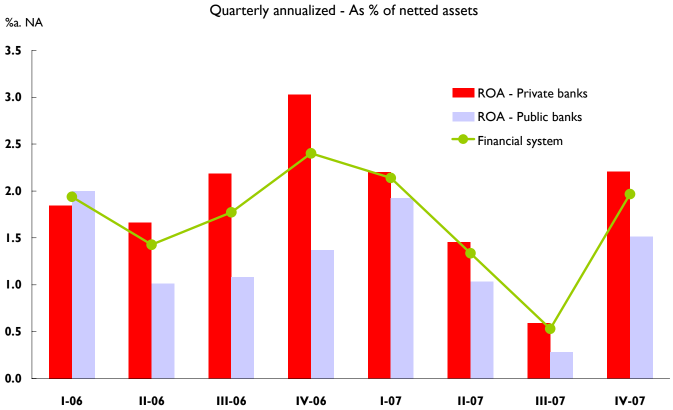


Source: BCRA

Chart 15

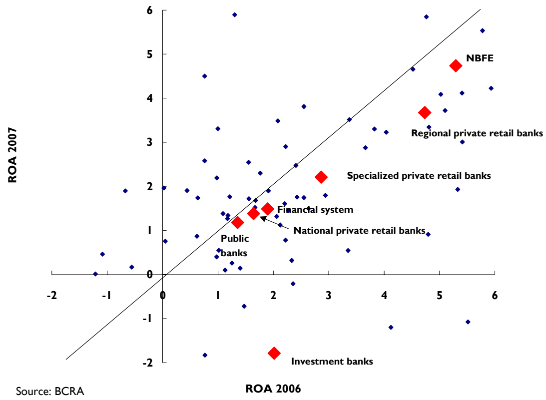
Financial System Profitability

Quarterly annualized - As % of netted assets



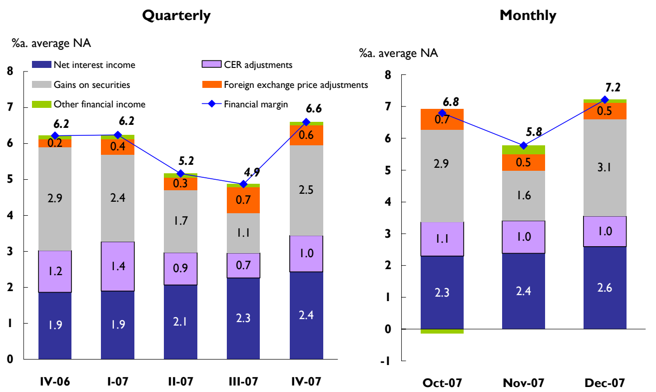
Source: BCRA

Chart 16
Financial Entities Profitability
2007 vs 2006



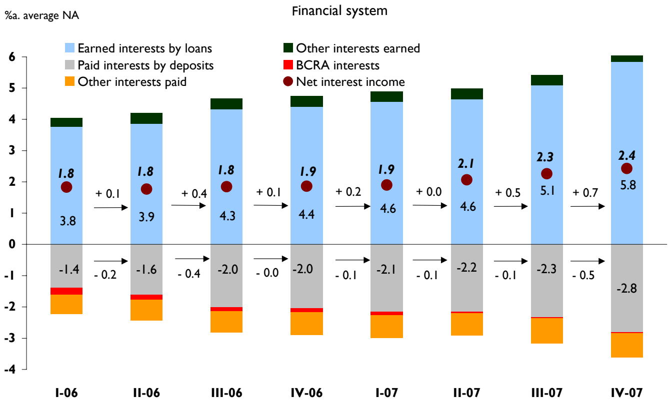
Source: BCRA

Chart 17
Financial Margin
Financial system



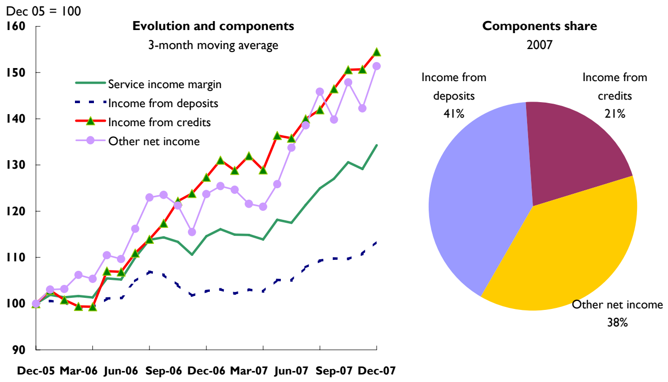
Source: BCRA

Chart 18
Net Interest Income
Financial system



Source: BCRA

Chart 19
Service Income Margin
Financial system



Source: BCRA

sector. In particular, **increased lending to the private sector helped ensure that interest charged on loans rose by more than interest paid on deposits** (see Chart 18). Consequently, net interest income totaled 2.2% of assets in 2007 (0.4 p.p. higher than in 2006), more in line with pre-crisis levels.

Adjustments according to CER index remained steady at 1%a. of assets in December, a level similar to that of the fourth quarter of the year. **Banks are gradually lowering their mismatch of items adjusted by CER, ensuring that their results become increasingly less dependent on the development of this coefficient.** In 2007 CER adjustments amounted to 1% of assets (0.3 p.p. less than in 2006). Results from exchange rate differences held steady in December at 0.5%a. of assets, a level similar to that for 2007 as a whole.

Following the growth in financial intermediation, service income margin has consolidated its upward trend. In December these results reached 3.5%a. of assets, 0.3 p.p. more than in the previous month, an increase that was widely reported across all the different bank groups. As a result, during the fourth quarter of 2007 service income margin reached 3.4%a. of assets, 0.2 p.p. more than in the previous quarter, rising to cover 57% of operating costs. **Revenue in connection with deposit-taking continued to explain the largest portion of service income margin, although revenue derived from the granting of credit to the private sector showed the greatest dynamism in 2007** (see Chart 19). In 2007 service income margin totaled 3.1% of assets, 0.4 p.p. more than in 2006, and higher than the levels seen in the pre-crisis period.

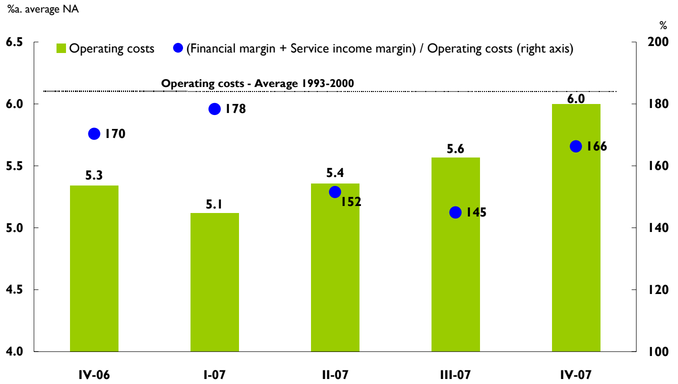
Loan loss charges recorded an increase for the month of 0.5 p.p. of assets in December, to 1.1%a., as frequently occurs at the end of the fiscal year. In 2007 this accrued expenditure totaled 0.7% of assets, a rise of 0.2 p.p. compared with 2006. The greater weighting of loans to the private sector in bank assets has been partly responsible for this increase. **Loan loss charges were equivalent to just 2% of private sector loans in 2007, a level similar to that of the previous year.**

In December operating costs posted an increase of 0.2 p.p. of assets, to 6.2%a., totaling 5.5% of assets in 2007 (0.4 p.p. higher than in 2006). Bank operating costs have continued their upward trend, a consequence of the gradual increase in payroll in the sector, as well as in wages. **As the improvement in financial margin and service income margin has exceeded the increase in operating costs, the coverage ratio increased in the fourth quarter to 166%** (see Chart 20).

Financial system miscellaneous results rose in December. Specifically, miscellaneous heading of the income statement reached 1.6%a. of assets for the month, reversing the extraordinary loss of the previous month. This change for the month was explained by the increase in results from long-term investments in other non-financial entities. Miscellaneous heading fell 0.3 p.p. in 2007, to 0.9% of assets, in part as a result of the process of financial system consolidation.

Lastly, **those headings that reflect the gradual recognition of the effects of the crisis in 2001-2002 will shortly be eliminated.** The total for the amortization of court-ordered releases and the adjustment to

Chart 20
Operating Costs
Quarterly annualized - Financial system



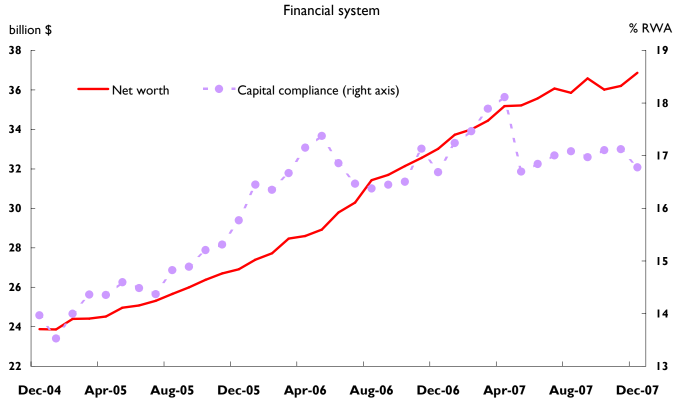
Source: BCRA

Table 1
Main Developments in January 2008

	Dec	Jan	Var. Dec	Var. Jan
Prices				
Exchange rate ($/US$)[1]	3.151	3.156	0.2	0.1
CPI	202.5	204.4	0.9	0.9
CER[1]	2.05	2.07	0.8	0.9
	%	%	Var b.p.	Var b.p.
Securities - annual IRR[1]				
BOGAR $ 2018	9.2	7.6	-65	-166
BODEN US$ 2012	9.4	8.9	2	-50
Discount $	8.4	8.1	-4	-29
Discount US$ NY	8.7	9.1	-1	40
Lebac in $ - 6 months to maturity	14.1	10.2	-130	-381
Nobac in $ (BADLAR Private banks) - 9 months to maturity	16.8	10.2	-86	-659
	%	%	Var b.p.	Var b.p.
Average percentage rates				
Lending [2]				
Overdraft	18.9	17.9	77	-103
Promissory notes	17.1	17.6	1	49
Mortgage	12.6	11.6	88	-99
Pledge-backed	14.4	15.0	-107	58
Personal	27.3	27.5	-198	17
30 to 44 day time deposit	10.2	9.2	37	-99
BADLAR	13.5	10.5	-19	-304
7 day BCRA repos	8.25	8.25	0	0
	Mill $	Mill $	Var %	Var %
Balance[2,3] - Financial system				
Peso private deposits	129,707	132,786	4.3	2.4
Peso loans - Private sector	88,946	91,874	3.2	3.3
Overdraft	14,238	14,984	3.6	5.2
Promissory notes	18,023	18,150	3.8	0.7
Mortgage	13,966	14,249	2.7	2.0
Pledge-backed	5,808	5,923	3.3	2.0
Personal	21,025	21,796	3.1	3.7
Credit cards	10,754	11,442	2.4	6.4

([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

Chart 21
Solvency
Financial system



Source: BCRA

the valuation of loans to the public sector reached 1.3%a. of assets in December, amounting to 1% of assets in 2007 (0.4 p.p. less than in 2006).

Outlook for January

In view of the progress over the last three years, the positive outlook for local economic activity and the measures adopted by the BCRA to stimulate the development of financial and monetary stability, greater depth in financial intermediation levels is forecasted for 2008. Consequently, **it is expected that over the course of the year the financial system will maintain its profit pattern, a product of the consolidation of its more stable sources of income.** Nevertheless, if turbulence on international financial markets persists, bank results could display certain volatility.

Specifically in relation to the first month of 2008, banks are once again expected to post book profits. Net interest income will once again be driven by the overall increase in credit lines to the private sector (see Table 1), in the context of uneven behavior among the lending rates on the different types of credit lines. This increase in lending to the private sector, together with the rise in private sector deposits, will once again boost service income margin. In addition, it is expected that gains on securities will again make a contribution to profits, following improvement in the prices of the leading securities held by banks.

The cost structure could shrink in January compared with December, given the lower impact of extraordinary disbursements in relation to the end of the fiscal year.

Solvency:

Financial system continues to expand while preserving its soundness

Book profits recorded by financial entities, and to a lesser extent, the capital contributions that were made, continued to strengthen the solvency of the sector in 2007. In December, financial system net worth rose by $700 million (1.8%), mainly from the profits for the month. The increase for the month in net worth was led by private banks (2%) and, to a lesser extent, by public banks (1.8%). **On the basis of this performance for the month, in 2007 financial system net worth accumulated growth of 11.7%** (see Chart 21).

In view of the good outlook for growth in the banking sector in coming periods, the capitalization process by financial entities continued in 2007. During the year capitalization was carried out for $1.85 billion, mainly by foreign and domestic private banks.

Towards the end of 2007 the financial system continued to display adequate capital compliance levels, exceeding both minimum local requirements and those recommended internationally. The financial system excess capital compliance amounted to 90% of total requirement, while capital compliance remained steady at 16.8% of risk-weighted assets.

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" 4750 – 19/12/07**

Prevention of the financing of terrorism. It is laid down that if financial entities have reasonable grounds to suspect the existence of funds linked to terrorism, they must report this situation to the Financial Information Unit (in the past the report was required to be made to the Principal Management for Analysis and Follow-up of Special Operations at the SEFyC).

- **Communication "A" 4754 – 28/12/07**

Changes have been made to the ordered text on time deposits and investments. In the case of investments with an early cancellation option, the minimum term for non-transferable registered certificates in pesos belonging to holders in the public sector is to be 90 days, with cancellation able to be exercised in a term of not less than 10 days from the placement date. Furthermore, the Government of the Autonomous City of Buenos Aires has been admitted as a qualified investor. Minimum cash regulations have also been modified. As from January 1, 2008 those investments with an early cancellation option within a term of less than 30 days from placement are to be included in the minimum cash requirements. The requirement rate for such investments will be 16%.

- **Communication "A" 4755 – 28/12/07**

Bank current account regulations. The term during which restrictions are to apply on check and bill of exchange endorsements has been extended until December 31, 2008.

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 Entities.

(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 entities from public banks. Also and with a view to deepening the scope of the analysis, private entities 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 entities specializing in a financial sector niche market –generally smaller entities. 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 entities 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 entities.
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.: 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	2006	Nov 2007	2007
1.- Liquidity	22.3	26.1	23.1	25.0	23.4	19.6	22.8	29.1	29.6	20.1	22.5	22.3	23.0
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	21.6	15.8	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	31.0	36.9	38.2
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	4.5	3.3	3.2
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	-3.3	-2.9	-3.0
6.- ROA	0.6	1.0	0.5	0.2	0.0	0.0	-8.9	-2.9	-0.5	0.9	1.9	1.4	1.5
7.- ROE	4.1	6.3	3.9	1.7	0.0	-0.2	-59.2	-22.7	-4.2	7.0	14.3	10.2	11.1
8.- Efficiency	142	136	138	142	147	143	189	69	125	151	167	159	160
9.- Capital compliance	23.8	20.8	20.3	21.0	20.1	21.4	-	14.5	14.0	15.3	16.8	17.1	16.8
10.- Excess capital compliance	64	73	49	54	58	54	-	116	185	173	134	101	90

Source: BCRA

Chart 2: Balance Sheet

In million of current pesos	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Nov 07	Dec 07	Change (%)	
										Last month	2007
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**221,962**	**258,384**	**297,407**	**298,001**	**0.2**	**15.3**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	20,819	37,991	42,987	46,320	7.8	21.9
Public bonds	10,474	3,694	31,418	45,062	55,382	66,733	64,592	67,561	62,712	-7.2	-2.9
Lebac/Nobac	-	-	-	-	17,755	28,340	29,289	40,083	36,029	-10.1	23.0
Portfolio	-	-	-	-	11,803	21,067	25,767	33,495	31,619	-5.6	22.7
Repo	-	-	-	-	5,953	7,273	3,521	6,588	4,410	-33.1	25.2
Private bonds	633	543	332	198	387	389	813	394	382	-2.9	-53.0
Loans	83,277	77,351	84,792	68,042	73,617	84,171	103,668	128,435	132,178	2.9	27.5
Public sector	15,164	22,694	44,337	33,228	30,866	25,836	20,874	16,884	16,784	-0.6	-19.6
Private sector	64,464	52,039	38,470	33,398	41,054	55,885	77,832	106,283	110,362	3.8	41.8
Financial sector	3,649	2,617	1,985	1,417	1,697	2,450	4,962	5,268	5,032	-4.5	1.4
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-4,930	-3,728	-3,969	-4,059	2.3	8.9
Other netted credits due to financial intermediat.	42,361	21,485	39,089	27,030	32,554	26,721	26,039	31,526	29,681	-5.9	14.0
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	873	773	667	606	-9.2	-21.7
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,883	4,881	5,196	5,000	-3.8	2.4
Compensation receivable	0	0	17,111	14,937	15,467	5,841	763	376	377	0.4	-50.6
Other	39,514	18,669	13,572	6,392	12,924	16,124	19,622	25,287	23,698	-6.3	20.8
Leasing	786	771	567	397	611	1,384	2,262	3,431	3,453	0.6	52.7
Shares in other companies	2,645	2,688	4,653	4,591	3,871	4,532	6,392	6,211	6,431	3.5	0.6
Fixed assets and miscellaneous	4,939	4,804	8,636	8,164	7,782	7,546	7,619	7,600	7,642	0.6	0.3
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,647	2,782	2,898	2,912	0.5	4.7
Other assets	3,950	5,334	9,338	12,043	13,180	10,950	9,953	10,331	10,350	0.2	4.0
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**195,044**	**225,369**	**261,204**	**261,135**	**0.0**	**15.9**
Deposits	86,506	66,458	75,001	94,635	116,655	136,492	170,898	204,233	205,550	0.6	20.3
Public sector[2]	7,204	950	8,381	16,040	31,649	34,019	45,410	51,720	48,339	-6.5	6.5
Private sector[2]	78,397	43,270	59,698	74,951	83,000	100,809	123,431	150,050	155,047	3.3	25.6
Current account	6,438	7,158	11,462	15,071	18,219	23,487	26,900	34,608	35,245	1.8	31.0
Savings account	13,008	14,757	10,523	16,809	23,866	29,078	36,442	44,105	47,109	6.8	29.3
Time deposit	53,915	18,012	19,080	33,285	34,944	42,822	54,338	64,142	65,952	2.8	21.4
CEDRO	0	0	12,328	3,217	1,046	17	13	0	0	-	-
Other netted liabilities due to financial intermediat.	55,297	36,019	75,737	61,690	64,928	52,072	46,037	47,931	46,216	-3.6	0.4
Interbanking obligations	3,545	2,550	1,649	1,317	1,461	2,164	4,578	4,601	4,310	-6.3	-5.9
BCRA lines	102	4,470	27,837	27,491	27,726	17,005	7,686	2,399	2,362	-1.6	-69.3
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,548	6,603	7,046	6,938	-1.5	5.1
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	4,684	4,240	3,983	3,864	-3.0	-8.9
Other	37,883	17,295	11,955	11,012	18,934	21,671	22,930	29,902	28,743	-3.9	25.4
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,381	1,642	1,664	1,672	0.5	1.9
Other liabilities	2,210	2,524	6,997	6,569	5,685	5,099	6,792	7,375	7,697	4.4	13.3
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**26,918**	**33,014**	**36,203**	**36,867**	**1.8**	**11.7**
Memo											
Netted assets	129,815	110,275	185,356	184,371	202,447	208,275	244,791	278,316	280,375	0.7	14.5
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	203,286	235,845	269,511	271,688	0.8	15.2

(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								Monthly		
	2000	**2001**	**2002[1]**	**2003**	**2004**	**2005**	**2006**	**2007**	**Oct-07**	**Nov-07**	**Dec-07**
Financial margin	7,291	6,943	13,991	1,965	6,075	9,475	13,262	15,161	1,549	1,339	1,686
Net interest income	5,106	4,625	-3,624	-943	1,753	3,069	4,150	5,756	525	553	607
CER and CVS adjustments	0	0	8,298	2,315	1,944	3,051	3,012	2,624	244	237	224
Foreign exchange price adjustments	185	268	5,977	-890	866	751	944	1,370	150	120	117
Gains on securities	1,481	1,490	3,639	1,962	1,887	2,371	4,923	5,147	659	366	714
Other financial income	519	559	-299	-480	-375	233	235	265	-28	63	24
Service income margin	3,582	3,604	4,011	3,415	3,904	4,781	6,243	8,255	774	743	827
Loan loss provisions	-3,056	-3,096	-10,007	-2,089	-1,511	-1,173	-1,198	-1,895	-179	-136	-266
Operating costs	-7,375	-7,362	-9,520	-7,760	-7,998	-9,437	-11,655	-14,640	-1,323	-1,384	-1,453
Tax charges	-528	-571	-691	-473	-584	-737	-1,090	-1,538	-156	-133	-163
Income tax	-446	-262	-509	-305	-275	-581	-595	-1,039	-76	-76	-55
Adjustments to the valuation of government securities[2]	0	0	0	-701	-320	-410	-752	-837	-270	-122	-123
Amortization payments for court-ordered releases	0	0	0	-1,124	-1,686	-1,867	-2,573	-1,922	-179	179	-187
Other	535	702	-3,880	1,738	1,497	1,729	2,664	2,395	245	-73	377
Monetary results	0	0	-12,558	69	0	0	0	0	0	0	0
Total results	**3**	**-42**	**-19,162**	**-5,265**	**-898**	**1,780**	**4,306**	**3,940**	**385**	**337**	**642**
Adjusted results[3]	-	-	-	-3,440	1,337	4,057	7,631	6,700	834	280	953
Annualized indicators - As % of netted assets											
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	5.8	5.7	6.8	5.8	7.2
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.8	2.2	2.3	2.4	2.6
CER and CVS adjustments	0.0	0.0	3.9	1.3	1.0	1.5	1.3	1.0	1.1	1.0	1.0
Foreign exchange price adjustments	0.1	0.2	2.8	-0.5	0.4	0.4	0.4	0.5	0.7	0.5	0.5
Gains on securities	1.2	1.2	1.7	1.1	1.0	1.2	2.2	1.9	2.9	1.6	3.1
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	-0.1	0.3	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.7	3.1	3.4	3.2	3.5
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.5	-0.7	-0.8	-0.6	-1.1
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-5.1	-5.5	-5.8	-6.0	-6.2
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.5	-0.6	-0.7	-0.6	-0.7
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.3	-0.3	-0.2
Adjustments to the valuation of government securities[2]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.3	-0.3	-1.2	-0.5	-0.5
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-1.1	-0.7	-0.8	0.8	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	1.2	0.9	1.1	-0.3	1.6
Monetary results	0.0	0.0	-5.8	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**	**1.5**	**1.7**	**1.5**	**2.7**
ROA adjusted[3]	0.0	0.0	-8.9	-1.9	0.7	2.0	3.4	2.5	3.7	1.2	4.1
ROE	*0.0*	*-0.2*	*-59.2*	*-22.7*	*-4.2*	*7.0*	*14.3*	*11.1*	*12.8*	*11.2*	*20.9*

(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	Dec 06	Oct 07	Nov 07	Dec 07
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	5.2	3.4	2.9	2.8	2.7
Non-performing loans to the non-financial private sector	**16.0**	**19.1**	**38.6**	**33.5**	**18.6**	**7.6**	**4.5**	**3.4**	**3.3**	**3.2**
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	9.3	5.0	3.4	3.2	3.1
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	4.8	3.5	3.5	3.5	3.4
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	125.1	130.3	133.9	128.4	129.7
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.3	-1.0	-1.0	-0.8	-0.8
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-4.1	-3.3	-3.5	-2.9	-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 + BCRA 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	2006	Nov 2007	2007
1.- Liquidity	23.6	26.9	22.8	24.3	24.1	23.6	24.8	27.6	29.2	21.5	23.7	24.3	25.7
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	15.9	9.2	9.1
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	37.9	45.9	46.6
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	3.6	2.6	2.5
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	-3.0	-3.6	-3.6
6.- ROA	0.6	0.7	0.5	0.3	0.1	0.2	-11.3	-2.5	-1.0	0.5	2.2	1.5	1.6
7.- ROE	4.1	6.3	4.3	2.3	0.8	1.4	-79.0	-19.1	-8.1	4.1	15.3	10.1	11.0
8.- Efficiency	144	135	139	146	152	151	168	93	115	136	158	152	153
9.- Capital compliance	15.9	15.4	14.6	18.9	18.0	17.6	-	14.0	15.1	17.8	18.6	20.0	19.3
10.- Excess capital compliance	33	47	27	60	49	43	-	88	157	155	116	102	87

Source: BCRA

Chart 6: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Nov 07	Dec 07	Change (%)	
										Last month	2007
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**129,680**	**152,414**	**172,916**	**175,520**	**1.5**	**15.2**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,074	22,226	26,870	29,418	9.5	32.4
Public bonds	7,583	1,627	19,751	22,260	24,817	29,966	27,663	26,152	24,466	-6.4	-11.6
Lebac/Nobac	0	0	-	-	8,359	15,227	15,952	18,603	17,681	-5.0	10.8
Portfolio	0	0	-	-	5,611	12,899	14,220	15,854	15,651	-1.3	10.1
Repo	0	0	-	-	2,749	2,328	1,732	2,749	2,030	-26.2	17.2
Private bonds	563	451	273	172	333	307	683	336	310	-7.6	-54.6
Loans	56,035	52,319	51,774	47,017	50,741	56,565	69,294	86,657	88,911	2.6	28.3
Public sector	8,172	13,803	25,056	23,571	21,420	15,954	10,036	6,429	6,425	-0.1	-36.0
Private sector	45,103	36,636	26,074	22,816	28,213	39,031	55,632	76,159	78,588	3.2	41.3
Financial sector	2,760	1,880	644	630	1,107	1,580	3,626	4,069	3,898	-4.2	7.5
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,482	-2,227	-2,326	-2,346	0.9	5.3
Other netted credits due to financial intermediat.	36,600	13,037	27,212	22,148	25,753	16,873	18,387	17,699	17,063	-3.6	-7.2
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	675	618	488	430	-11.8	-30.4
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,444	2,982	3,706	3,431	-7.4	15.0
Compensation receivable	0	0	15,971	13,812	14,657	5,575	760	375	377	0.4	-50.4
Other	34,267	10,735	3,523	3,370	7,905	8,179	14,027	13,129	12,825	-2.3	-8.6
Leasing	776	752	553	387	592	1,356	2,126	3,127	3,130	0.1	47.2
Shares in other companies	1,651	1,703	3,123	2,791	1,892	2,416	4,042	3,702	3,763	1.7	-6.9
Fixed assets and miscellaneous	3,225	3,150	5,198	4,902	4,678	4,575	4,677	4,641	4,685	0.9	0.2
Foreign branches	75	112	-109	-136	-53	-148	-139	-152	-154	0.8	10.7
Other assets	2,190	2,574	7,549	7,816	7,137	6,178	5,682	6,211	6,274	1.0	10.4
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**112,600**	**131,476**	**149,985**	**152,135**	**1.4**	**15.7**
Deposits	57,833	44,863	44,445	52,625	62,685	75,668	94,095	114,162	116,719	2.2	24.0
Public sector[2]	1,276	950	1,636	3,077	6,039	6,946	7,029	8,133	7,565	-7.0	7.6
Private sector[2]	55,917	43,270	38,289	47,097	55,384	67,859	85,714	104,588	107,670	2.9	25.6
Current account	4,960	7,158	8,905	11,588	13,966	17,946	20,604	26,383	27,132	2.8	31.7
Savings account	9,409	14,757	6,309	10,547	14,842	18,362	23,165	28,240	30,169	6.8	30.2
Time deposit	39,030	18,012	11,083	18,710	22,729	27,736	38,043	45,358	45,770	0.9	20.3
CEDRO	0	0	9,016	2,409	798	3	1	0	0	-	-
Other netted liabilities due to financial intermediat.	46,271	22,629	49,341	42,367	45,083	32,349	31,750	29,835	29,310	-1.8	-7.7
Interbanking obligations	2,293	1,514	836	726	1,070	1,488	3,383	2,238	1,979	-11.6	-41.5
BCRA lines	83	1,758	16,624	17,030	17,768	10,088	3,689	670	675	0.7	-81.7
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,548	6,413	6,894	6,686	-3.0	4.3
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	2,696	2,249	1,955	1,833	-6.2	-18.5
Other	33,466	11,010	7,374	7,939	12,878	11,530	16,015	18,078	18,137	0.3	13.2
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,319	1,642	1,660	1,668	0.5	1.6
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,264	3,989	4,328	4,438	2.6	11.3
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**17,080**	**20,938**	**22,931**	**23,385**	**2.0**	**11.7**
Memo											
Netted assets	88,501	73,796	117,928	115,091	121,889	123,271	143,807	163,360	166,242	1.8	15.6

(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								Monthly		
	2000	**2001**	**2002[1]**	**2003**	**2004**	**2005**	**2006**	**2007**	**Oct-07**	**Nov-07**	**Dec-07**
Financial margin	5,441	5,282	10,628	2,575	3,415	5,253	7,778	8,984	913	891	943
Net interest income	3,598	3,519	-304	107	1,214	2,069	2,826	4,203	413	442	478
CER and CVS adjustments	0	0	1,476	1,082	900	1,215	858	662	63	54	51
Foreign exchange price adjustments	160	256	6,189	-312	666	576	740	1,003	126	88	89
Gains on securities	1,232	962	3,464	1,892	959	1,259	3,154	2,887	342	248	306
Other financial income	450	546	-197	-195	-322	134	199	229	-31	59	20
Service income margin	2,554	2,598	2,782	2,341	2,774	3,350	4,459	5,883	550	518	584
Loan loss provisions	-2,173	-2,464	-6,923	-1,461	-1,036	-714	-737	-1,180	-98	-104	-161
Operating costs	-5,263	-5,224	-6,726	-5,310	-5,382	-6,303	-7,741	-9,743	-881	-924	-979
Tax charges	-379	-418	-512	-366	-393	-509	-769	-1,106	-118	-94	-120
Income tax	-393	-216	-337	-295	-202	-217	-365	-376	-50	-39	-47
Adjustments to the valuation of government securities[2]	0	0	0	-665	-51	-201	-170	-100	-23	-20	-26
Amortization payments for court-ordered releases	0	0	0	-791	-1,147	-1,168	-1,182	-1,466	-108	-107	-110
Other	307	615	-4,164	1,178	846	1,156	1,641	1,591	123	74	314
Monetary results	0	0	-10,531	-20	0	0	0	0	0	0	0
Total results	**93**	**174**	**-15,784**	**-2,813**	**-1,176**	**648**	**2,915**	**2,485**	**307**	**195**	**398**
Adjusted results[3]	-	-	-	-1,357	252	2,016	4,267	4,051	439	322	534
Annualized indicators - As % of netted assets											
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	5.9	5.8	6.8	6.5	6.8
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	2.1	2.7	3.1	3.2	3.4
CER and CVS adjustments	0.0	0.0	1.1	0.9	0.8	1.0	0.6	0.4	0.5	0.4	0.4
Foreign exchange price adjustments	0.2	0.3	4.4	-0.3	0.6	0.5	0.6	0.6	0.9	0.6	0.6
Gains on securities	1.4	1.2	2.5	1.7	0.8	1.0	2.4	1.9	2.6	1.8	2.2
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.2	0.1	-0.2	0.4	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	3.4	3.8	4.1	3.8	4.2
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.8	-0.7	-0.8	-1.2
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-5.9	-6.3	-6.6	-6.8	-7.1
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.7	-0.9	-0.7	-0.9
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.4	-0.3	-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	-0.2	-0.1	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-0.9	-0.9	-0.8	-0.8	-0.8
Other	0.4	0.7	-3.0	1.0	0.7	0.9	1.2	1.0	0.9	0.5	2.3
Monetary results	0.0	0.0	-7.5	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**	**1.6**	**2.3**	**1.4**	**2.9**
ROA adjusted[3]	0.1	0.2	-11.3	-1.2	0.2	1.6	3.2	2.6	3.3	2.4	3.9
ROE	*0.8*	*1.4*	*-79.0*	*-19.1*	*-8.1*	*4.1*	*15.3*	*11.0*	*16.2*	*10.2*	*20.4*

(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	Dec 06	Oct 07	Nov 07	Dec 07
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	4.4	2.9	2.4	2.3	2.2
Non-performing loans to the non-financial private sector	**9.8**	**14.0**	**37.4**	**30.4**	**15.3**	**6.3**	**3.6**	**2.7**	**2.6**	**2.5**
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	7.3	3.8	2.3	2.1	2.0
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	4.2	3.2	3.3	3.2	3.2
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	114.6	129.6	136.7	140.4	141.5
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	-0.6	-0.9	-0.9	-0.9	-0.9
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	-2.2	-3.0	-3.4	-3.6	-3.6

(*) 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 + BCRA 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.