Report on Banks

AUGUST 2006

Central Bank of Argentina

Year III – No. 12

Index

Note: includes information for August 2006 available by 21/09/06. This Report focuses on the description of the performance of the financial system, including breakdowns into homogeneous sub groups. The data exhibited (in particular, the ones concerning profitability) are provisional, and are subject to revisions later.

Published on October 17, 2006

For comments, inquiries or electronic subscription:
analisis.financiero@bcra.gov.ar

Summary

- **Led by the continued expansion in credit to the private sector, declining exposure to the public sector and an increase in time deposits, in August the banks exhibited a further increase in their volume of financial intermediation.** The positive results earned in the month in a competitive framework, combined with new capitalizations, contribute to strengthen the solvency of the sector.

- **Through the Central Bank's financial policy, the financial system managed to deepen its loans to the private sector and increase its independence from the Government's financial requirements.** Private credit was 27.8% of total assets, exceeding exposure to the public sector in 3 p.p. which fell 0.9 p.p. in August to a level of 24.8%. In perspective, in the same month of 2004 the exposure to the public sector was about 41% of assets, while private loans were only equivalent to approximately 19% of assets.

- **Loans to the private sector grew 2.9% in August, to attain a 40%a. cumulative expansion in 2006. Loans to firms are still focused on the most dynamic productive sectors** (manufacturing and primary goods production employ 59% of finance to corporations), in a framework of a longer average maturity of the new commercial loans granted (more than 18 months on average, almost 16% longer than in the same month of 2005).

- **Time deposits by the private sector recorded a significant growth of 6.4% in August, a change mainly stimulated by the Central Bank rules that encourage the migration of savings from sight deposits to time deposits.** For the first time since the crisis in 2006 the time deposits grew faster than sight deposits.

- **Liabilities of the financial system sustain its normalization process:** while in August the financial institutions made payments of $125 million to the Central Bank in the framework of the matching schedule, between September and October these outlays totaled $397 million. At present, 22 banks have paid back all their rediscounts, while the only two that still owe debts, in addition of the amortization according to the monthly schedule, they have also made anticipated payments of considerable amounts in a voluntary manner.

- **In the context of its acquisition procedures, during August a domestic capital private sector bank received a capital contribution of approximately $830 million.** Two foreign owned financial institutions also received capitalizations that totaled almost $82 million. In this manner since October 2004 capitalizations of $7.93 billion have accumulated, which contributes to consolidate the robustness of the banking system.

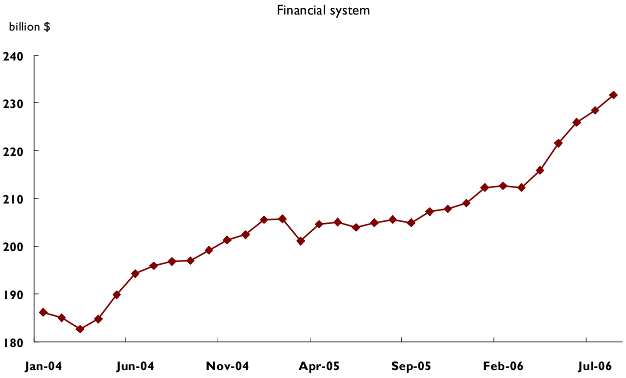
- **The accounting profits (1.2%a. of assets) in August and the fresh capitalizations strengthened the solvency of the financial system.** The net assets of the banking system grew 3.8% in the month (1.2% when consolidated among financial institutions), to achieve an expansion of 16.5% (14.1% consolidated) between January and August 2006. On the other hand, the paid up regulatory capital in August was 16.4% of their assets (weighted by credit risk)

- **The main sources of funds for the banking system were the increase of private deposits ($3.1 billion) and the fall of its exposure to the public sector ($2 billion). The expansion of loans to the private sector ($1.95 billion), the growth of liquid assets held by banks ($1.5 billion) and the increase of LEBAC and NOBAC holdings ($1.27 billion) were the principal applications of the financial system's resources.**

Chart 1

Netted Assets

Financial system

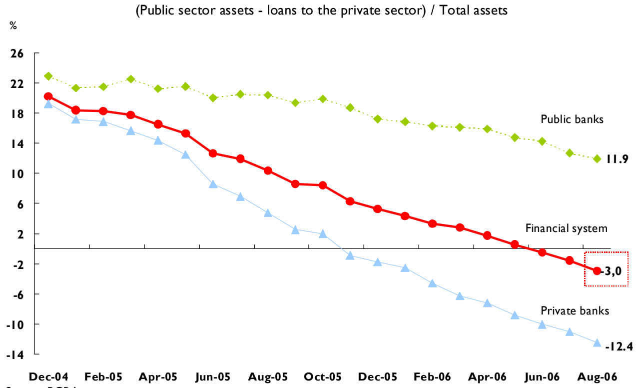


Source: BCRA

Chart 2

Public and Private Financing Spread

(Public sector assets - loans to the private sector) / Total assets

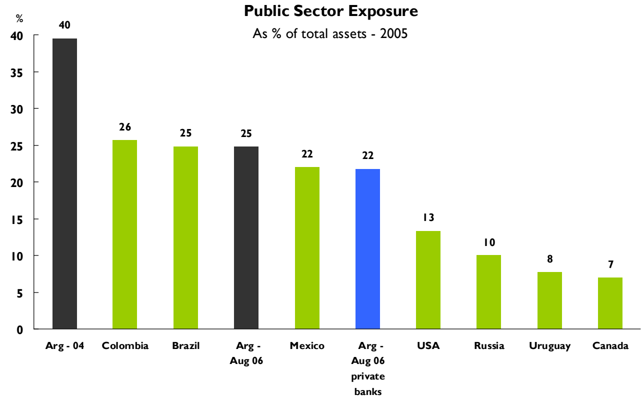


Source: BCRA

Chart 3

Public Sector Exposure

As % of total assets - 2005



Source: BCRA from Superintendencies, Central Banks and IMF data

Activity:
More preference for time deposits than at sight

In a context of a sustained economic growth, the volume of financial intermediation continued expanding sharply in August. Specifically, **netted assets of the financial system grew 1.4% in August (0.9% in real terms**, see Chart 1), to accumulate an increase of 10.8% (17%a.) during 2006 (7%a. in real terms).

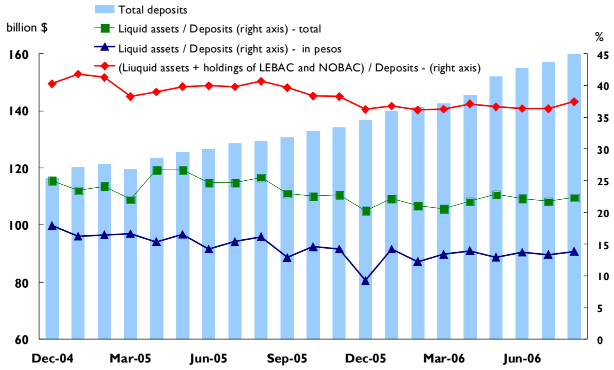
Loans to the private sector continued to gain ground against credit to the public sector (see Chart 2). As well as the solid expansion of private credit, **the effective Central Bank policy is leading to a fall in the weighting of public sector assets**[1] **in the bank portfolios.** In August they fell 0.9 p.p. to reach a level of 24.8% of total assets (26.8% of netted out assets), to accumulate a year on year decline of 8.3 p.p.. The monthly fall was partly in connection with the payment of BODEN bonds by the government. Meanwhile, the contraction of the exposure to the public sector of the private banks was 1.3 p.p. to 21.8% of total assets (23.3% of net assets), to accumulate a fall of more than 9 p.p. in the past year. At the public sector banks the decline of the public sector assets was 0.1 p.p. to 29.5% of the total assets (32.5% of the net assets).

The significant fall of aggregate exposure of the financial institutions that occurred during the past two years has allowed weighting levels in line with those observed in other financial systems in the region to be achieved, although they still differ substantially from those present in developed economies (see Chart 3). During the coming months this trend is expected to continue consolidating, with the help of the incentives the Central Bank has defined. The favorable perspectives for growth in private sector finance, in a framework of smaller financial requirements by the public sector, should contribute to this process.

Reversing the behavior of the past two months, **in August an increase of the liquid resources**[2] **of the financial institutions was recorded** (they grew $1.5 billion), partly boosted by the 2 p.p. increase in the minimum reserve requirement on sight deposits (to 19%)[3]. This increase was mainly associated with the greater liquidity in bank current accounts at the Central Bank ($960 million) and in the repos that the financial institutions arranged with the Central Bank ($370 million). In terms of these developments, in August the liquidity ratio of the financial system grew 0.6 p.p. to 22.3% of total deposits (see Chart 4). If the holdings of Central Bank bills (LEBAC) and notes (NOBAC) are included, liquidity recorded an expansion of 1.1 p.p. to 37.4%, due to the growth of $1.27 billion in the balance of these

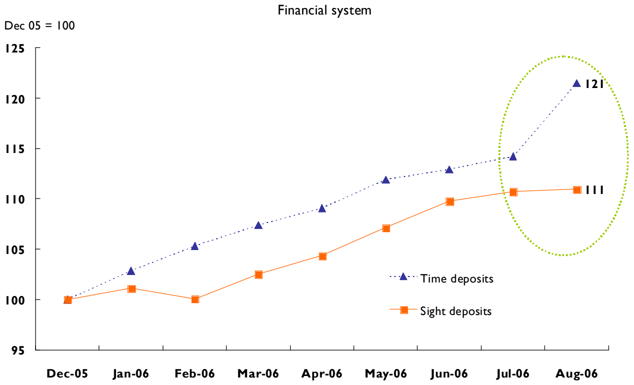
[1] The exposure to the public sector includes the position in government bonds (including compensations to be received) and loans to the private sector. LEBAC and NOBAC are not included.
[2] Includes compliance with minimum reserve requirements (cash, current accounts at the Central Bank and special collateral accounts), other liquid assets (like correspondent accounts) and net reverse repos with the Central Bank.
[3] Communications "A" 4549 and "A" 4580.

Chart 4
Deposits and Liquidity
Financial System



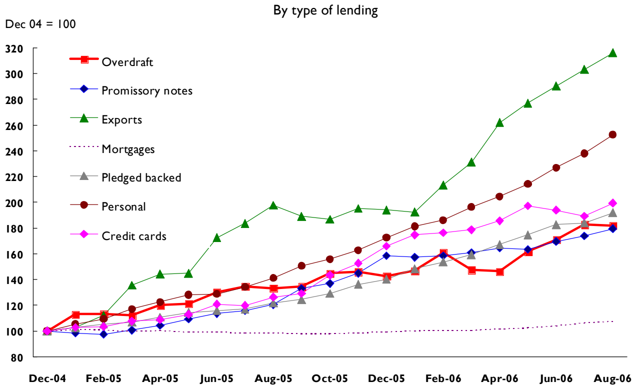
Source: BCRA

Chart 5
Private Deposits
Financial system



Source: BCRA

Chart 6
Loans to the Private Sector
By type of lending



Source: BCRA

securities. At the private sector banks the liquidity ratio grew 1.4 p.p. to 21.7%, and was 42.7% if the LEBAC and NOBAC holdings are included (they grew $350 million in the month).

The balance of the deposits by the non-financial sector grew 1.7% ($2.65 billion) in August, to a large extent explained by the increase of the private time deposits, which grew 6.4% ($3.1 billion, see Chart 5). This performance was observed in the context of the measures adopted by the Central Bank to encourage the migration of savings accounts from sight accounts to time deposits (the minimum reserve requirement on sight deposits was increased and that on time deposits reduced[4]). Specifically in this month the growth of time deposits also reflected the effect of the BODEN payments by the national government. Meanwhile, the sight deposits showed a slight increase (0.2%, $130 million), while the public sector deposits exhibited a decline (1.1%, $450 million); a change also associated with the BODEN payments. On the other hand, the deposits at the private sector grew almost $2.75 billion (3.3%) in August, a development that was mainly associated with the increase of private deposits. This momentum was in connection with the strong growth rate of time deposits (5.2%, $1.75 billion).

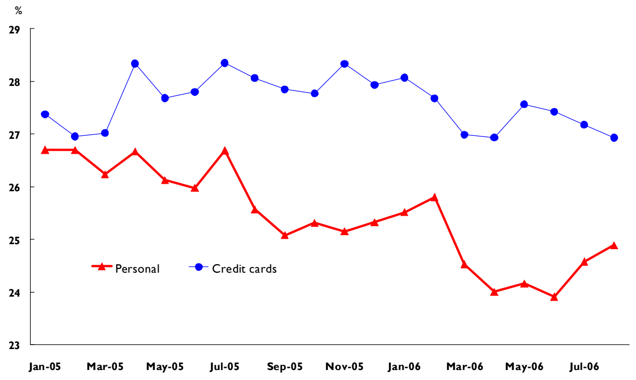
The positive trend of the employment and real wage levels together with the favorable business prospects for corporations boost the demand for credit. These factors, **added to the pro-credit Central Bank policy are stimulating the development of the private lines of credit.** The balance of loans[5] by the financial system to the private credit grew 2.9% or $1.95 billion in August (40%a. for 2006 to date). Although the rate of expansion of the loans to the private sector was similar at the public sector banks and private sector financial institutions (2.8% and 2.9%, respectively), the growth of credit continued to be led by the private banks: the balance of their loans to the private sector grew $1.35 billion, while at the public sector banks this figure totaled about $500 million[6].

The loans to business exhibited a favorable development in August (see Chart 6). The loans undertaken by discounting documents grew 3.2% ($470 million). Credits for export pre-finance and finance also recorded a sharp monthly increase (4.3%, $240 million), to accumulate a 63% growth ($2.25 billion) so far in 2006.

In this manner, **finance to corporations was mainly granted to the productive sectors that exhibit outstanding activity levels.** In particular, the increase of the loans for business in August was led by the manufacturing industry and, to a lesser extent, by the primary production of goods (sectors that concentrate almost 59% of the total loans). In perspective, in the past 12 months the progress in the loans was also led by manufacturing, with the service sector in second place. In this framework, it should be noted that the average term of the new loans granted to firms exhibit a year on year improvement to extend to

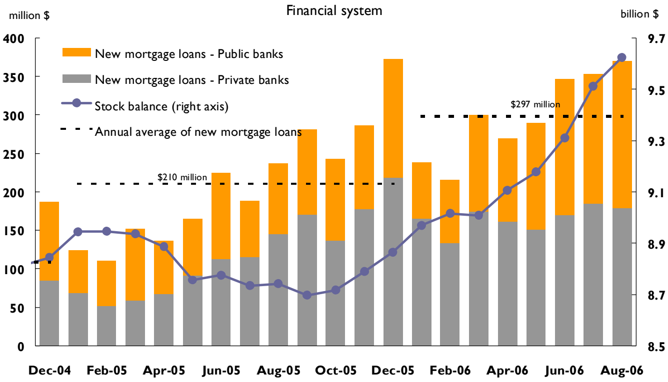
[4] See Chapter IV of the Financial Stability Bulletin for the Second Half of 2006 (FSB-II-06).
[5] Calculation based on balance sheet figures. The loans denominated in foreign currency are stated in pesos. Neither interests nor adjustments are included. Figures are not adjusted for bad loans written off the balance sheet.
[6] The remainder is for non banking financial institutions (NBFI).

Chart 7
Lending Interest Rates - Consumer Lines of Credit



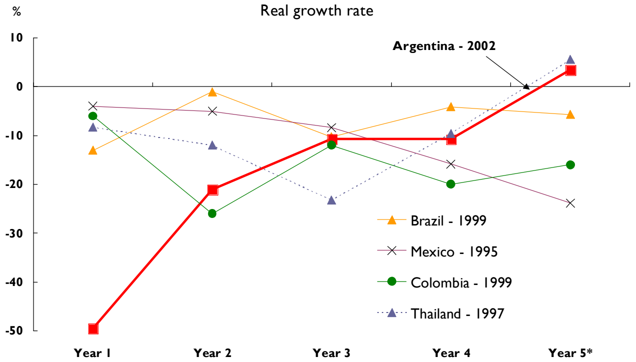
Source: BCRA

Chart 8
Mortgage Loans
Financial system



NOTE: Stock balance not adjusted by transfer between loan portfolio and trusts funds or by loans written off balance sheet.
Source: BCRA

Chart 9
Crises Impact on Mortgage Loans
Real growth rate



* Argentina's information at June of 2006. Half year annualized.
Note: Brazil and Colombia data adjusted by the constitution of trusts funds.
Source: BCRA from Central Banks.

almost 18 months (a term almost 16% longer term than in the same month of 2005).

Households lines of credit exhibited a significant growth in August. On one hand, the personal loans exhibited their largest expansion so far this year: they grew $630 million. On the other hand, they reversed the behavior recorded in the past two months, as credit card finance rose $360 million in August. These developments also occurred in a context of mixed changes in interest rates (see Chart 7).

Private sector participants are gradually expanding their demand for medium and long term finance. In August, specifically, the pledge backed loans grew at a 4.5% rate ($150 million) to accumulate an increase of 38% ($900 million) so far in 2006. For the rest of the year, the stock of pledge loans is expected to continue growing in a significant manner, due to the recovery of family wage earnings and corporate activity. Meanwhile, the mortgage loans expanded 1.2% in the month, a figure that increases to 2.2% when adjusted for a financial trust arranged with these credits as underlying assets.

The amount of mortgage loans granted in August reached $370 million, the highest value so far this year (see Chart 8). This absolute amount was explained in similar values by private and public sector banks, although the latter recorded the largest relative change in their outstanding balance. For the coming months, part of the momentum of mortgage loans is expected to be influenced by the application of a number of measures recently adopted by the Central Bank[7]. It should be noted that the development of mortgage credit after the 2001-2002 crisis is encouraging, especially if it is compared with the behavior exhibited by other economies that have suffered from adverse financial situations (see Chart 9).

Balance of corporate leasing lines continued growing during the month reported on: their balance totaled $1.94 billion, to exhibit a monthly expansion of 2.3%. This kind of loans began to become more relevant compared to other loans with similar characteristics[8]: whilst in August 2005 the balance of bank funds channeled through leasing was equivalent to 24% of the sum of mortgage finance and pledge loans for corporations, at present they are 40% of this total. The latter ratio recorded a fall of 2 p.p. in the month, according to the significant monthly expansion of mortgage loans to business.

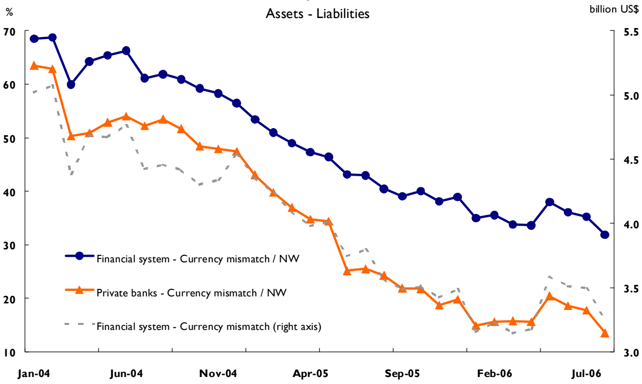
Financial system paid the Central Bank $125 million in August as part of the matching scheme. Furthermore, in the months of September and October the financial institution outlays on this account were $397 million, a figure that totals about $6.49 million between January and October 2006. In this framework, of the 24 financial institutions that were originally part of the matching framework at the beginning of October only two of them still had debts pending with the Central Bank on this account, with an outstanding balance of $6.48 billion.

[7] See Communication "A" 4559.
[8] For a more detailed analysis of the domestic leasing market, see Box 2 of the Financial Stability Bulletin for the Second Half of 2006 (FSB-II-06).

Chart 10

Currency Mismatch

Assets - Liabilities

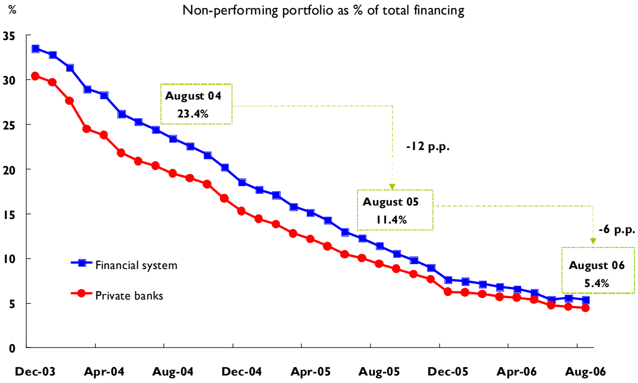


Source: BCRA

Chart 11

Non-Performing Credit to the Private Sector

Non-performing portfolio as % of total financing

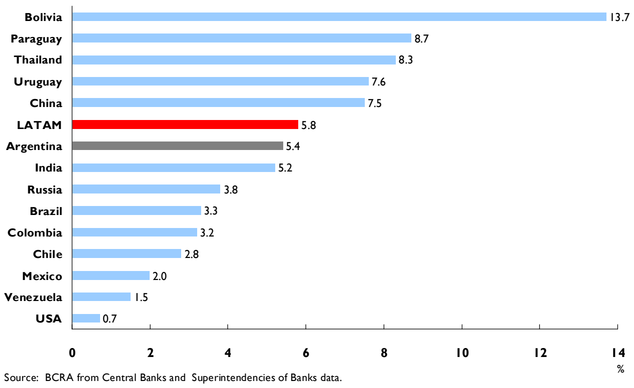


Source: BCRA

Chart 12

Non-Performing Private Portfolio

Non-performing loans / Total financing - 2005



Source: BCRA from Central Banks and Superintendencies of Banks data.

Foreign currency mismatch of the financial system showed a decline of US$240 million in August to a level of US$3.25 billion. This fall in the foreign currency position was associated with a fall of US$350 million in assets (mainly in connection with the payment of BODEN bonds by the government) that more than offset the fall of US$110 million in liabilities (see Chart 10). This fall, combined with a significant growth of the banking system equity (see Solvency section) generated a contraction of 3.4 p.p. to 32% of the capital exposure to foreign currency risk.

Portfolio quality:

The provisions cover the non-performing portfolio amply

Financial system continues to strengthen against the private sector credit risk. In this manner, the private loans in a non-performing situation dropped 0.2 p.p. to a level of 5.4% in August, to accumulate a year on year fall of 6 p.p. (see Chart 11). In this manner, the non-performance levels of the domestic financial system are similar to those recorded by the financial systems in the region (see Chart 12)[9].

Improvements in portfolio quality of the financial system was led by the public banks during the month. While this group exhibited a decline of 0.3 p.p. in its non-performance ratio (to 7.9%), at private sector banks the decline was 0.1 p.p. (4.5%). This development is consistent with the performance seen during the past 12 months, a period when the fall of the levels of arrears at government owned banks was almost 9 p.p., while at the private sector financial institutions the fall was slightly smaller (5 p.p.). These developments have led to a noticeable narrowing of the gap between both groups of banks over the past year (contracting 3.8 p.p. to 3.5 p.p.).

During the month a larger fall in the level of non-performing commercial loans granted by the financial system was seen. While for these credits the bad loans fell 0.2 p.p. to 6.3%, for the consumer finance the decline was 0.1 p.p. to 3.9%. In this sense, although the non-performance level of the consumer portfolio continues to be less than the level shown by commercial finance, in the past 12 months the latter has exhibited a noticeable improvement: these loans reduced their non-performance by 7.7 p.p., while for consumer loans the drop was 3 p.p..

Financial system increased its level of coverage with provisions: this indicator rose 0.5 p.p. to 127% in August. Likewise, the ratio of non-performing loans not covered by provisions stood at -3.3% in terms of the equity of the financial system.

[9] For a medium term outlook on the development of the portfolio quality of the domestic financial system in regional terms, see Chapter V of the Financial Stability Bulletin for the Second Half of 2006 (FSB-II-06).

Profitability:
Sustained positive results

Chart 13

Annualized Profitability

Total returns as % of NA - 3-month moving average

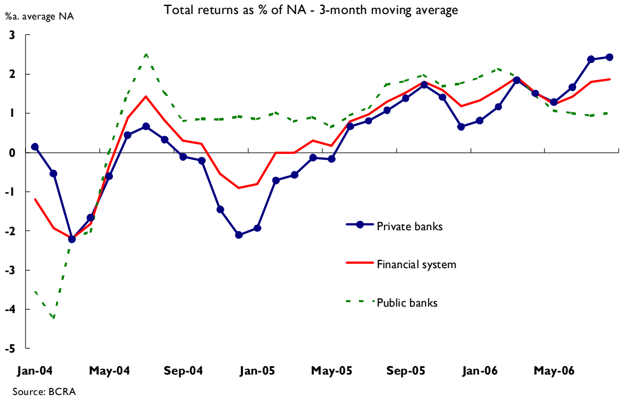


Chart 14

Financial Margin

3-month moving average

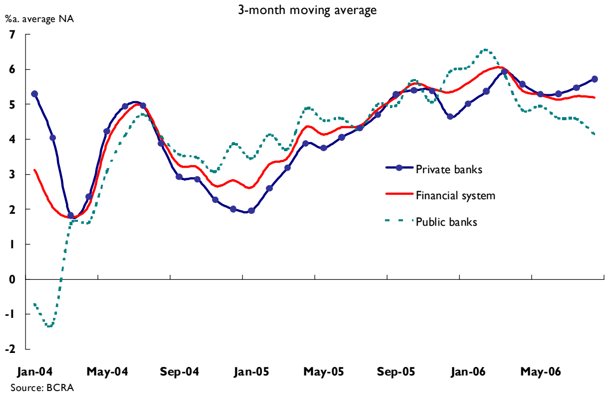
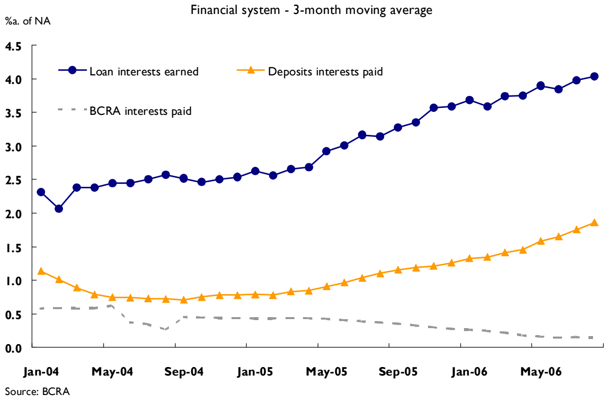


Chart 15

Main Components of Net Interest Income

Financial system - 3-month moving average



In line with the trend seen since mid 2005, in August **the financial system continued to consolidate its profitability levels, expanding the degree of solvency**. This recovery of the financial system results happens in the framework of a sharp growth of domestic economic activity, with a larger volume of traditional financial intermediation and active competition between banks.

Financial system registered profits of almost $220 million, or 1.2% annualized (a.) of netted assets[10] during August (see Chart 13 where the quarterly moving average is shown). Although a smaller aggregate result is observed when compared with that recorded the month before, it should be recalled that the performance in July was marked by the extraordinary positive results of a large scale private sector bank. In this context, between January and August the financial system attained a ROA of 1.7%a. (more than $2.5 billion), to surpass by 1 p.p. that observed in the same period of 2005. Excluding the effects of the headings associated with the gradual recognition of the effects of the crisis in 2001-2002[11], the adjusted ROA of the financial institutions was 2.3%a. of assets in August, to accumulate an adjusted profit rate of 2.7%a. in the year.

Private sector banks exhibited profits of approximately $120 million in August (1.1%a. of their assets), to accumulate profits of $1.64 billion in 2006. On the other hand, **the public sector financial institutions recorded profits of about $90 million in August (1.2%a. of their assets)**, to accumulate positive results of $810 million (1.3%a. of assets) throughout the current year. In fact, both kinds of financial institution remained on a positive profits path, consolidating their resistance to possible adverse shocks.

Although profit levels still reflect some degree of volatility, more stable sources of funds such as net interest earnings and service fees continue consolidating. As regards August, part of this volatility was generated by a slight adjustment of the nominal peso-U.S. dollar exchange rate, due to the assets mismatch of items denominated in foreign currency.

Financial margin of the banking system recorded a monthly contraction of 0.1 p.p. in August to reach a level of 5.4%a. of assets, about 1.2 p.p. higher than the value seen throughout 2005 (see Chart 14 that shows the quarterly moving average). **The interest results of the banks fell 0.2 p.p. in August to 1.7%a. of assets,** boosted by both the private and public sector financial institutions. The decline of the net interest revenues of the financial system was partly explained by the larger outlays for deposits (see Chart 15), a change mainly associated with the significant increase of the balance of private time deposits in a context of stable borrowing rates. On the other hand, the

[10] In this section whenever assets are referred to, it should be understood as net assets (see Glossary).

[11] Amortization of court payment orders and adjustments to public sector asset valuations.

flow of interest revenues grew slightly when compared to July. **In perspective, the interest results exhibited a cumulative growth of more than 40% compared with the same period the year before.**

Results from holding and trading financial assets recorded a decline of 0.2 p.p. to reach a level of 2.3%a. of assets. This development was in line with the slight worsening of the prices of some sovereign bonds held in portfolios. In perspective this source of financial system revenues stood at 1.9%a. of assets in the January-August 2006 period, 0.8 p.p. more than in the same period of last year, and was mainly generated by the activity of the private sector financial institutions (that account for almost two thirds of these revenues during 2006).

On the other hand, in August the accrued exchange rate differences grew 0.4 p.p. to total 0.6%a. of assets. Both the profits earned by the purchases and sales of foreign currency and the effect of the rise of the nominal peso-U.S. dollar exchange rate between the ends of the month ($0.02 per U.S. dollar) on the foreign currency net lending position, explain these larger monthly profits earned by the financial system (see Chart 16). The results from exchange rate differences thus accumulated 0.5a. of assets during 2006, to surpass by 0.4 p.p. those seen in the same period of the previous year. The net adjustments by the Reference Stabilization Coefficient (CER) of the banking system remained unchanged in August at a level of 0.8%a. of assets, and mainly had their origin in the public sector financial institutions.

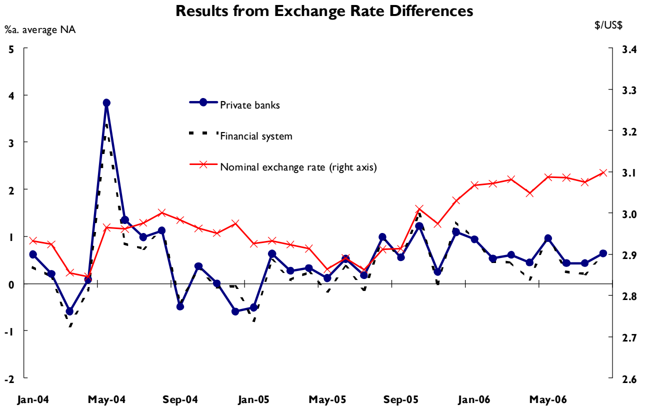
Service income margin, one of the least volatile sources of banks income, exhibited an increase of 0.1 p.p. in August to stand at 2.8%a. of assets (see Chart 17). While most of these results were associated with deposits (almost 40% in the January-August 2006 period), the amount of revenues associated with loans is still significant, as the segment that exhibited the largest cumulative growth in 2006 compared with the same period the year before. The positive development of this heading is explained by the growing use of transaction, insurance and operational services supplied by the financial system. In this manner the net service revenues at present cover more than half the administration outlays of the banking system, a development led especially by the private sector banks (these revenues are equivalent to approximately 60% of their administrative spending). It should be noted that the group of private sector financial institutions has throughout 2006 earned service profits of 3.2%a. of their assets, exceeding the values attained in the two years prior to the 2001-2002 crisis.

For the second consecutive month the loan loss provisions exhibited a slight decline of 0.2 p.p. in August, to total 0.4%a. of assets (see Chart 18), and thus break the rising trend seen during the year. In this manner, in 2006 the loan loss losses total 0.5%a. of assets, or 0.1 p.p. less than in the same period the year before, values that are still historically low. In terms of the private loans, the charges totaled 1.4% in August, a figure that is less than the values recorded in the past four months.

Operating costs remained stable in August at a level of 5%a. of assets (see Chart 19). However, the performance by bank groups was heterogeneous: while at the private sector banks it remained at 5.7%a.

Chart 16

Results from Exchange Rate Differences

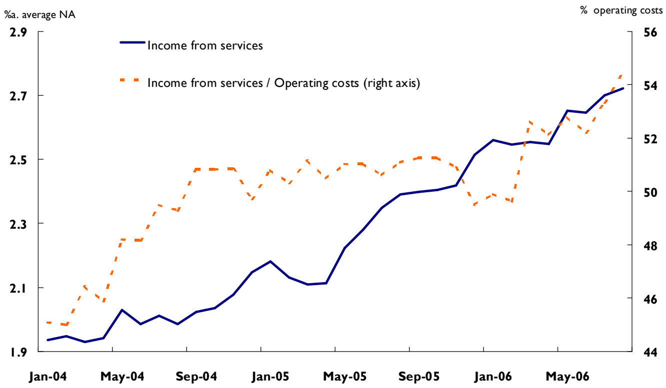


Source: BCRA

Chart 17

Income from Services

Financial system - 3-month moving average

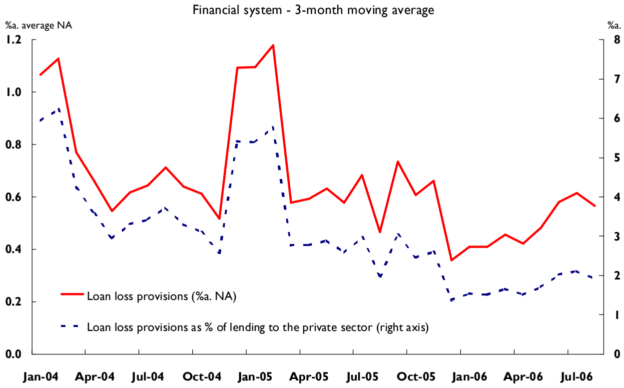


Source: BCRA

Chart 18

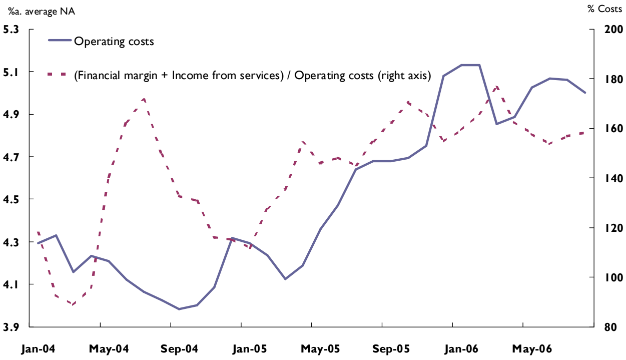
Loan Loss Provisions

Financial system - 3-month moving average



Source: BCRA

Chart 19
Operating Costs
Financial system - 3-month moving average



Source: BCRA

Table 1
Main Developments in September 2006

	Aug	Sep	Var %
Prices			
Exchange rate ($/US$)[1]	3.097	3.104	0.2
CPI	180.4	182.0	0.9
CER[1]	1.83	1.85	0.6
			Var p.p.
Government securities - annual IRR[1]			
Boden $ 2007	3.0	1.7	-1.3
Boden U$S 2012	8.5	8.5	0.0
Discount $	6.5	6.6	0.1
BOGAR$	5.8	5.8	0.0
			Var p.p.
Average percentage rates			
Lending[2]			
Overdraft	16.5	16.3	-0.1
Promissory notes	12.8	12.7	-0.2
Mortgage	11.3	11.6	0.2
Pledge-backed	10.0	10.3	0.3
Personal	24.9	24.8	-0.1
30 to 44 day time deposit	7.2	7.1	-0.1
1-year LEBAC in pesos, w/o CER	11.8	11.5	-0.2
7 day BCRA repos	5.8	5.8	0.0
			Var %
Balance[2,3] - Financial system			
Peso deposits - Private sector	98,607	99,559	1.0
Sight deposits	54,131	53,661	-0.9
Time deposits	44,476	45,898	3.2
Peso loans - Private sector	55,673	57,391	3.1
Overdraft	10,279	10,438	1.5
Promissory notes	12,133	12,600	3.8
Mortgage	9,330	9,393	0.7
Pledge-backed	3,092	3,223	4.2
Personal	10,507	11,107	5.7

(1) End of month figure.
(2) Estimation based on SISCEN data (provisional data subject to change).
(3) Monthly average
In million of pesos
Source: INDEC and BCRA.

of their assets, at the government owned banks it exhibited an increase of 0.2 p.p. to 3.8%a. of assets. **In the framework of a slight fall in banking revenues, a minor fall of almost 2 p.p. in the ratio of coverage of operating costs with revenues was seen to a level of 163%.** It is worth noting that the efficiency of the employment factor of the financial system, measured as the ratio between outlays on staff and the sum of private sector deposits and loans, recorded a progressive improvement mainly led by the private sector banks[12] .

Miscellaneous results of the financial system were reduced 1.3 p.p. in August to 0.4%a. of assets. This monthly result was affected by the extraordinary profits earned in July by a private sector financial institution when it sold its loan portfolio recorded in off balance sheet accounts. Likewise, a private sector financial institution, which in August was sold to two banks belonging to a financial group, made an accounting valuation that led to a non-recurring negative result.

Finally, **the gradual acknowledgment of the effects of the crisis (amortization of court order releases and adjustments in valuations of public sector assets) exhibited a 0.2 p.p. aggregate expansion in August, to reach a level of 1.2%a. of assets.** This monthly performance was explained by the 0.2 p.p. increase in the amortization of court orders, a change mostly originated by a specific private sector financial institution which, when it was sold brought forward the recognition of the losses on court orders it was amortizing. On the other hand, the adjustment in the valuation of loans to the private sector remained stable at around 0.2%a. of assets.

Outlook for September

With the information available at the time this Report was published, **during September the positive results of the banking system are expected to remain in line with the profits seen in recent months.** The pattern of consolidation of solvency of the domestic banks is thus estimated to continue.

During September the volume of financial intermediation (private sector deposits and loans) showed a further expansion (see Table 1). In a context of practically unchanged interest rates, the growth of the balances of personal loans and discounted documents stands out, while the longer term finance (mortgages and pledges) maintains its positive path. On the other hand, the time deposits by the private sector expanded significantly. **As a result, in September a growth of net interest revenues accrued by the financial system is expected.**

An increase of the CER was seen in September similar to that recorded in August, to stimulate a stable level of profits associated with the CER in both months. The nominal peso-U.S. dollar exchange rate exhibited a smaller rise in September than the month before, a change that could probably generate smaller results from exchange rate differences for the financial institutions. On the other hand, the prices of the main sovereign bonds held in the bank portfolios (and marked to market prices) exhibited a heterogeneous behavior, although revenues from this source may be expected to

[12] For more details see Chapter VI of the Financial Stability Bulletin for the Second Half of 2006 (FSB II-06).

remain at similar levels to August. Furthermore, and **in line with the trend seen in recent years, in September the service results are expected to continue consolidating,** due to the growth of transaction activity. It is worth noting that before the close of the third quarter of the year certain specific adjustments in terms of bad loan charges and management spending could be posted.

Solvency:
Fresh capitalizations improve solvency

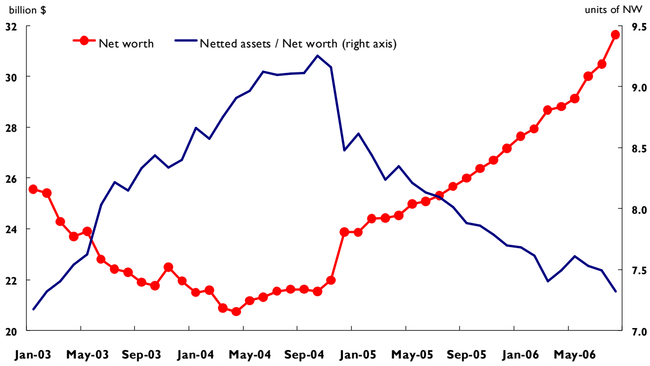
In August the financial system continued to deepen its degree of solvency, a change boosted by both accounting profits, largely associated with the traditional financial intermediation activity, and by some capitalizations received in the month.

Net worth of the banking system registered an expansion of 3.8% in August (1.2% if the transactions between financial institutions are consolidated) or almost $1.15 billion, to total an increase of 16.5% (14.1% consolidated) or almost $4.5 billion so far in 2006 (see Chart 20), figures that are considerably larger than those seen during 2005 (1.4% and 7.5%, respectively). Due to these developments, and despite the significant increase in the level of intermediation, the sustained growth of equity continues to boost the decline in the degree of leverage of the financial system.

During August three new capitalizations were made in private sector financial institutions. In fact, two foreign owned banks received capitalizations that totaled $82 million, while a domestic capital private sector bank received a capital contribution of $830 million by the two private banks that are part of the same financial group in the context of its privatization. In this manner, the financial system totals new capital contributions of about $2.39 billion in the first eight months of 2006 (higher than the value recorded in all 2005), or $7.93 billion since October 2004 (see Chart 2.1). In this context, although the capitalizations recorded by the banking system in the post-crisis period are largely accounted for by the foreign banks, in the cumulative figure for 2006 the domestic private sector financial institutions are especially relevant.

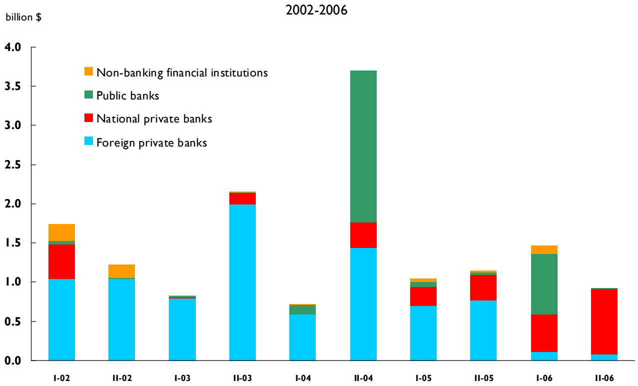
As a result, financial system showed solvency indicators that exceed the Central Bank requirements and the minimum international recommendations. In this sense, in a context of significant credit growth the aggregate paid up capital of the financial institutions exhibited a slight fall of 0.1 p.p. in August to 16.4% of the risk weighted assets (see Chart 22). During the month reported on, excess in capital compliance of the financial system was 134% of the capital requirement, slightly less than the month before.

Chart 20
Solvency
Financial system



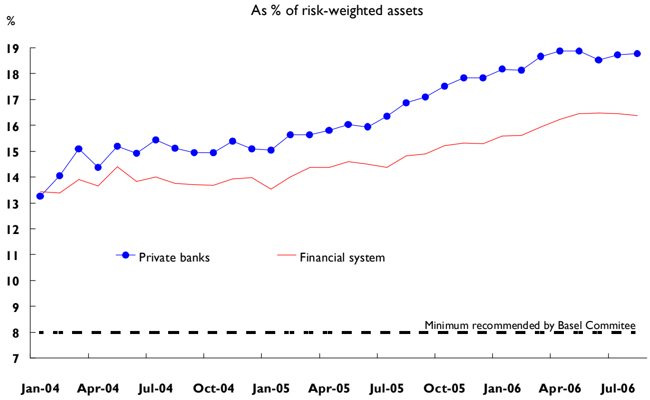
Source: BCRA

Chart 21
Capital Contributions
2002-2006



Source: BCRA

Chart 22
Capital Compliance
As % of risk-weighted assets



Fuente: BCRA

Latest regulations

This section is a summary of the main regulations related to the financial intermediation business issued during the month. A reference is made to the date that the regulations were applicable.

Communication "A" 4556 – August 10, 2006

Modifies the rule on Credit management. The concept of "low value loan" is substituted by "credit for small amount". As regards the individual limit on these loans, for lines with terms of up to 36 months (previously 24 months) at no time may the principal owed exceed the amount that results from applying the French amortization system, considering a fixed monthly payment which in all cases cannot be more than $300 (previously $200). Furthermore, the amount of finance available for domiciliary infrastructure works was raised from $3,000 to $6,000. In these cases the installment cannot exceed $200. The frequency of the installment payments for loans granted to clients for "micro-undertakings" can be weekly, fortnightly or monthly.

Communication "A" 4557 – August 17, 2006

Makes a syndic obligatory for both the financial institutions and the foreign exchange bureaus and agencies.

Communication "A" 4558 – August 17, 2006

Under the "Conditions to issue debt securities" and also the "Guarantees for intermediation between third parties", the minimum amount for the face value of the securities was changed from $100,000 to $300,000.

Communication "A" 4559 – August 17, 2006

* Credit management. In the special transactions for which the docket is only required to include the data that allow for customer identification, the statistical methods for credit allocation concept are replaced by specific assessment methods (screening systems and credit scoring models). For these purposes the requirement that the outstanding principal shall not exceed $15,000 for personal loans is maintained, while in the case of mortgage loans for housing this limit was set at $200,000.
* Minimum capital. The weightings applicable to the new finance for mortgage loans of up to $200,000 for sole family housing for permanent occupancy granted as from August 1, 2006, are changed, provided these are not refinanced loans. If these credits do not exceed 100% of the valuation of these goods, they will have a risk weighting of 50%; otherwise the weighting will be 100%. For loans of over $200,000 and up to $300,000 and which do not exceed 90% of the value of the goods, the weighting was set at 50%, and on the rest of the loans the weighting is 100%. In the case of goods subject to financial leases, the concept of real estate for own housing of the lessee (sole, family and permanent occupancy) is included, for which similar weightings to those for the loans granted under the terms mentioned above are adopted.
* Guarantees. The coverage margins for loans for sole family housing for permanent occupancy are adjusted, according to the changes introduced to the minimum capital weightings.

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 institutions 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 institutions providing data on the month in question.

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

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

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

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

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

Glossary

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

Statistics: Financial System

Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Aug 05	Dec 05	Jul 06	Aug 06	Change (%) Month on month	Accum. 2006	Last 12 months
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**217,963**	**222,732**	**247,401**	**250,051**	**1.1**	**12.3**	**14.7**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	27,523	21,166	28,992	30,114	3.9	42.3	9.4
Public bonds	10,474	3,694	31,418	45,062	55,382	60,447	66,733	65,689	65,629	-0.1	-1.7	8.6
Lebac/Nobac	0	0	n/d	n/d	17,755	25,079	28,340	30,651	32,416	5.8	14.4	29.3
Portfolio	0	0	n/d	n/d	11,803	19,073	21,067	22,875	24,142	5.5	14.6	26.6
Repo	0	0	n/d	n/d	5,953	6,006	7,273	7,776	8,275	6.4	13.8	37.8
Private bonds	633	543	332	198	387	382	387	793	801	1.0	106.9	109.9
Loans	83,277	77,351	84,792	68,042	73,617	79,098	83,664	92,467	93,921	1.6	12.3	18.7
Public sector	15,164	22,694	44,337	33,228	30,866	27,529	25,317	21,402	21,263	-0.6	-16.0	-22.8
Private sector	64,464	52,039	38,470	33,398	41,054	49,642	55,898	67,502	69,448	2.9	24.2	39.9
Financial sector	3,649	2,617	1,985	1,417	1,697	1,927	2,450	3,564	3,210	-9.9	31.0	66.6
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-6,115	-4,953	-4,297	-4,224	-1.7	-14.7	-30.9
Other netted credits due to financial intermediation	42,361	21,485	39,089	27,030	32,554	28,534	26,746	34,031	33,222	-2.4	24.2	16.4
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	855	873	764	775	1.5	-11.2	-9.4
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,400	3,888	4,446	4,516	1.6	16.2	32.8
Compensation receivable	0	0	17,111	14,937	15,467	9,683	5,841	5,168	5,197	0.6	-11.0	-46.3
Other	39,514	18,669	13,572	6,392	12,924	14,595	16,144	23,653	22,734	-3.9	40.8	55.8
Assets under financial leases	786	771	567	397	611	972	1,384	1,934	1,984	2.6	43.3	104.0
Shares and participation	2,645	2,688	4,653	4,591	3,871	4,220	4,525	4,783	5,626	17.6	24.3	33.3
Fixed assets and sundry	4,939	4,804	8,636	8,164	7,782	7,588	7,546	7,491	7,488	0.0	-0.8	-1.3
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,518	3,652	3,834	3,870	0.9	6.0	10.0
Other assets	3,950	5,334	9,338	12,043	13,180	11,797	11,882	11,684	11,620	-0.5	-2.2	-1.5
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**192,297**	**195,571**	**216,917**	**218,412**	**0.7**	**11.7**	**13.6**
Deposits	86,506	66,458	75,001	94,635	116,655	129,405	136,778	157,203	159,871	1.7	16.9	23.5
Public sector[2]	7,204	950	8,381	16,040	31,649	33,050	34,320	41,890	41,427	-1.1	20.7	25.3
Private sector[2]	78,397	43,270	59,698	74,951	83,000	94,659	100,794	113,030	116,164	2.8	15.2	22.7
Current account	6,438	7,158	11,462	15,071	18,219	20,975	23,475	24,420	24,911	2.0	6.1	18.8
Savings account	13,008	14,757	10,523	16,809	23,866	26,702	29,077	33,764	33,395	-1.1	14.9	25.1
Time deposit	53,915	18,012	19,080	33,285	34,944	41,491	42,822	48,912	52,018	6.4	21.5	25.4
CEDRO	0	0	12,328	3,217	1,046	184	17	16	16	-1.0	-7.7	-91.2
Other netted liabilities due to financial intermediation	55,297	36,019	75,737	61,690	64,928	57,097	52,071	52,880	51,547	-2.5	-1.0	-9.7
Call money	3,545	2,550	1,649	1,317	1,461	1,667	2,164	3,359	2,945	-12.3	36.1	76.7
BCRA lines	102	4,470	27,837	27,491	27,726	21,874	17,005	11,381	11,204	-1.6	-34.1	-48.8
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	5,959	6,548	6,598	6,499	-1.5	-0.8	9.1
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	5,914	4,684	4,339	4,846	11.7	3.5	-18.1
Other	37,883	17,295	11,955	11,012	18,934	21,684	21,670	27,204	26,053	-4.2	20.2	20.1
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,338	1,381	1,269	1,287	1.4	-6.8	-3.8
Other liabilities	2,210	2,524	6,997	6,569	5,685	4,456	5,341	5,565	5,706	2.5	6.8	28.0
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**25,667**	**27,161**	**30,484**	**31,639**	**3.8**	**16.5**	**23.3**
Memo												
Netted assets	129,815	110,275	185,356	184,371	202,447	205,625	209,044	228,411	231,664	1.4	10.8	12.7
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	201,402	204,160	222,206	225,000	1.3	10.2	11.7

(1) Includes margin accounts with the BCRA

(2) Does not include accrual on interest or CER.

n/a: not available

Source: BCRA

Statistics: Financial System

Profitability Structure

In annualized terms

As % of	Annual						First 8 months		Monthly			Last	
netted assets	2000	2001	2002	2003	2004	2005	2005	2006	Jun-06	Jul-06	Aug-06	6 months	12 months
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	4.2	5.5	4.7	5.5	5.4	5.2	5.5
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.3	1.8	1.7	1.9	1.7	1.8	1.8
Restatement by CER and CVS	0.0	0.0	3.9	1.3	1.0	1.5	1.5	1.3	1.1	0.8	0.8	1.1	1.3
Foreign exchange price adjustments	1.2	1.2	1.7	1.1	0.4	0.4	0.1	0.5	0.2	0.2	0.6	0.4	0.6
Gains on securities	0.1	0.2	2.8	-0.5	1.0	1.2	1.1	1.9	1.6	2.5	2.3	1.8	1.7
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.2	2.6	2.7	2.7	2.8	2.7	2.6
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.6	-0.5	-0.7	-0.6	-0.4	-0.5	-0.5
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-4.4	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.2	-0.3	-0.4	-0.3	-0.3
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-0.8	-0.7	-0.8	-1.0	-0.8	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.8	0.9	1.8	1.7	0.4	1.0	0.8
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 before income tax	0.4	0.2	-8.7	-2.7	-0.3	1.1	0.9	2.1	2.1	2.9	1.5	1.9	1.9
ROA before monetary results	0.0	0.0	-3.1	-2.9	-0.5	0.9	0.7	1.7	1.9	2.6	1.2	1.6	1.6
ROA	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**0.9**	**0.7**	**1.7**	**1.9**	**2.6**	**1.2**	**1.6**	**1.6**
ROA adjusted [2]	-	-	-	-1.9	0.7	2.0	1.7	2.7	2.8	3.6	2.3	2.6	2.6
Indicators (%)													
ROE	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-4.2**	**7.1**	**5.5**	**12.9**	**14.1**	**19.5**	**8.4**	**11.6**	**12.0**
Fin. margin + service income margin / Operating costs	147.4	143.3	189.1	69.3	124.8	150.8	147.9	164.5	146.5	165.2	163.3	158.1	161.8
Interest income (with CER and CVS) / loans	13.0	15.2	11.8	13.1	10.3	12.8	12.7	12.7	12.1	11.9	12.1	12.5	12.8
Interest payments (with CER and CVS) / deposits	5.3	7.3	9.2	5.7	1.8	2.4	2.4	2.9	2.9	3.0	3.2	3.0	2.8

Note: interest income and the loan balances correspond to non-financial sector transactions.

(1) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.

(2) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.

Source: BCRA

Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Aug 05	Dec 05	Jun 06	Jul 06	Aug 06
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	7.3	5.2	4.0	4.1	4.0
Non-performing loans to the non-financial private sector	16.0	19.1	38.6	33.5	18.6	11.4	7.6	5.4	5.6	5.4
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	14.0	9.3	6.3	6.5	6.3
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	6.9	4.8	4.1	4.0	3.9
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	113.6	125.1	132.5	126.8	127.2
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.0	-1.3	-1.3	-1.1	-1.1
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-3.2	-4.1	-4.0	-3.4	-3.3

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

Source: BCRA

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Aug 05	Dec 05	Jul 06	Aug 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**131,530**	**129,680**	**139,533**	**143,002**	**2.5**	**7.6**	**6.1**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,814	14,074	16,339	17,432	6.7	16.1	10.3
Public bonds	7,583	1,627	19,751	22,260	24,817	28,681	29,966	29,299	29,545	0.8	-2.2	2.2
Lebac/Nobac	0	0	n/d	n/d	8,359	14,872	15,227	14,994	16,282	8.6	-1.5	0.8
Portfolio	0	0	n/d	n/d	5,611	11,264	12,899	13,746	14,097	2.6	6.6	22.0
Repo	0	0	n/d	n/d	2,749	3,608	2,328	1,248	2,185	75.1	-46.4	-65.4
Private bonds	563	451	273	172	333	310	307	696	702	0.8	126.8	124.9
Loans	56,035	52,319	51,774	47,017	50,741	53,438	56,565	61,898	63,208	2.1	9.4	15.8
Public sector	8,172	13,803	25,056	23,571	21,420	17,746	15,954	11,974	11,824	-1.3	-24.9	-32.5
Private sector	45,103	36,636	26,074	22,816	28,213	34,418	39,031	47,658	49,011	2.8	22.1	38.5
Financial sector	2,760	1,880	644	630	1,107	1,274	1,580	2,266	2,373	4.7	43.4	77.9
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,924	-2,482	-2,283	-2,246	-1.6	-8.0	-21.9
Other netted credits due to financial intermediation	36,600	13,037	27,212	22,148	25,753	23,209	16,873	19,033	18,982	-0.3	12.8	-18.0
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	650	675	578	577	-0.1	-14.4	-11.1
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,319	2,444	2,822	2,914	3.3	15.4	21.7
Compensation receivable	0	0	15,971	13,812	14,657	9,388	5,575	4,877	4,890	0.3	-12.5	-48.0
Other	34,267	10,735	3,523	3,370	7,905	10,852	8,179	10,756	10,601	-1.4	31.5	-0.9
Assets under financial leases	776	752	553	387	592	949	1,356	1,856	1,894	2.0	36.9	95.6
Shares and participation	1,651	1,703	3,123	2,791	1,892	2,173	2,416	2,620	3,467	32.3	8.5	20.6
Fixed assets and sundry	3,225	3,150	5,198	4,902	4,678	4,584	4,575	4,541	4,549	0.2	-0.8	-0.9
Foreign branches	75	112	-109	-136	-53	-72	-148	-122	-136	12.1	-17.6	68.8
Other assets	2,190	2,574	7,549	7,816	7,137	6,370	6,178	5,656	5,606	-0.9	-8.4	-11.2
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**115,519**	**112,600**	**120,769**	**123,215**	**2.0**	**7.3**	**4.5**
Deposits	57,833	44,863	44,445	52,625	62,685	71,591	75,668	84,033	86,795	3.3	11.1	17.4
Public sector [2]	1,276	950	1,636	3,077	6,039	7,329	6,946	6,877	7,117	3.5	-1.0	-6.2
Private sector [2]	55,917	43,270	38,289	47,097	55,384	63,222	67,859	75,931	78,435	3.3	11.9	20.1
Current account	4,960	7,158	8,905	11,588	13,966	15,709	17,946	18,212	18,595	2.1	1.5	15.9
Savings account	9,409	14,757	6,309	10,547	14,842	16,685	18,362	20,222	20,674	2.2	10.1	21.2
Time deposit	39,030	18,012	11,083	18,710	22,729	27,109	27,736	33,426	35,169	5.2	20.5	23.3
CEDRO	0	0	9,016	2,409	798	168	3	2	2	-6.4	-15.2	-98.6
Other netted liabilities due to financial intermediation	46,271	22,629	49,341	42,367	45,083	39,718	32,349	32,279	31,884	-1.2	-0.2	-18.7
Call money	2,293	1,514	836	726	1,070	1,163	1,488	2,319	1,973	-14.9	55.9	99.4
BCRA lines	83	1,758	16,624	17,030	17,768	12,882	10,088	7,069	6,999	-1.0	-29.9	-45.1
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	5,959	6,548	6,598	6,499	-1.5	0.8	10.7
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	3,935	2,696	2,361	2,158	-8.6	-12.4	-40.0
Other	33,466	11,010	7,374	7,939	12,878	15,779	11,530	13,932	14,254	2.3	20.8	-11.7
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,239	1,319	1,209	1,227	1.5	-8.4	-2.4
Other liabilities	1,420	1,637	5,671	4,890	4,213	2,972	3,264	3,249	3,309	1.9	-0.5	9.3
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**16,012**	**17,080**	**18,763**	**19,786**	**5.5**	**9.9**	**17.2**
Memo												
Netted assets	88,501	73,796	117,928	115,091	121,889	122,237	123,271	130,960	134,272	2.5	6.2	7.1

(1) Includes margin accounts with the BCRA

(2) Does not include accrual on interest or CER.

n/a: not available

Source: BCRA

Statistics: Private Banks

Profitability Structure

In annualized terms

As % of netted assets	Annual 2000	2001	2002	2003	2004	2005	First 8 months 2005	2006	Monthly Jun-06	Jul-06	Aug-06	Last 6 months	12 months
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	4.0	5.7	5.1	6.3	5.7	5.5	5.4
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	1.5	2.1	2.0	2.2	2.0	2.1	2.1
Restatement by CER and CVS	0.0	0.0	1.1	0.9	0.8	1.0	1.1	0.7	0.7	0.4	0.4	0.6	0.7
Foreign exchange price adjustments	1.4	1.2	2.5	1.7	0.6	0.5	0.3	0.6	0.4	0.4	0.6	0.6	0.7
Gains on securities	0.2	0.3	4.4	-0.3	0.8	1.0	1.0	2.2	1.8	3.1	2.6	2.1	1.8
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	2.6	3.2	3.3	3.3	3.4	3.3	3.1
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.5	-0.5	-0.6	-0.7	-0.5	-0.5	-0.6
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-4.9	-5.7	-5.8	-5.7	-5.7	-5.7	-5.6
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.5	-0.6	-0.6	-0.5
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.2	-0.2
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-1.0	-0.9	-0.8	-0.8	-1.2	-0.9	-0.9
Other	0.4	0.7	-3.0	1.0	0.7	0.9	0.8	0.9	2.2	2.4	0.2	1.1	1.0
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 before income tax	0.6	0.5	-11.1	-2.2	-0.8	0.7	0.5	2.1	2.6	4.0	1.3	2.1	1.8
ROA before monetary results	0.1	0.2	-3.8	-2.4	-1.0	0.5	0.4	1.9	2.5	3.8	1.1	1.9	1.6
ROA	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**0.5**	**0.4**	**1.9**	**2.5**	**3.8**	**1.1**	**1.9**	**1.6**
ROA adjusted [2]	-	-	-	-1.2	0.2	1.6	1.4	3.0	3.5	4.7	2.4	2.9	2.7
Indicators (%)													
ROE	**0.8**	**1.4**	**-79.0**	**-19.1**	**-8.1**	**4.1**	**2.8**	**13.4**	**17.8**	**26.2**	**7.2**	**13.0**	**11.2**
Financial margin + service income margin / Operating co	151.9	150.9	199.3	92.6	115.0	136.5	135.1	158.3	145.1	168.2	161.2	154.2	152.0
Interest income (with CER and CVS) / loans	13.9	16.1	24.7	9.0	8.2	11.0	10.9	11.3	11.0	10.8	10.9	11.2	11.3
Interest payments (with CER and CVS) / deposits	5.7	7.8	21.9	5.8	2.2	3.0	2.9	3.6	3.4	3.6	3.8	3.5	3.4

Note: interest income and the loan balances correspond to non-financial sector transactions.

(1) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.

(2) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.

Source: BCRA

Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Aug 05	Dec 05	Jun 06	Jul 06	Aug 06
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	6.2	4.4	3.7	3.6	3.5
Non-performing loans to the non-financial private sector	9.8	14.0	37.4	30.4	15.3	9.4	6.3	4.8	4.6	4.5
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	11.1	7.3	5.3	5.0	4.9
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	6.1	4.2	3.8	3.8	3.6
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	100.6	114.6	116.2	119.6	120.6
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	0.0	-0.6	-0.6	-0.7	-0.7
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	-0.1	-2.2	-2.1	-2.4	-2.4

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

Source: BCRA