

Report on *Banks*



OCTOBER 2007

Year V - No. 2

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Note: This report contains information from October 2007 available on 22 November 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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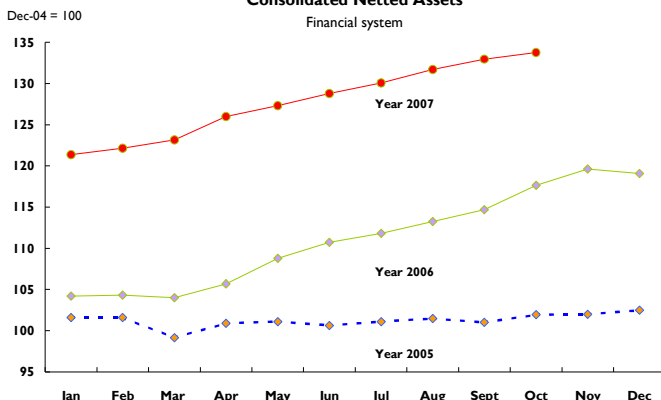
Summary

- **The financial system was able to strengthen the process of normalization of its financial situation in October.** Private sector deposits rose again during the month, while lending to the private sector increased in a context of limited credit risk. Measures introduced by the BCRA helped to reduce interest rate volatility on the interbank market, despite the turbulent international context. On the basis of its recurring revenues, the banking sector posted profits for the month, helping to reinforce its solvency levels.
- **Measures adopted by the BCRA to provide liquidity to the local financial system were effective in preventing excessive volatility in the interbank market interest rate in October.** As a result, one-day call money interest rates remained stable over the course of the month.
- **Lending to the private sector grew by 2.9% in October, maintaining its year-on-year increase at around 40%.** During the month the most dynamic credit lines were credit-card lending and pledge-backed loans. In October, **the private sector non-performance ratio remained steady at 3.5%** (falling 1 p.p. during 2007), **remaining at a historically low level.** Lending to the private sector increased its share on bank assets by 1 p.p. in October to 36.3%, exceeding exposure to the public sector by more than 20 p.p., which fell 0.1 p.p. in the month to 16% of total assets.
- **In October, financial trusts issuances made using credit portfolios generated by financial entities recorded their highest monthly amount for 2007 (\$375 million).** During the year, most financial trusts issued by financial entities used consumer loans as their underlying assets (90% of the amount securitized).
- **Consolidating the process for the normalization of financial system liabilities, during 2007 total deposits have risen steadily, with time deposits growing at a faster rate than sight deposits.** In October, private sector deposits increased \$850 million (0.6% or 23.1% y.o.y.), mainly because of the growth in sight deposits.
- **At consolidated level, financial system net worth rose by \$270 million or 0.8% in October, accumulating an increase of 14.4% in the last 12 months.** Accrued profits for the month, which totaled \$250 million (a ROA of 1.1%a.), have explained the increase in net worth. **Financial system profits continue to be driven by recurring revenues.** Results declined compared with the previous month, mainly because of the adjustments made by one public bank. If this particular transaction is excluded, profits would be in line with those of the first half of the year. Accumulated profits for the first ten months of the year totaled \$2.85 billion (a ROA of 1.3%a.).
- In October a merge took place among two private banks. **Despite the process of gradual consolidation of the financial system that has recently been observed, levels of concentration have remained relatively low and stable.**
- **In this positive context for the development of financial activity, bank operational structures have continued to grow:** in the last 12 months payroll have risen 9% (7,800 employees), the number of ATMs has gone up 14.6% (1,050 units), and the number of branches has risen 1.5% (with the net opening of 60 units). **In addition, the efficiency of the financial system continues to gain ground, although in the case of some indicators there is still room for improvement.**



Chart 1

Consolidated Netted Assets
Financial system



Source: BCRA

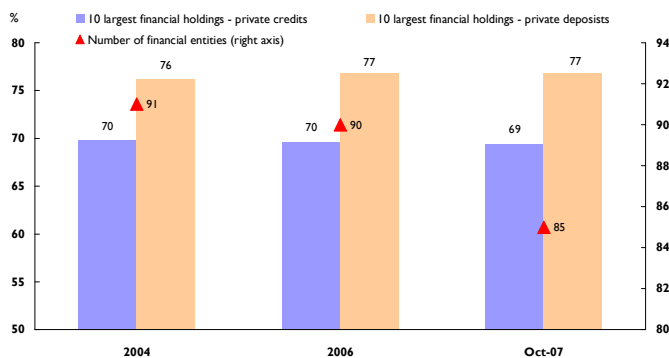
Activity:

Lending to the private sector has maintained its growth

In October the banking sector deepened the financial intermediation growth trend within the context of lower volatility in interbank markets. Private sector deposits recorded growth during the month, while lending to the private sector continued to increase in the context of limited credit risk. In this scenario, consolidated netted assets of the financial system grew 0.6% in October (see Chart 1), accumulating year-on-year (y.o.y.) growth of 13.7%.

Chart 2

Concentration Level of the Financial System
Stock share - Considering financial holdings*



*Note: Financial entities which have more than 50% of the votes of another financial entity form together a financial holding.

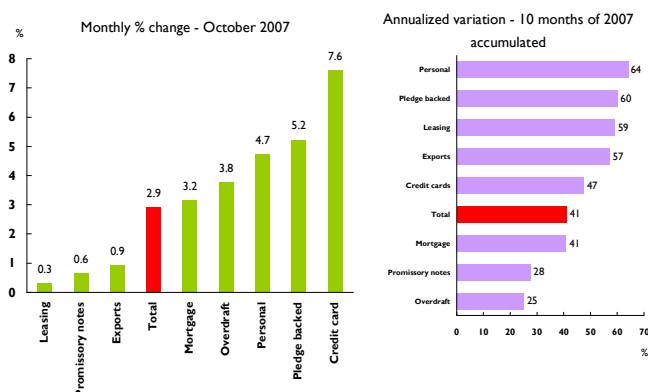
Source: BCRA

During the month a merger took place among two private banks, taking the number of financial entities operating locally to 85 (5 fewer than at the end of 2006). Despite the rebuilding process of the sector that has been taking place, the level of financial system concentration has remained relatively low and stable (see Chart 2). Furthermore, operational structure continues to grow, in line with the positive prospects for banking activity. In the last 12 months the payroll in the financial system rose 9% (7,800 new jobs), the number of ATMs increased by 14.6% (1,050 units), and the number of branches went up 1.5% (with the net opening of 60 branches).

In terms of the flow of funds, the decline in liquid assets during the month (\$1.3 billion) constituted the main source of resources. The increase in private sector deposits (\$850 million), a reduction in the holdings of Lebac and Nobac bills and notes (\$350 million) and a decline in lending to the public sector (\$300 million), provided other important sources of funds for financial entities in October. As has been the case in recent periods, during the month the main destination of new bank funding was the granting of loans to the private sector (\$3.3 billion)¹.

Chart 3

Credit to the Private Sector by Type of Line



Note: Stocks are not adjusted by financial trusts
Source: BCRA

Private sector lending registered an increase of 2.9% in October, maintaining its rate of growth in 2007 to date (41%a. in the first 10 months of the year). In October, the most dynamic credit lines were credit card financing, pledge-backed loans and personal loans, which went up by 7.6%, 5.2% and 4.7%, respectively during the month (see Chart 3). In 2007 to date, personal loans and pledge-back loans have shown the highest rates of growth rates, reaching 64%a. and 60%a. in October, respectively.

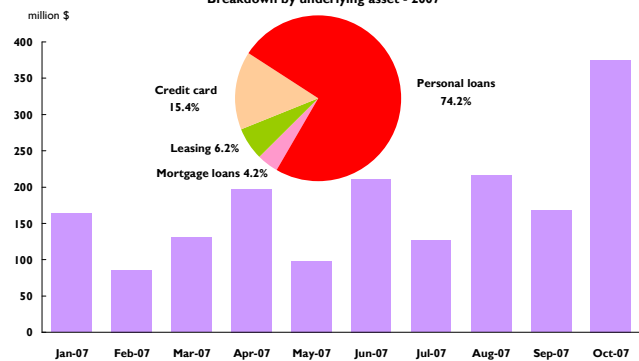
If private sector loan balance sheet are adjusted to take into account the setting up of financial trusts generate using financial entity loan portfolios, the growth in lending to the private sector would reach 3.2% in October. The issuance of financial trusts by financial entities using their own loan portfolios as the underlying asset reached its highest level for the year in October (\$375 million) (see Chart 4). There were five financial entities that acted as trustors during the month, and trust assets consisted of personal loans (44% of the total issued), leasing contracts (29%) and credit card coupons (27%). As a result, in the first 10 months of 2007 trust issuances using portfolios

¹ Adjusted to take into account the setting up of financial trusts during the month. Includes financing by means of leasing



Chart 4

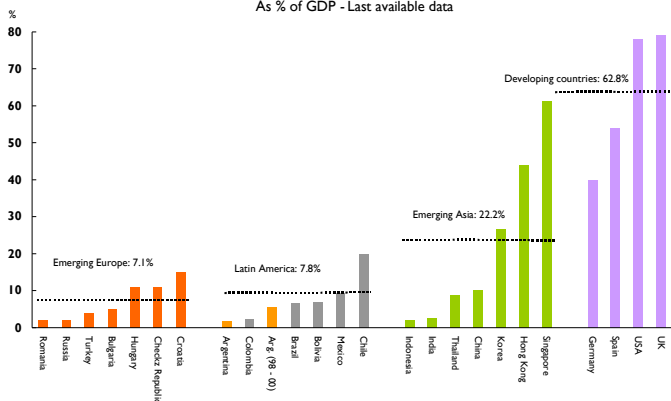
Financial Trusts
Issuances during 2007 - Financial system
Breakdown by underlying asset - 2007



Source: BCRA from CNV

Chart 5

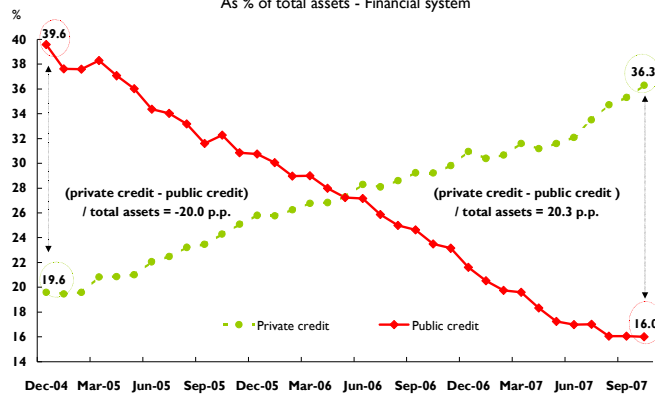
Mortgage Credit Deepening - International Comparison
As % of GDP - Last available data



Source: Central banks

Chart 6

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



Source: BCRA

generated by financial entities totaled \$1.77 billion, of which 90% had household consumer loans as their underlying assets.

Growth in lending to the private sector took place at the same time as a lengthening in the maturity of the transactions. The average term for the operating volume of lending to the private sector in October reached 4.5 years², 16 months more than at the end of 2006. The lengthening of maturity in 2007 was greater in the case of lending to households than in the case of lending to companies (an increase of 14 months vs. 4 months), reaching an average of 5.7 and 1.6 years according to the traded volume in October, respectively. The lengthening of the average term for credit transactions benefited from the contribution made by mortgage lending lines.

Mortgage loans outperformed the average private lending in October, increasing 3.2%, accumulating a growth rate in 2007 equivalent to that recorded by lending to the private sector (41% in the first 10 months of 2007). Nevertheless, the depth of mortgage lending totaled 1.6% of GDP in October, a very low figure in both international and historical terms (see Chart 5). Looking to the future, to be able to develop the mortgage credit market, in addition to the incentives that have been established by the BCRA³, it will be necessary to stimulate complementation between the financial system and capital markets. In particular, in 2007 to date, only 4.2% of total financial trust issuance by financial entities making use of their own portfolios have used mortgage loans for their underlying assets. On this point, successful experience in other countries of the region (such as Mexico and Colombia) has shown that to develop this type of market, it would be important to make progress on mechanisms to promote the securitization of mortgage loans, for example by improving standardization processes for risk analysis, property valuation, documentation requirements, access to debtor data, and amortization and collection procedures. Along these lines, the relaunching of the Origination Manual carried out by the Central Bank represents a step towards greater uniformity in mortgage lending.

Growth in financial intermediation activity has led private sector lending to increase its share by 1 p.p. of assets in October, to 36.3%. This means that it is more than twice the size of the exposure to the public sector, which fell 0.1 p.p. during the month, to 16% of total assets. Here it should be noted that the current situation is the exact opposite to the situation that existed at the end of 2004 (see Chart 6). The banking sector has therefore continued to develop its independence from the borrowing needs of the public sector, freeing up resources that can be assigned to households and companies.

Growth in corporate lending in 2007 was widespread across the various branches of economic activity. Loans to manufacturing sector grew at an annualized rate of 37% in the first 10 months of 2007 (see Chart 7), so that they accounted for 40% of the total increase in lending to companies. Notable dynamism in lending to the commerce sector, particularly in the second half of the year, has led this sector to

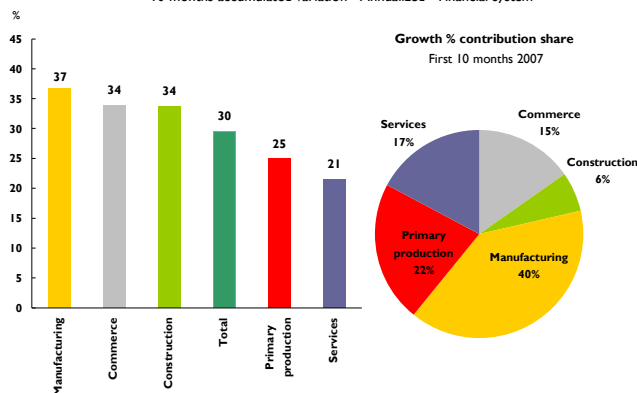
² This calculation does not include current account overdrafts nor credit cards.

³ For further details, see the Report on Banks for September 2007 (Page 2).

Chart 7

Credit to Companies by Economic Sector

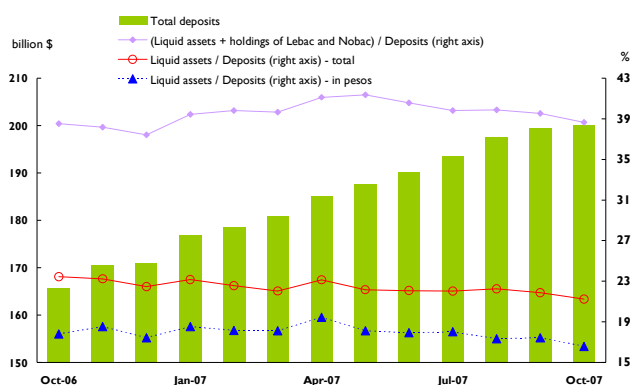
10 months accumulated variation - Annualized - Financial system



Source: BCRA

Chart 8
Deposits and Liquidity

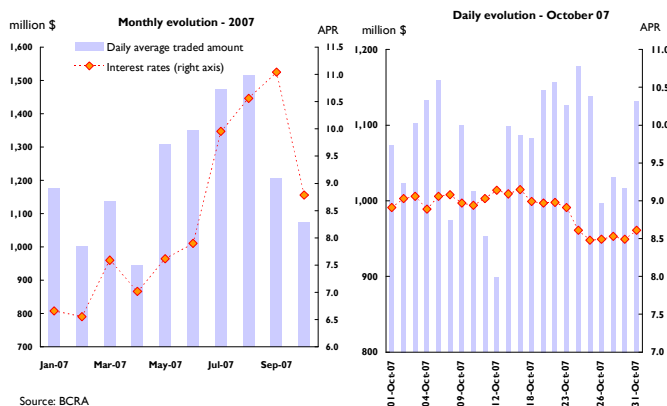
Financial system



Source: BCRA

Chart 9
Call Market

1-day maturity operations in pesos



Source: BCRA

take second place in terms of growth rate in 2007 to date. Lastly, lending lines designed for companies in the primary goods production and services sectors (which together accounted for a further 40% of the total increase in lending to companies in 2007) have shown the lowest rates of growth in the period.

As financial entities had less need to build up liquid assets, in October such holdings fell slightly. This change mainly took place through a drop in repos with the BCRA (\$700 million), and to a lesser extent, as a result of lower balances in the current accounts held with the monetary authority (\$400 million). In a context in which total deposits recorded an increase, the liquidity indicator stood at 21.2% in October, 0.6 p.p. less than in the previous month (see Chart 8). The liquidity indicator that includes Lebac and Nobac holdings dropped 0.9 p.p., to 38.7% of total deposits in October.

The measures adopted by the BCRA were effective in reducing interest rate volatility on the interbank market in October. In addition to the instructions issued in previous months, the BCRA established a joint minimum cash position for the October-November period so that banks could have a broader horizon for their liquidity management⁴. Furthermore, in October the BCRA increased the availability of fixed rate reverse repos and continued with its Lebac and Nobac repurchases on the secondary market, together with partial renewals of maturing bills at notes auctions. As a result, the one-day call market interest rate remained relatively stable over the course of the month (see Chart 9). Trading volumes dropped, as the average daily trading volume in October totaled \$1.07 billion, 11% less than in September.

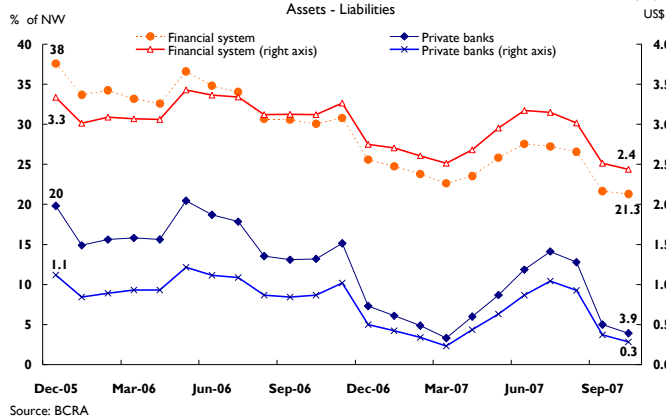
Consolidating progress towards the normalization of financial system liabilities, in 2007 to date total deposits grew steadily, with the rate of growth by time deposits exceeding that by sight deposits. In the first 10 months of 2007 total deposits went up 20.9%a. (time deposits 29.4%a. and sight deposits 13.2%a.). In October, private sector deposits rose \$850 million (0.6% or 23.1% y.o.y.), mainly because of sight deposit growth.

Another sign of the improvement in the quality of liabilities has been the virtual disappearance of the liquidity discounts granted by the BCRA during the crisis 2001-2002. In October, the only bank with pending debt under this heading made payment under the matching schedule for \$45 million, with a further \$90 million being paid by this bank in the months of November and December. Financial system discount debt due to the BCRA represented only 0.6% of its liabilities as at October.

⁴ Unlike the instruction in the case of the joint requirement for compliance for the July-August period, on this occasion it was not allowed to transfer any excess compliance in October to November. This was done to discourage excessive precautionary measures by banks that could have increased interest rate volatility.



Chart 10
Currency Mismatch
Assets - Liabilities



Source: BCRA

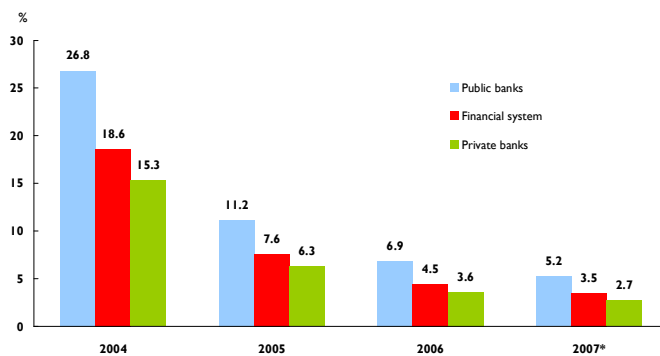
During the month, banking sector foreign currency assets rose US\$220 million. This improvement was mainly due to an increase in liquid assets (US\$120 million) and growth in foreign currency lending to the private sector (US\$80 million). Liabilities in that currency increased US\$300 million, explained mainly by a growth in deposits.

As a result, foreign currency mismatching in terms of net worth stood at 21.3% in October (see Chart 10), a drop of 0.4 p.p. compared with the previous month and 8.8 p.p. in the last 12 months.

Portfolio quality:

Private sector loan non-performance continues at historically minimum levels

Chart 11
Non-Performing Loans to the Private Sector
As % of total financing



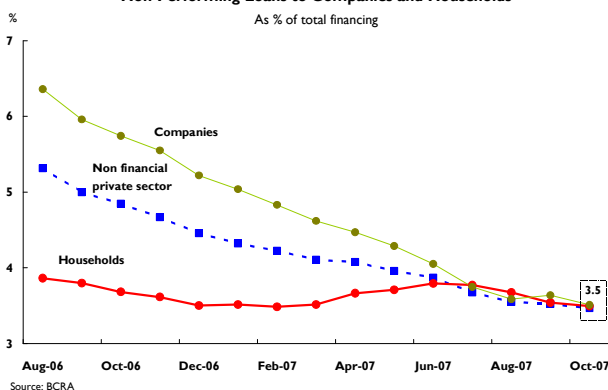
* October
Source: BCRA

In the context of steady lending growth, the private sector continues to record low delinquency levels. In October the private sector loan portfolio non-performance ratio remained steady at 3.5%. As a result, in the first 10 months of 2007 this indicator has posted an overall reduction of 1 p.p. (see Chart 11), to a record low level.

Public sector financial entities showed a reduction in the non-performance of their private sector portfolio in 2007 that was greater than that recorded by private sector banks. Public banks have shown a reduction in the non-performance ratio of 1.7 p.p. of private sector lending in 2007, to 5.2%. In private banks the delinquency ratio dropped 0.9 p.p., to a level of 2.7% in October.

In the last 12 months the fall in the non-performance of private sector loans was mainly explained by the dynamic of lending to companies. While the delinquency ratio for lending to companies fell 2.2 p.p. since October last year, the ratio for households dropped 0.2 p.p., converging on almost the same level (see Chart 12).

Chart 12
Non-Performing Loans to Companies and Households
As % of total financing



Source: BCRA

This improvement in the quality of lending to companies was widespread across all productive sectors. At October 2007 the primary production sector recorded the lowest relative non-performance level, followed by commerce sector, with 1.6% and 2.2% of loans respectively (see Chart 13).

During the second part of the year, non-performance levels for household consumer loans (credit cards and personal loans) remained steady at 3.6%, after having posted a slight increase in the first half of the year.

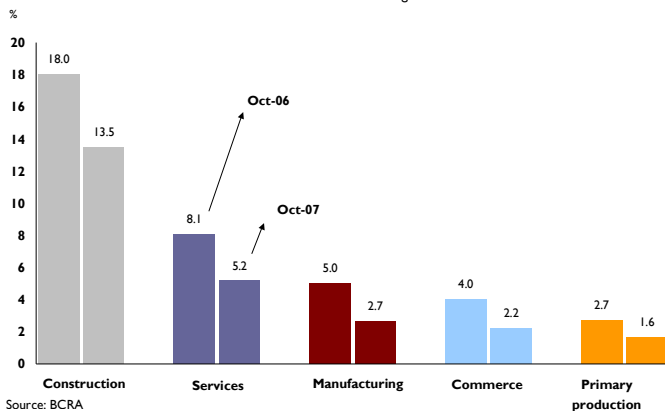
In October, banks continued to register a sound provision level, amounting to 130% of the total non-performing portfolio, similar to the level recorded 12 months earlier. As a result, the ratio of non-performing loans net of provisions in terms of net worth remains at under zero (-3.1%), indicating the robust position of the financial system in the face of credit risk.



Profitability:

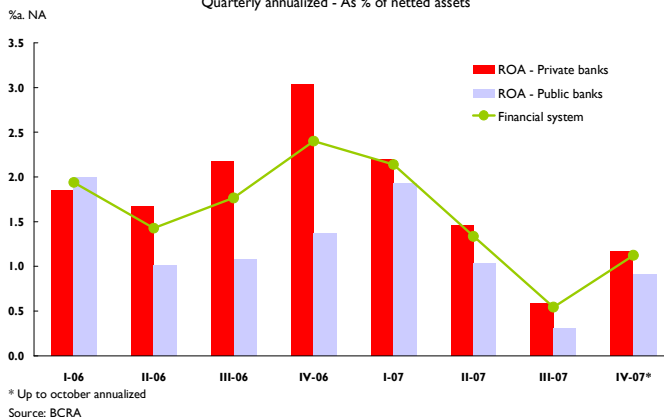
Service income margin gained share among sources of income

Chart 13
Non-Performing Loans by Economic Sector
As % of total financing



Financial system profits continued to be driven by recurring revenues in the context of gradual balance sheet normalization. Despite persistent volatility at international level, in October bank book profits totaled \$250 million, achieving a ROA of 1.1%a. and a ROE of 8.6%a. (see Chart 14). In total, 69 financial entities (87% of total assets) registered profits during the month. Compared with the previous month, results were lower, mainly because of the adjustments to the valuation of public sector loans made by a public bank. Disregarding this specific transaction, profits were in line with those recorded in the first half of 2007. Accumulated profits for the sector during the first ten months of 2007 totaled \$2.85 million (ROA of 1.3%a. and ROE of 9.7%a.).

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

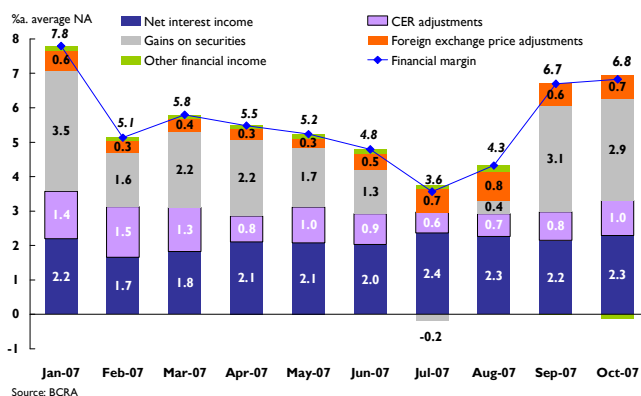


Both private and public banks accrued book profits in October. Private financial entities obtained a ROA of 1.2%a. during the month, accumulating 1.4%a. of assets in the first 10 months of 2007. Public banks recorded a ROA of 0.9%a. in October, a figure that totals 1.1%a. in 2007 to date.

In October, banking sector financial margin grew 0.1 p.p. to 6.8%a. of assets (see Chart 15). The increase for the month in the financial margin was explained by the improvement in net interest income, higher CER adjustments and a rise in foreign exchange price adjustments. These movements were in part offset by a slight reduction in results from the holding and trading of securities compared with September, although the gains from this source improved upon the performance of preceding months.

As a result, gains on securities was the main source of bank financial margin in October. Increased prices for most government securities held in financial entity portfolios and income from bond trading meant that gains on securities totaled 2.9%a. of assets during the month (see Chart 16). In terms of the change for the month, gains on securities were lower in the case of private banks, while public banks accruing larger profits under this heading. In the first 10 months of 2007 gains on securities totaled 1.9%a. of assets.

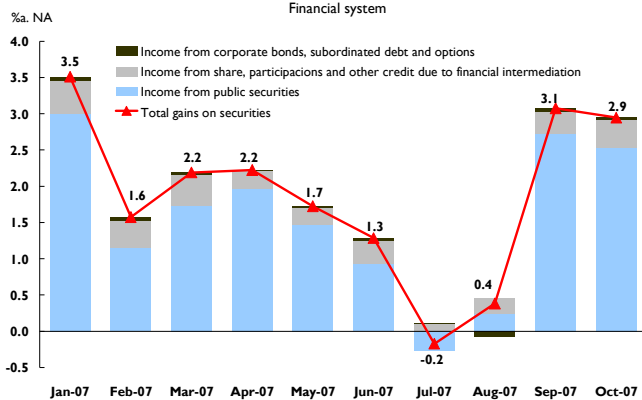
Chart 15
Financial Margin
Financial system



Recent turbulence on international financial markets, which affected prices of the leading government securities held by banks, was behind the variability in gains on securities (see Chart 17), making it the most volatile source of income for the financial system in recent months.

Net interest income grew slightly during the month (0.1 p.p.), to 2.3%a. of assets. The increase for the month was due to the steady growth in lending to the private sector within a framework of a higher lending interest rate, leading to an increase in the loan interest earned that was greater than the increase in the deposits interest paid (see Chart 18). In the first 10 months of 2007, net interest income totaled 2.1%a. of assets, 0.3 p.p. higher than the figure for the same period of

Chart 16
Gains on Securities
Financial system

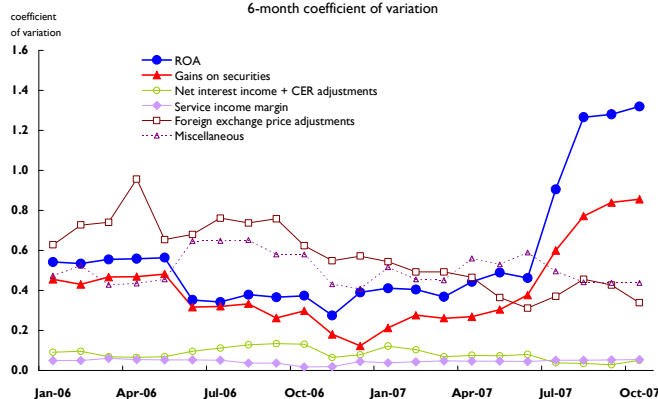


Source: BCRA

the previous year, with the private bank sector accounting for much of the improvement. As the CER index increase for the month was higher than in September, adjustments according to this ratio totaled 1%a. of assets in October, 0.2 p.p. more than was recorded in the previous month. Consequently, **net income from interest and CER increased 0.3 p.p. in October, to a level of 3.3%a. of assets.** Placed in perspective, the gradual reduction in the mismatching of items adjusted by the financial system according to CER helped ensure that in the first 10 months of 2007 accrued income from CER stood at 1%a. of assets, 0.3 p.p. less than in the same period of 2006.

Service income margin has been gaining share among the main sources of banking income (see Chart 19). In October, service income margin totaled 3.5%a. of assets, 0.3 p.p. more than in September. During the first 10 months of 2007, service income margin totaled 3.1%a. of assets, 0.4 p.p. more than the figure recorded in the same period of the previous year. This change was mainly explained by commissions obtained on the granting of loans to the private sector, followed by income from deposits.

Chart 17
Volatility of Main Sources of Bank Income
6-month coefficient of variation

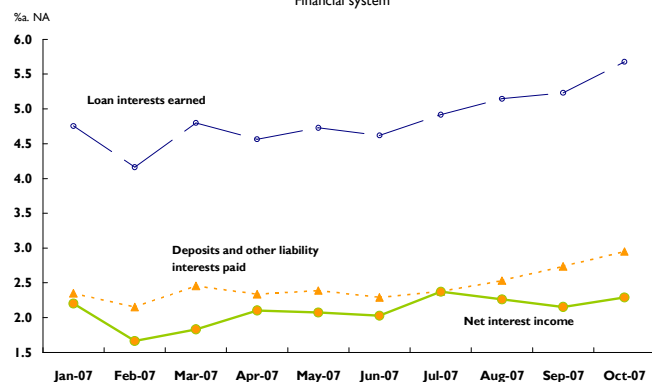


Source: BCRA

Loan loss provisions remained stable in October at historically low levels, totaling 0.8%a. of assets or 2.1%a. of loans to the private sector. In the first 10 months of 2007, the accrual of these disbursements totaled 0.7%a. of assets, 0.2 p.p. more than in the same period of 2006, in part because of the growing participation of loans to the private sector within banking assets.

Operating costs totaled 5.9%a. of assets in October, 0.3 p.p. more than in September. In line with the improvement for the month in the financial margin, the ratio of coverage of operating costs improved during the month. In the first 10 months of 2007, operating costs stood at 5.4%a. of assets, 0.4 p.p. more than in the same period of 2006, in line with the growth of employment in the sector and the gradual increase in wages.

Chart 18
Main Components of Net Interest Income
Financial system



Source: BCRA

The accrual of adjustments to the valuation of loans to the public sector recorded a negative variation for the month in October caused by a public bank. During the month financial system accrued a loss equivalent to 1.1%a. of assets by this concept. **The statement of income for the financial system shows a drop for the month in miscellaneous category (0.7 p.p., to 0.4%a. of assets in October)** mainly as a result of merger process involving two private banks. Lastly, **income tax accrual dropped 0.4 p.p. of assets to 0.3%a. in October.**

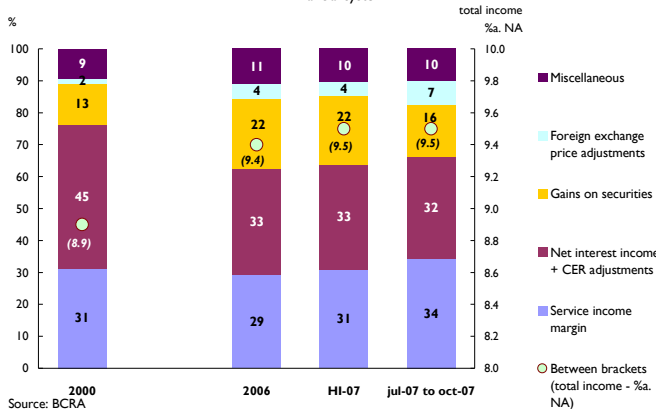
Outlook for November

It is expected that banks will continue to consolidate their profits in November, given the growth in financial intermediation with the private sector, although there will be a drop in gains on securities.

Net interest income for November is expected to be in line with levels recorded in recent months. The steady increase in lending to the private sector during the month, with pledge-backed loans, overdrafts and personal loans showing the greatest dynamism (see Table 1), in the context of higher lending interest rates, can be



Chart 19
Main Sources of Income Composition
Financial system



expected to lead to an increase in financial system interest income. This would be partly offset by greater interest expenses, as the increase for the month in time deposits was behind the higher total deposit to the private sector. As a result of the increase in deposits and in loans to the private sector, **service income margin will continue to account for a significant portion of banking sector income.**

In a situation in which there have been falls in the prices of the main sovereign bonds in bank portfolios, **it is foreseen that there will be a deterioration in gains on securities in November.**

Efficiency:

Banking sector efficiency improves, but there is still room for improvements

The growth that has taken place in financial intermediation activity over the last three years has been reflected in the increase recorded in the number of accounts handled by banks, the volume of deposits and loans to the private sector, and in the higher levels of recurring revenues. In addition, the positive outlook for the financial system has led to a gradual increase in its operating structure, which has in turn provided an impulse to operating costs. In this context, **financial system efficiency indicators have been showing continuous progress, although there is still room for improvement.**

Despite the steady increase in payroll in recent years, **the number of accounts per financial system employee has been constantly rising** (see Chart 20). A similar result can be obtained from analysis of the number of accounts per branch. In addition, the progress that has been recorded in terms of greater use of banking services and in regional coverage by the financial system has been assisted by cross-selling activities by banks in recent years that have enabled customers to gain access to a broader range of products.

The growing number of accounts in the financial system was accompanied by a steady increase in private sector deposit stocks and in lending to the private sector. When viewing **the volume of business in terms of spending on payroll, progress in recent years can also be detected** (see Chart 21). Overall, achieving an increase in the level of private sector credit provides a challenge because of its low participation in the economy (practically half the level recorded in the period prior to the crisis). Nevertheless, the rate of growth in operated volume, particularly in the case of loans to the private sector, is exceeding growth in payroll spending, enabling the efficiency improvements that have been seen in the last three years.

Higher business volumes have impacted positively on the sources of recurring revenues for the financial system. Net interest income and service income margin have been rising at a faster rate than spending on payroll for the last three years. As a result, **although there is still room for improvement, the volume of recurring revenues per peso spent on payroll cost has been increasing steadily** (see Chart 22), achieving greater efficiency in the generation of income.

Table I
Main Developments in November 2007

	Oct	Nov	Var. Oct	Var. Nov
Prices				
Exchange rate (\$/US\$) ¹	3.148	3.144	-0.1	-0.1
CPI	198.9	200.6	0.7	0.9
CER ¹	2.02	2.03	0.8	0.7
	%	%	Var b.p.	Var b.p.
Securities - annual IRR¹				
BOGAR \$ 2018	7.9	9.9	34	197
BODEN US\$ 2012	8.5	9.4	-48	85
Discount \$	7.7	8.4	-6	77
Discount US\$ NY	8.3	8.7	-99	42
Lebac in \$ - 6 months to maturity	14.4	15.4	68	92
Nobac in \$ (BADLAR Private banks) - 9 months to matur	16.5	17.7	37	121
	%	%	Var b.p.	Var b.p.
Average percentage rates				
Lending ²				
Overdraft	17.8	18.7	-116	90
Promissory notes	16.6	17.8	63	120
Mortgage	11.7	12.0	30	30
Pledge-backed	13.1	14.3	132	120
Personal	27.6	28.0	24	40
30 to 44 day time deposit	10.0	9.9	-2	-13
BADLAR	12.6	13.7	-30	116
7 day BCRA repos	8.3	8.3	38	0
Lebac in \$ - 3 months	10.7	10.8	4	6
	Mill \$	Mill \$	Var %	Var %
Balance^{2,3} - Financial system				
Peso private deposits	123,500	124,311	0.6	0.7
Peso loans - Private sector	83,089	86,164	3.3	3.7
Overdraft	13,107	13,750	1.5	4.9
Promissory notes	16,962	17,349	1.7	2.3
Mortgage	13,197	13,592	3.8	3.0
Pledge-backed	5,360	5,620	5.3	4.9
Personal	19,524	20,390	4.4	4.4
Credit cards	9,970	10,477	4.1	5.1

(¹) End of month figure. Secondary market

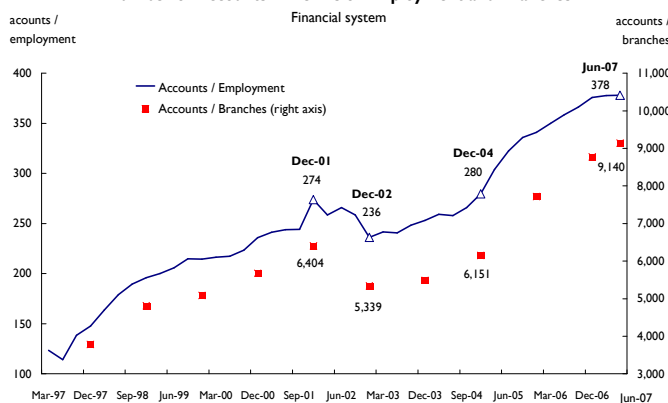
(²) Estimation based on SISCEN data (provisional data subject to change)

(³) Monthly average

Source: INDEC and BCRA

Chart 20

Number of Accounts in Terms of Employment and Branches



Note: Accounts correspond to deposits (without CEDRO) and total loans.

Source: BCRA



Solvency:

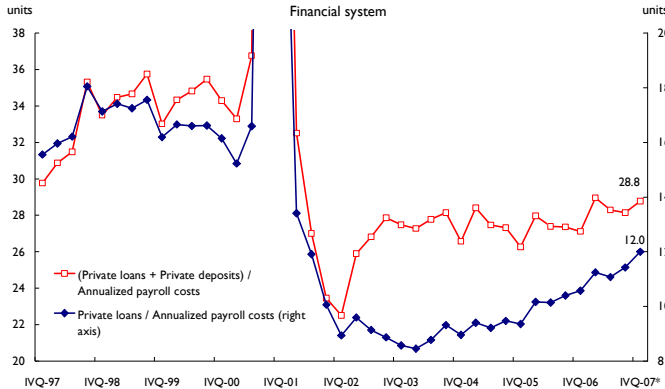
At a consolidated level, net worth has risen due to monthly profits

On a consolidated basis, financial system net worth went up \$270 million or 0.8% in October (see Chart 23), accumulating an increase of 14.4% in the last 12 months. The rise for the month was led by book profits. Unconsolidated net worth dropped \$550 million during the month, basically because of the merger of two private banks.

In October capital compliance in terms of risk-weighted assets increased 0.1 p.p., to 17.1%. Financial system capital position (excess compliance) in relation to capital requirements grew 1.6 p.p. during the month, to 98.6%. Financial system capital compliance continues to stand at above the minimum internationally-recommended levels, as well as exceeding local requirements.

Chart 21

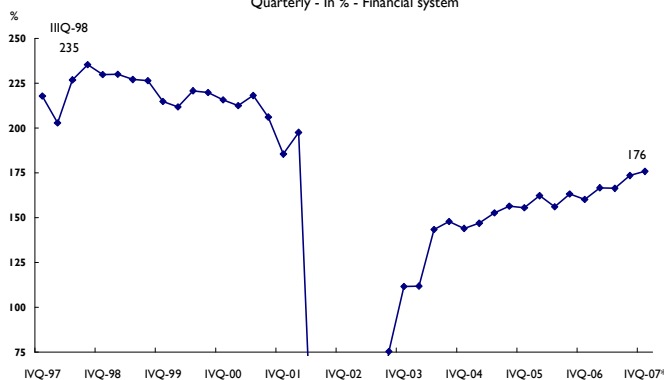
Business Volume in Terms of Payroll Costs
Financial system



* October
Source: BCRA

Chart 22

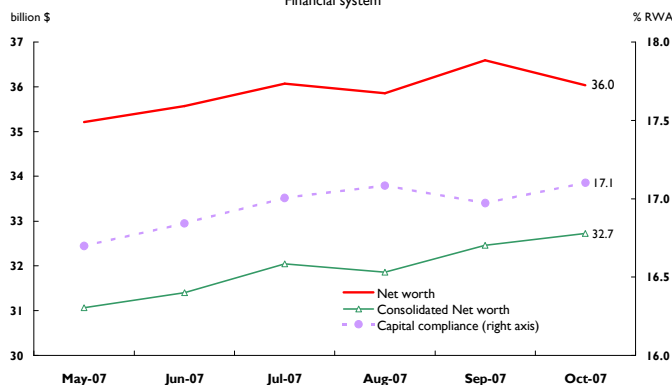
Recurring Income in Terms of Payroll Costs
Quarterly - In % - Financial system



* October
Source: BCRA

Chart 23

Solvency
Financial system



Source: BCRA



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 “B” 9096 – 16/10/07**

Banco Macro S.A. carried out the merger by acquisition of Nuevo Banco Suquía S.A. As a result, the commercial banking license granted by the BCRA to Nuevo Banco Suquía S.A. has been revoked, and its offices have been joined to those of Macro S.A., becoming branches of the latter.

- **Communication “A” 4725 – 26/10/07**

Changes have been made to the treatment given to financial derivatives under rules on credit risk diversification, credit grading and the assigning of assets in guarantee. Risk-sensitive measures have been defined, calibrated for different derivative products and their respective underlying assets, so that the percentage assigned is in line with the risk assumed.



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.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' 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	Oct 2006	2006	Sep 2007	Oct 2007
1.- Liquidity	22.3	26.1	23.1	25.0	23.4	19.6	22.8	29.1	29.6	20.1	23.4	22.5	21.9	21.2
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	23.5	21.6	16.1	16.0
3.- Lending to the private sector	50.8	47.7	48.4	44.9	39.9	42.7	20.8	18.1	19.6	25.8	29.2	31.0	35.3	36.3
4.- Private non-performing loans	16.2	13.8	12.2	14.0	16.0	19.1	38.6	33.5	18.6	7.6	4.8	4.5	3.5	3.5
5.- Net worth exposure to private sector	24.9	22.5	20.6	24.7	26.2	21.9	17.3	12.4	-1.0	-4.1	-3.7	-3.3	-3.1	-3.0
6.- ROA	0.6	1.0	0.5	0.2	0.0	0.0	-8.9	-2.9	-0.5	0.9	1.8	1.9	1.3	1.3
7.- ROE	4.1	6.3	3.9	1.7	0.0	-0.2	-59.2	-22.7	-4.2	7.0	13.4	14.3	9.8	9.7
8.- Efficiency	142	136	138	142	147	143	189	69	125	151	168	166	157	159
9.- Capital compliance	23.8	20.8	20.3	21.0	20.1	21.4	-	14.5	14.0	15.3	16.5	16.8	17.0	17.1
10.- Excess capital compliance	64	73	49	54	58	54	-	116	185	173	132	134	97	99

Source: BCRA

Chart 2: Balance Sheet

In million of current pesos	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Oct 06	Dec 06	Sep 07	Oct 07	Change (%)			
											Last month	Accum. 2007	Last 12 months	
Assets	163,550	123,743	187,532	186,873	212,562	221,962	261,674	258,742	293,513	293,861	0.1	13.6	12.3	
Liquid assets ¹	20,278	13,005	17,138	27,575	29,154	20,819	33,487	37,991	39,874	39,441	-1.1	3.8	17.8	
Public bonds	10,474	3,694	31,418	45,062	55,382	66,733	68,321	64,395	70,565	69,733	-1.2	8.3	2.1	
Lebac/Nobac	-	-	-	-	17,755	28,340	32,855	29,091	42,941	42,250	-1.6	45.2	28.6	
Portfolio	-	-	-	-	11,803	21,067	25,020	25,570	35,239	34,862	-1.1	36.3	39.3	
Repo	-	-	-	-	5,953	7,273	7,835	3,521	7,702	7,388	-4.1	109.8	-5.7	
Private bonds	633	543	332	198	387	389	599	813	413	407	-1.4	-50.0	-32.1	
Loans	83,277	77,351	84,792	68,042	73,617	84,171	100,768	103,611	122,123	124,952	2.3	20.6	24.0	
Public sector	15,164	22,694	44,337	33,228	30,866	25,836	22,432	20,815	16,849	16,725	-0.7	-19.6	-25.4	
Private sector	64,464	52,039	38,470	33,398	41,054	55,885	74,362	77,834	100,318	103,313	3.0	32.7	38.9	
Financial sector	3,649	2,617	1,985	1,417	1,697	2,450	3,974	4,962	4,956	4,914	-0.9	-1.0	23.6	
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-4,930	-4,279	-3,999	-4,132	-4,193	1.5	4.9	-2.0	
Other netted credits due to financial intermediat.	42,361	21,485	39,089	27,030	32,554	26,721	34,090	26,030	33,020	32,617	-1.2	25.3	-4.3	
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	873	782	773	687	675	-1.8	-12.7	-13.7	
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,883	4,828	4,881	5,398	5,395	-0.1	10.5	11.7	
Compensation receivable	0	0	17,111	14,937	15,467	5,841	4,776	763	375	375	0.2	-50.8	-92.1	
Other	39,514	18,669	13,572	6,392	12,924	16,124	23,704	19,613	26,560	26,172	-1.5	33.4	10.4	
Leasing	786	771	567	397	611	1,384	2,088	2,262	3,319	3,330	0.3	47.2	59.5	
Shares in other companies	2,645	2,688	4,653	4,591	3,871	4,532	5,851	6,378	6,889	6,138	-10.9	-3.8	4.9	
Fixed assets and miscellaneous	4,939	4,804	8,636	8,164	7,782	7,546	7,497	7,638	7,549	7,591	0.6	-0.6	1.2	
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,647	3,246	2,788	2,928	2,904	-0.8	4.2	-10.5	
Other assets	3,950	5,334	9,338	12,043	13,180	10,950	10,007	10,835	10,965	10,941	-0.2	1.0	9.3	
Liabilities	146,267	107,261	161,446	164,923	188,683	195,044	229,535	225,773	256,923	257,826	0.4	14.2	12.3	
Deposits	86,506	66,458	75,001	94,635	116,655	136,492	165,710	170,898	199,394	200,120	0.4	17.1	20.8	
Public sector ²	7,204	950	8,381	16,040	31,649	34,019	44,086	45,410	51,295	51,097	-0.4	12.5	15.9	
Private sector ²	78,397	43,270	59,698	74,951	83,000	100,809	119,155	123,431	145,787	146,627	0.6	18.8	23.1	
Current account	6,438	7,158	11,462	15,071	18,219	23,487	25,667	26,900	32,857	34,152	3.9	27.0	33.1	
Savings account	13,008	14,757	10,523	16,809	23,866	29,078	34,045	36,442	42,778	43,271	1.2	18.7	27.1	
Time deposit	53,915	18,012	19,080	33,285	34,944	42,822	53,692	54,338	63,182	62,042	-1.8	14.2	15.6	
CEDRO	0	0	12,328	3,217	1,046	17	15	13	5	5	-7.5	-63.4	-66.2	
Other netted liabilities due to financial intermediat.	55,297	36,019	75,737	61,690	64,928	52,072	56,424	46,037	48,727	48,624	-0.2	5.6	-13.8	
Interbanking obligations	3,545	2,550	1,649	1,317	1,461	2,164	3,675	4,578	4,322	4,397	1.7	-4.0	19.6	
BCRA lines	102	4,470	27,837	27,491	27,726	17,005	10,873	7,686	2,452	2,422	-1.2	-68.5	-77.7	
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,548	6,505	6,603	7,181	7,067	-1.6	7.0	8.6	
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	4,684	4,173	4,240	3,753	3,827	2.0	-9.7	-8.3	
Other	37,883	17,295	11,955	11,012	18,934	21,671	31,198	22,930	31,019	30,911	-0.3	34.8	-0.9	
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,381	1,249	1,642	1,645	1,655	0.6	0.8	32.5	
Other liabilities	2,210	2,524	6,997	6,569	5,685	5,099	6,152	7,196	7,157	7,427	3.8	3.2	20.7	
Net worth	17,283	16,483	26,086	21,950	23,879	26,918	32,139	32,969	36,589	36,035	-1.5	9.3	12.1	
Memo														
Netted assets	129,815	110,275	185,356	184,371	202,447	208,275	241,031	245,149	273,014	273,792	0.3	11.7	13.6	
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	203,286	233,351	236,216	263,750	265,332	0.6	12.3	13.7	

(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 10 months		Monthly			Last
	2000	2001	2002 ¹	2003	2004	2005	2006	2006	2007	Aug-07	Sep-07	Oct-07	12 months
Financial margin	7,291	6,943	13,991	1,965	6,075	9,475	13,061	10,684	12,086	973	1,524	1,499	14,462
Net interest income	5,106	4,625	-3,624	-943	1,753	3,069	4,150	3,406	4,574	509	490	503	5,318
CER and CVS adjustments	0	0	8,298	2,315	1,944	3,051	3,010	2,505	2,144	149	188	225	2,648
Foreign exchange price adjustments	185	268	5,977	-890	866	751	943	866	1,133	188	147	150	1,210
Gains on securities	1,481	1,490	3,639	1,962	1,887	2,371	4,725	3,714	4,055	86	700	647	5,066
Other financial income	519	559	-299	-480	-375	233	233	193	180	41	-1	-26	220
Service income margin	3,582	3,604	4,011	3,415	3,904	4,781	6,241	5,046	6,670	745	718	759	7,866
Loan loss provisions	-3,056	-3,096	-10,007	-2,089	-1,511	-1,173	-1,198	-1,018	-1,487	-215	-186	-180	-1,667
Operating costs	-7,375	-7,362	-9,520	-7,760	-7,998	-9,437	-11,619	-9,385	-11,771	-1,289	-1,264	-1,291	-14,006
Tax charges	-528	-571	-691	-473	-584	-737	-1,087	-867	-1,239	-142	-134	-153	-1,459
Income tax	-446	-262	-509	-305	-275	-581	-765	-700	-902	-37	-158	-71	-968
Adjustments to the valuation of government securities ²	0	0	0	-701	-320	-410	-746	-583	-563	-176	14	-240	-726
Amortization payments for court-ordered releases	0	0	0	-1,124	-1,686	-1,867	-1,719	-1,429	-1,900	-188	-202	-165	-2,189
Other	535	702	-3,880	1,738	1,497	1,729	2,139	1,557	1,936	310	258	89	2,518
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	3,305	2,831	-20	570	247	3,832
Adjusted results ³	-	-	-	-3,440	1,337	4,057	6,771	5,317	5,293	345	758	652	6,747
Annualized indicators - As % of netted assets													
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	5.8	5.7	5.6	4.3	6.7	6.8	5.6
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.8	1.8	2.1	2.3	2.2	2.3	2.1
CER and CVS adjustments	0.0	0.0	3.9	1.3	1.0	1.5	1.3	1.3	1.0	0.7	0.8	1.0	1.0
Foreign exchange price adjustments	0.1	0.2	2.8	-0.5	0.4	0.4	0.4	0.5	0.5	0.8	0.6	0.7	0.5
Gains on securities	1.2	1.2	1.7	1.1	1.0	1.2	2.1	2.0	1.9	0.4	3.1	2.9	2.0
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.2	0.0	-0.1	0.1	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.7	2.7	3.1	3.3	3.2	3.5	3.0
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.5	-0.5	-0.7	-1.0	-0.8	-0.8	-0.6
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-5.1	-5.0	-5.4	-5.7	-5.6	-5.9	-5.4
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.6
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.4	-0.2	-0.7	-0.3	-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	-0.3	-0.8	0.1	-1.1	-0.3
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.8	-0.8	-0.9	-0.8	-0.9	-0.8	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.9	0.8	0.9	1.4	1.1	0.4	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	1.8	1.3	-0.1	2.5	1.1	1.5
ROA adjusted ³	0.0	0.0	-8.9	-1.9	0.7	2.0	3.0	2.9	2.4	1.5	3.3	3.0	2.6
ROE	0.0	-0.2	-59.2	-22.7	-4.2	7.0	14.3	13.4	9.7	-0.7	18.7	8.6	11.0

(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	Oct 06	Dec 06	Aug 07	Sep 07	Oct 07
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	5.2	3.7	3.4	2.9	2.9	2.9
Non-performing loans to the non-financial private sector	16.0	19.1	38.6	33.5	18.6	7.6	4.8	4.5	3.6	3.5	3.5
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	9.3	5.5	5.0	3.5	3.5	3.5
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	4.8	3.7	3.5	3.7	3.5	3.5
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	125.1	131.8	130.3	132.8	132.1	130.3
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.3	-1.2	-1.0	-1.0	-0.9	-0.9
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-4.1	-3.7	-3.3	-3.3	-3.2	-3.1

(*) 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	Oct 2006	2006	Sep 2007	Oct 2007
1.- Liquidity	23.6	26.9	22.8	24.3	24.1	23.6	24.8	27.6	29.2	21.5	22.4	23.7	23.5	23.0
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	19.6	15.9	9.6	9.6
3.- Lending to the private sector	51.0	46.7	47.6	44.6	38.4	45.4	22.4	19.9	22.5	31.1	36.2	37.9	44.3	45.2
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	4.0	3.6	2.8	2.7
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	-2.9	-3.0	-3.1	-2.8
6.- ROA	0.6	0.7	0.5	0.3	0.1	0.2	-11.3	-2.5	-1.0	0.5	2.0	2.2	1.4	1.4
7.- ROE	4.1	6.3	4.3	2.3	0.8	1.4	-79.0	-19.1	-8.1	4.1	14.0	15.3	9.4	9.3
8.- Efficiency	144	135	139	146	152	151	168	93	115	136	159	158	150	152
9.- Capital compliance	15.9	15.4	14.6	18.9	18.0	17.6	-	14.0	15.1	17.8	18.7	18.6	19.8	20.1
10.- Excess capital compliance	33	47	27	60	49	43	-	88	157	155	120	116	99	101

Source: BCRA

Chart 6: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Oct 06	Dec 06	Sep 07	Oct 07	Change (%)			
											Last month	Accum. 2007	Last 12 months	
Assets	119,371	82,344	118,906	116,633	128,065	129,680	150,929	152,414	169,751	170,439	0.4	11.8	12.9	
Liquid assets ¹	13,920	10,576	11,044	14,500	15,893	14,074	18,276	22,226	24,174	24,236	0.3	9.0	32.6	
Public bonds	7,583	1,627	19,751	22,260	24,817	29,966	28,927	27,663	28,114	27,639	-1.7	-0.1	-4.5	
Lebac/Nobac	0	0	-	-	8,359	15,227	16,914	15,952	20,364	19,875	-2.4	24.6	17.5	
Portfolio	0	0	-	-	5,611	12,899	14,016	14,220	16,957	16,396	-3.3	15.3	17.0	
Repo	0	0	-	-	2,749	2,328	2,899	1,732	3,407	3,479	2.1	100.9	20.0	
Private bonds	563	451	273	172	333	307	485	683	359	354	-1.3	-48.2	-27.1	
Loans	56,035	52,319	51,774	47,017	50,741	56,565	67,172	69,294	82,356	84,188	2.2	21.5	25.3	
Public sector	8,172	13,803	25,056	23,571	21,420	15,954	11,678	10,036	6,538	6,427	-1.7	-36.0	-45.0	
Private sector	45,103	36,636	26,074	22,816	28,213	39,031	52,708	55,632	72,069	73,953	2.6	32.9	40.3	
Financial sector	2,760	1,880	644	630	1,107	1,580	2,786	3,626	3,749	3,808	1.6	5.0	36.7	
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,482	-2,273	-2,227	-2,270	-2,303	1.5	3.4	1.3	
Other netted credits due to financial intermediat.	36,600	13,037	27,212	22,148	25,753	16,873	22,698	18,387	18,659	18,799	0.7	2.2	-17.2	
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	675	584	618	508	496	-2.3	-19.7	-15.0	
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,444	3,077	2,982	3,867	3,828	-1.0	28.3	24.4	
Compensation receivable	0	0	15,971	13,812	14,657	5,575	4,772	760	374	375	0.2	-50.6	-92.1	
Other	34,267	10,735	3,523	3,370	7,905	8,179	14,265	14,027	13,910	14,100	1.4	0.5	-1.2	
Leasing	776	752	553	387	592	1,356	1,976	2,126	3,061	3,048	-0.4	43.3	54.2	
Shares in other companies	1,651	1,703	3,123	2,791	1,892	2,416	3,671	4,042	4,455	3,662	-17.8	-9.4	-0.3	
Fixed assets and miscellaneous	3,225	3,150	5,198	4,902	4,678	4,575	4,563	4,677	4,586	4,617	0.7	-1.3	1.2	
Foreign branches	75	112	-109	-136	-53	-148	-138	-139	-151	-152	0.6	9.3	9.8	
Other assets	2,190	2,574	7,549	7,816	7,137	6,178	5,571	5,682	6,408	6,351	-0.9	11.8	14.0	
Liabilities	107,193	70,829	103,079	101,732	113,285	112,600	130,629	131,476	146,331	147,623	0.9	12.3	13.0	
Deposits	57,833	44,863	44,445	52,625	62,685	75,668	89,599	94,095	110,462	111,082	0.6	18.1	24.0	
Public sector ²	1,276	950	1,636	3,077	6,039	6,946	7,410	7,029	8,281	8,099	-2.2	15.2	9.3	
Private sector ²	55,917	43,270	38,289	47,097	55,384	67,859	80,834	85,714	100,814	101,556	0.7	18.5	25.6	
Current account	4,960	7,158	8,905	11,588	13,966	17,946	19,215	20,604	24,765	25,864	4.4	25.5	34.6	
Savings account	9,409	14,757	6,309	10,547	14,842	18,362	21,131	23,165	27,066	27,666	2.2	19.4	30.9	
Time deposit	39,030	18,012	11,083	18,710	22,729	27,736	36,646	38,043	44,427	43,398	-2.3	14.1	18.4	
CEDRO	0	0	9,016	2,409	798	3	2	1	1	1	0.0	-54.4	-70.1	
Other netted liabilities due to financial intermediat.	46,271	22,629	49,341	42,367	45,083	32,349	36,283	31,750	30,280	30,675	1.3	-3.4	-15.5	
Interbanking obligations	2,293	1,514	836	726	1,070	1,488	2,405	3,383	2,176	2,206	1.4	-34.8	-8.3	
BCRA lines	83	1,758	16,624	17,030	17,768	10,088	6,785	3,689	662	665	0.4	-82.0	-90.2	
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,548	6,465	6,413	7,061	6,915	-2.1	7.8	7.0	
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	2,696	2,141	2,249	1,731	1,804	4.2	-19.8	-15.7	
Other	33,466	11,010	7,374	7,939	12,878	11,530	18,487	16,015	18,650	19,085	2.3	19.2	3.2	
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,319	1,188	1,642	1,641	1,651	0.6	0.6	38.9	
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,264	3,559	3,989	3,948	4,216	6.8	5.7	18.5	
Net worth	12,178	11,515	15,827	14,900	14,780	17,080	20,300	20,938	23,420	22,816	-2.6	9.0	12.4	
Memo														
Netted assets	88,501	73,796	117,928	115,091	121,889	123,271	138,858	143,807	159,450	160,080	0.4	11.3	15.3	

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

Source: BCRA

Statistics Annex: Private Banks

Chart 7: Profitability Structure

Amounts in million of pesos	Annual							First 10 months		Monthly			Last
	2000	2001	2002 ¹	2003	2004	2005	2006	2006	2007	Aug-07	Sep-07	Oct-07	12 months
Financial margin	5,441	5,282	10,628	2,575	3,415	5,253	7,778	6,329	7,150	466	1,023	913	8,599
Net interest income	3,598	3,519	-304	107	1,214	2,069	2,826	2,317	3,283	380	387	413	3,792
CER and CVS adjustments	0	0	1,476	1,082	900	1,215	858	708	557	28	37	63	707
Foreign exchange price adjustments	160	256	6,189	-312	666	576	740	650	826	114	124	126	916
Gains on securities	1,232	962	3,464	1,892	959	1,259	3,154	2,493	2,334	-92	480	342	2,995
Other financial income	450	546	-197	-195	-322	134	199	161	150	37	-5	-31	188
Service income margin	2,554	2,598	2,782	2,341	2,774	3,350	4,459	3,623	4,781	513	506	550	5,618
Loan loss provisions	-2,173	-2,464	-6,923	-1,461	-1,036	-714	-737	-612	-915	-103	-100	-98	-1,040
Operating costs	-5,263	-5,224	-6,726	-5,310	-5,382	-6,303	-7,741	-6,250	-7,841	-869	-834	-881	-9,332
Tax charges	-379	-418	-512	-366	-393	-509	-769	-611	-893	-103	-95	-118	-1,050
Income tax	-393	-216	-337	-295	-202	-217	-365	-245	-290	-9	-54	-50	-409
Adjustments to the valuation of government securities ²	0	0	0	-665	-51	-201	-170	-152	-54	-18	-22	-23	-72
Amortization payments for court-ordered releases	0	0	0	-791	-1,147	-1,168	-1,182	-973	-1,248	-119	-121	-108	-1,457
Other	307	615	-4,164	1,178	846	1,156	1,641	1,069	1,051	217	152	-28	1,623
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	2,178	1,742	0	454	156	2,478
Adjusted results ³	-	-	-	-1,357	252	2,016	4,267	3,303	3,044	113	597	288	4,008
Annualized indicators - As % of netted assets													
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	5.9	5.8	5.6	3.5	7.7	6.8	5.7
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	2.1	2.1	2.6	2.9	2.9	3.1	2.5
CER and CVS adjustments	0.0	0.0	1.1	0.9	0.8	1.0	0.6	0.7	0.4	0.2	0.3	0.5	0.5
Foreign exchange price adjustments	0.2	0.3	4.4	-0.3	0.6	0.5	0.6	0.6	0.6	0.9	0.9	0.9	0.6
Gains on securities	1.4	1.2	2.5	1.7	0.8	1.0	2.4	2.3	1.8	-0.7	3.6	2.6	2.0
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.2	0.1	0.1	0.3	0.0	-0.2	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	3.4	3.3	3.8	3.9	3.8	4.1	3.7
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	-0.7	-0.7
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-5.9	-5.8	-6.2	-6.6	-6.3	-6.6	-6.2
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.6	-0.7	-0.8	-0.7	-0.9	-0.7
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	-0.1	-0.4	-0.4	-0.3
Adjustments to the valuation of government securities ²	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.1	-0.1	0.0	-0.1	-0.2	-0.2	0.0
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-0.9	-0.9	-1.0	-0.9	-0.9	-0.8	-1.0
Other	0.4	0.7	-3.0	1.0	0.7	0.9	1.2	1.0	0.8	1.7	1.1	-0.2	1.1
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	2.0	1.4	-0.2	3.4	1.2	1.6
ROA adjusted ³	0.1	0.2	-11.3	-1.2	0.2	1.6	3.2	3.1	2.4	0.9	4.5	2.2	2.7
ROE	0.8	1.4	-79.0	-19.1	-8.1	4.1	15.3	14.0	9.3	-1.3	23.3	8.2	11.2

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

Source: BCRA

Chart 8: Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Oct 06	Dec 06	Aug 07	Sep 07	Oct 07
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	4.4	3.1	2.9	2.5	2.4	2.4
Non-performing loans to the non-financial private sector	9.8	14.0	37.4	30.4	15.3	6.3	4.0	3.6	2.8	2.8	2.7
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	7.3	4.3	3.8	2.5	2.4	2.3
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	4.2	3.3	3.2	3.3	3.3	3.3
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	114.6	126.6	129.6	133.0	134.6	130.1
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	-0.6	-0.8	-0.9	-0.8	-0.8	-0.7
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	-2.2	-2.9	-3.0	-3.0	-3.1	-2.8

(*) 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.