Report on Banks

AUGUST 2007

Central Bank of Argentina

Year IV - No. 12

Contents

Note: This report contains information from August 2007 available on 2 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 August, increased turbulence on international financial markets did not prevent banks from continuing to consolidate the normalization of their balance sheets.** On the basis of the financial policy defined by the Central Bank, the financial system settled almost all the rediscounts granted five years ago, steadily reduced its lending to the public sector, and can now only lend dollars to those showing repayment capacity in that same currency. This evident strength of banks in Argentina has enabled the recent volatile international situation to be faced without any liquidity or solvency difficulties.

- **Deposits continued to rise in August, strengthening their position as the main source of funds for the financial system.** During the month, total deposits went up $4.1 billion (2.1% or 23.5% y.o.y.), following a similar contribution from both private and public sectors. In this context, cash and reverse repo stocks in terms of deposits increased 0.2 p.p. in the month to 22.2%.

- **The positive dynamic of lending to the private sector continued during the month:** credit to the private sector rose 4.2% in August (41.1% y.o.y.). The lines showing the best performance in the month were credit card lending, promissory notes and personal loans. Mortgage loans have posted a rise of 38.6%a. in 2007.

- **In this context of rising private sector lending, delinquency levels continued to decline.** Non-performance stood at 3.6% of private financing in August, 0.1 p.p. less than in July, and 0.9 p.p. lower than at the end of 2006. This improvement in loan portfolio quality during 2007 has mainly been explained by corporate credit. Household loan non-performance, although recording a slight increase for the year, remains at low levels.

- **Exposure to the public sector fell by 0.7 p.p. of assets in the month**, to 16.3%, shrinking by 5.3 p.p. in 2007 to date. **For the first time since the crisis, private banks recorded a level of exposure to the public sector of less than 10%.** The dynamic for the month was mainly explained by the principal amortization installment on Boden 2012.

- **Although to a lesser extent than in July, international financial market turbulence impacted on bank results in August.** The improvement for the month was partly related to the measures implemented by the Central Bank intended to prevent temporary fluctuations in securities prices from adding volatility to financial entities profitability. In August the financial system posted a loss of $20 million, or 0.1%a. of assets, showing an improvement of 0.7 p.p. of assets over the previous month. **Recurring revenues continue to gain strength: for the first time services income margin exceeded pre-crisis levels.** During the first eight months of 2007 the financial system accrued profits for over $2 billion.

- **Financial system net worth recorded a slight decline in August, explained by monthly losses and adjustments for unrealized differences in valuation as a result of the drop in securities prices.** Banks net worth fell 0.6% in August. Despite this movement for the month, in the last twelve months there has been an increase in net worth of 14.1%.

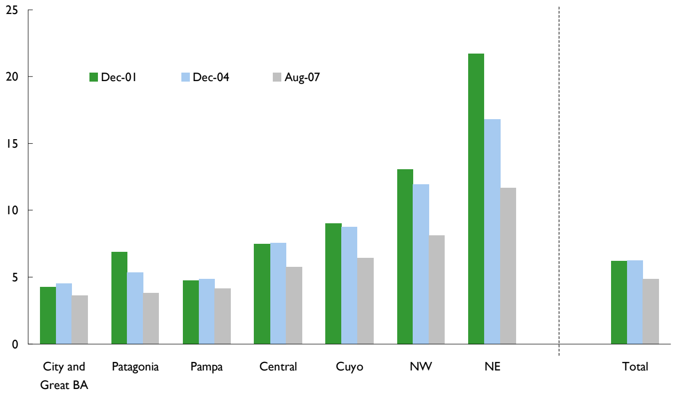
- **Encouraged by the good outlook for the financial activity, there have been signs of steady growth in banks operating structure,** with increases in employment, in the number of branches, and in the number of ATMs. In recent years, **there has been progress in regions with lower coverage, particularly through the access to financial services using ATMs.**

Table 1
Financial System Structure
In units

	2004	2007*	% Change 2007-04
Branches	3,822	3,988	4.3
Automated Teller Machines	6,121	8,087	32.1
Payroll	84,112	95,640	13.7

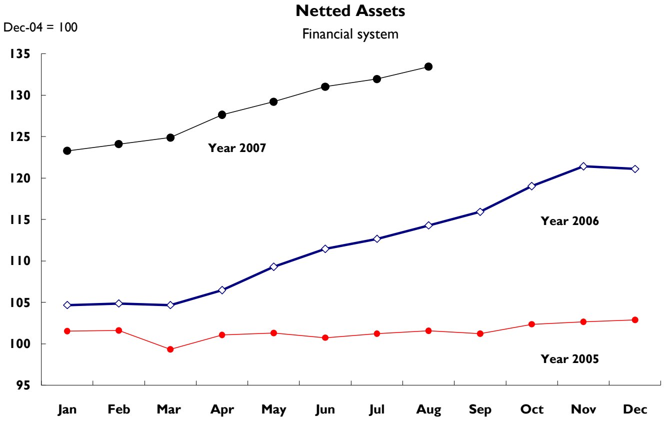
*Note: The number of branches and ATM correspond to August 2007
The payroll data corresponds to June 2007
Source: BCRA

Chart 1
Financial System Regional Coverage
Thousand of inhabitant per ATM



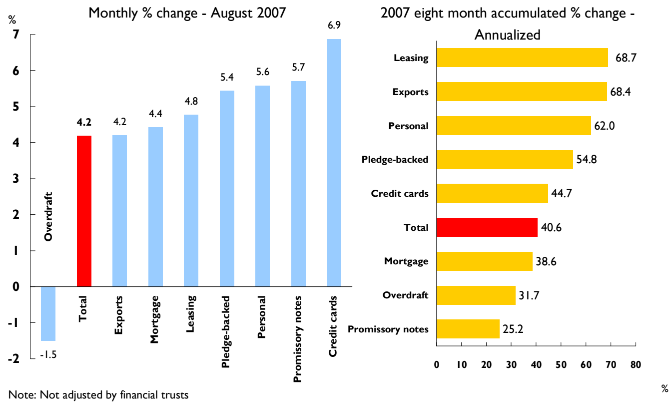
Source: BCRA

Chart 2
Netted Assets
Financial system



Source: BCRA

Chart 3
Credit to the Private Sector by Type of Line



Note: Not adjusted by financial trusts
Source: BCRA

Structure:

Growth of ATMs helps to reduce regional differences in access to financial services

The financial system continues to upgrade its operating structure after the 2001-2002 crisis. Encouraged by the good outlook for financial activity, a steady increase has been observed in payroll, branches and ATMs (see Table 1). In a similar manner, there have also been improvements in banking service use and regional coverage, two traditional limitations shown by the argentine financial system.

Over the last three years the financial system has been recovering from the after-effects of the crisis on its operating structure, deepening its expansion in various directions. There has been a 7.4% growth in banking employment in the last 12 months, achieving for the first time since the crisis a rate of growth similar to that of formal employment in the economy. Three-quarters of the increase in payroll in the last year has been explained by the dynamic of private banks. In addition, there are currently 170 branches more than there were three years ago, and the number of ATMs has risen by 32% in the same period. The relative increase in the number of ATMs in terms of payroll (from 7.3 ATMs per 100 employees in 2004 to 8.5 in 2007) is a sign of the incorporation of technology to increase and automate financial services, making it possible to improve efficiency levels and the access to banking transactions by the population.

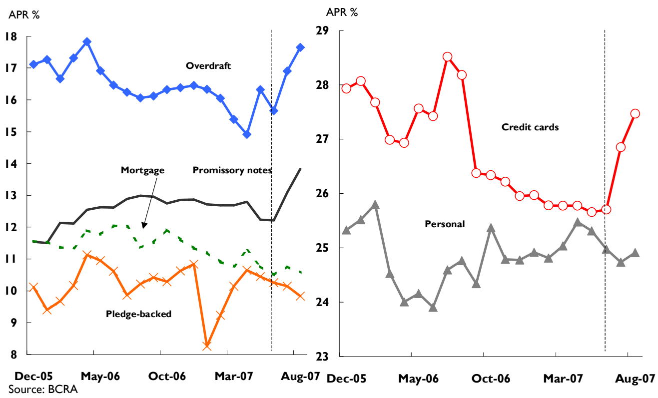
In line with the trend towards a gradual normalization of the sector, **and according to Central Bank's financial policy, in the case of the number of ATMs per inhabitant there has been significant progress in regions with the least coverage, such as the northwestern (NOA) and northeastern (NEA) areas of the country** (see Chart 1). In terms of access to financial services via automatic teller machines, the gap between the region with the greatest coverage and that with the least coverage fell sharply in recent years, from 5.1 times in the pre-crisis period to 3.2 times currently. Gains in terms of the number of branches by region have not been as great.

Activity:

Despite turbulence, deposits and loans continued their favorable trend

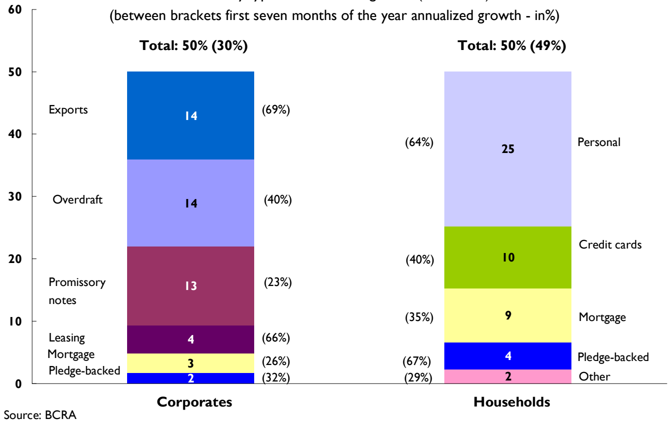
Consolidating the progress of the last three years, the financial system continued to normalize its balance sheets, despite the volatile conditions on international financial markets. In August, banks deepened their independence from public sector financial needs, recording a further fall in exposure to this sector. Lending to the private sector continued to expand steadily, in a context of limited credit risk, and deposit growing once again became the principal source of financial system funding. In this context, during August bank netted assets grew 1.1% (16.7% y.o.y.) (see Chart 2).

Chart 4
Lending Interest Rates
Loans to the private sector - Financial system



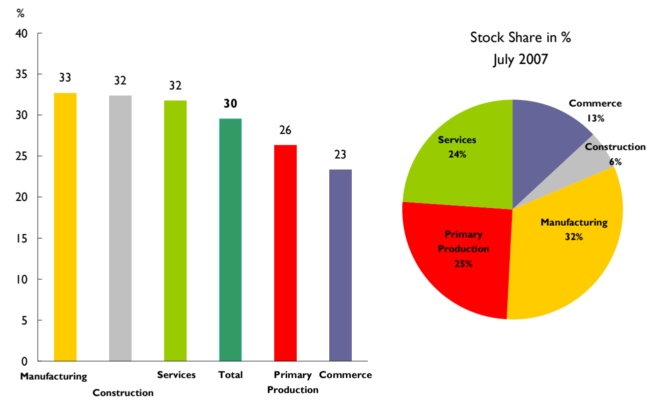
Source: BCRA

Chart 5
Credit to Corporates and Households
% Share by type of line in 2007 growth ($16 billion)
(between brackets first seven months of the year annualized growth - in%)



Source: BCRA

Chart 6
Lending to Companies by Economic Sector
2007 accumulated % change, up to July - Annualized - Financial system



Source: BCRA

During the month, **the increase in deposits** ($4.1 billion), divided almost equally in to public and private sector placements, **was the main source of bank funding**, followed by the reduction in lending to the public sector ($2 billion), which took place mainly as a result of principal amortization and the interest payment on Boden 2012.

The most notable use of new bank funding during the month was in the increase in lending to the private sector ($4.15 billion). Other uses included the building up of liquid assets ($1.35 billion), mainly by public sector financial entities, and the increased holding of Lebac and Nobac securities ($400 million).

The Central Bank's monetary and financial policy helped ensure that credit to the private sector did not suffer the effects of turbulence on international markets and the increased demand for liquidity by domestic financial entities. Lending to the private sector went up 4.2% in August, totaling an increase of 41.1% in the last 12 months and reaching a level of 34.7% of assets. The most dynamic lines during the month were credit cards, promissory notes and personal loans (see Chart 3), while the only line that posted a decline was current account overdrafts, partly as a result of their greater sensitivity to monthly volatility.

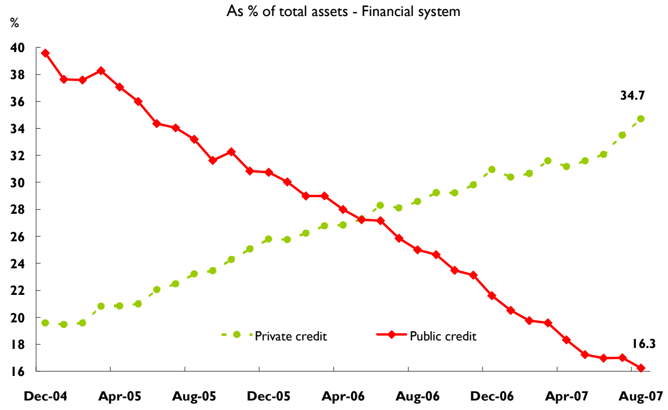
Growth in lending to the private sector in August took place in the context of an uneven performance by lending rates. **Rates on overdrafts, promissory notes and credit cards were the most affected, registering increases for the month.** Interest rates on loans for longer terms (pledge-backed and mortgage), and personal loans saw almost no change in August (see Chart 4).

In line with the incentives established by the Central Bank, growth in total lending to the private sector in 2007 was shared evenly between companies and households (see Chart 5), **with loans to the latter showing a greater relative rate of growth**. In the case of households, the most dynamic lines were pledge-backed loans and personal loans, while close to 70% of the total increase is explained by consumer credit lines (personal loans and credit cards). At corporate level there was notable dynamism in loans for export and leasing, the latter providing an alternative financing mechanism for the mid to long term. The largest share of the increase in corporate lending was associated with export credit lines, current account overdrafts, and promissory notes.

Growth in credit to corporates in the first part of 2007 was 80% accounted for the three productive sectors with large participation in total stock: primary production, manufacturing industry, and services. The most dynamic branches of activity in the demand for lending from the financial system in 2007 were manufacturing (33%a.), construction (32%a.) and services (32%a.) (see Chart 6). In view of the dynamism of the various productive activities, it can be seen that the rates of growth in lending to corporates in 2007 have been more uniform across the various sectors than in the case of the previous year.

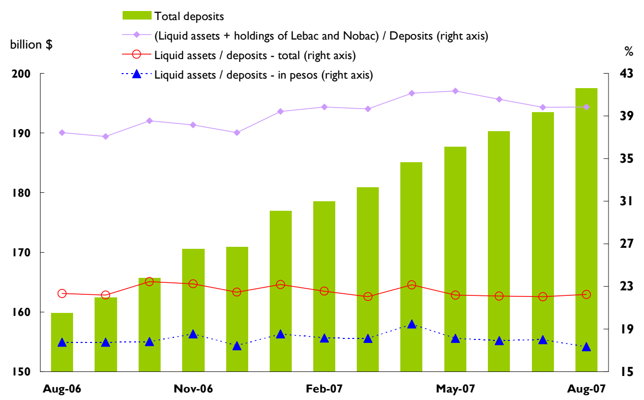
Another sign of the normalization of financial system assets has been the reduction of 0.7 p.p. in exposure to the public sector in August,

Chart 7
Public and Private Sector Exposure
As % of total assets - Financial system



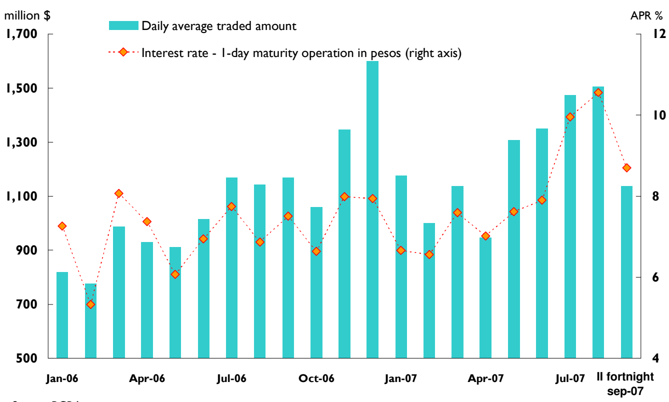
Source: BCRA

Chart 8
Deposits and Liquidity
Financial system



Source: BCRA

Chart 9
Call Market



Source: BCRA

to **16.3% of total assets** (see Chart 7), showing a total drop of 5.3 p.p. in 2007. The drop in August was explained by the Boden 2012 principal amortization, with a significant impact on three financial entities. Bearing in mind this gradual and persistent trend in public sector credit, the banking system has strengthened its independence from the financial requirements of this sector, in line with the incentives established by the Central Bank. As a result, **financial system exposure to the public sector has come to represent less than half that corresponding to the private sector. For the first time since the crisis, private banks have recorded a level of exposure to the public sector in a single figures** (9.8% of total assets).

In August banks allocated $1.35 billion to the setting up of liquid assets. The change for the month was explained mainly by the rebuilding of Central Bank repo stocks ($1.1 billion) by two public sector financial entities. In addition, banks increased their cash holdings and their current account stocks at the Central Bank ($200 million). As a result of this increase for the month, the liquidity ratio rose 0.2 p.p. in August to 22.2% of total deposits (see Chart 8). The liquidity indicator that includes holdings of Lebac and Nobac rose 0.1 p.p. in the month to 39.9% of total deposits, as a result of a $400 million increase in the portfolio of Central Bank securities.

Daily average trading volume on the call money market rose above $1.5 billion in August, exceeding the volume of the previous month. **One-day call money interest rates increased 0.6 p.p. in August to 10.6%** (see Chart 9). Although local interbank markets party reflected the effects of the turbulence on international markets, the increased call market interest rates were related to sales of debt instruments by foreign investors, and to a lesser extent, to a certain over-reaction by some financial entities. **The Central Bank continues to provide tools to strengthen the financial system in the face of liquidity risk and to help avoid sharp interest rate movements from affecting credit[1], measures that showed their effect in September.**

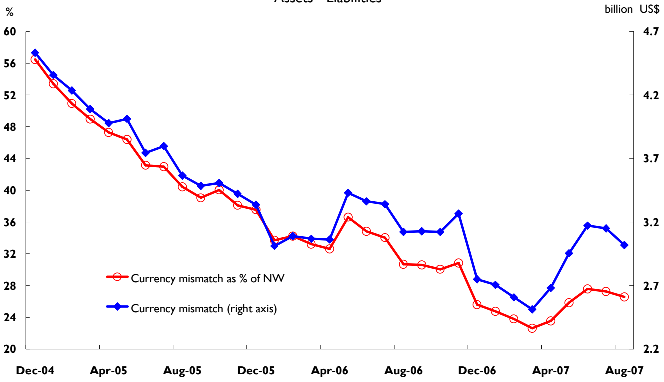
In a context of the gradual normalization of bank liabilities, deposits continued to rise in August. During the month total deposits went up $4.1 billion (2.1% or 23.5% y.o.y.), with an even contribution by public and private sector depositors. The increase in private sector deposits in August was driven by sight deposits ($1.3 billion), and to a lesser extent by time deposits ($700 million). Public sector deposits were mainly in the shape of time deposits.

Liquidity rediscounts granted by the Central Bank to the financial system during the 2001-2002 crisis fell to just 0.6% of total liabilities in August. During the month the only bank with rediscounts pending made payment of its installment under the matching schedule for $71 million. In addition, this bank has settled its installments corresponding to September and October for $73 million and $44 million, respectively. As a result, the financial system has repaid 92.2% of the liquidity assistance originally granted by the Central Bank.

In August, financial system foreign currency assets rose by US$80 million, mainly as a result of increased in dollar loans. Liabilities in

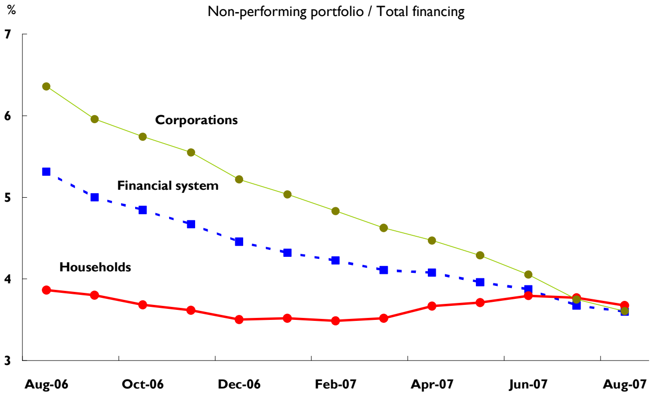
[1] For further detail, see the Central Bank's Financial Stability Bulletin for the Second Half of 2007 (Page 23).

Chart 10
Currency Mismatch - Financial System
Assets - Liabilities



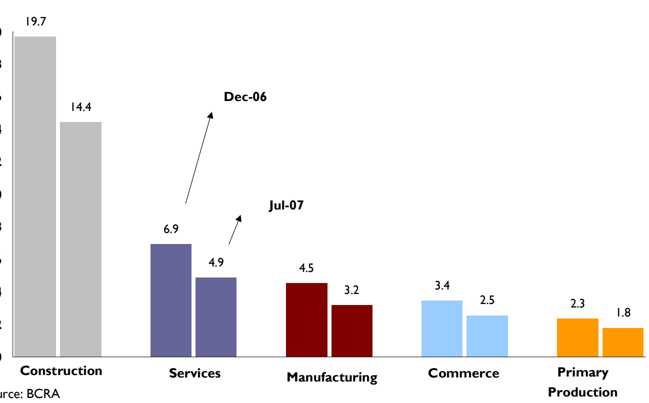
Source: BCRA

Chart 11
Non-Performance Loans to Corporations and Households
Non-performing portfolio / Total financing



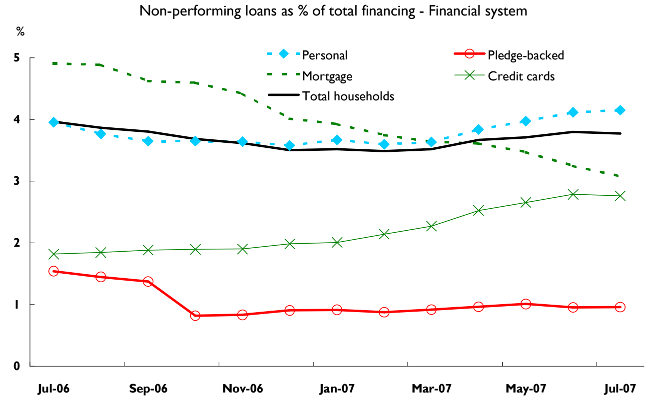
Source: BCRA

Chart 12
Non-Performing Loans by Economic Sector
Non-performing loans / Total financing



Source: BCRA

Chart 13
Non-Performance Loans to Households by Type of Financing
Non-performing loans as % of total financing - Financial system



Source: BCRA

foreign currency went up by US$200 million, a movement led by the increase in private sector dollar deposits derived from the Boden payments in the month, partly offset by the repurchase of ONs by one private bank in August. As a result of these movements, **financial system foreign currency mismatching in terms of net worth fell 0.7 p.p. in August** (see Chart 10) to a level of 26.6%, accumulating a reduction of 4.1 p.p. in the last 12 months.

Portfolio quality:

Private sector loan quality continues to improve due to corporate lending

The context of economic growth, with a relatively positive outlook for household income and the various productive sectors, added to the low level of private sector indebtedness and the regulatory incentives established by the Central Bank, **have strengthened the financial system in the face of credit risk.**

The increase in loans with a low implicit risk contributed to a further reduction in private-sector non-performance, which stands at levels that are low in both historical and regional terms. Non-performance totaled 3.6% of private sector financing (see Chart 11) in August, 0.1 p.p. lower than in July and 0.9 p.p. less than at the end of 2006.

This improvement in the quality of the portfolio in the first 8 months of the year **has mainly been explained by loans to corporates**, while household non-performance, although slightly higher during the period (in particular because of the effect of consumer lines, such as personal loans and credit card lending) still remains at a low level.

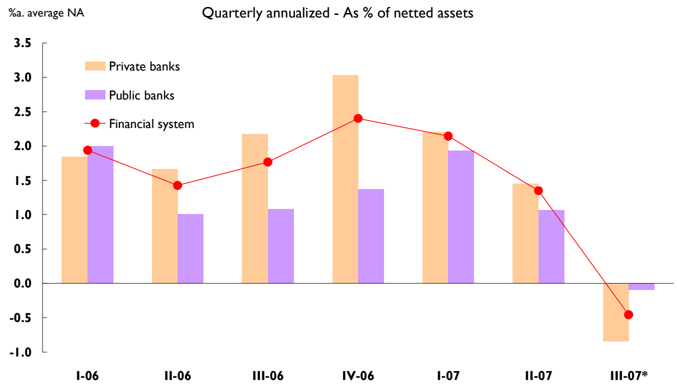
While company lending requirements are rising as a result of the growth in output, increased lending has taken place together with a drop in non-performance in the corporate sector. Corporate delinquency dropped 1.6 p.p. in the first eight months of 2007, to a level of 3.6% of loans in August. In the first part of 2007, **the improvement in the quality of the corporate loan portfolio was widespread across all productive sectors** (see Chart 12).

In 2007 household loan non-performance was uneven across the various credit lines. Mortgage loans continued to record drops in their delinquency, in line with the trend seen in recent years. Both personal loans and credit card loans posted deterioration in their performance, although non-performance rates remain low (see Chart 13). These movements have been responsible for the slight increase in non-performance in the household segment in 2007 to date.

The improvement in private sector credit quality in the first eight months of 2007 was led by public banks. Although recording a higher level, the public bank non-performance ratio posted a drop of 1.7 p.p. in 2007 to 5.2%, while that for private banks fell 0.7 p.p. to 2.8%.

In August the financial system showed a sound level of coverage by means of provision, in the order of 133% of non-performing loans, slightly higher than at the end of 2006. In addition, the ratio of non-performing loans not covered by provisions in terms of net worth remains negative for the financial system (–3.3%), **a sign of the strength of the banking system in the face of the risk from lending to the private sector.**

Chart 14
Financial System Profitability
Quarterly annualized - As % of netted assets



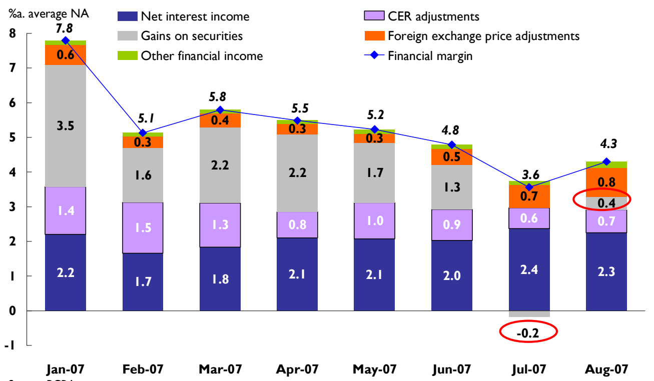
* Up to August - annualized
Source: BCRA

Profitability:

Despite continuing volatility, bank losses were lower than in the previous month

Although to a lesser extent than in July, international financial market turbulence again impacted on bank results in August. The improvement in the month was partly due to the measures implemented by the Central Bank to prevent temporary movements in security prices add volatility to financial entity profitability. In August the financial system recorded an annualized (a.) loss of 0.1% of assets (see Chart 14) and of 0.7%a. in terms of net worth. Despite these results, it should be noted that losses in August were lower than those recorded in July. In August ROA stood at 0.7 p.p. of assets above the level recorded in the previous month. In this context, during the first eight months of 2007 the financial system accrued profits for over $2 billion, achieving an ROA of 1.2%a. and an ROE[2] of 8.7%a., 0.5 p.p. and 4.5 p.p., respectively less than the figures posted in the same period of 2006.

Chart 15
Financial Margin Composition
Financial system

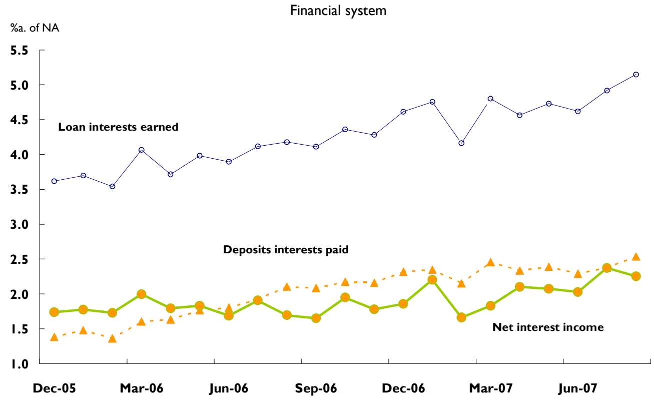


Source: BCRA

Both private and public banks recorded losses during the month. Although private banks recorded losses for 0.2%a. of assets in the month, they obtained results that were 1.3 p.p. higher than those recorded in July. As a result, in the first eight months de 2007 positive results for private banks stood at 1.1%a. of assets, 0.8 p.p. lower than in the same period of the previous year. In public banks, losses accrued in August totaled 0.2%a. of assets, accumulating gains for 1.1%a. in 2007, 0.3 p.p. less than in the same period of 2006. Lastly, non-bank financial entities recorded a ROA of 6.1% in August, 2.1 p.p. higher than in the previous month.

Largely as a consequence of the return to positive territory by the gains on securities, financial margin posted an increase in August compared with July, although still below the figures recorded in the first half of the year. In addition, the improvement for the month was to a lesser extent associated with the increase in the gains from exchange rate differences. Financial margin totaled 4.3%a. of assets in August (see Chart 15), 0.7 p.p. higher than in the previous month, accumulating 5.2%a. in the first eight months of 2007.

Chart 16
Main Components of Net Interest Income
Financial system



Source: BCRA

In August, net interest income fell 0.1 p.p. to 2.3%a. of assets, with total values similar to those of the rest of the year. The main headings making up interest income have shown a rising trend. Growth in private sector loans, together with higher volumes of time deposits, have resulted in loan interest earned and deposit interest paid both rising in recent years (see Chart 16).

[2] In this section whenever reference is made to ROA and ROE, the denominator should be understood to be netted assets and net worth, respectively (see Glossary).

Chart 17
Gains on securities
Financial system

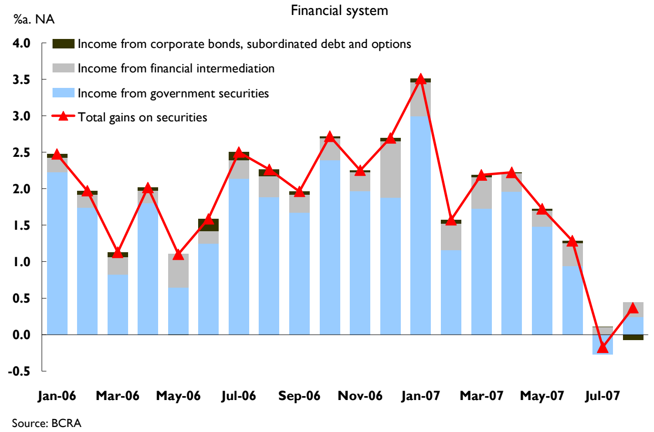


Chart 18
Service Income Margin

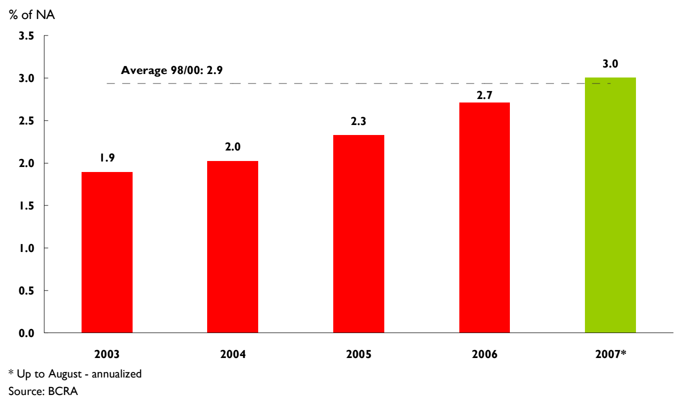
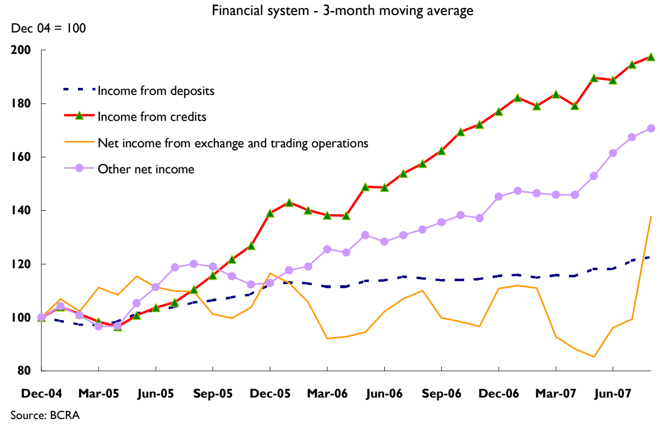


Chart 19
Service Income Margin Composition
Financial system - 3-month moving average



As the CER index rose by more than in July, adjustments according to this coefficient totaled 0.7%a. of assets in August, 0.1 p.p. above the previous month's level. On the basis of this increase and the slight drop for the month in net interest income, it can be seen that net interest income plus CER has remained steady at 3%a. of assets. In 2007 to date, income accrued from CER totaled 1%a. of assets, 0.4 p.p. less than in the same period of 2006. **Banks are gradually reducing their mismatching of CER-adjusted items, so that their results are becoming less dependent on the relative performance of nominal interest rates compared with this coefficient.**

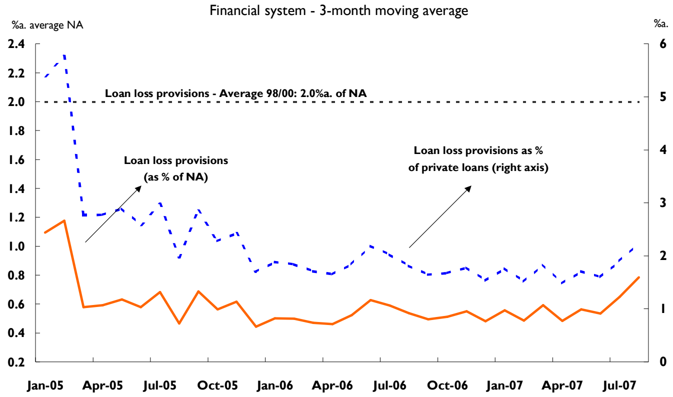
Results derived from the holding and trading of securities were positive once again in August. This was due in part to recent regulations introduced by the Central Bank that sought to prevent short-term swings in security yields from temporarily impacting on financial entity results. The Central Bank has allowed Lebac and Nobac to be recorded in "investment accounts" (for paper held to maturity), while both government and Central Bank securities could be held in "trading accounts". In this context, **income from securities for the month stood at 0.4%a. of assets**, 0.6 p.p. above the level recorded in the previous month (see Chart 17). The increased results from financial assets during the month were recorded by both private and public banks, with the latter recording the biggest increase in terms of assets. In 2007 to date, income from securities has totaled 1.6%a. of assets, 0.3 p.p. less than in the same period of the previous year.

Services income margin continues to display marked dynamism, becoming the principal source of financial system profit. In August service income margin totaled 3.3%a. of assets, 0.2 p.p. above the level in July, reaching 3%a. in the first eight months of the year (0.3 p.p. more than in the same period of 2006). **In 2007 for the first time service income margin has risen above the levels that existed prior to the 2001-2002 crisis** (see Chart 18). Although there has been an upward trend for almost all the lines making up this income statement heading, **loan-related income has been the most dynamic category since the end of 2004** (see Chart 19). Service income margin covers 58% of operating costs, a slightly higher percentage than was recorded in the previous month.

In view of the increase in the peso-dollar exchange rate ($0.04 per dollar) that took place in the context of volatility on international financial markets, **results from exchange rate differences increased marginally in August,** despite the reduction in the foreign currency mismatching. This income statement heading amounted to 0.8%a. of assets in the month, 0.1 p.p. more than in July.

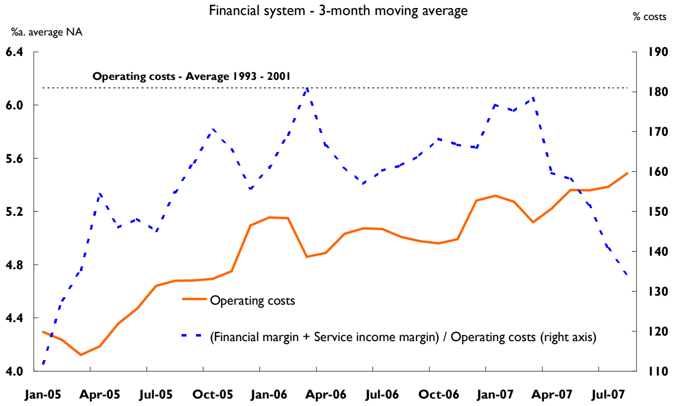
Loan loss provisions recorded a slight increase in August, although they remain at low levels in historical terms (see Chart 20)**.** Loan loss provisions totaled 1%a. of assets in the month, 0.2 p.p. more than in July. This increased cost was centered on just a few financial entities. In the year to date loan loss charges have amounted to 0.6%a. of assets, slightly more than had been recorded in the same period of 2006. In terms of private sector loans these charges totaled 2.6%a. in August.

Chart 20
Loan Loss Provisions
Financial system - 3-month moving average



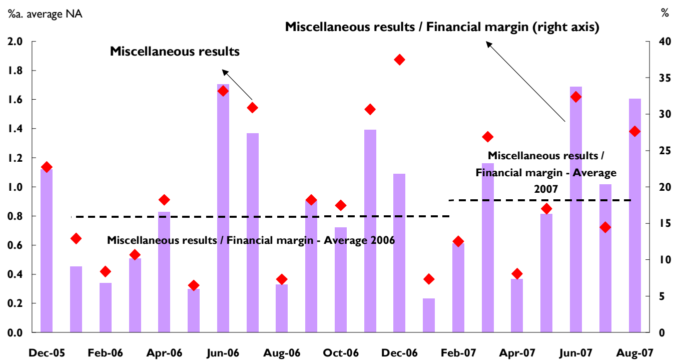
Source: BCRA

Chart 21
Operating Costs
Financial system - 3-month moving average



Source: BCRA

Chart 22
Miscellaneous Results
Monthly evolution



Source: BCRA

Driven in particular by the action of one private bank, in August operating costs recorded an increase for the month of 0.3 p.p., to 5.7%a. of assets, totaling 5.3%a. during the course of 2007. Despite this dynamic for the month, operating costs are currently below pre-crisis levels (see Chart 21). Despite the improvement in financial margin and service income margin, the coverage ratio for operating costs dropped in August to 133%.

Miscellaneous results increased in August. Financial system miscellaneous results totaled 1.4%a. of assets (see Chart 22), 0.7 p.p. more than in July. This change for the month can be explained by extraordinary income posted by one private bank, and the increase in results from long-term investments in controlled companies. On the other hand, income tax accrual rose slightly during the month to 0.2%a. of financial system assets.

Amortization of court-ordered-payments remained steady during the month, reaching 0.8%a. of assets in August, while **accrual of public sector asset valuation adjustments rose 0.2 p.p. to 0.8%a..**

Outlook for September

In the context of the end of the third quarter of the year, it is expected that after the negative results in July and August, the financial system will once again post profits in September. In particular this will reflect the increase in financial intermediation with the private sector and the improvement in security prices. Profitability in September will be led by the more stable sources of income (interest and service income), together with an improvement in results from the holding and trading of financial assets.

In September the rise in interest income would be explained by the increase in lending to the private sector, the most dynamic lines being personal loans, pledge-backed loans, and mortgage loans (see Table 2), in a context in which lending interest rates have risen. In addition, it is expected that there will be an increase in interest paid following the rise in borrowing interest rates. As a result, it is forecasted that **net interest income for September will be in line with the levels seen in recent months.** CER will probably post a slight increase for the month, in view of the higher growth by this coefficient in September compared with the previous month. The dynamism of private sector lending and the increase in deposit levels are expected to lead to a **new rise in bank service income margin in September.**

In the context of a reduction in the volatility of international financial markets, **it is expected that gains on securities will be positive in September and greater than in August**, in view of the recovery by leading bonds. Results from exchange rate differences are likely to decline, given the lower nominal peso-dollar exchange rate registered in September.

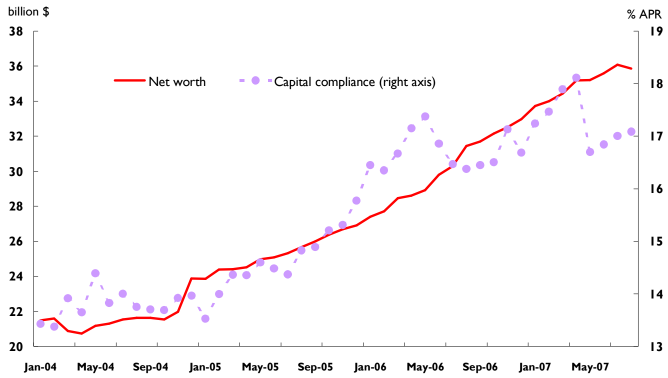
Lastly, as a quarterly period of account will be coming to an end, adjustments could be made to financial entity costs (loan loss charges and operating costs).

Table 2
Main Developments in September 2007

	Aug	Sep	Var Aug	Var Sep
Prices				
Exchange rate ($/US$)[1]	3.156	3.150	1.2	-0.2
CPI	196.0	197.6	0.6	0.8
CER[1]	1.99	2.00	0.5	0.6
	%	%	Var p.p	Var p.p
Securities - annual IRR[1]				
BOGAR $ 2018	9.1	7.6	236	-147
BODEN US$ 2012	10.0	9.0	132	-94
Discount $	8.3	7.7	104	-60
Discount US$ NY	9.7	9.3	-7	-45
Lebac in $ - 6 months to maturity	14.6	13.8	525	-85
Nobac in $ (BADLAR Private banks) - 9 months to matur	15.4	16.1	639	66
	%	%	Var p.p	Var p.p
Average percentage rates				
Lending [2]				
Overdraft	17.7	18.7	77	99
Promissory notes	13.9	16.0	79	210
Mortgage	10.7	11.6	-10	98
Pledge-backed	9.6	11.5	-42	197
Personal	24.8	26.1	37	125
30 to 44 day time deposit	8.5	10.0	119	150
BADLAR	9.0	10.8	134	174
7 day BCRA repos	7.8	7.9	14	13
Lebac in $ - 3 months	10.5	10.7	51	11
	Mill $	Mill $	Var %	Var %
Balance[2,3] - Financial system				
Peso total deposits	170,329	172,174	1.6	1.1
Sight deposits	79,600	77,497	-1.4	-2.6
Time deposits	77,860	82,071	3.5	5.4
Peso loans - Private sector	77,208	79,733	2.7	3.3
Overdraft	13,192	12,913	-3.0	-2.1
Promissory notes	15,970	16,552	3.4	3.6
Mortgage	12,223	12,696	4.1	3.9
Pledge-backed	4,842	5,085	4.5	5.0
Personal	17,537	18,459	5.1	5.3

([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 23
Solvency
Financial system



Source: BCRA

Solvency:

Losses have been absorbed, preserving solvency levels

Largely as a result of the turbulence on international financial markets, financial system net worth posted a decline of 0.6% in August (see Chart 23). Notwithstanding this movement for the month, in the last twelve months there has been an increase in net worth of 14.1%a. The drop for the month was explained by book losses and adjustments for unrealized valuation differences, in the context of a reduction in the value of the securities held in bank portfolios.

The decline in bank net worth was sharper for private banks than for public entities. While privately-owned institutions saw a reduction their net worth of 0.9% in August (recording growth of 15.4% y.o.y.), public banks recorded a drop of 0.2%, accumulating growth of 11% in the last 12 months.

Financial system capital compliance recorded an increase in August, standing at 17.1% of risk-weighted assets, 0.1 p.p. above the value registered in July. Financial entities capital position improved 4.6 p.p., totaling 98.8%. The favorable position for the month was linked to the placing of shares by one private bank in July. **Bank capital compliance continues to comfortably exceed local requirements and minimum internationally-recommended levels.**

During the recent period of market volatility, the financial system succeeded in demonstrating its strength, absorbing the losses from the external shock without affecting its solvency levels.

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" 4698 – 24/8/2007**

Holdings of debt instruments issued by the Central Bank may be classified under the "investment accounts" heading. These holdings are to be retained until maturity. The entity wishing to make use for compliance purposes of the paper included in this category must maintain the allocation of such items in those accounts until maturity. Such holdings will be able to be used for repo transactions. Regarding their valuation, holdings added to investment accounts are to be recorded at cost, with monthly increases based on their IRR. In the case of previously-existing holdings, cost value shall be considered to be market value. A note to the financial statements should detail the valuation criterion adopted, if necessary quantifying the difference with regard to their being marked to market.

- **Communication "A" 4702 – 30/8/2007**

Holdings of federal government bonds and debt instruments issued by the Central Bank may be recorded in the "trading accounts" category. Such holdings may be used in repo transactions. They are to be recorded at their market value, and a note to the financial statements should indicate the use of this methodology, quantifying its potential effect on the income statement. In relation to their disclosure on the books, any difference between the cost of incorporation and market value shall be disclosed in special accounts in Net Worth (Unrealized valuation difference).

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 institutions, 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 and modifications.
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 Central Bank 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, sundry 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

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	Aug 2006	2006	Jul 2007	Aug 2007
1.- Liquidity	22.3	26.1	23.1	25.0	23.4	19.6	22.8	29.1	29.6	20.1	22.3	22.5	22.0	22.2
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	25.0	21.6	17.0	16.3
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	28.6	31.0	33.5	34.7
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	5.3	4.5	3.7	3.6
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	-3.5	-3.3	-3.0	-3.3
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	1.4	1.2
7.- ROE	4.1	6.3	3.9	1.7	0.0	-0.2	-59.2	-22.7	-4.2	7.0	13.2	14.3	10.1	8.7
8.- Efficiency	142	136	138	142	147	143	189	69	125	151	167	166	158	155
9.- Capital compliance	23.8	20.8	20.3	21.0	20.1	21.4	-	14.5	14.0	15.3	17.0	16.7	17.0	17.1
10.- Excess capital compliance	64	73	49	54	58	54	-	116	185	173	137	132	94	99

Source: BCRA

Chart 2: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Aug 06	Dec 06	Jul 07	Aug 07	Change (%)		
											Last month	Accum. 2007	Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**129,680**	**143,002**	**152,414**	**168,008**	**167,257**	**-0.4**	**9.7**	**17.0**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,074	17,432	22,226	25,061	26,297	4.9	18.3	50.9
Public bonds	7,583	1,627	19,751	22,260	24,817	29,966	29,545	27,663	29,466	27,206	-7.7	-1.7	-7.9
Lebac/Nobac	0	0	-	-	8,359	15,227	16,282	15,952	19,149	18,599	-2.9	16.6	14.2
Portfolio	0	0	-	-	5,611	12,899	14,097	14,220	17,475	16,840	-3.6	18.4	19.5
Repo	0	0	-	-	2,749	2,328	2,185	1,732	1,674	1,759	5.1	1.5	-19.5
Private bonds	563	451	273	172	333	307	702	683	589	484	-17.8	-29.1	-31.0
Loans	56,035	52,319	51,774	47,017	50,741	56,565	63,208	69,294	77,170	80,104	3.8	15.6	26.7
Public sector	8,172	13,803	25,056	23,571	21,420	15,954	11,824	10,036	6,493	6,513	0.3	-35.1	-44.9
Private sector	45,103	36,636	26,074	22,816	28,213	39,031	49,011	55,632	67,198	70,206	4.5	26.2	43.2
Financial sector	2,760	1,880	644	630	1,107	1,580	2,373	3,626	3,478	3,385	-2.7	-6.7	42.6
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,482	-2,246	-2,227	-2,242	-2,259	0.7	1.4	0.6
Other netted credits due to financial intermediat.	36,600	13,037	27,212	22,148	25,753	16,873	18,982	18,387	19,905	17,453	-12.3	-5.1	-8.1
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	675	577	618	578	688	19.0	11.3	19.2
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,444	2,914	2,982	3,452	3,661	6.1	22.8	25.6
Compensation receivable	0	0	15,971	13,812	14,657	5,575	4,890	760	370	374	1.2	-50.7	-92.3
Other	34,267	10,735	3,523	3,370	7,905	8,179	10,601	14,027	15,505	12,729	-17.9	-9.3	20.1
Leasing	776	752	553	387	592	1,356	1,894	2,126	2,838	2,964	4.4	39.4	56.5
Shares in other companies	1,651	1,703	3,123	2,791	1,892	2,416	3,467	4,042	4,291	4,295	0.1	6.3	23.9
Fixed assets and miscellaneous	3,225	3,150	5,198	4,902	4,678	4,575	4,549	4,677	4,703	4,554	-3.2	-2.6	0.1
Foreign branches	75	112	-109	-136	-53	-148	-136	-139	-147	-150	1.8	8.2	9.9
Other assets	2,190	2,574	7,549	7,816	7,137	6,178	5,606	5,682	6,374	6,309	-1.0	11.0	12.5
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**112,600**	**123,215**	**131,476**	**144,949**	**144,414**	**-0.4**	**9.8**	**17.2**
Deposits	57,833	44,863	44,445	52,625	62,685	75,668	86,795	94,095	107,141	109,849	2.5	16.7	26.6
Public sector[2]	1,276	950	1,636	3,077	6,039	6,946	7,117	7,029	7,650	8,407	9.9	19.6	18.1
Private sector[2]	55,917	43,270	38,289	47,097	55,384	67,859	78,435	85,714	98,125	100,161	2.1	16.9	27.7
Current account	4,960	7,158	8,905	11,588	13,966	17,946	18,595	20,604	24,342	24,666	1.3	19.7	32.6
Savings account	9,409	14,757	6,309	10,547	14,842	18,362	20,674	23,165	25,776	26,672	3.5	15.1	29.0
Time deposit	39,030	18,012	11,083	18,710	22,729	27,736	35,169	38,043	43,717	44,423	1.6	16.8	26.3
CEDRO	0	0	9,016	2,409	798	3	2	1	1	1	-2.8	-46.8	-67.1
Other netted liabilities due to financial intermediat.	46,271	22,629	49,341	42,367	45,083	32,349	31,884	31,750	32,370	29,075	-10.2	-8.4	-8.8
Interbanking obligations	2,293	1,514	836	726	1,070	1,488	1,973	3,383	2,654	2,346	-11.6	-30.7	18.9
BCRA lines	83	1,758	16,624	17,030	17,768	10,088	6,999	3,689	785	661	-15.7	-82.1	-90.6
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,548	6,499	6,413	7,731	7,275	-5.9	13.4	11.9
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	2,696	2,158	2,249	1,443	1,650	14.4	-26.6	-23.5
Other	33,466	11,010	7,374	7,939	12,878	11,530	14,254	16,015	19,758	17,141	-13.2	7.0	20.3
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,319	1,227	1,642	1,657	1,690	2.0	2.9	37.7
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,264	3,309	3,989	3,781	3,800	0.5	-4.7	14.9
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**17,080**	**19,786**	**20,938**	**23,059**	**22,843**	**-0.9**	**9.1**	**15.4**
Memo													
Netted assets	88,501	73,796	117,928	115,091	121,889	123,271	134,272	143,807	156,251	157,953	1.1	9.8	17.6

(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 8 months		Monthly			Last
	2000	2001	2002[1]	2003	2004	2005	2006	2006	2007	Jun-07	Jul-07	Aug-07	12 months
Financial margin	7,291	6,943	13,991	1,965	6,075	9,475	13,062	8,487	9,054	1,058	793	964	13,630
Net interest income	5,106	4,625	-3,624	-943	1,753	3,069	4,150	2,692	3,578	448	528	505	5,036
CER and CVS adjustments	0	0	8,298	2,315	1,944	3,051	3,012	2,119	1,730	197	132	148	2,623
Foreign exchange price adjustments	185	268	5,977	-890	866	751	943	739	836	103	149	187	1,039
Gains on securities	1,481	1,490	3,639	1,962	1,887	2,371	4,725	2,784	2,704	284	-38	82	4,646
Other financial income	519	559	-299	-480	-375	233	233	154	207	26	22	41	286
Service income margin	3,582	3,604	4,011	3,415	3,904	4,781	6,241	3,945	5,190	662	696	743	7,486
Loan loss provisions	-3,056	-3,096	-10,007	-2,089	-1,511	-1,173	-1,198	-791	-1,112	-134	-176	-215	-1,519
Operating costs	-7,375	-7,362	-9,520	-7,760	-7,998	-9,437	-11,619	-7,434	-9,208	-1,176	-1,206	-1,281	-13,393
Tax charges	-528	-571	-691	-473	-584	-737	-1,087	-673	-951	-123	-128	-142	-1,365
Income tax	-446	-262	-509	-305	-275	-581	-765	-536	-671	-125	-18	-34	-901
Adjustments to the valuation of government securities[2]	0	0	0	-701	-320	-410	-747	-476	-336	-26	-124	-176	-607
Amortization payments for court-ordered releases	0	0	0	-1,124	-1,686	-1,867	-1,719	-1,168	-1,532	-233	-182	-188	-2,083
Other	535	702	-3,880	1,738	1,497	1,729	2,139	1,198	1,591	358	161	310	2,531
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**	**2,551**	**2,025**	**262**	**-183**	**-20**	**3,779**
Adjusted results[3]	-	-	-	-3,440	1,337	4,057	6,772	4,196	3,893	520	122	344	6,469
Annualized indicators - As % of netted assets													
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	5.8	5.8	5.2	4.8	3.6	4.3	5.4
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.8	1.8	2.1	2.0	2.4	2.3	2.0
CER and CVS adjustments	0.0	0.0	3.9	1.3	1.0	1.5	1.3	1.4	1.0	0.9	0.6	0.7	1.0
Foreign exchange price adjustments	0.1	0.2	2.8	-0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.7	0.8	0.4
Gains on securities	1.2	1.2	1.7	1.1	1.0	1.2	2.1	1.9	1.6	1.3	-0.2	0.4	1.8
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.7	2.7	3.0	3.0	3.1	3.3	3.0
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.5	-0.5	-0.6	-0.6	-0.8	-1.0	-0.6
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-5.1	-5.1	-5.3	-5.3	-5.4	-5.7	-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	-0.6	-0.1	-0.2	-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	-0.1	-0.6	-0.8	-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	-1.1	-0.8	-0.8	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.9	0.8	0.9	1.6	0.7	1.4	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**	**1.2**	**1.2**	**-0.8**	**-0.1**	**1.5**
ROA adjusted[3]	0.0	0.0	-8.9	-1.9	0.7	2.0	3.0	2.9	2.3	2.4	0.5	1.5	2.6
ROE	*0.0*	*-0.2*	*-59.2*	*-22.7*	*-4.2*	*7.0*	*14.3*	*13.2*	*8.7*	*8.8*	*-6.1*	*-0.7*	*11.1*

(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	Aug 06	Dec 06	Jun 07	Jul 07	Aug 07
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	5.2	4.0	3.4	3.1	3.0	2.9
Non-performing loans to the non-financial private sector	**16.0**	**19.1**	**38.6**	**33.5**	**18.6**	**7.6**	**5.3**	**4.5**	**3.9**	**3.7**	**3.6**
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	9.3	6.1	5.0	3.9	3.6	3.5
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	4.8	3.9	3.5	3.8	3.7	3.6
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	125.1	128.2	130.3	130.3	130.7	132.8
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.3	-1.1	-1.0	-0.9	-0.9	-1.0
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-4.1	-3.5	-3.3	-3.1	-3.0	-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	Aug 2006	2006	Jul 2007	Aug 2007
1.- Liquidity	23.6	26.9	22.8	24.3	24.1	23.6	24.8	27.6	29.2	21.5	21.7	23.7	23.7	24.0
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	21.2	15.9	10.7	9.8
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	35.6	37.9	41.7	43.7
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	4.4	3.6	3.0	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	-2.5	-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	1.3	1.1
7.- ROE	4.1	6.3	4.3	2.3	0.8	1.4	-79.0	-19.1	-8.1	4.1	13.5	15.3	8.9	7.6
8.- Efficiency	144	135	139	146	152	151	168	93	115	136	157	158	151	146
9.- Capital compliance	15.9	15.4	14.6	18.9	18.0	17.6	-	14.0	15.1	17.8	18.8	18.6	20.1	19.9
10.- Excess capital compliance	33	47	27	60	49	43	-	88	157	155	120	116	96	100

Source: BCRA

Chart 6: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Aug 06	Dec 06	Jul 07	Aug 07	Change (%) Last month	Change (%) Accum. 2007	Change (%) Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**129,680**	**143,002**	**152,414**	**168,008**	**167,257**	**-0.4**	**9.7**	**17.0**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,074	17,432	22,226	25,061	26,297	4.9	18.3	50.9
Public bonds	7,583	1,627	19,751	22,260	24,817	29,966	29,545	27,663	29,466	27,206	-7.7	-1.7	-7.9
Lebac/Nobac	0	0	-	-	8,359	15,227	16,282	15,952	19,149	18,599	-2.9	16.6	14.2
Portfolio	0	0	-	-	5,611	12,899	14,097	14,220	17,475	16,840	-3.6	18.4	19.5
Repo	0	0	-	-	2,749	2,328	2,185	1,732	1,674	1,759	5.1	1.5	-19.5
Private bonds	563	451	273	172	333	307	702	683	589	484	-17.8	-29.1	-31.0
Loans	56,035	52,319	51,774	47,017	50,741	56,565	63,208	69,294	77,170	80,104	3.8	15.6	26.7
Public sector	8,172	13,803	25,056	23,571	21,420	15,954	11,824	10,036	6,493	6,513	0.3	-35.1	-44.9
Private sector	45,103	36,636	26,074	22,816	28,213	39,031	49,011	55,632	67,198	70,206	4.5	26.2	43.2
Financial sector	2,760	1,880	644	630	1,107	1,580	2,373	3,626	3,478	3,385	-2.7	-6.7	42.6
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,482	-2,246	-2,227	-2,242	-2,259	0.7	1.4	0.6
Other netted credits due to financial intermediat.	36,600	13,037	27,212	22,148	25,753	16,873	18,982	18,387	19,905	17,453	-12.3	-5.1	-8.1
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	675	577	618	578	688	19.0	11.3	19.2
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,444	2,914	2,982	3,452	3,661	6.1	22.8	25.6
Compensation receivable	0	0	15,971	13,812	14,657	5,575	4,890	760	370	374	1.2	-50.7	-92.3
Other	34,267	10,735	3,523	3,370	7,905	8,179	10,601	14,027	15,505	12,729	-17.9	-9.3	20.1
Assets under financial leases	776	752	553	387	592	1,356	1,894	2,126	2,838	2,964	4.4	39.4	56.5
Shares and participation	1,651	1,703	3,123	2,791	1,892	2,416	3,467	4,042	4,291	4,295	0.1	6.3	23.9
Fixed assets and miscellaneous	3,225	3,150	5,198	4,902	4,678	4,575	4,549	4,677	4,703	4,554	-3.2	-2.6	0.1
Foreign branches	75	112	-109	-136	-53	-148	-136	-139	-147	-150	1.8	8.2	9.9
Other assets	2,190	2,574	7,549	7,816	7,137	6,178	5,606	5,682	6,374	6,309	-1.0	11.0	12.5
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**112,600**	**123,215**	**131,476**	**144,949**	**144,414**	**-0.4**	**9.8**	**17.2**
Deposits	57,833	44,863	44,445	52,625	62,685	75,668	86,795	94,095	107,141	109,849	2.5	16.7	26.6
Public sector[2]	1,276	950	1,636	3,077	6,039	6,946	7,117	7,029	7,650	8,407	9.9	19.6	18.1
Private sector[2]	55,917	43,270	38,289	47,097	55,384	67,859	78,435	85,714	98,125	100,161	2.1	16.9	27.7
Current account	4,960	7,158	8,905	11,588	13,966	17,946	18,595	20,604	24,342	24,666	1.3	19.7	32.6
Savings account	9,409	14,757	6,309	10,547	14,842	18,362	20,674	23,165	25,776	26,672	3.5	15.1	29.0
Time deposit	39,030	18,012	11,083	18,710	22,729	27,736	35,169	38,043	43,717	44,423	1.6	16.8	26.3
CEDRO	0	0	9,016	2,409	798	3	2	1	1	1	-2.8	-46.8	-67.1
Other netted liabilities due to financial intermediat.	46,271	22,629	49,341	42,367	45,083	32,349	31,884	31,750	32,370	29,075	-10.2	-8.4	-8.8
Call money	2,293	1,514	836	726	1,070	1,488	1,973	3,383	2,654	2,346	-11.6	-30.7	18.9
BCRA lines	83	1,758	16,624	17,030	17,768	10,088	6,999	3,689	785	661	-15.7	-82.1	-90.6
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,548	6,499	6,413	7,731	7,275	-5.9	13.4	11.9
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	2,696	2,158	2,249	1,443	1,650	14.4	-26.6	-23.5
Other	33,466	11,010	7,374	7,939	12,878	11,530	14,254	16,015	19,758	17,141	-13.2	7.0	20.3
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,319	1,227	1,642	1,657	1,690	2.0	2.9	37.7
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,264	3,309	3,989	3,781	3,800	0.5	-4.7	14.9
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**17,080**	**19,786**	**20,938**	**23,059**	**22,843**	**-0.9**	**9.1**	**15.4**
Memo													
Netted assets	88,501	73,796	117,928	115,091	121,889	123,271	134,272	143,807	156,251	157,953	1.1	9.8	17.6

(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							First 8 months		Monthly			Last
	2000	2001	2002[1]	2003	2004	2005	2006	2006	2007	Jun-07	Jul-07	Aug-07	12 months
Financial margin	5,441	5,282	10,628	2,575	3,415	5,253	7,778	4,985	5,215	627	341	466	8,007
Net interest income	3,598	3,519	-304	107	1,214	2,069	2,826	1,843	2,483	331	361	380	3,466
CER and CVS adjustments	0	0	1,476	1,082	900	1,215	858	593	457	50	28	28	722
Foreign exchange price adjustments	160	256	6,189	-312	666	576	740	546	577	73	76	114	771
Gains on securities	1,232	962	3,464	1,892	959	1,259	3,154	1,877	1,512	150	-143	-92	2,789
Other financial income	450	546	-197	-195	-322	134	199	127	186	24	18	37	259
Service income margin	2,554	2,598	2,782	2,341	2,774	3,350	4,459	2,843	3,725	478	499	513	5,342
Loan loss provisions	-2,173	-2,464	-6,923	-1,461	-1,036	-714	-737	-481	-718	-100	-97	-103	-974
Operating costs	-5,263	-5,224	-6,726	-5,310	-5,382	-6,303	-7,741	-4,971	-6,126	-780	-782	-869	-8,896
Tax charges	-379	-418	-512	-366	-393	-509	-769	-478	-680	-88	-90	-103	-971
Income tax	-393	-216	-337	-295	-202	-217	-365	-170	-186	-43	15	-9	-381
Adjustments to the valuation of government securities[2]	0	0	0	-665	-51	-201	-170	-127	-8	-7	-10	-18	-52
Amortization payments for court-ordered releases	0	0	0	-791	-1,147	-1,168	-1,182	-785	-1,019	-168	-118	-119	-1,415
Other	307	615	-4,164	1,178	846	1,156	1,641	825	928	271	45	217	1,745
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**	**1,641**	**1,131**	**190**	**-198**	**-24**	**2,404**
Adjusted results[3]	-	-	-	-1,357	252	2,016	4,267	2,553	2,158	365	-69	113	3,872
Annualized indicators - As % of netted assets													
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	5.9	5.8	5.2	4.9	2.6	3.5	5.4
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	2.1	2.2	2.5	2.6	2.8	2.9	2.4
CER and CVS adjustments	0.0	0.0	1.1	0.9	0.8	1.0	0.6	0.7	0.5	0.4	0.2	0.2	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	0.6	0.9	0.5
Gains on securities	1.4	1.2	2.5	1.7	0.8	1.0	2.4	2.2	1.5	1.2	-1.1	-0.7	1.9
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.2	0.1	0.2	0.2	0.1	0.3	0.2
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	3.4	3.3	3.7	3.7	3.8	3.9	3.6
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.6	-0.7	-0.8	-0.7	-0.8	-0.7
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-5.9	-5.8	-6.1	-6.1	-6.0	-6.6	-6.0
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.6	-0.7	-0.7	-0.7	-0.8	-0.7
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	-0.3	0.1	-0.1	-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	-0.1	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	-1.3	-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	2.1	0.3	1.7	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**	**1.1**	**1.5**	**-1.5**	**-0.2**	**1.6**
ROA adjusted[3]	0.1	0.2	-11.3	-1.2	0.2	1.6	3.2	3.0	2.1	2.8	-0.5	0.9	2.6
ROE	*0.8*	*1.4*	*-79.0*	*-19.1*	*-8.1*	*4.1*	*15.3*	*13.5*	*7.6*	*10.1*	*-10.3*	*-1.3*	*11.1*

(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	Aug 06	Dec 06	Jun 07	Jul 07	Aug 07
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	4.4	3.5	2.9	2.8	2.6	2.5
Non-performing loans to the non-financial private sector	**9.8**	**14.0**	**37.4**	**30.4**	**15.3**	**6.3**	**4.4**	**3.6**	**3.2**	**3.0**	**2.8**
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	7.3	4.8	3.8	3.0	2.7	2.5
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	4.2	3.6	3.2	3.5	3.4	3.3
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	114.6	121.5	129.6	130.4	132.5	132.9
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	-0.6	-0.7	-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	-2.5	-3.0	-2.9	-3.0	-3.0

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

Methodological note (chart 5):

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.