



SEDESA
SEGURO DE DEPÓSITOS S.A.

ARGENTINA

General Review



2007



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MESSAGE FROM THE CHAIRPERSON

Lic. Irene L. Ulnik
Chairperson SEDESA



We are pleased to present herein the Annual Report and Financial Statements of Seguro de Depósitos S.A. (SEDESA), where we summarize the activities undertaken by the company in 2007, its current situation and its prospects for the future.

Analyzing our performance, we may conclude that we have managed to attain the objectives pursued. Today, the Fund features improved liquidity and equity levels, higher productivity in asset management and greater efficiency in the use of its resources.

In line with the goals pursued, we staged a reorganization to gain efficiency on the basis of the on-going training and professionalization of our staff members.

Our organization launched technological projects that demanded additional time and effort with a view to enhancing our processes and strengthening the changes introduced last year.

We have actively participated in international fora in order to give continuity to our commitment to international cooperation issues. SEDESA continued strengthening its position as a reference in the field of deposit insurance.

We are well aware that our role involves corporate social responsibility and this motivates us to redouble our daily efforts in the pursuit of excellence.

The progress made in this restructuring process, jointly with the IT upgrade and the relocation of our offices in a more functionally suitable building, will offer a stronger springboard from which to further develop an efficient and profitable corporate management.

I wish to express our gratitude to the Central Bank of the Argentine Republic, Caja de Valores S.A., the Argentine financial entities, our external advisors and our officials and staff members for their dedication and commitment and for having supported our tasks as members of the financial security network in our country.

COMPOSITION OF THE BOARD OF DIRECTORS AND THE STATUTORY AUDIT COMMITTEE



BOARD OF DIRECTORS

CHAIRPERSON

LIC. IRENE L. ULNIK

VICE-CHAIRMAN

LIC. MARTÍN LAGOS

DIRECTOR

DR. NORBERTO C. PERUZZOTTI

ALTERNATE DIRECTORS

CR. HORACIO JORGE MENCÍAS

DR. SANTIAGO M. J. A. NICHOLSON

CR. MARCELO SÁNCHEZ

STATUTORY AUDIT COMMITTEE

AUDITORS

DR. EUGENIO CARLOS GALLEGOS DEL SANTO

CR. OSCAR JUAN CAMACHO

CRA. ALICIA LAURA BIANCHI DE NOZIERES

ALTERNATE AUDITORS

DR. EDUARDO JORGE FASULINO

CR. ALEJANDRO ALMARZA

DR. ENRIQUE BRUCHOU

1. ABOUT SEDESA

Power pursuant to Decree 540/95, with the sole purpose of acting as Trustee whenever so required by the National State or the Central Bank of the Argentine Republic.



SEDESA (Seguro de Depósitos S.A.) is a private corporation organized in 1995 by the National Executive Power pursuant to Decree 540/95, with the sole purpose of acting as Trustee whenever so required by the National State or the Central Bank of the Argentine Republic.

Moreover, such decree created the Deposit Guarantee Fund (DGF) in order to insure bank deposits, its scope of action being clearly laid down in such regulation and its subsequent amendments.

COMPOSITION OF STOCKHOLDERS' EQUITY

The capital stock of SEDESA amounts to one million Argentine pesos (ARS), each share having a par value of one peso. Its stockholders are: The National Government and Caja de Valores S.A. as trustee of a group of financial entities.

The National Government, through the BCRA, is the holder of one Class A share. The remaining 999,999 shares are Class B shares and are held by Caja de Valores S.A. in its capacity as trustee, as laid down in the Trust Agreement entered into between the financial entities that voluntarily took part in the subscription and Caja de Valores S.A.

The duties of SEDESA as manager of the DGF, which are set out in the regulations in force, are as follows:

1. Pay the insured deposit to depositors, as appropriate.

2. Make capital contributions, non-reimbursable contributions or loans to financial institutions:

- that are carrying out a regularization and rehabilitation plan, in order to assist them with the implementation of such plan;
- that acquire the assets or take charge of the payments of the deposits of another financial entity subject to the scheme established in Section 35 bis of the Financial Entities Law, when this were needed to compensate for the insufficiency of such assets in respect of the deposits transferred;
- that have taken over or acquired other financial entities within the framework of a regularization and rehabilitation plan.

3. Acquire from financial entities their assets or take charge of the payments of the deposits of another financial entity subject to the scheme established in



The applicability of the duties specified in 2, 3, 4 and 5 must be previously decided by a Managing Committee (a standing collegiate body) chaired by a BCRA representative, who has no voting right but has veto power, and five regular members. The decisions adopted by the Managing Committee are binding upon SEDESA.

Section 35 bis of the Financial Entities Law, in favor of the acquiring entity, over all or a part of the transferred assets; this arrangement may consist in the creation of a trust fund.

4. Acquire the deposits of suspended banks up to the amount of the guarantee, subrogating itself to the rights of the depositors (including the reimbursement of the sums deposited in wages and salaries crediting accounts to their holders.

5. Contract obligations chargeable to the DGF, within the limits stipulated therefore.

6. Carry out, maintain or finance swap programs with foreign banks in order to contribute to the stability of the Argentine financial system, with the prior consent of the BCRA and chargeable to the DGF.

The DGF is made up of the obligatory assessments paid monthly by the financial institutions authorized to operate in Argentina, in respect of the peso and foreign currency deposits held in them.

DEPOSITS GUARANTEED BY THE DGF

The deposits in both pesos and foreign currency constituted with the participating entities under the form of checking accounts, saving accounts, time deposit, special deposits, time investment, immobilized balances or other forms that the Central Bank of the Argentine Republic may determine, in line with the preceding concepts, shall benefit from the insurance coverage offered by the system.

The following items do not benefit from the coverage of the guarantee system:

- Transferable fixed term deposits whose property has been acquired via an endorsement, even if the latest endorser is the original depositor.
- All deposits taken which offer incentives additional to the agreed interest rate,

Deposits for amounts higher than the amount of the coverage are also included in the guarantee regime up to the maximum limit of ARS 30,000.



or to the amount accrued by applying the CER (Reference Stabilization Coefficient), whatever denomination or form they may adopt (insurance premiums, raffles, tourism, services rendered, etc.).

- Deposits on which a rate of interest higher than the reference rate is agreed.
- Deposits of financial entities with other intermediaries, including certificates of deposit acquired by secondary negotiation.
- Deposits made by persons connected, directly or indirectly, with the entity concerned.
- Certificates of deposit of securities, acceptances or guarantees.
- Immobilized balances from deposits and other excluded operations.
- All other deposits which the Authority of Application may exclude in the future.

The guarantee shall cover the reimbursement of the sight deposits or of the certificates of deposit constituted for up to the amount of ARGENTINE PESOS THIRTY THOUSAND (ARS 30,000).

With regard to deposits or amounts held by two or more depositors, the guarantee limit shall be ARS 30,000, regardless of the number of depositors or holders, and the amount of the guarantee shall be apportioned among relevant holders.

The total amount guaranteed to a single person, who has deposits and accounts under the insurance coverage, shall not be, according to the provision above, higher than the limit of ARS 30,000.

The Central Bank of the Argentine Republic may decide, at any time and with a general criterion, the modification of said coverage amount of the guarantee system, on the basis of the evolution shown by the process of consolidation of the financial system and of other relevant economic indicators it may care to consult.

Deposits for amounts higher than the amount of the coverage are also included in the guarantee regime up to the maximum limit of ARS 30,000.



STRATEGIES AND ACTIONS UNDERTAKEN

With 2007 left behind, we may now say that much progress has been made in the attainment of the goals pursued, since substantial improvements have been achieved in corporate management terms.

The results obtained encourage us to insist on taking the same road, renewing our goals as new challenges appear on stage.

2. STRATEGIES AND ACTIONS UNDERTAKEN



In fiscal year 2007, the tasks undertaken have been geared to setting in motion a modern and dynamic organization model intended to materialize SEDESA's vision, as defined as follows:

- *Become a benchmark in the financial security network of the country.*
- *Become a benchmark of the deposit insurance system at the international level.*
- *Contribute with creativity to the pursuit of solutions and effectiveness in their implementation.*

In this regard, the strategy followed consisted in:

- Strengthening management professionalization and develop training programmes to attain the objectives pursued.
- Further improve the efficiency of the liquidity of non-liquid assets and the management of available balance.
- Actively participate in the local financial community as well as in international fora.
- Maintain a fluid and transparent communication with the financial community in general and our shareholders in particular.

With 2007 left behind, we may now say that much progress has been made in the attainment of the goals pursued, since substantial improvements have been achieved in corporate management terms.

The results obtained encourage us to insist on taking the same road, renewing our goals as new challenges appear on stage.

IT SYSTEM IMPLEMENTATION

The most salient actions undertaken during this period are listed below:



In 2007, significant modifications were introduced to the IT system: the credit management system was successfully installed and the accounting and administrative systems were duly updated.

Furthermore, taking advantage of the new infrastructure of our offices, we will continue upgrading the technical requirements as advised by the IT Department in order to meet higher reliability and security standards in the next period.

STANDARDIZATION OF THE ACCOUNTING PROCESS



Processes that helped attain the objectives set forth at the beginning of the fiscal year were implemented. Among them, the following can be highlighted:

- Generate standardized accounting data on a monthly basis.
- Enter accounting data promptly.

- Standardize the timing for generating quarterly and annual financial statements.

A new account plan shall be in place by 2008, whereby entries will be allocated per cost centre, thus turning our database more efficient and reinforcing general management controls.

TRAINING PROGRAMMES



A comprehensive training plan was launched as part of the strategy defined. This plan is targeted for all staff members and covers all the technical and management topics required to fulfil tasks in our organization.

During the year, 13 courses on different topics were attended by 80% of our employees. The results obtained encourage us to continue on the same path in order to attain the professionalization of all our staff members. The training plan designed shall be continued throughout 2008.

PROGRESS IN IN-HOUSE AUDITS



In 2006, an annual review scheme for in-house audits was established. This undertaking continued during 2007, and contributed to substantially improve internal control processes.

PROJECT FOR CONSOLIDATION AND REDESIGNED CORPORATE IMAGE



Emphasis was given to define the company's corporate image and to make it consistent within the organization. The new logo, which is printed in this report, preserves the main features of previous logos, since it is both self-evident and easy to remember.

This has been chosen as our institutional logo and includes some elements that reflect the company's dynamics today.

MOVE-IN AND CHANGE OF LEGAL DOMICILE



For the last years, SEDESA has been developing its activities in three separate offices:

Two of them were located in Corrientes 311 (floors 10 and 11), while from time to time another facility located on the second floor of San Martín 437 had to be used as well.

This distribution in three spaces or environments had the following drawbacks:

- Functional deficiencies and difficulties in interrelating sectors.
- Duplicated services (reception desks, toilets, kitchens, etc.).
- Duplicated tasks (opening and closing of offices, payment of taxes and utility rates, meetings of apartment owners, etc.).
- Obstacles to ensure fluid communication and supervision.
- Deterioration of installations (electricity, telephony, data).
- Impossibility to meet security standards, especially in relation to the computer centre.
- Deficient space redistribution and obstacles for layout modifications.

Therefore, new premises were sought in order to concentrate all sectors on one floor, with adequate installations in place, while meeting the functional security standard desired and building regulations currently in force.

In 2007, an office deemed suitable to satisfy SEDESA's functional needs was rented. In January 2008, the company moved into the new offices located in San Martín 344, 12th floor.

In compliance with the Board of Director's resolution 567, dated 19th December 2007, the corporate legal domicile was changed by the new address above mentioned.

INTERNATIONAL COOPERATION

In July, SEDESA participated in the “Executive Training Program,” organized by IADI (International Association of Deposit Insurers).



SEDESA continued with its activities of cooperation and exchange with other countries and agencies by actively participating in international fora as specified below:

In July, SEDESA participated in the “Executive Training Program,” organized by IADI (International Association of Deposit Insurers). Martín Lagos, SEDESA’s Vice-Chairman, participated jointly with other officials from FDIC (Federal Deposit Insurance Corporation) in the session entitled: “Claims and Recoveries: Framing the Discussion”.

SEDESA had an exhibition stand where we could exchange experiences and know-how with other agencies and institutions in the world.

Within the framework of the IV Conference and the Annual Meeting of the Latin America Regional Committee, held in August in San Salvador (Republic of San Salvador), Nélica Marquez, SEDESA’s Trust and Asset Recovery Manager, lectured on: “The Use of Trusts as Instruments for Effective Assistance: the Argentine Case”.

In November, the VI Annual Conference and General Assembly of IADI, known as “Deposit Insurance and Consumer Protection”, was held in the city of Kuala Lumpur (Malaysia). Within the framework of this meeting, SEDESA had an exhibition stand where we could exchange experiences and know-how with other agencies and institutions in the world.

Furthermore, SEDESA in its capacity as a member of IADI, is actively involved in the the permanent update of this international institution, for which purpose specific actions are being designed to submit for the consideration of the international financial community, namely, papers and articles based on research works concerning the deposit insurance system.

2.1 PERFORMANCE OF THE DEPOSIT GUARANTEE FUND (DGF)

The Deposit Guarantee Fund's equity grew ARS 482.1 million, which accounted for a 22.8% increase in relation to the balance at end of year, thus totalling an amount of ARS 2,595.0 million.

	12-2007	12-2006	Annual Increase	%
<i>In million pesos</i>				
Net worth	2,595.0	2,112.9	482.1	22.8

Such growth resulted from the contributions made by the Financial Institutions throughout 2007, reaching an amount of ARS 274.8 million, and from the profits of the fiscal year which amounted to ARS 207.3 million.

This DFG's growth is the result of a favorable economic trend, a stronger financial system that did not request any assistance from the Deposit Guarantee

Fund throughout fiscal year 2007, and of the successful performance of different areas of SEDESA, among which we can mention the following: financial investments, recoveries, sales of assets, as well as an efficient administration of expenses.

CONTRIBUTIONS FROM FINANCIAL INSTITUTIONS

Due to the increase in bank deposits, contributions in fiscal year 2007 amounted to ARS 274.8 million, accounting for a 19.7% increase vis-à-vis the contributions in 2006.

The contribution rate did not undergo any modification throughout the year. Contributions are made on a monthly basis for an amount equivalent to a 0.015% of the total deposits in each financial institution plus a varying additional contribution that may reach a maximum of 0.015%, depending on the regulations set forth by the BCRA.

STATEMENT OF PROFIT AND LOSS

The Statement of Profit and Loss of FGD for the fiscal year ended 31 December 2007 yielded a profit of ARS 207.3 million.

This is attributable to the following concepts:

ITEM	Fiscal Year 2007	Fiscal Year 2006
Results from financial investments	178.5	108.1
Total assistance to financial entities	14.7	61.9
Results from the management of assets	24.3	36.9
Asset management and other income and expenses	(10.2)	(10.5)
Total	207.3	196.4

In million pesos

RESULTS FROM FINANCIAL INVESTMENTS

The results from financial investments amounted to a profit of ARS 178.5 million.

It must be emphasized the excellent performance of the portfolio invested abroad and managed by Goldman Sachs Asset Management (GSAM), which yielded a profit of ARS 114.6 million, representing an annualized return of 6.3%.

The returns on investments in the domestic market (Lebac and Nobac) amounted to ARS 11.4 million, representing an annual return above 10% during the fiscal year. An amount of

ARS 1.1 million resulted from the sale of investments.

In turn, public securities yielded a profit of ARS 6.7 million and the foreign exchange difference contributed with an additional amount of ARS 45.0 million.

RESULTS FROM THE TOTAL ASSISTANCE GRANTED



During the fiscal year, no assistance was requested from any financial institution. Assistances granted in previous fiscal years yielded a positive return of ARS 14.7 million.

RESULTS FROM THE MANAGEMENT OF ASSETS

In fiscal year 2007, this item yielded a profit of ARS 24.3 million, of which ARS 10.9 million derived from loan collections; ARS 5.8 million, from current Trusts performance, and ARS 7.6 million, from the sale of other assets.

ADMINISTRATIVE EXPENSES

Administrative expenses during fiscal year 2007 were kept at the same level as in the previous fiscal year—at about ARS 10 million.

2.2 EVOLUTION OF AVAILABLE BALANCE

The available balance of the Deposit Guarantee Fund grew ARS 683.8 million, equivalent to a 41.4% increase vis-à-vis 2006, to a total amount of ARS 2,333.8 million as at 31 December.

The growth of liquidity is due to the contributions made by financial institutions, which reached an amount of ARS 274.8 million, from returns on investments, which amounted ARS 181.5 million, and from the recovery of assistance granted, which accounted for ARS 247.1 million. On the other hand, expenses incurred in operating activities, which amounted to ARS 19.6 million, are to be deducted.

In million pesos

	12-2007	%	12-2006	%	Annual Increase
Available Funds	2,333.8		1,650.0		683.8
Foreign	2,314.6	99%	1,159.0	70%	1,155.6
Domestic	19.2	1%	491.0	30%	(471.8)

99% of available funds are invested abroad, in line with the investment guidelines issued in compliance with the regulations in force. Throughout the fiscal year, such investments rose ARS 1,155.6 million, of which 59% (ARS 683.8 million) corresponded to the growth of available funds and 41% (ARS 471.8 million) to the transfer of investments made in the country.

Funds invested in the country at end of fiscal year reached an amount of ARS 19.2 million and are mainly placed in securities issued by the Central Bank of the Argentine Republic.

These resources have been invested in conditions similar to those established to place foreign exchange international reserves of the Central Bank of the Argentine Republic, as stated in Section 10 of Decree 540/95 and its amendments.

MONTHLY CHANGES IN
THE AMOUNT AVAILABLE
IN 2007

Available balance at	Available balance in ARS	Evolution index
30/12/2006	1,649,966,768	100.0
31/01/2007	1,700,918,195	103.1
28/02/2007	1,724,478,718	104.5
31/03/2007	1,753,293,256	106.3
30/04/2007	1,780,803,286	107.9
31/05/2007	2,012,933,517	122.0
30/06/2007	2,057,801,996	124.7
31/07/2007	2,116,478,040	128.3
31/08/2007	2,181,677,923	132.2
30/09/2007	2,213,107,835	134.1
31/10/2007	2,243,899,926	136.0
30/11/2007	2,293,165,763	139.0
31/12/2007	2,333,804,760	141.4

In million pesos

INCOME TO THE DGF'S
AVAILABLE BALANCE

Cash receipts represent a 66.5% increase vis-à-vis the amount in the previous year, while cash payments or expenses fell by 10.9%.

Unlike previous years, management operations were the main source of income, accounting for 60.9% of total revenues, while contributions accounted for 39.1% of the total.

	2007	%	2006	%	Annual Variation
Contributions	274.8	39.1%	229.5	54.4%	45.3
Management	428.6	60.9%	192.6	45.6%	236.0
Total income	703.4	100.0%	422.1	100.0%	281.3
Expenses	19.6		22.0		-2.4
Variation	683.8		400.1		283.7

In million pesos

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

3. FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2007 AND 2006 (IN ARGENTINE PESOS)

	31/12/2007	31/12/2006
CURRENT ASSETS		
ASSETS		
Cash and Bank Accounts	155,529	631,890
Investments	11,664,440	10,809,995
Other receivables	193,401	108,862
Total current assets	12,013,370	11,550,747
NON-CURRENT ASSETS		
Other receivables	19,600	21,754
Fixed assets	1,454,473	1,446,821
Total non-current assets	1,474,073	1,468,575
Total assets	13,487,443	13,019,322
CURRENT LIABILITIES		
LIABILITIES		
Accounts payable	542,245	162,387
Taxes payable	67,936	208,603
Social security charges payable	105,015	112,746
Total current liabilities	715,196	483,736
NON-CURRENT LIABILITIES		
Taxes payable	17,330	177,426
Total non-current liabilities	17,330	177,426
Total liabilities - Subtotal	732,526	661,162
NET WORTH	12,754,917	12,358,160
(as per relevant profit and loss statement)		
Total liabilities plus stockholders' equity	13,487,443	13,019,322

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

3.1 STATEMENT OF PROFIT AND LOSS

FOR THE FISCAL YEAR ENDED 31 DECEMBER 2007 AND 2006 (IN ARGENTINE PESOS)

	31/12/2007	31/12/2006
ADMINISTRATIVE EXPENSES	(309,346)	(239,213)
Plus:		
Expenses recovery	150,903	123,408
FINANCIAL INCOME (EXPENSE) AND HOLDING GAINS (LOSSES):		
Financial income	552,473	633,500
Foreign exchange difference	230,893	68,846
Total financial income (expense) and holding gains (losses)	783,366	702,346
Profit, net (before income tax)	624,923	586,541
Income tax	(228,166)	(205,961)
Profit for the year	396,757	380,580

DEPOSIT GUARANTEE FUND

3.2 TRUST BALANCE SHEET

AS AT 31 DECEMBER 2007 AND 2006 (IN ARGENTINE PESOS)

	31/12/2007	31/12/2006
CURRENT ASSETS		
Cash and Bank Accounts	742,098	7,873,341
Investments	2,333,082,933	1,642,796,710
Receivables	5,985,732	203,447,667
Assets given for financial lease	243,586	167,871
Other receivables	1,328,459	576,424
Other assets	3,897,600	5,612,550
Total current assets	2,345,280,480	1,860,474,563
NON-CURRENT ASSETS		
Investments	103,963,836	167,441,898
Receivables	144,622,035	81,419,377
Assets given for financial lease	660,364	1,054,521
Other receivables	231,287	153,900
Other assets	2,885,941	4,193,413
Total non-current assets	252,363,463	254,263,109
Total assets	2,597,643,871	2,114,737,672
CURRENT LIABILITIES		
Accounts payable	1,301,769	640,841
Other receivables	1,281,793	1,159,871
Total current liabilities	2,583,562	1,800,712
Total liabilities - Subtotal	2,583,562	1,800,712
NET WORTH (as per relevant profit and loss statement)	2,595,060,309	2,112,936,960
TOTAL LIABILITIES PLUS NET WORTH	2,597,643,871	2,114,737,672

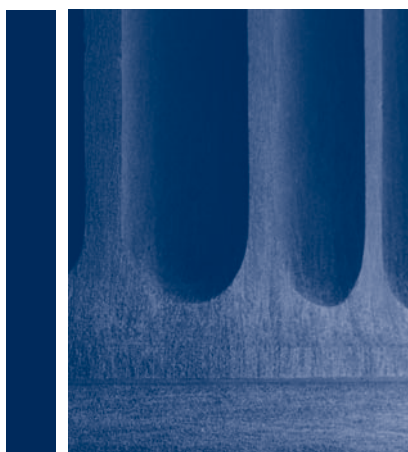
ASSETS**LIABILITIES**

DEPOSIT GUARANTEE FUND

3.3 STATEMENT OF PROFIT AND LOSS

FOR THE FISCAL YEAR ENDED AS AT 31 DECEMBER 2006 AND 31 DECEMBER 2005
(IN ARGENTINE PESOS)

FINANCIAL INVESTMENTS	31/12/2007	31/12/2006
Financial income on investments	128,694,854	80,770,693
Exchange rate difference	44,952,337	4,567,721
(Losses) gains from securities holdings	6,674,381	23,582,091
(Losses) gains from secured loans	503,607	583,133
Financial income - Subtotal	180,825,179	109,503,638
Minus:		
Investment management fees	(2,329,865)	(1,364,049)
Total financial income	178,495,314	108,139,589
ASSISTANCE TO FINANCIAL ENTITIES		
Interests on loans granted	12,862,531	21,705,890
Provision on loans with option of cancellation with public bonds in trust agreement and/or under guarantee	(914,211)	39,506,543
Dividends	1,900,000	662,400
Results from sale of preferred stock	934,288	
TOTAL ASSISTANCE TO FINANCIAL ENTITIES	14,782,608	61,874,833
ASSET MANAGEMENT		
Income from collections of receivables assigned net of related expense	9,746,915	17,921,629
Decrease in loan loss provision	1,176,471	4,260,410
Income from recovery of financial trust net of related expense	5,825,832	7,359,742
Asset Management	5,533,717	7,361,960
Results from the management of assets	2,026,840	
Asset Management Total	24,309,775	36,903,741
ADMINISTRATIVE EXPENSES	(10,230,661)	(10,089,884)
OTHER NET INCOME AND EXPENSES	(11,080)	(469,000)
Profit for the year	207,345,956	196,359,279



ANNEX I

Main Events In Argentina's Financial System 2007.

4. MAIN EVENTS IN ARGENTINA'S FINANCIAL SYSTEM 2007

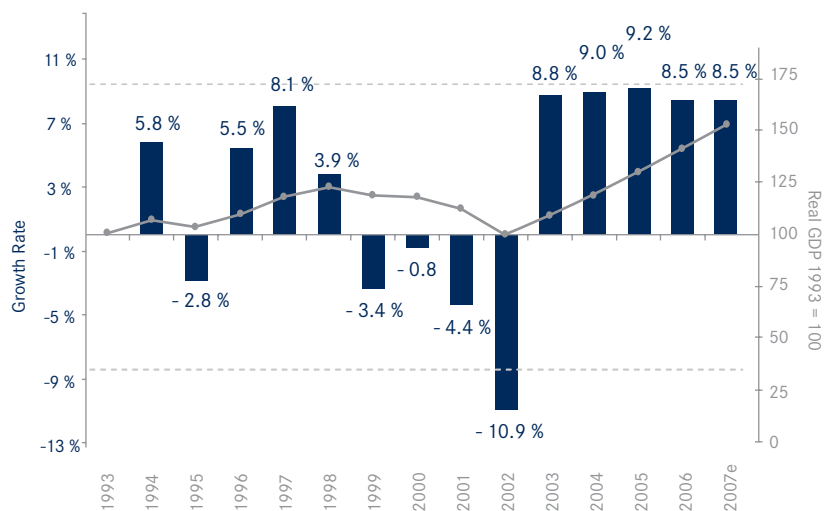
1. MACROECONOMIC CONTEXT

During 2007, economic activity expanded at a rate above the historic average for the fifth consecutive year. In 2007, the real GDP growth rate was 8.5%¹, with GDP levels surpassing historic peaks. Additionally, consumer price inflation, as indicated by the INDEC², was 8.5% in 2007.

CHART 1.1
REAL GDP EVOLUTION

■ Growth Rate
— Real PBI (1993 = 100)

Source: INDEC (National Institute of Statistics) and BCRA (Argentina's Central Bank)

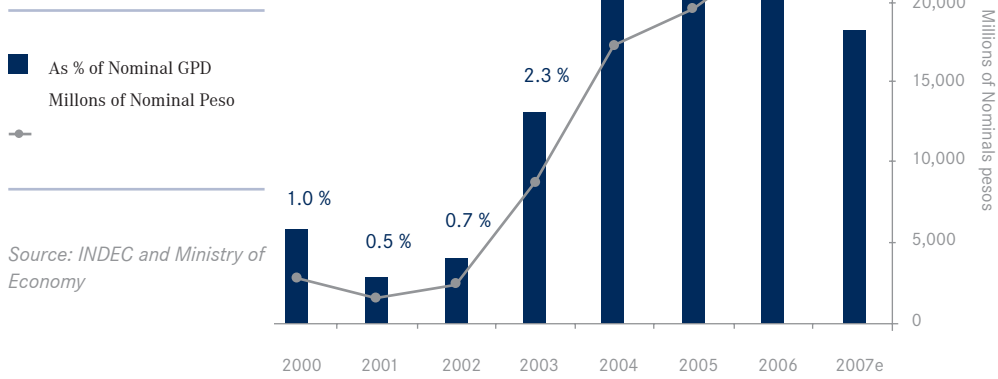


The public sector continued to exhibit robust results; the primary surplus for 2007 reached 3.2% of nominal GDP, continuing at a historically high level. Although this is the sixth consecutive year of nominal growth, the growth rate as a percentage of GDP has been declining. However, fiscal result after debt services, continued to show improvement when compared with previous periods.

¹ Note: Preliminary information based on the Monthly Economic Activity Estimate published by INDEC and the Relevamiento de expectativas de Mercado (REM) Published by Argentina's Central Bank (Banco Central de la República Argentina - BCRA).

² Instituto Nacional de Estadísticas y Censos (National Institute of Statistics)

CHART 1.2
PRIMARY SURPLUS

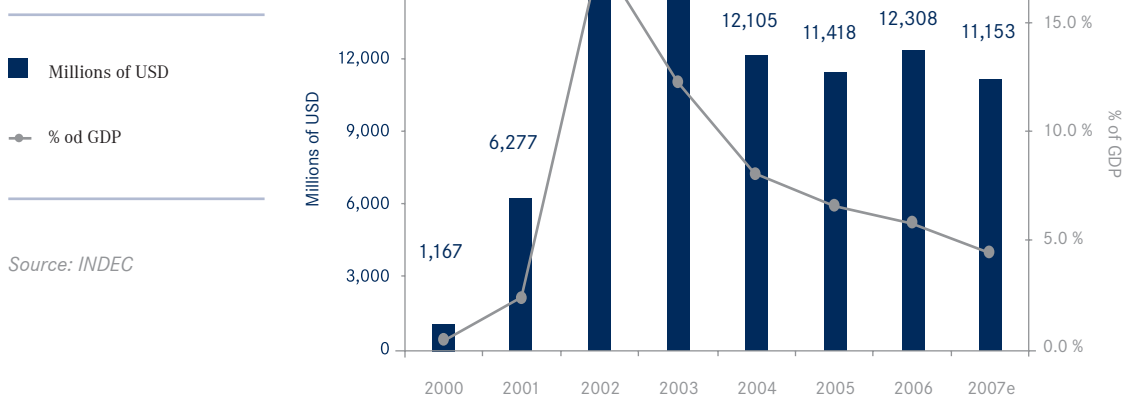


Source: INDEC and Ministry of Economy

The trade surplus in 2007 was USD 11.25 billion and represented 4.38% of Nominal GDP. Argentina continued registering positive external figures, although the trade surplus in 2007 was below the 9.4%

registered in 2006. Along with economic growth, imports grew at a rate of 31.3%, compared to a 20.4% growth in exports.

CHART 1.3
TRADE SURPLUS



Source: INDEC

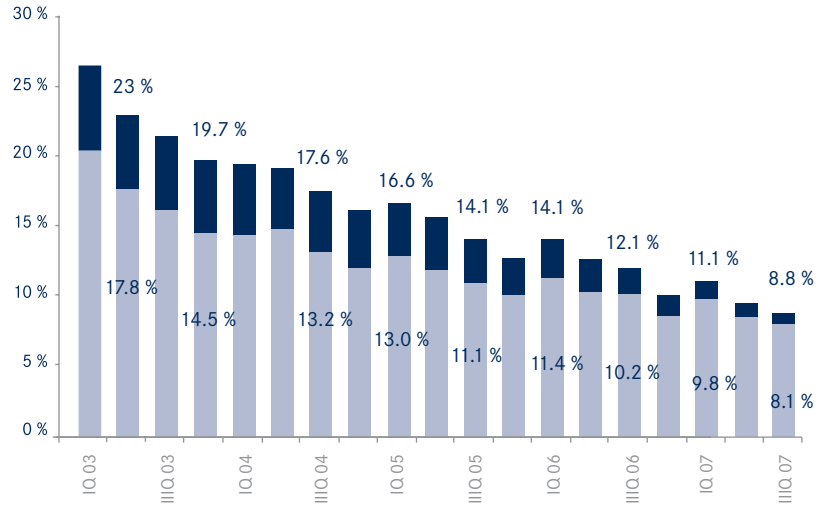
The labor market, in line with sustained economic growth over the past couple of years, has shown signs of improvement, both in qualitative terms relating to improved figures in formal labor market and in quantitative indicators such as

employment growth and the decreasing unemployment rate. In third quarter of 2007, the unemployment rate was 8.1% of the economically active population.

CHART 1.4
UNEMPLOYMENT RATE
 (as a % of the economically active population)

■ Unemployment excluding JHH
 ■ Unemployment including JHH

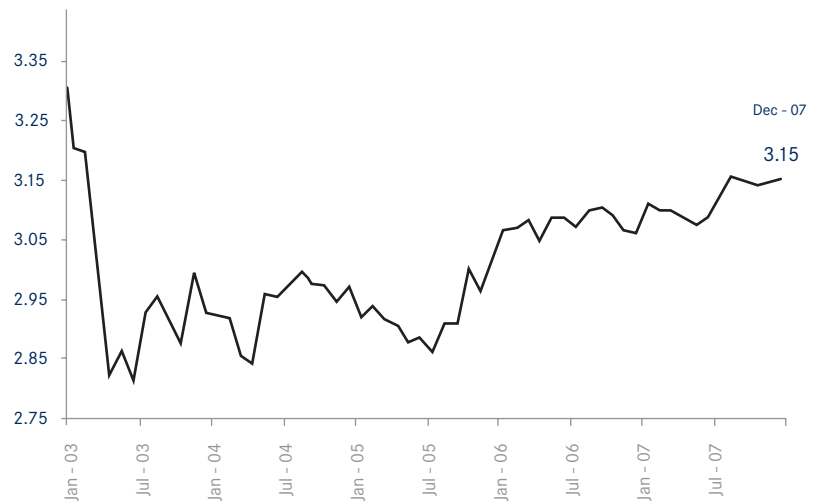
**The Jefas y Jefes Plans started in May 2002. Jefas and Jefes Plans are unemployment benefits*



In 2007, the nominal exchange rate continued to trade at competitive levels and with low volatility. The exchange rate fluctuated between 3.05 and 3.18 ARS/USD, with Argentina's Central Bank contributing to this outcome with a policy of accumulating international reserves.

CHART 1.5
EVOLUTION OF NOMINAL EXCHANGE RATE

Source: Bloomberg



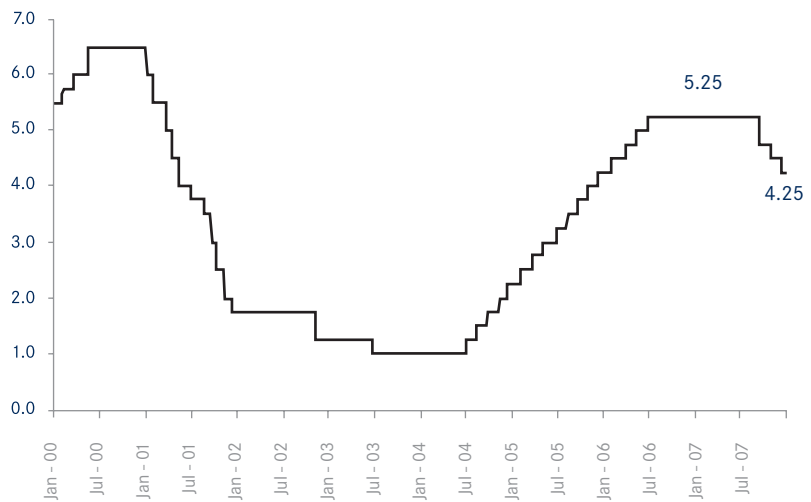
2. INTERNATIONAL
CONTEXT

The increase in interest rates in the United States during the first half of 2007 caused demand for real estate assets to decrease, translating into the sub-prime mortgage crisis, which created a strong decrease in the prices of financial derivatives backed by sub-prime loans. The repercussions of this crisis were felt in financial assets that were not considered risk-free. The second half of the year was characterized by high levels of volatility due to corrections in the growth estimates, forcing the central

banks across the world to adopt measures to inject liquidity in the capital markets in attempts to minimize losses. The Fed started to accelerate the cutting of target interest rates, and between September and December they were reduced by 100 bps, to 4.25%.

CHART 2.1
TARGET INTEREST
Rates set by the Fed

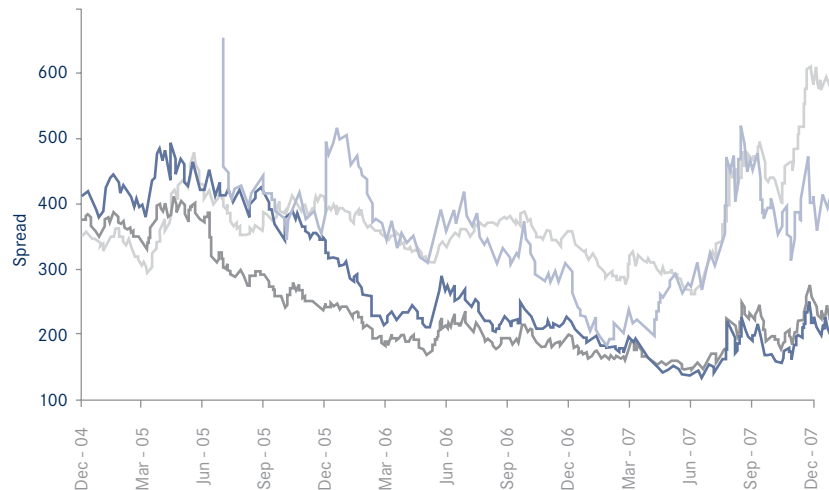
Source: Bloomberg



Despite this vulnerable international context emerging markets performed well, sustained by robust fundamentals, although they were affected by high levels of volatility.

CHART 2.2
EVOLUTION OF EMBI +(1)
SPREAD
and High Yield US Corporate
Bonds Spread

— EMBI +
— Brasil
— Argentina
— High Yiled US Corp Bonds
Spread



Source: JPMorgan

3. MONETARY POLICY

In 2007 Argentina's Central Bank continued with the policy of accumulating international reserves.

Throughout the year, the monetary authorities enacted measures to alleviate the effects of the crisis that was affecting international financial markets.

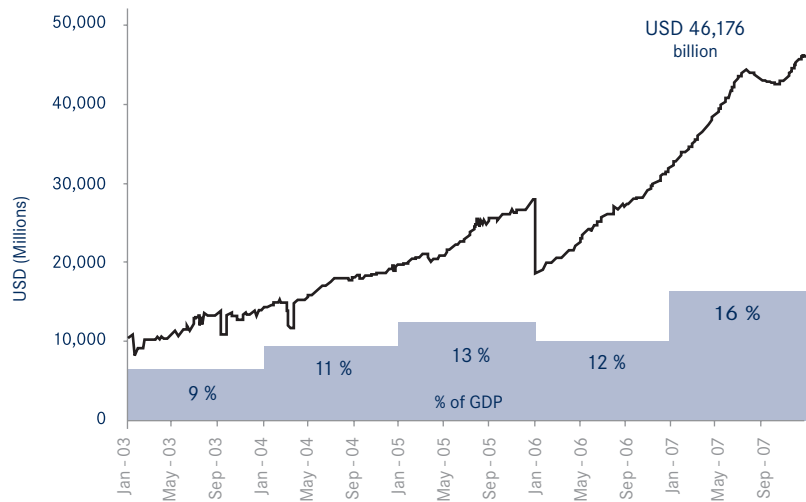
With the goal of granting liquidity to local financial markets, the Central Bank intervened in the secondary market, buying back Bills and Notes (Lebacs and Nobacs), not refinancing all maturing debt, and increasing the amount of repos (repurchase agreements) at lower interest rates.

After overcoming the liquidity crunch of August and September, Argentina's Central Bank persisted in accumulating international reserves, closing out 2007 with a stock of USD 46.18 billion, USD 14.14 billion higher than at the end of 2006. The average stock of international reserves over GDP was 16% in 2007, surpassing the 12% reached in 2006.

(1) Sovereign Bond Index denominated in USD. This index measures the spread in basis points between the external debt yield with respect to the risk-free rate in the United States.

CHART 3.1
EVOLUTION OF
INTERNATIONAL
RESERVES

Source: BCRA

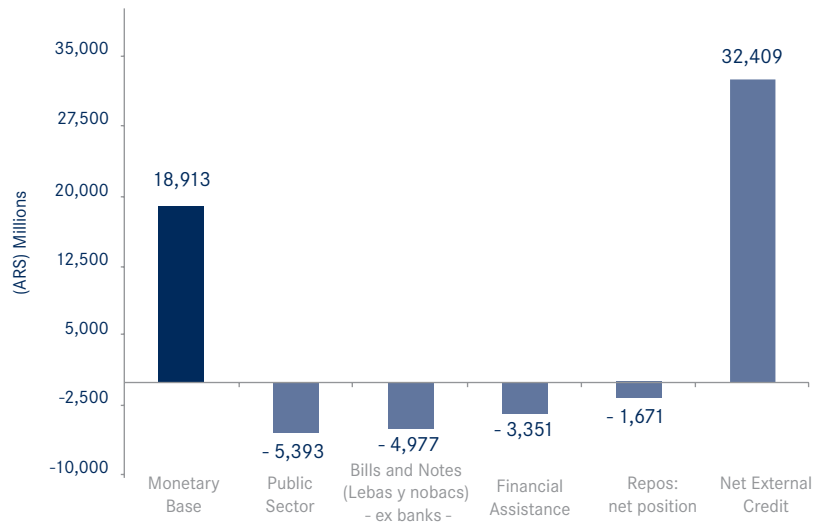


To counteract the Central Bank's accumulation of international reserves, the monetary authority implemented various sterilization policies in an attempt

to mitigate inflationary pressure. For example, the issue of debt and the increase of its holdings of repos.

CHART 3.2
MONETARY BASE:
EXPANSION
and Contraction Factors
(Annual change in ARS millions)

Source: BCRA

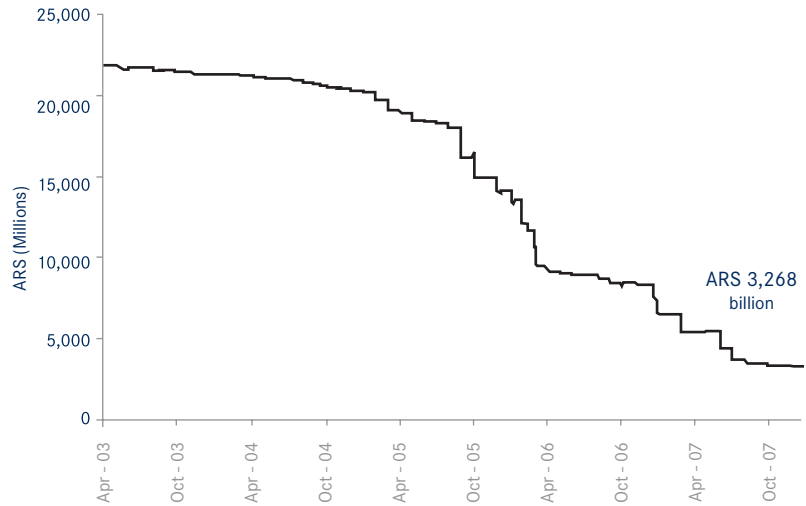


As in the previous two years, the BCRA continued the process of normalizing its liabilities, led by the early cancellation of financial assistance granted after the 2001 crisis in the so-called "marching" scheme. Between December 2006 and December 2007 the stock of financial assistance was reduced to ARS 3 billion.

As of December 2007, only one banking entity remained with an outstanding balance of financial assistance extended between 2001 and 2003.

CHART 3.3
EVOLUTION OF
FINANCIAL ASSISTANCE
and Overdrafts Granted to the
Financial System by the Central
Bank

Source: BCRA



The issuance of debt by the BCRA is characterized by two different stages in 2007. The first is between January and July, when the BCRA started decreasing short-term interest rates while maintaining the terms achieved the previous year. With this policy, the BCRA distanced itself from secondary

market yields on debt. The second stage started in August and ended at the end of the year, during which it confirmed an increase in short-term interest rates, although it avoided doing this for long-term bonds.

CHART 3.4
LEBACS (CENTRAL BANK'S
BILLS): INTEREST RATES
in the Primary Market

- ◆ between 1 y 90 days
- ▲ between 271 y 365 days
- between 91 y 180 days
- × between 366 y 550 days
- ◆ between 191 y 270 days
- between 551 y 730 days

Source: BCRA

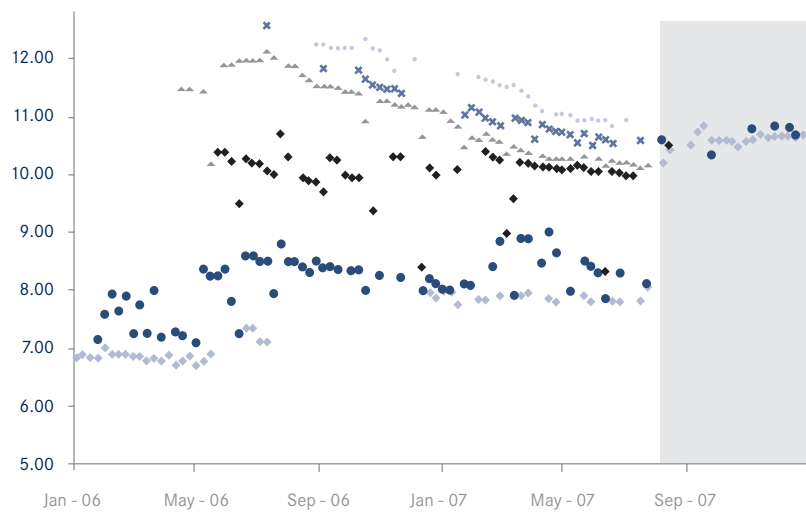
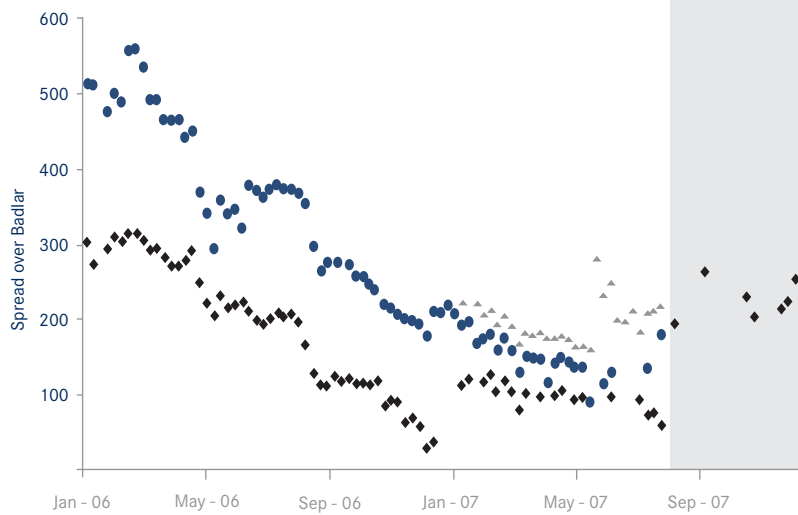


CHART 3.5
NOBACS (CENTRAL BANK'S NOTES): SPREAD OVER THE BADLAR (Private Banks) Rate in the Primary Market

- ◆ 1 year
- 2 year
- ▲ 3 year



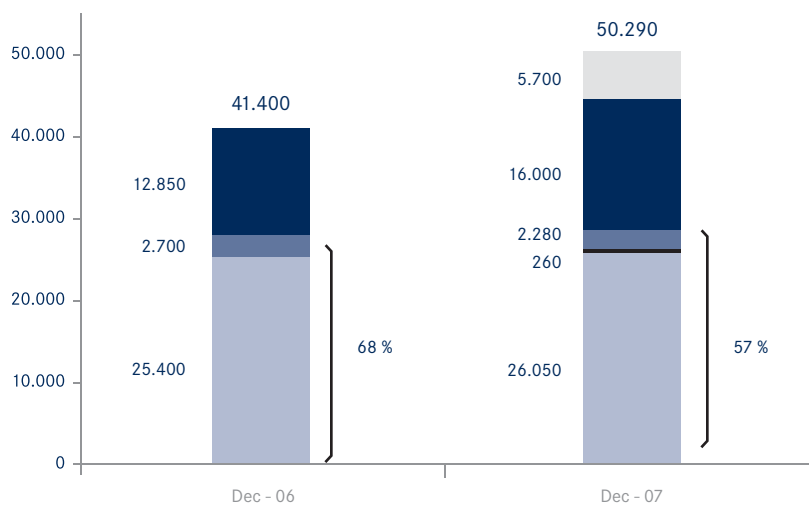
Source: BCRA

The following chart shows that the percentage of Nobac debt, securities of longer term than Lebac, decreased from 68% to 56% between December 2006 and

December 2007 due to the decreased amount of primary issuance of long term debt by the BCRA to avoid the higher interest rates that were then in place.

CHART 3.6
LEBACS AND NOBACS' STOCK

- Lebac ARS "Internal"
- Lebac ARS
- Nobacs CER
- Nobacs ARS "internal"
- Nobacs ARS



Source: BCRA. Stock is approximated by those that were rebought

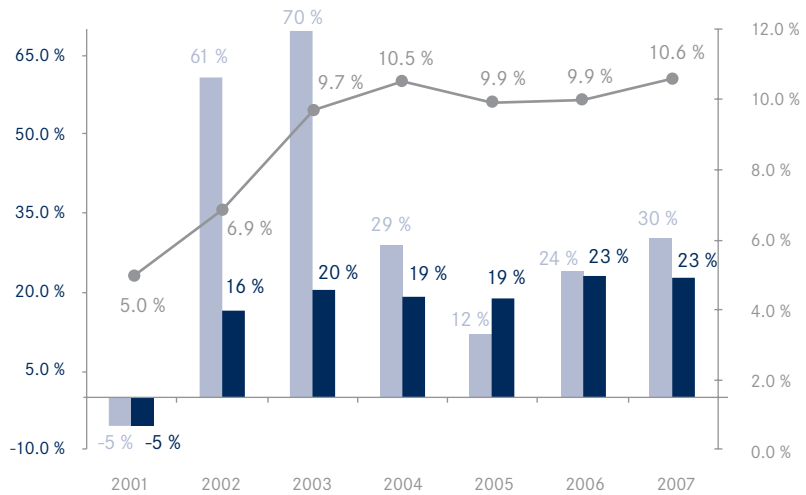
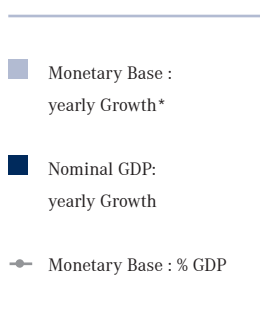
Moreover, as the higher yields of Lebac and Nobacs during the first half of the year stimulated the inflow of capital from abroad, in October 2007 the BCRA started issuing "internal" securities. These could not be traded internationally, and were created as disincentives to the inflow of dollars in order to sustain the

exchange rate. In December 2007, the stock of "internal" Lebac and Nobacs represented approximately 12% of the total amount outstanding.

4. MONETARY AGGREGATES

Although the economy's monetization level grew in 2007, monetary aggregates as percentage of GDP continue at relatively low levels in historic terms. In 2007 the monetary base grew 30% on average, surpassing by 7% the growth of nominal GDP. The average stock of the monetary base reached 10.6% of nominal GDP.

CHART 4.1
MONETARY BASE EVOLUTION



* Calculated from annual averages

Source: BCRA and INDEC

³ M2 = Monetary Circulation + Checking Accounts in ARS + Saving Accounts in ARS. The Central Bank of Argentina monitors 30 days moving average.

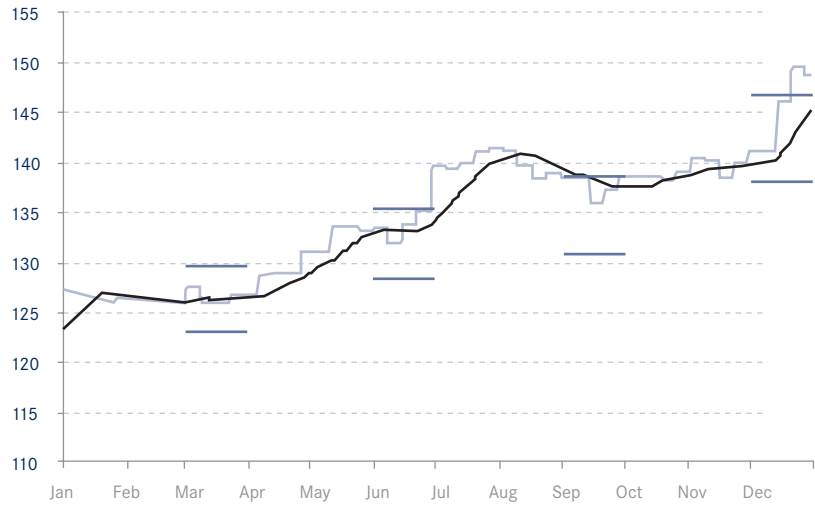
Since 2006 the BCRA, in its annual monetary policy framework, sets bands for M2 growth levels³. During the first half of the year, the M2 remained within the set limits. However, as a consequence of the international financial crisis, the preference for liquidity increased in August, and as a result, there was an increase in the amount of sight deposits at the expense of time deposits. This caused the M2 to surpass the upper limit of the band between August and September. In the following months, the M2 remained within the band. However, in December its growth accelerated,

influenced by seasonal factors typical of the end-of-the year, as the demand for money increases in order to complete transactions.

CHART 4.2
M2 AND CENTRAL
Bank's Target Range

- M2, Daily
- M2 30 Day Moving Average
- Upper and Lower Bands
Monetary Program 2007

Source: BCRA



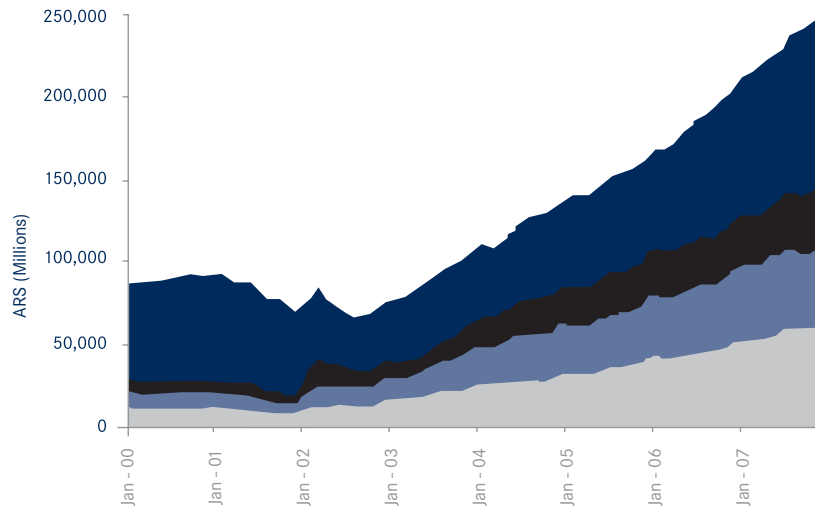
By the end of 2007 M2 was 18% higher than in 2006 and lower than the growth rate of nominal GDP (23%, according to REM⁴ estimates). In December 2007, M2

represented 17% of GDP. At that same time, average M3⁵ was 28% higher than in December 2006.

CHART 4.3
MONETARY AGGREGATES

- M3
- M2
- M1
- Monetary Circulation

Source: BCRA



⁴REM = Market Expectations surveyed by the Central Bank.A

⁵M3 = M2 + Time Deposits in ARS and USD

5. ASSET AND LIABILITY MANAGEMENT

Throughout 2007, bank indicators displayed a progressive normalization of the sector's activity, caused by the improvement of asset and liability management as well as the consolidation in the volume of financial intermediation. By analyzing the main sources and uses of funds of the financial sector, it can be observed that one of the main sources of funding during 2007 was the increase in deposits (ARS 41.8 billion), of which non-finance private sector deposits represented 70% of the increase during the year. Another important source of funding can be explained by the reduction of the exposure to the public sector⁶ (over ARS 9 billion), according to November 2007 data). Thanks to the positive performance of fiscal accounts, the public sector has been able to reduce its financing needs.

Among fund applications by the financial sector during 2007, it is worth mentioning the rise of loans to the private sector (ARS 30.3 billion), mostly associated with economic growth. In second place, fund uses can be explained by the increase

of liquid assets, and the exposure in Lebac's and Nobac's (both increased by approximately ARS 7.1 billion through November 2007).

Finally, banks cancelled the financial assistance granted by the Central Bank during the crises within the "matching" scheme (see Chart 3.3 in Section 3) by ARS 3.3 billion.

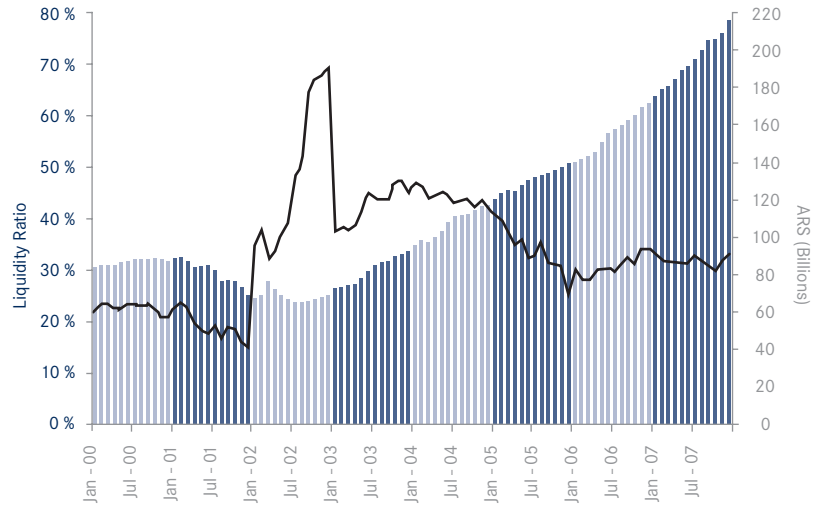
As opposed to what was observed in 2006, throughout 2007 the impressive recovery of deposits was not reflected in a higher level of liquidity of the financial sector. As depicted in Chart 5.1, the financial sector liquidity ratio (Liquid Assets / Deposits) remained constant at 32% throughout the year, 2 percentage points below the ratio in December 2006.

⁶Exposure to the public sector includes banks' position in public debt (including compensation to be granted and excluding LEBACS and NOBACS) and loans to the public sector.

CHART 5.1
DEPOSITS AND
LIQUIDITY

█ Deposits
— Liquidity Ratio

Source: BCRA



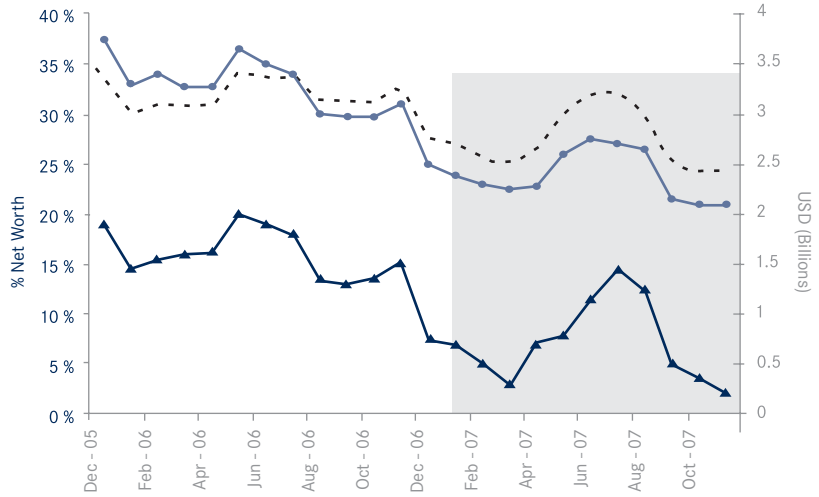
Regarding the exposure of the financial system to variations in the exchange rate, it can be observed that in the first months of 2007, as in previous years, mismatch between assets and liabilities denominated in foreign currency as a percentage of net worth decrease. Between April and July, the reduction in dollar deposits generated an increase in the mismatch. During the second half of the year, the mismatch in foreign currency returned to values marginally lower than those seen at the end of 2006. The high volatility conditions during this time period would have rebalanced the portfolios, enticing the increase in foreign currency deposits at the expense to those in domestic currency.

It is important to note that regulations established by the Central Bank and the Ministry of Economy tended to contribute to the reduction in mismatch between assets and liabilities denominated in foreign currency. For example, loans in foreign currency must be funded by deposits in the same currency and financing in dollars is only available to those debtors whose incomes are correlated to the evolution of the ARS-USD exchange rate.

CHART 5.2
FOREIGN CURRENCY
MISMATCH

▲ Private Banks % Net Worth
● Financial System % Net Worth
--- Financial System (USD Billions) - right axis -

Source: BCRA



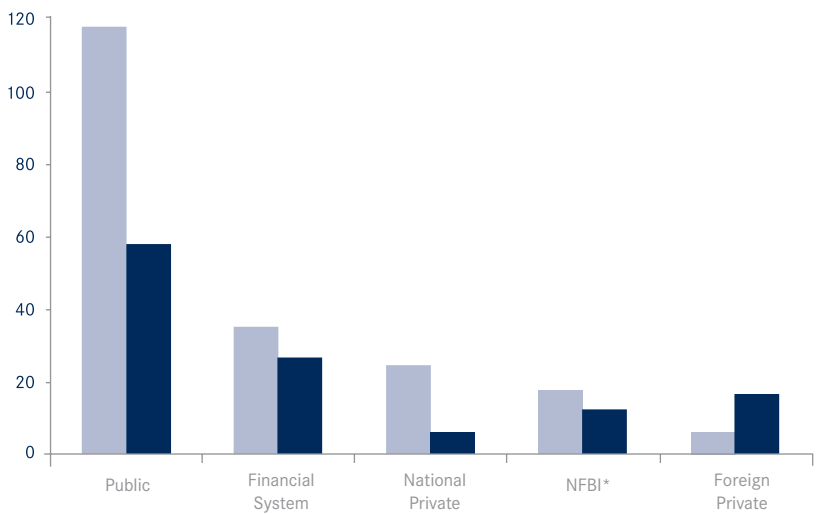
Finally, as in previous years, it is worth noting that there is an important heterogeneity in exposure to foreign currency risk in the financial sector. The public banks showed the highest levels of dispersion, though as of June 2007 their situation had improved.

CHART 5.3
FOREIGN CURRENCY
EXPOSURE
by Type of Institution

■ June-06
■ June-07

* Non-banking Financial Entities

Source: BCRA, "Report on Financial Stability"



6.DEPOSITS

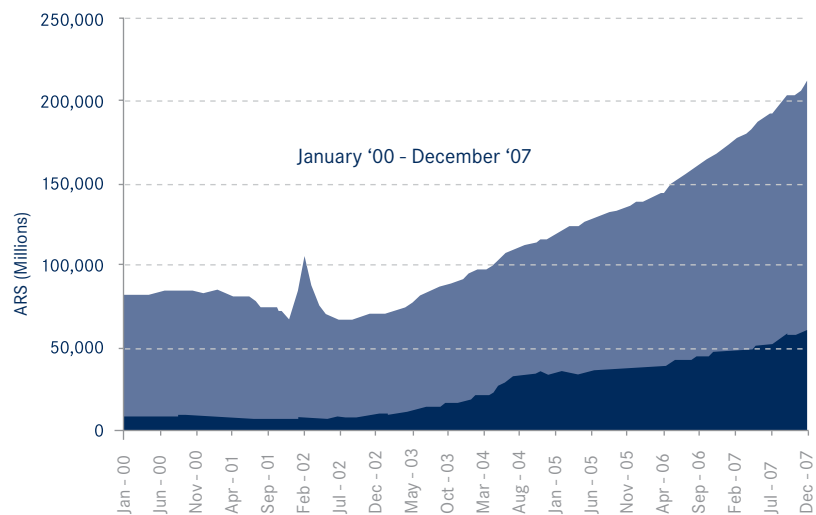
Thanks to economic growth, deposits continued to grow during 2007, showing signs of accelerating rates of growth. The annual average amount of deposits in the private sector was 24.6% higher in 2007 than the average of the previous year, while allocations by the public sector registered an increase of 25.2%.

As of December 2007, deposits in the financial system reached ARS 213.8 billion, a year-on-year increase of 24.6%. As depicted in Chart 6.1, as of December 2007 allocations by the private sector reached ARS 151.1 billion. Meanwhile, non-financial public sector deposits reached a level of ARS 59.6 billion.

CHART 6.1
TOTAL DEPOSITS
by Sector

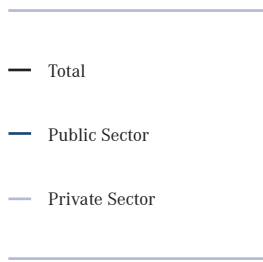
- Public Sector
- Private Sector

Source: BCRA

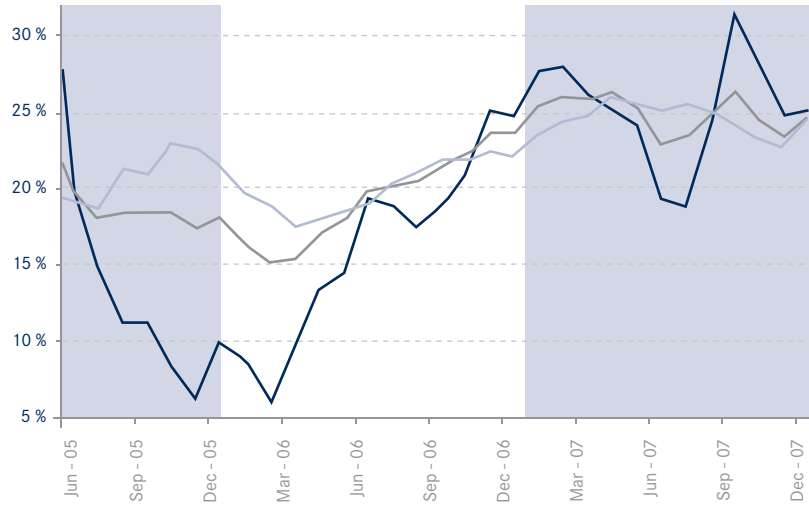


As can be observed in Chart 6.2, non-financial public sector deposits showed higher volatility than the rest of the financial system, which is governed by movements in the non-financial private sector. The growth of these slowed between August and November 2007, as a result of the environment previously explained. By December 2007, they had recovered a rate of growth similar to that of the yearly average.

CHART 6.2
DEPOSITS BY SECTOR:
Annual Growth Rates

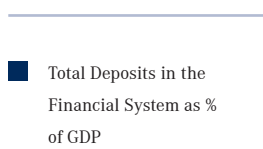


Source: BCRA

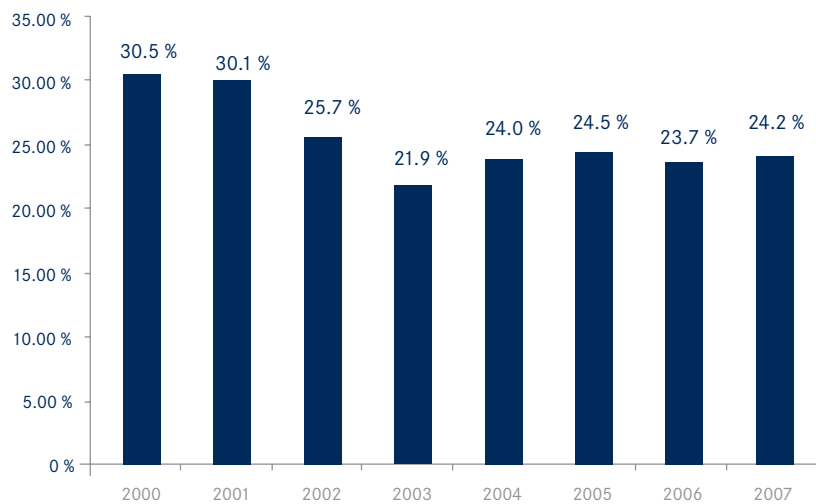


In 2007, the confidence in financial institutions and the intensity of use of banks has remained steady over the past five years. The level of financial deepening of the economy reached 24.2%, as measured by the level of deposits in relation to the size of the economy (GDP).

CHART 6.3
FINANCIAL DEEPENING
IN ARGENTINA

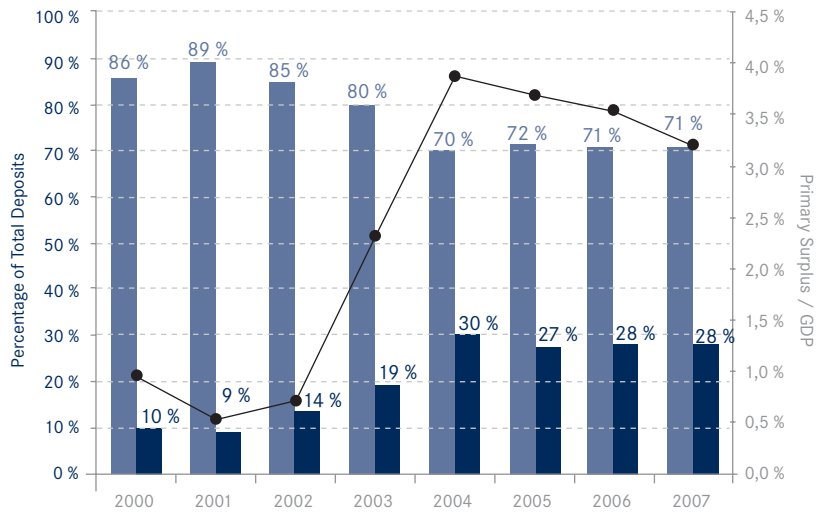
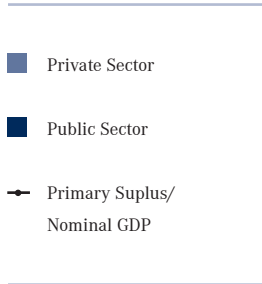


Source: BCRA



As of December 2007, the non-financial public sector maintained its 28% participation in the total deposits, the same level as the year before.

CHART 6.4
DISTRIBUTION OF DEPOSITS:
 Public and Private
 As of December of each year



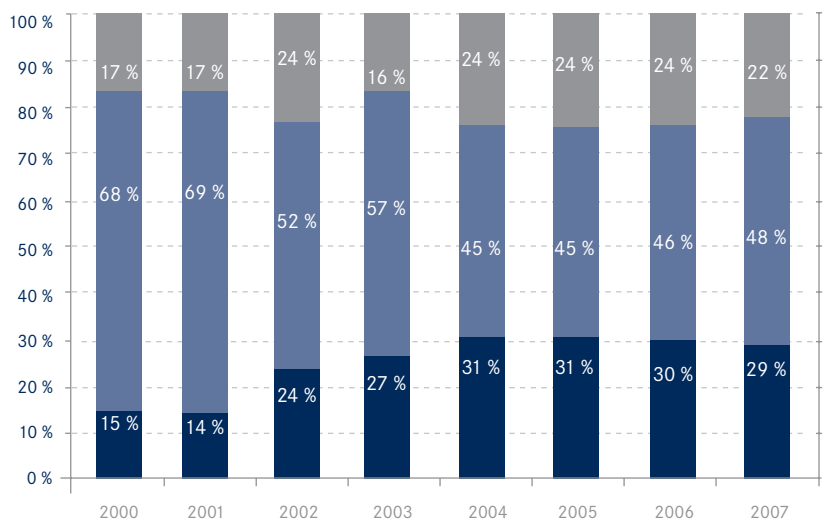
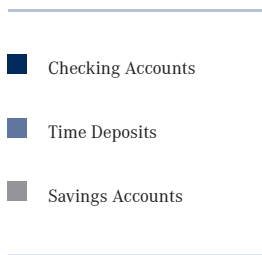
Source: BCRA y Ministry of Economy

When analyzing the breakdown of 2007 average deposits, 29% correspond to checking accounts, 22% to savings accounts, and 48% to time deposits (see Chart 6.5).

Within time deposits, 95.7% were fixed-rate deposits and the remaining 4.3% were one-year allocations in pesos adjusted by

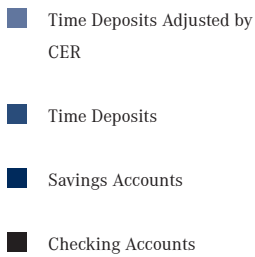
CER (Consumer Price Index). Placements with a maturity lower than 60 days represent almost half of time deposits and over 60% of private sector time deposits.

CHART 6.5
COMPOSITION OF TOTAL DEPOSITS

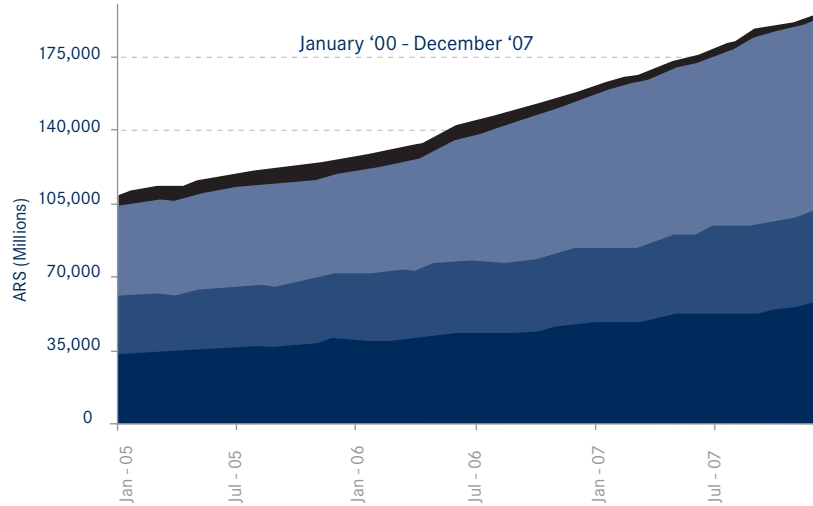


Source : BCRA

CHART 6.6
EVOLUTION OF DEPOSITS
by Type of Deposit



Source: BCRA



For the second consecutive year, the growth of term allocations (31%) was higher than that of checking accounts, a direct result of the increase in interest

rates offered by these allocations and measures taken by the monetary authorities in 2006 to foster time deposits⁷.

TABLE 6.1

Source: BCRA

	Average Annual Variation					
	2002	2003	2004	2005	2006	2007
Checking Accounts	39%	29%	53%	22%	18%	22%
Savings Accounts	18%	-20%	96%	24%	19%	17%
Time Deposits	-36%	21%	3%	14%	27%	31%

⁷ Communication "A" 4509
Since April 2006, reserve requirements on savings deposits were raised 2 percentage points and eliminated its remuneration.
Communication "A" 4543
The central bank authorized new tenor options of time deposits with a maturity beyond 180 days, a variable interest rate and a lower bound with a fixed interest rate.
Communication "A" 4549 and "A" 4580.
Since September 2006, a maximum of two-thirds of the cash would count for reserve requirement calculations.

In terms of allocation breakdown by currency, deposits denominated in pesos (without adjustment), represented 88% of the total, while CER-adjusted peso deposits represented 1% of total deposits (Chart 6.7). It is important to note that the fall in the amount of CER-adjusted peso deposits impacts the average deposit duration, since banks that offer

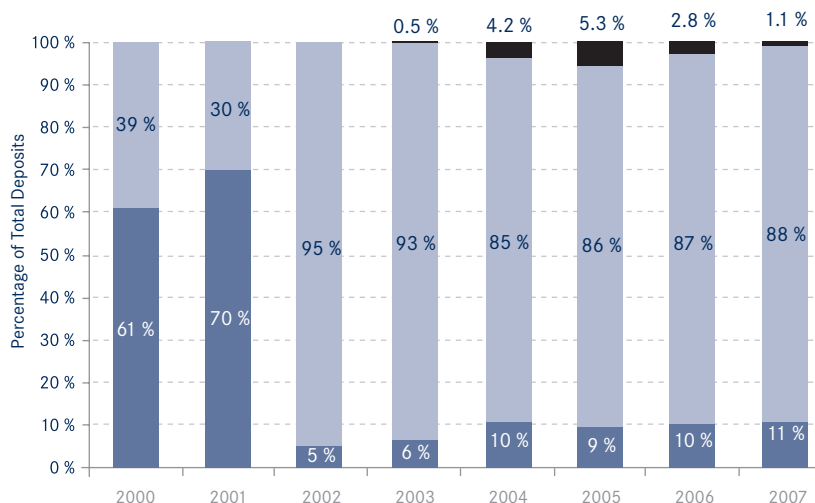
this product must do so with a minimum maturity of one year⁸. The drop in this kind of deposits during the past couple of years has been compensated by a rise in deposits denominated in foreign currency and in pesos without adjustment.

CHART 6.7
CURRENCY BREAKDOWN
OF DEPOSITS

As of December of each year

- Foreign Currency
- Pesos
- Indexed Pesos

Source: BCRA



Private banks increased their participation from 55% to 57% of total deposits captured between 2006 and 2007.

⁸ Communication "A" 4331
- 04/04/05

The minimum duration of deposits contemplating inflation adjustment was modified from 270 to 365 days.

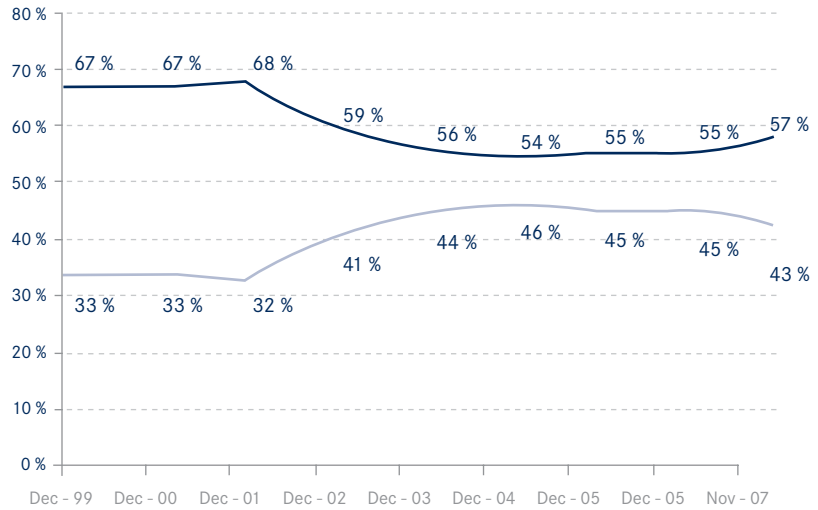
Communication "A" 4298
- 11/02/05

The minimum duration of deposits structured with an inflation adjustment clause (CER) was modified from 90 to 270 days.

CHART 6.8
DISTRIBUTION OF DEPOSITS
by Type of Bank

■ Private Banks
■ Public Banks

Source: BCRA



7. LOAN PORTFOLIOS

As in previous years, banks continued a sustained reduction of exposure to the public sector while accelerating the process of granting credit to the private sector. This was fostered by incentives implemented by the Central Bank.

Total credit from the financial sector to the non-financial public sector was 13% in December 2007, down from 22% observed in December 2006. Loans from private banks to the public sector continued to drop as well, falling from 20% in 2006 to 12% of total loans in 2007 (see Chart 7.1).

CHART 7.1
CREDIT EVOLUTION
From the Financial Sector

■ Public Sector
■ Private Sector

Source: BCRA

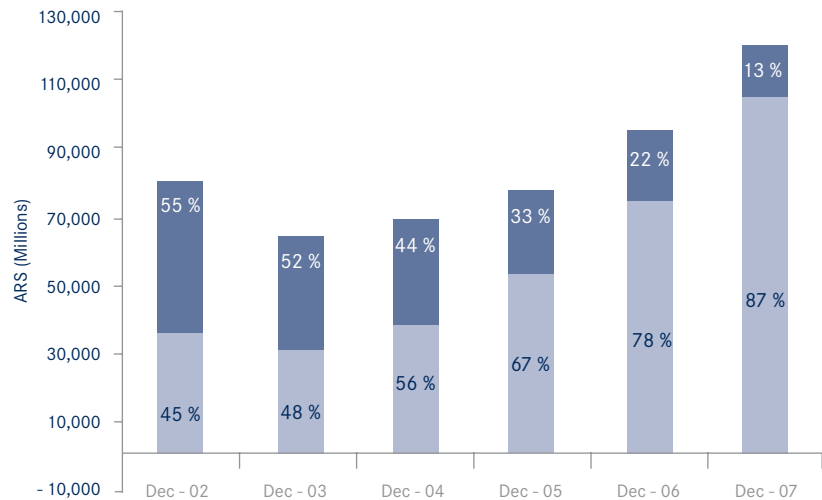
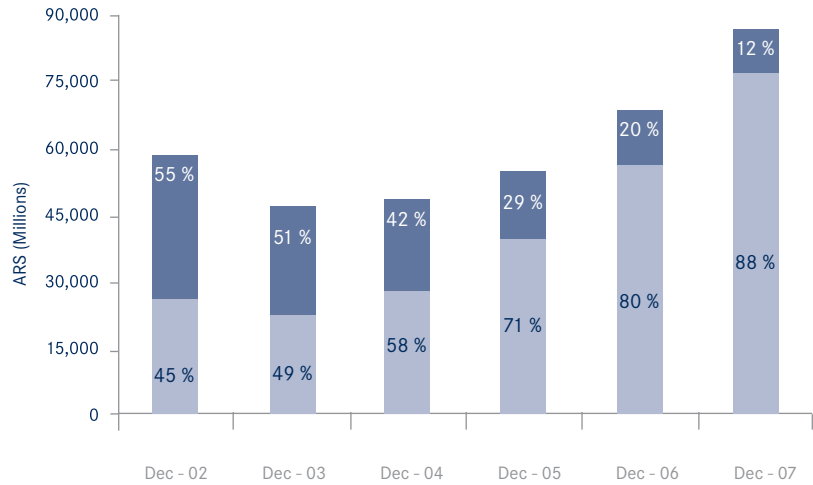


CHART 7.1
CREDIT EVOLUTION
From Private Banks

Public Sector
Private Sector



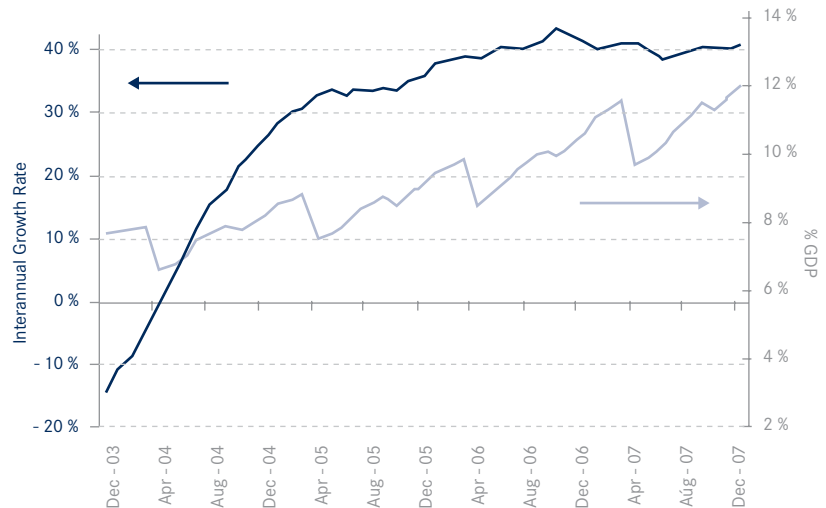
Source: BCRA

As of December 2007, bank loans to the private sector registered a year-on-year increase of 40.8%.

However, by the end of 2007, total loans to the private sector was 12% of GDP (preliminary figure), still below the pre-crisis levels of 2001.

CHART 7.2
EVOLUTION OF
PRIVATE CREDIT

Interannual Growth Rate
% GDP



Source: BCRA and INDEC

The expansion of loans to the private sector was reflected in all lines of credit. Consumer loans grew at the fastest rate (70%) among the different lines of credit, though, as in other credit types, there

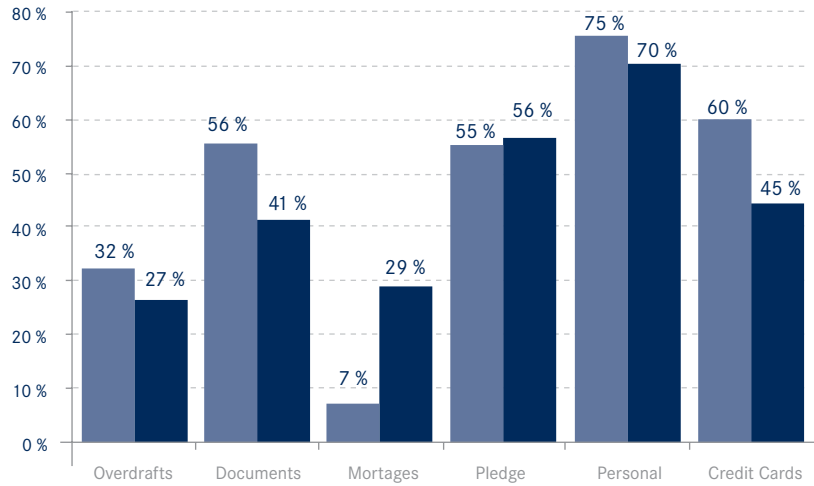
were indications of deceleration. The one exception is home mortgages, which grew by 29%, four times the growth rate achieved in 2006.

CHART 7.3
MAIN CHANGES IN CREDIT LINES
 Annual Averages

■ 2006
 ■ 2007

Note: Cash advances, note receivables, and others not included

Source: BCRA



Throughout 2007, consumer loans (personal loans and credit cards) reached levels of 29% of total credit granted to the private sector. Approximately 46% corresponded to commercial loans (discounts and overdrafts), while collateralized loans (mortgages and

other) represented 19% of total loans to the private sector. Loans breakdown by type did not show major differences with loans granted in 2006.

CHART 7.4
CREDIT LINES BREAKDOWN
 (Annual Average)

Source: BCRA

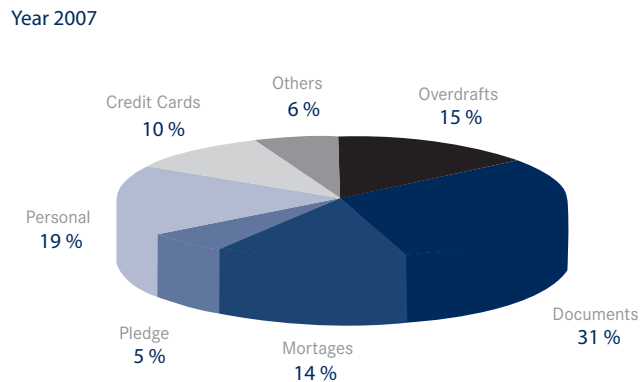
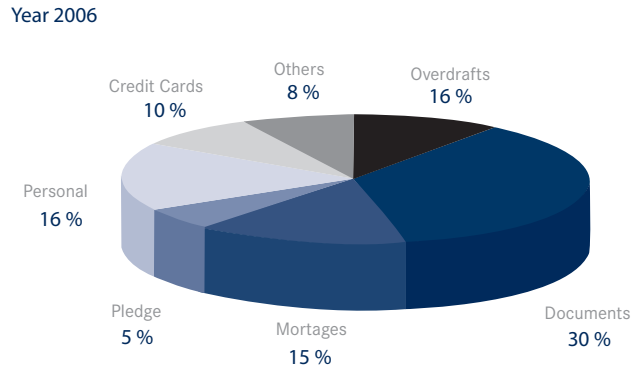


CHART 7.4
CREDIT LINES
BREAKDOWN
(Annual Average)

Source: BCRA



Meanwhile, loans denominated in Argentine pesos fell from 85% in 2006 to 84.4% in 2007 (Chart 7.5). This is still a historically high level.

CHART 7.5
EVOLUTION OF CREDIT
to the Private Sector

- Credit Card
- Personal
- Documents
- Overdraft
- Pledged
- Mortgages
- Other

Source: BCRA

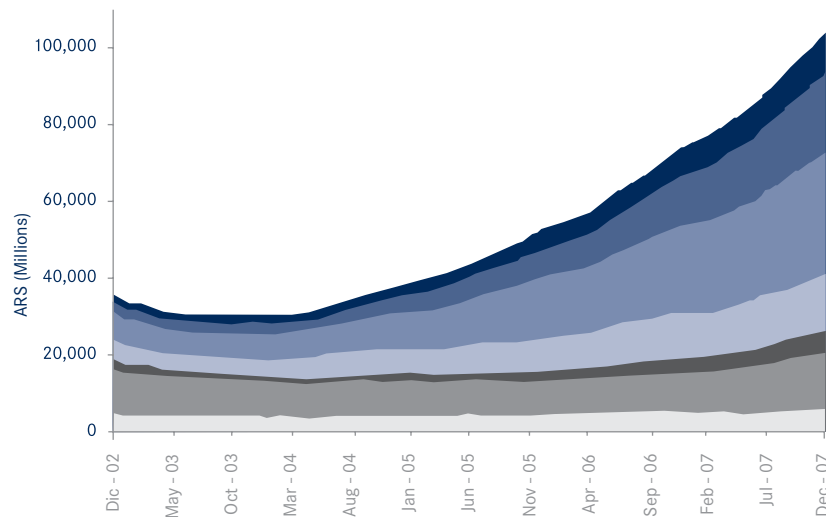
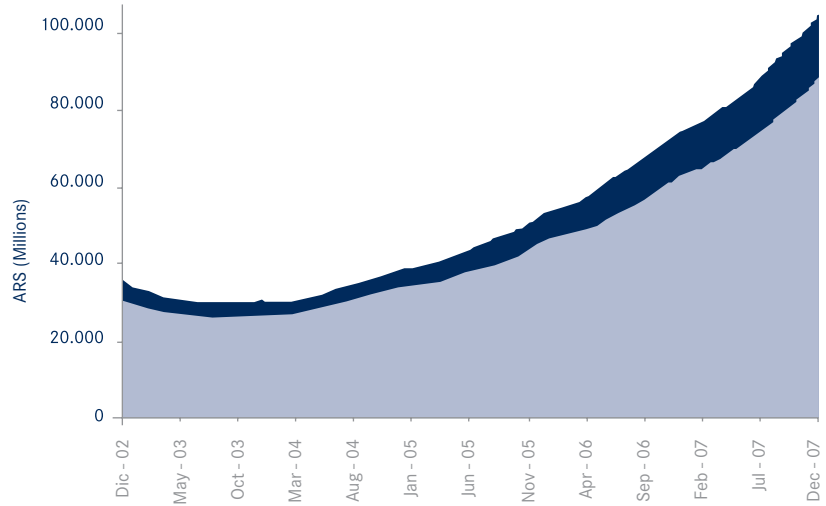


CHART 7.5
EVOLUTION OF CREDIT
to the Private Sector

■ Total dollars
■ Total Pesos

Source: BCRA

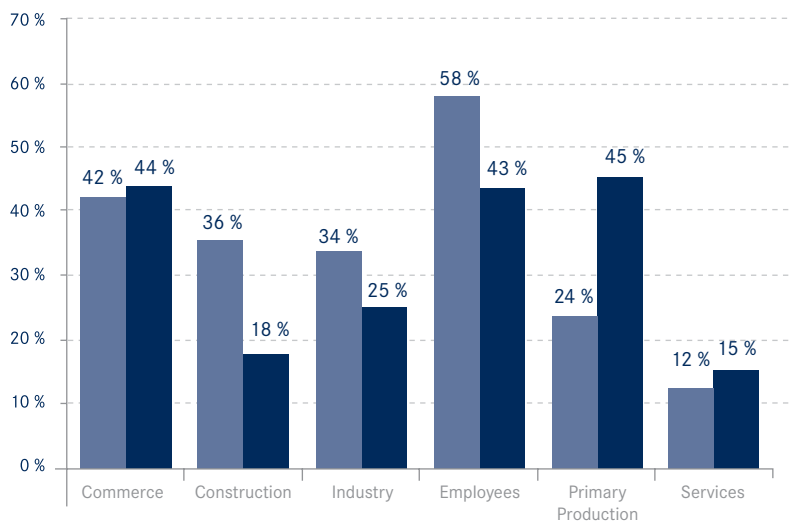


Compared to the same time period in 2006, loans to employees and loans to commerce and industry showed the highest level of inter-annual growth (between 43% and 45%).

CHART 7.6
LOANS BY SECTOR OF
ACTIVITY
Changes in the last quarters of
2006 and 2007

■ III-06 vs III-05
■ III-07 vs III-06

Source: BCRA



Quality of Credit Portfolio

There was continued improvement in the quality of credit portfolios. The achieved improvements can be associated with favorable macroeconomic conditions that made it possible to grant new loans and improve the repayment capacity of debtors.

The improvement in the credit to the non-financial private sector's quality was reflected in the drop of the ratio of the portfolio classified as non-performing,

which in November 2007 was 3.4%, compared with 4.5% registered a year before (Chart 7.7). Additionally, by the end of 2006, the ratio of "Provisions / Non-Performing Loans" for the whole financial sector was 127.1%.

CHART 7.7
NON-PERFORMING
LOANS TO THE
non-financial private sector
% del total

Source: BCRA

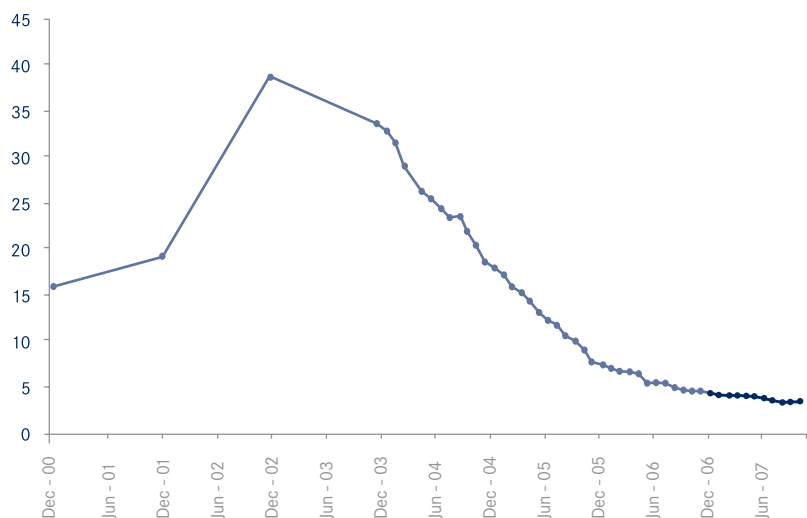
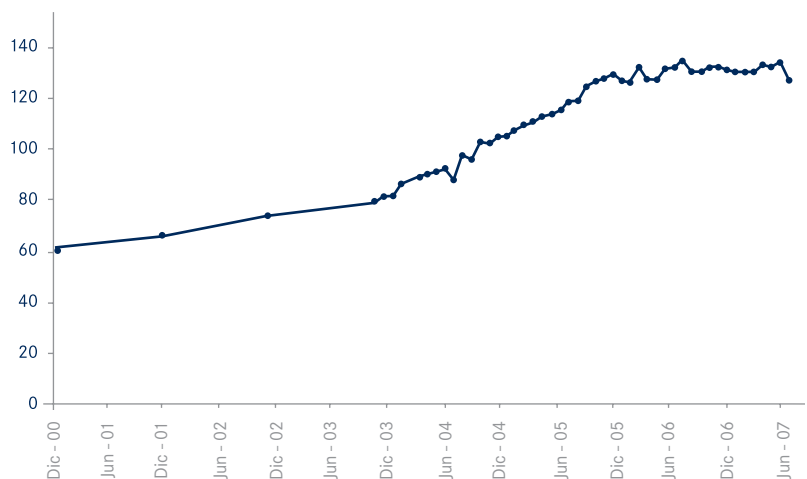


CHART 7.7
PROVISIONS /
NON-PERFORMING LOANS

Source: BCRA



8. INTEREST RATES

In the first half of 2007, market interest rates⁹ on time deposits in domestic and foreign currency were stable. In August, in line with the international liquidity crisis, interest rates rose, closing out the year at a higher level than in 2006. Reference interest rates¹⁰ in pesos also rose, while those denominated in dollars remained stable.

The BADLAR¹¹ moved in tandem with the scenarios described above. The BADLAR Private Banks rate began to increase in August, and the rate of increase was higher than the BADLAR Public Banks rate. In December 2007, the private bank rate was 13.55%, 530bps higher than the average in the first seven months of the year (see Chart 8.1).

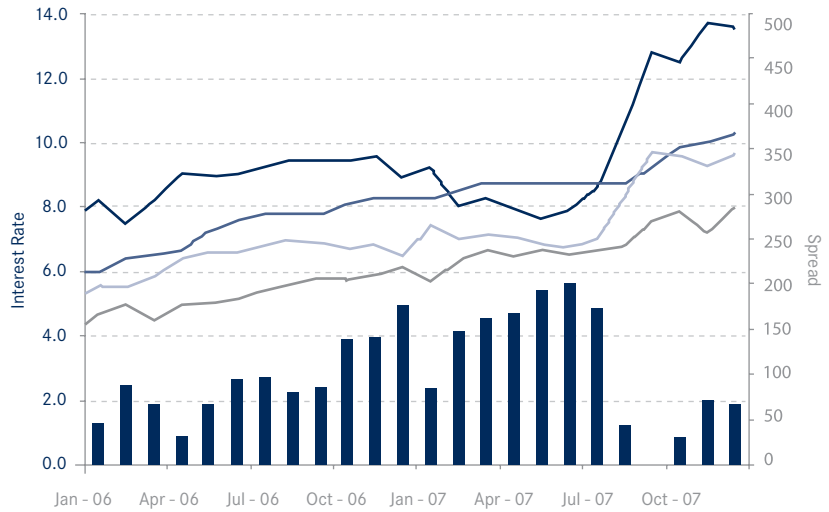
The reference interest rates on time deposits denominated in pesos between 30 and 59 days were steady at 8.75% between January and August. For the remainder of the year there was a steady increase, closing out the year at 10.3%. The market interest rate showed a similar trend, though the increase during the second half of the year was greater, since in December 2007 it was at 9.6%, 260 bps above the average of the first eight months of the year.

⁹ Market interest rate here is defined as the weighted average interest rate published by the Central Bank. This corresponds to a sample taken from the all of Capital Federal and Gran Buenos Aires entities. Interest rates on time deposits that offer additional monetary or non/monetary incentives are not considered.

¹⁰Reference interest rates which are used to determine the amounts excluded from the Deposit Guarantee System's coverage (reference rule: Communication "A" 2337). de Seguro de Garantía de los Depósitos (referencia normativa: Comunicación "A" 2337).

¹¹ BADLAR: weighted average interest rate adjusted by amount of 30-35 days time deposits of more than one million pesos or dollars, held in banks in a sample taken from Gran Buenos Aires (until August 2000) and in all banks in Gran Buenos Aires (after September 2000).

CHART 8.1
INTEREST RATE OF TIME DEPOSITS
 of 30-59 Days in ARS



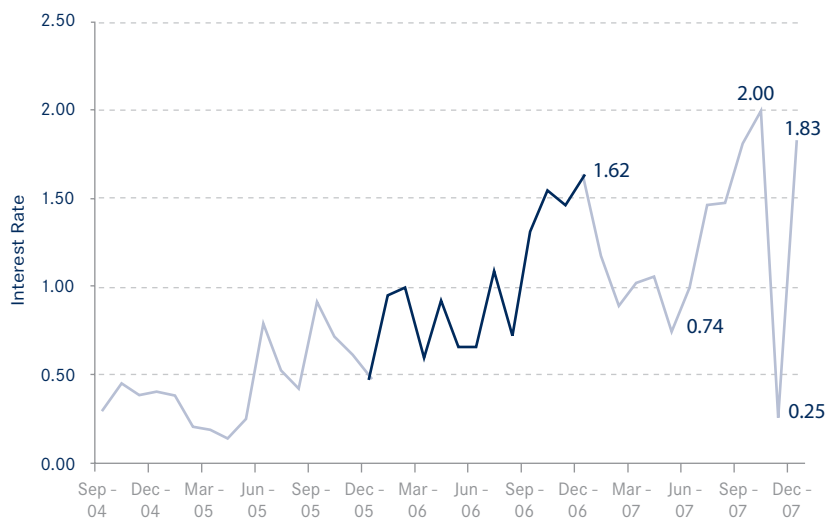
Source: BCRA

The share of time deposits adjusted by CER continued to diminish, as a result of the expansion of securities in the secondary market that offered similar terms, higher real yield and more liquidity. That is why new time deposits adjusted by CER dropped significantly. Real interest rates on these deposits were

volatile throughout the year. In October 2007, it reached its historic peak (2%), in November it was near its minimum (0.25%), and it closed out the year at 1.83% (Chart 8.2).

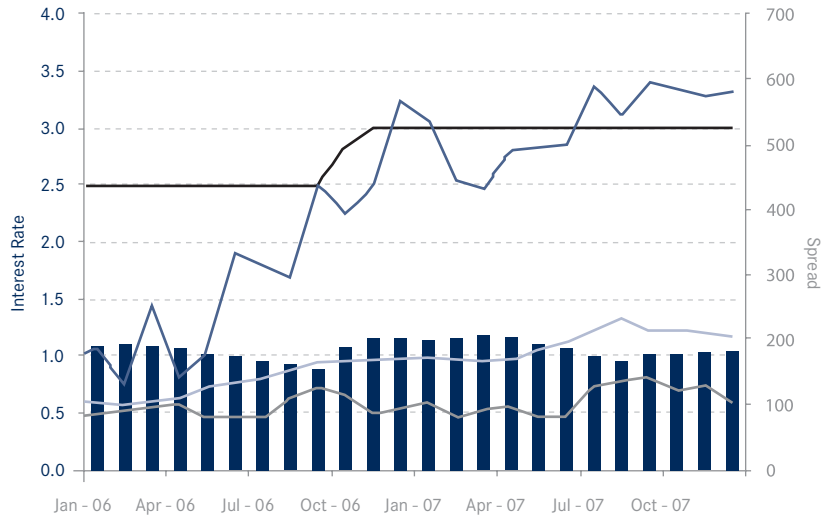
CHART 8.2
MARKET INTEREST RATE
 OF TIME DEPOSITS
 in ARS adjusted by CER

Source: BCRA



Meanwhile, the dollar-denominated 30 to 59-day time deposit reference interest rate remained steady at an annual rate of 3% throughout 2007. The private banks' BADLAR USD interest rate closed the year at an annual rate of 3.32%, marginally above the rate at the end of 2006. The public banks' BADLAR interest rate behaved in a similar way. On a global level, risk-free interest rates were stable until August. The rest of the year was marked with a downward tendency, but with an increase in volatility. The three-month USD LIBOR rate closed the year at an annual rate of 4.7%, showing an increase of 100 bps since December 2006 and the first seven months of 2007.

CHART 8.3
INTEREST RATE
of 30-59 Days USD Time Deposits



Source: BCRA

Both market interest rates and reference interest rates on savings accounts remained stable, whether denominated in pesos or in foreign currency. Annual market interest rates in pesos fluctuated between 0.5% and 0.8%, while annual dollar rates held between 0.12% and 0.13%.

CHART 8.4
PESO INTEREST RATES
 on Savings Accounts

ARS Reference
 ARS Markt

Source: BCRA

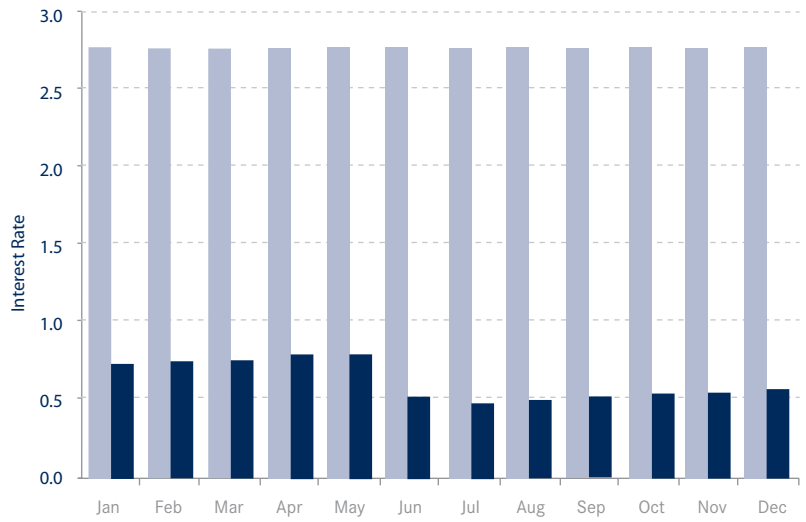
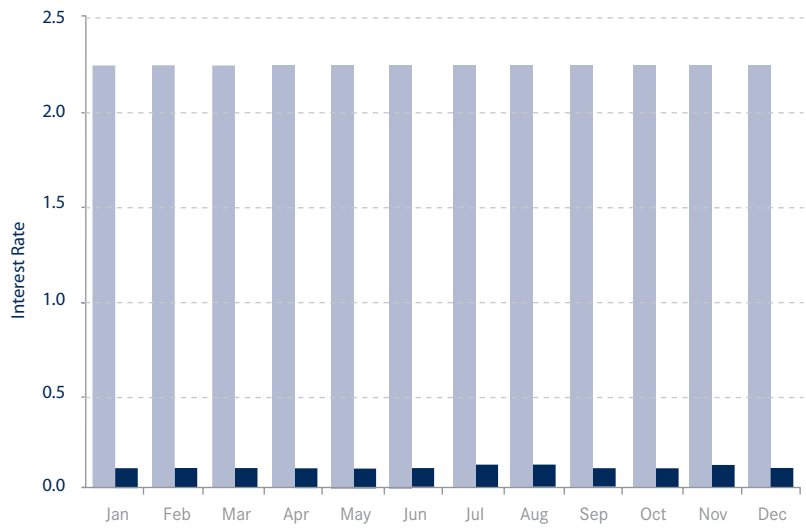


CHART 8.4
FOREIGN CURRENCY
INTEREST RATES
 on Savings Accounts

USD Reference
 USD Markt

Source: BCRA



EXHIBIT

As of November 2007, there were 67 banks in operation in Argentina, a decrease of 5 from the previous year. Four banks absorbed five of the banks that existed in 2006¹².

TABLE 9.1

Source: BCRA

Month	Number of Banks		Total
	Oficial banks	Private Banks	
Dec-77	35	85	120
Dec-78	35	122	157
Dec-79	35	184	219
Dec-80	35	179	214
Dec-81	35	171	206
Dec-82	36	168	204
Dec-83	36	174	210
Dec-84	36	174	210
Dec-85	37	161	198
Dec-86	37	154	191
Dec-87	36	142	178
Dec-88	36	139	175
Dec-89	36	141	177
Dec-90	36	134	170
Dec-91	35	132	167
Dec-92	36	131	167
Dec-93	34	133	167
Dec-94	33	135	168
Dec-95	30	97	127
Dec-96	20	100	120
Dec-97	20	95	115
Dec-98	16	86	102
Dec-99	16	76	92
Dec-00	14	75	89
Dec-01	13	73	86
Dec-02	16	63	79
Dec-03	15	60	75
Dec-04	15	58	73
Dec-05	13	58	71
Dec-06	12	60	72
Nov-07	12	55	67

¹²Communication "B" 8712
April 27, 2006
Communication "B" 8918
February 9, 2007
Communication "B" 8956
April 3, 2007
Communication "B" 9023
June 27, 2007
Communication "B" 9096
October 16, 2007



ANNEX II

Systems related with bank deposit guarantees have been many and varied. Without delving into provisions prior to the creation of the Central Bank of the Argentine Republic, we may say that the recent history of deposit guarantees starts with the foundation of the Central Bank and the simultaneous establishment of overall rulings on the bank administration system.

LEGAL BACKGROUND
OF DEPOSIT INSURANCE IN THE
ARGENTINE REPUBLIC

Systems related with bank deposit guarantees have been many and varied. Without delving into provisions prior to the creation of the Central Bank of the Argentine Republic, we may say that the recent history of deposit guarantees starts with the foundation of the Central Bank and the simultaneous establishment of overall rulings on the bank administration system. This latter aspect may be divided, chronologically, in the following manner:

Between 1935 and 1946.

The original Banking Law (enacted on 28 March 1935) laid down in its Section 9 a general privilege, after those established by the Civil and Commercial Codes and Bankruptcy Law, for savings deposits up to m\$ 5,000, which could be raised to m\$ 10,000 in the event that the depositor were a social savings institution or a cooperative.

Between 1946 and 1957.

The so-called “nationalization of deposits” included, de jure and de facto, an absolute and unlimited guarantee for all banking deposits on the part of the Nation, at the same time establishing that said deposits had been received and registered on behalf of the Central Bank of the Argentine Republic (which had become part of the State).

Between 1957 and 1969.

Law 14,467, which ratified Decree/Law 13,127/57, denominated “Banking Law”, laid down in its Section 11: “In the case of the liquidation of a private or mixed bank, the Central Bank shall advance the necessary funds to guarantee the reimbursement of the deposits concerned to their owners or their transfer to another bank. These advances shall be underwritten by the assignation of assets of the bank in liquidation and other guarantees to the satisfaction of the Central Bank.” State-owned or public banks were excluded from this stipulation.

Between 1969 and 1971.

Law 18,061 known as “Law of Financial Entities” set forth in its Section 49: “When a national commercial bank –either private or mixed- enters into liquidation, the Central Bank shall advance the necessary funds for the reimbursement to the owners or the transfer to another bank of the deposits in national currency.” State-owned banks, other banking agencies and non-banking entities were excluded from those institutions covered by the Law.

Between 1971 and 1973.

The establishment of a guarantee fund appears for the first time in the Argentine legislation with Law 18,939 dated 16 February 1971. The Deposit Guarantee Fund was created, under the purview of the Central Bank of the Argentine Republic, to take care, in case of the winding up of a financial (banking or non-banking) institution, of the reimbursement of the deposits and other liabilities in pesos. It was constituted with assessments from the entities, according to the regulations and resolutions issued by the Central Bank, and with the returns on investments. Once these were implemented, Section 49 of Law 18,061 would be repealed. And the text would be replaced by the following provision: “When a financial institution governed under this Law and the regime of Deposit Guarantee Fund is to be wound up, the Fund shall advance the necessary funds for the reimbursement to its owners of the deposits in pesos and for other liabilities in pesos protected by the relevant regulation.”

The Deposit Guarantee Fund was created, under the purview of the Central Bank

In the case of the liquidation of an entity covered by this law, the Central Bank of the Argentine Republic shall reimburse the deposits in pesos concerned, only if the institution were under the deposit

Without having been definitely started, this regime was repealed by Law 20,040 promulgated on 23 December 1972 and published on 29 December 1972. Through this law, the Deposit Guarantee Fund was created in order that the Central Bank of the Argentine Republic, in the event of the winding up of a national private financial institution, governed by Law 18,061 but not included in Section 49, should advance the necessary funds for the reimbursement to their owners or transfer to another institution of the deposits in pesos. The protection covered an amount of up to ARS 20,000 per account holder in an institution. This regime came into force on 1 January 1973, but the protection of Law 18,061 through its Section 49 continued to exist for commercial banks.

Between 1973 and 1977.

When the nationalization of deposits was reinstated by Law 20,050, enacted on 16 August 1973 and published on 22 August 1973, the guarantee of the Nation on deposits in pesos was reestablished, with no limit whatsoever by reason of amount or ownership, reception or register on behalf of the Central Bank. For commercial banks and savings accounts, the system was in force as from September 1973, and for the remaining intermediaries, as from 1 February 1974, repealing, as from both dates, the provisions of Section 40 of Law 18,061 and of Law 20,040, respectively.

Between 1977 and 1979.

The Law 21495 (passed on January 17th, 1977 and published on January 21st, 1977), stated the “decentralization of deposits,” which came into force along with the Law of Financial Institutions number 21,526, on June 1st that year. The latter legal instrument established in Article 56, established that if any financial institutions authorized under the Act came into liquidation, the Central Bank of Argentina had to choose between: a) letting other entities take charge of its

deposits, either partially or totally, or b) grant an advance of funds so that the owners of the deposits in local currency could recover the sums involved, with a charge imposed on the liquidated entity not lower than the maximum rediscount rate. In both cases, this decision referred to deposits in local currency.

Between 1979 and 1982.

A variant to the guarantee system was introduced in 1979, with the enactment of Law 22,051 (enacted on 14 August 1979 and published on 20 August 1979), which modified the text of Law 21,526 for the guarantee of deposits. Thus, Section 56 of said law was replaced by the following text: “*In the case of the liquidation of an entity covered by this law, the Central Bank of the Argentine Republic shall reimburse the deposits in pesos concerned, only if the institution were under the deposit guarantee regime according to the conditions and requirements as specified below and in compliance with the regulations issued by the Bank*”. This regime was voluntary, it bore a cost and had only a partial coverage, including as it did only deposits expressed in local currency. Subsequent rulings laid down the details of this guarantee: 100% coverage for deposits made by individuals of up to ARS 1 million (minimum amount subject to adjustments) and up to 90% for deposits in excess of that amount. Subsequently, the minimum value was raised to ARS 100 million, without adjustment (1980) and the 90% rate of coverage was reduced (1982). The entities in question were obliged to make a monthly contribution of 0.03% of the average value of their deposits. Over time, there was a gradual yet steady exodus of entities, in the light of the fact that the subscription was voluntary; therefore, this guarantee system gradually lost significance.

Between 1982 and 1992.

Modifications introduced in the financial system in the middle of 1982 also affected the deposit guarantee regime, which had to adapt itself to the prevailing circumstances. Subsequently, the rules were updated in 1985, 1987 and 1988, and individual savers with deposits received better treatment than other types of depositors. Distinctions were also made concerning the class and scale of deposits. In 1991, a Special Limited Fund was constituted so as to underwrite the deposits guarantee, which was based on external bonds of the Argentine Republic, 1989 series, with a nominal value of USD 50 million, plus the assessments made by entities which subscribed to the regime. In this way, the guarantee made by the Central Bank was limited by the resources constituted by said Fund; should this Fund become exhausted, the depositors had the privilege of being covered by the Law of Financial Entities up to the value of the guaranteed amounts.

Between 1992 and 1995.

Modifications introduced to the Law of Financial Entities when the Charter of the Central Bank of the Argentine Republic was reformed, in October 1992, eliminated “de jure” the guarantee on deposits. Law 24,144 (enacted on 13 and 15 October 1992 and published on 22 October 1992), apart from tacitly eliminating Section 56 of said Law (insofar as the deposits guarantee was concerned) also included the reform of Section 49 of this Law, establishing for depositors in local currency a special and exclusive privilege on the funds included in the minimum cash reserves of the liquidated entities, according to a certain pre-determined order. A further privilege was also laid down covering all deposits, once the credit position of the Central Bank had been satisfied.

Position as from 1995.

Law 24,485 (enacted on 12 April 1995 and published on 18 April 1995) created a “System of Guarantee Insurance for all Deposits”, which is limited, bears a cost, is obligatory, subsidiary and complementary to the regime of privileges and protection for depositors, as laid down by the Law of Financial Entities. Through Decree 540/95, the Deposit Guarantee Fund (DGF) was created, with the assessments of the financial entities as from May 1995, and SEDESA –Seguro de Depósitos Sociedad Anónima– with the object of administering the Fund. The guarantee covers all deposits in pesos and foreign currency, with a few exclusions, up to a sum of ARS 30,000 including capital and interests, computing to this effect all deposits that any one person could hold in any entity and pro-rating the values, should there be more than one owner of the accounts in question. The Law in question was modified by Law N° 25,089 which obliged the insurance system to reimburse the owners of sums deposited in special accounts aimed at the payment of wages and salaries, in the case of the suspension of operations or annulment of the authorization to operate, of any given financial entity. Law 24,485 has been subject to rulings by Decree N° 540, dated 12 April 1995, the provisions of which were modified by Decrees N° 177/96, 1292/96, 1292/99, 32/01 214/02 905/2 and several communications issued by the Central Bank.

Moreover, the regime of privileges in favor of depositors, as laid down by the Law of Financial Entities, was subject to subsequent modifications, a general privilege having been fixed on top of all other credits, with the exception of those covered by a pledge, mortgage and of labor creditors (wages and salaries). A first order of preference is granted to such deposits, up to ARS 50,000.

“System of Guarantee Insurance for all Deposits”, which is limited, bears a cost, is obligatory, subsidiary and complementary to the regime of privileges and protection for depositors, as laid down by the Law of Financial Entities.



ANNEX III

For information on the following issues, please visit our website.

LEGAL AND REGULATORY
BACKGROUND
OF DEPOSIT INSURANCE IN THE
ARGENTINE REPUBLIC



For information on the following issues,
please visit our website:
www.sedesa.com.ar

1. Deposit Insurance System

1.1. Law 24.485

1.2. Decree N° 540/95 as amended

1.3. Decree 905/2002 (Relevant
sections)

1.4. BCRA rules on the implementation
of the Deposit Insurance System
(Communication A 2337 and
supplementary ones)

**2. BCRA Communications related to
SEDESA**

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