Report on Banks

September 2011

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year IX, No. 1

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DE LA REPÚBLICA ARGENTINA

Contents

Note | Information for September 2011 available by October 25, 2011 is included. This Report is focused on the performance of the financial system, including breakdowns by homogeneous sub-sectors. The data reported (particularly, those referring to profitability) are provisional and are subject to changes later. Except the opposite was indicated the data included corresponds to BCRA Information Regimes (end of month data).

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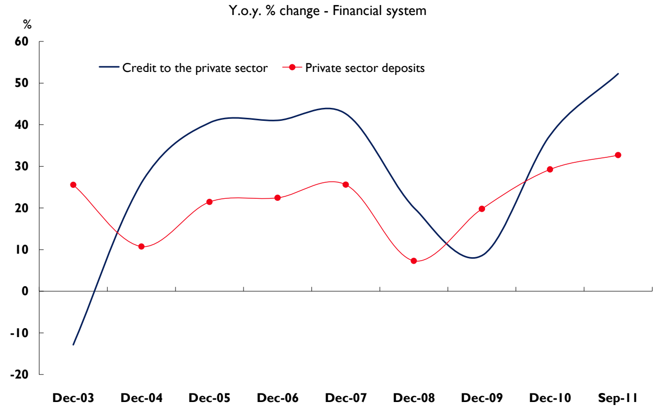
Summary

- **Within a context of persistent international volatility, in September local financial system continued deepening its levels of intermediation while maintaining an adequate position in terms of liquidity and solvency.** At the end of the third quarter bank credit to the private sector was continuing to rise, as did deposits. The quality of the loan portfolio posted improvement during the month.
- **In September lending to the private sector went up 4.4% (52.2% year-on-year -y.o.y.-)**, with widespread increases for all credit lines. **Lending to companies went up 4.8% in the month, accumulating an annualized rise of 53.1% (a.) in the first 9 months of the year, exceeding the rate of growth in loans specifically designed to finance consumption.** Loans to companies accounted for more than 61% of the growth in the stock of lending to the private sector in 2011 to date.
- **The ratio of non-performing private sector loans posted a drop of 0.2 p.p. in September to 1.4%**, mainly among public banks. Over the course of 2011 this indicator has fallen by 0.7 p.p. Specifically, 42 banks (accounting for 69.5% of the loan stock) recorded a non-performance ratio of under 1.5% in September, while at the end of 2010 barely 26 entities, with 25% of the loan stock, recorded a ratio below that level. The non-performing loans provisions coverage ratio stood at 169%, 26 p.p. more than at the end of 2010.
- **Total deposits stocks increased 1.3% in September, driven mainly by private sector deposits** (1.4%) and to a lesser extent, by those in the public sector (1.3%). **In the first 9 months of 2011 financial system total deposit stocks accumulated an increase of 27.4%a., driven by private sector deposits.** The latter were mainly in the shape of sight accounts (which contributed 56% to the rise in private sector deposit stocks in 2011), with a lesser increase in time deposits. Within the context of a sustained increase in lending to the private sector, in September a relative decline was recorded in bank liquidity surpluses: the broad liquidity indicator (items in pesos and foreign currency, as well as holdings of Lebac and Nobac) totaled 39.7% of total deposits in September, showing a gradual reduction during the month.
- **During the month bank net worth rose 1.2%** (21.5% in year-on-year terms), driven mainly by book profits, and to a lesser extent, by capital contributions. Capital compliance by the banking system fell slightly in September, to 15.7% of risk-weighted assets (RWA). As a result, **at aggregate level the financial system continued to show an excess in the order of 65.5% for capital compliance in relation to the regulatory requirement.**
- **Profits accrued by the banking system in September totaled $630 million (1.3%a. of assets)**, less than in August, mainly because of the lower gains on securities. As a result, **in the third quarter of the year, financial entities posted a ROA of 2.2%a.**, under the figures recorded in the previous quarter and in the same quarter of the previous year.
- **The Central Bank has been implementing a financial policy that seeks to increase banking services access by the population. This Institution has created the Free Universal Account (CGU) and re-introduced the Settlement Check (ChC),** as well as encouraging the use of **bank transfers**. In view of the fact that there is a significant regional disparity in the matter of financial service availability, since 2011 it has been established that in the case of applications for the opening of branches in well-served areas, the Central Bank shall assign priority to those requests that simultaneously include applications for the opening of branches in areas where the infrastructure for the providing of financial services is insufficient. Following this change in regulations, **in the first 9 months of 2011 the Central Bank approved the opening of 53 branches in regions that are relatively less well supplied with banks, more than twice the number authorized in the same period of 2010**.
- **Argentina's financial system is robust. Liquidity levels are well in excess of those recorded in the middle and end of the 90s, and there has been a steady increase in loan portfolios in recent years. Appropriate solvency levels, low levels of loan dollarization** (only able to be granted to borrowers with revenue in the same currency), **reduced delinquency levels, and low dependence on external funding complete the picture of the main strengths of the sector. In the final part of 2011 and beginning of 2012, the depth of the financial system is expected to continue to increase.**

Chart 1

Financial Intermediation

Y.o.y. % change - Financial system

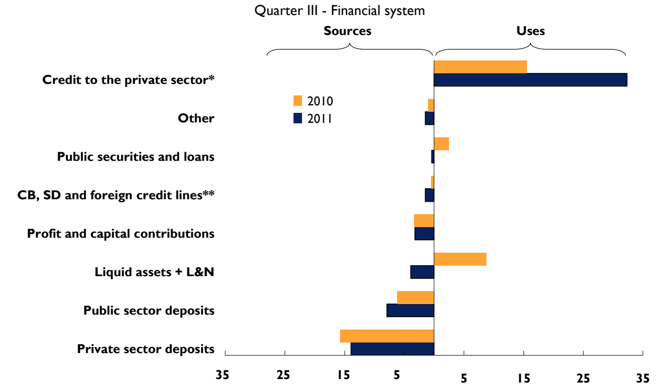


Source: BCRA

Chart 2

Flow of Funds Estimation

Quarter III - Financial system



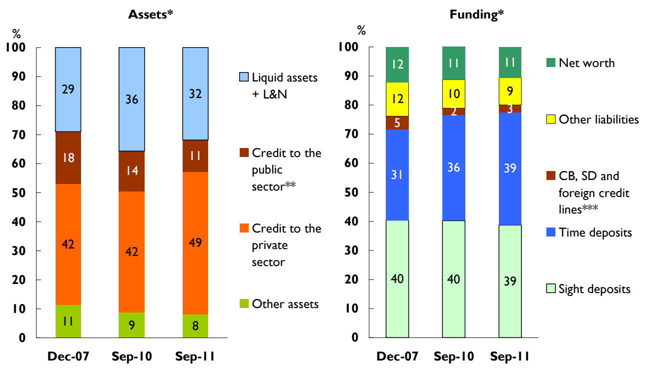
* Include financial trusts (FT); ** Corporate bonds (CB) and subordinated debt (SD)

Source: BCRA

Chart 3

Financial System Asset Composition

Financial system



Note: *Consolidated and netted items. **Include public securities and loans. ***Corporate bonds (CB) and Subordinated debt (SD).

Source: BCRA

Activity

In the third quarter the steady growth in lending to the private sector was mainly funded from increased deposits

Towards the end of the third quarter of the year financial intermediation with the private sector continued to increase. Financial system netted assets[1] rose 1.5% in the month, accumulating year-on-year (y.o.y.) growth of 29.2%, mainly from the dynamism of private financial entities. **In September growth in credit to the private sector reached 52.2% y.o.y., while deposits from that sector rose 32.7% y.o.y.** (see Chart 1).

In September the main source of banking funds [2] **was the rise of private sector deposits** ($4.2 billion) **and to a lesser extent, the reduction in liquid assets** ($3.8 billion). Public sector deposits also rose during the month, while holdings of Lebac and Nobac declined. **The main use of funds has been the increase in lending to the private sector** ($12.0 billion).

In the third quarter of 2011 banks used their resources mainly to increase the offer of lending to the private sector, more than doubling the volume of funds used for that purpose in the same period of 2010. This increase in credit has mainly been funded by the rise in deposits from public and private sectors, and a reduction in assets with a greater relative liquidity (see Chart 2).

As a result, **the stock of lending to the private sector continued to increase its relative importance within financial system assets, until representing almost half the total.** The year-on-year increase in the share of assets accounted for by lending to households was offset by a reduction in the weighting of assets with greater liquidity and lending to the public sector. **The improvement in the composition of the aggregate balance sheet for the financial system has also been reflected in liabilities,** as total time deposits have matched the share accounted for by total sight accounts (see Chart 3), a dynamic explained mainly by the deposits from the public sector.

The broad foreign currency mismatching[3] for the financial system continued to rise in September until 39.1% of net worth. The rise continued to be generated

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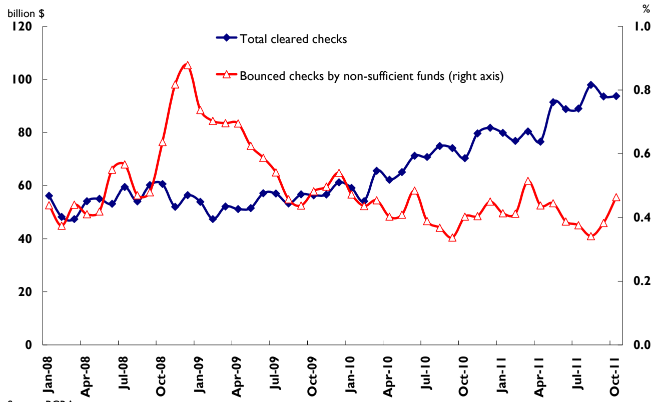
[1] Assets are netted to take into consideration accounting duplications from repo, term and unsettled spot transactions.

[2] Change estimated on the basis of variations in balance sheet stocks.

[3] Including the difference between assets and liabilities, and foreign currency term purchases and sales

Chart 4

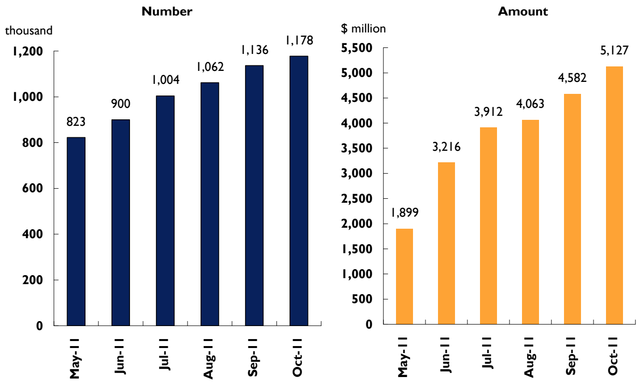
Cleared and Bounced Checks



Source: BCRA

Chart 5

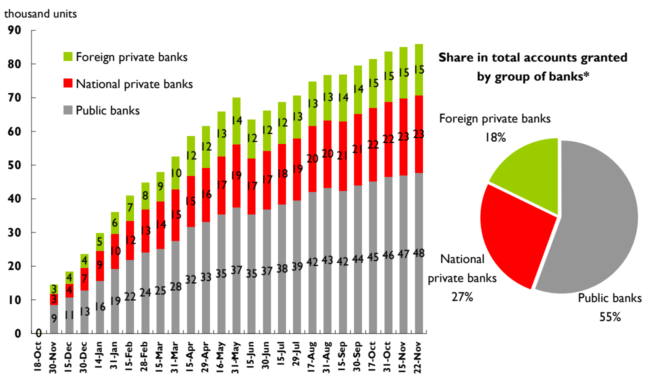
Banking Transfers



Note: Monthly amount and number data.
Source: BCRA

Chart 6

Free Universal Accounts Evolution



Note: Include observed accounts. The drop in June corresponds to a depuration of observed accounts, meanwhile valid accounts continue increasing. *Up to November 22nd 2011
Source: BCRA

by foreign private banks, following their higher net forward purchases of foreign currency.

In line with the pattern seen in recent months, the financial system has continued to show steady growth in the providing of means of payment services to the domestic economy. There was a slight increase in the volume of cleared checks in October, with a rise of 33.3% y.o.y. in the amount cleared. The ratio of bounced checks by non-sufficient funds in terms of the total cleared checks increased moderately in the margin (a trend similar to that seen in the same month of previous years) although it remained at around the average for recent years (see Chart 4).

The volume of bank transfers made by the population has continued to rise, following the impulse at the end of last year from the reduction in the cost of such transactions, particularly in the lower amount segments. Furthermore, **immediate value transfers began to be carried out as from April 2011**. Since the middle of the year, the number of immediate value transfers has continued to grow at an average rate of 7% per month (see Chart 5). This improvement has taken place in a period in which the amount of total transfers[4] has grown a 42% y.o.y., with a notable increase in transactions for under 10,000 pesos (48% y.o.y.) which became free of charge following the measures introduced at the end of 2010.

Other instruments have also been developed recently to encourage greater banking use by the population, such as the Free Universal Account (CGU). Towards the end of November the number of CGU holders reached 85,800[5], up 30% compared with the level in mid-2011. Public banks have granted the largest numbers (see Chart 6). Complementing this measure, **the Settlement Check (ChC) has been reintroduced as an appropriate instrument for transactions involving large amounts.** From the time this instrument was launched through to the end of October, transactions with settlement checks denominated in pesos totaled $148 million (1,123 checks), and those denominated in foreign currency amounted to US$232 million (4,000 checks).

In view of the fact that there are localities in the interior of the country that are still not adequately supplied with financial services, **at the end of 2010 new guidelines were established for the authorization of new branch openings.** It has been established that in the case of

[4] Channeled through ATMs, the low value clearing house, and home banking services.
[5] Of these, some 9,800 accounts are in the process of being validated, pending completion of the process of verification of the requirements for applicants.

Chart 7
Total Deposits

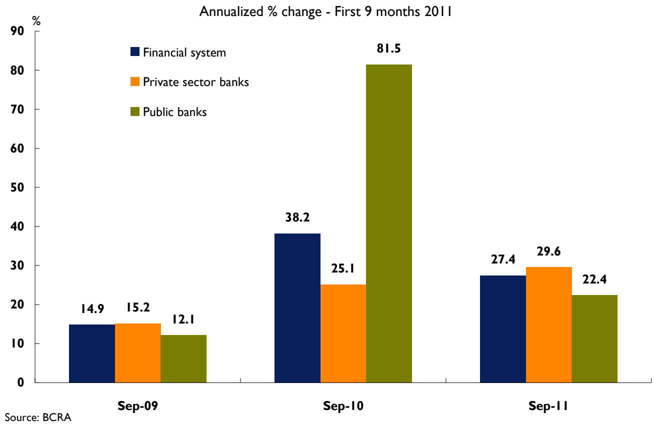


Chart 8
Non-Financial Private Sector Deposits

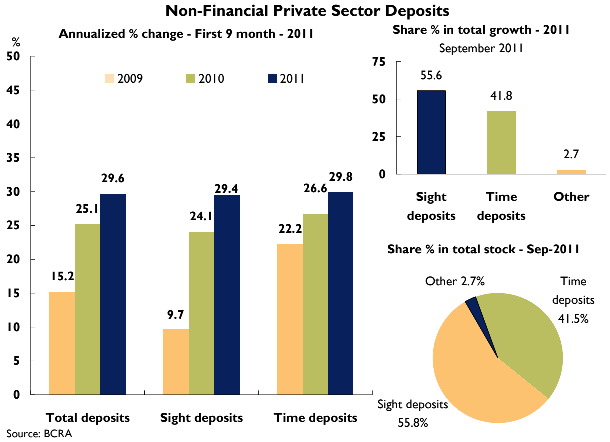
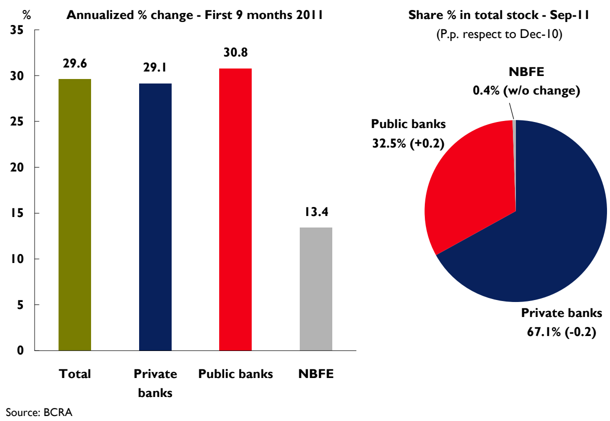


Chart 9
Private Sector Deposits by Group of Financial Entities



applications for the opening of branches in well-served areas, the Central Bank shall assign priority to those requests that simultaneously include applications for the opening of branches in areas where the infrastructure for the providing of financial services is insufficient. Following this change in the regulations, **in the first 9 months of 2011 the Central Bank approved the opening of 53 branches in regions that are relatively less well supplied with banks, more than twice the number authorized in the same period of 2010**.

Deposits and liquidity

Private sector deposits and to a lesser extent those from the public sector, were behind the increase in total deposits in September, within the context of a gradual reduction in relative levels of liquidity

Total deposit stocks increased 1.3% ($6.0 billion) in September, driven mainly by private sector deposits (1.4% or $4.2 billion), and to a lesser extent, by those of the public sector (1.3% or $1.8 billion). The increase for the month in private sector deposits was accounted for by both time deposits (1.5%) and sight accounts (1.3%). **As a result, private sector deposits recorded growth of 20% in the third quarter.**

Over the course of 2011, the stock of deposits in the banking system accumulated an increase of 27.4%a., almost 11 p.p. less than in September 2010. This lower rate of growth by total deposits was explained by the reduction in the dynamism of public sector deposits, as those corresponding to the private sector slightly increased their rate of growth (see Chart 7).

The increase in private sector deposits in the last 9 months has mainly been led by sight accounts (which contributed 55.6% of the growth in the stock of private sector deposits in that period) **and, to a lesser extent, by time deposits** (see Chart 8). The growth rate for private sector deposits in 2011 was similar in public and private entities (see Chart 9). **In the year to date, public sector deposits were driven by increased time deposits,** which more than offset the drop recorded in sight accounts.

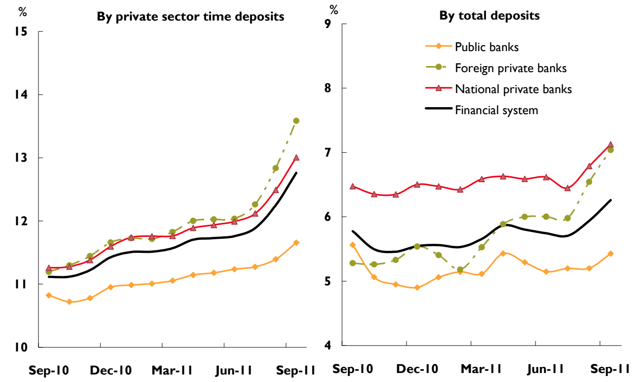
The financial system funding cost by total deposits in pesos[6] rose 0.3 p.p. in September to 6.3%. **This rise reflects both the increased participation by time deposits in the total traded volume of deposits for the month and the effect derived from the increase in**

[6] Estimated on the basis of interest rates traded, weighted by the volume of two-months transactions.

Chart 10

Average Funding Cost by Deposits in Pesos - Estimate

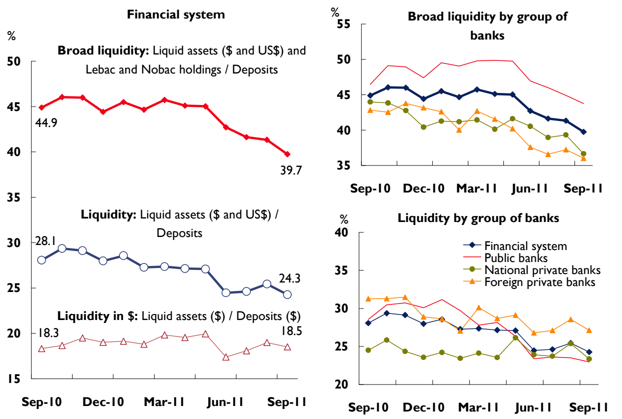
Weighted by 2-month traded volume and adjusted by cash requirement



Source: BCRA from SISCEN data

Chart 11

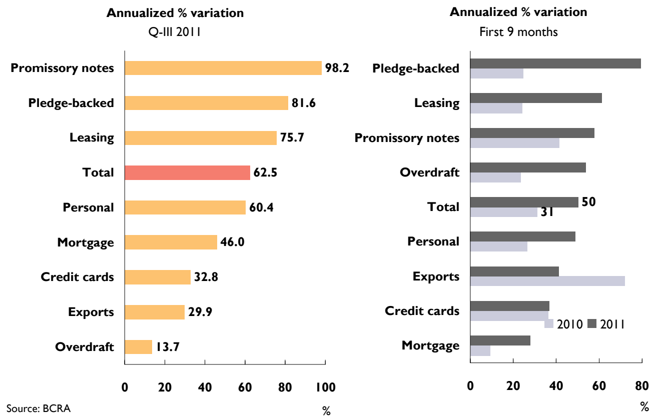
Liquidity



Source: BCRA

Chart 12

Credit to the Private Sector by Type of Line



Source: BCRA

interest rates on these deposits. Although this movement for the month took place across all homogeneous groups of financial entities, it was relatively more significant in the case of foreign private banks. In the year-on-year comparison, the funding cost of deposits in pesos rose 0.5 p.p., manly from the behavior recorded by private banks (and in particular foreign private banks) (see Chart 10).

In the context of sustained growth in lending to the private sector, in September there was a decline in bank liquidity surpluses. The broad liquidity indicator for the banking system (which takes into account items in pesos and foreign currency, as well as the bills and notes issued by this Institution) **stood at 39.7% of total deposits at the end of September, mainly from the monthly reduction in net repos with the Central Bank and holdings of Lebac and Nobac, in part compensated by increased cash holdings by banks.** This development for the month in the broad liquidity indicator was seen in all groups of financial entities, although it was more significant in the case of national private banks (see Chart 11). The financial system liquidity indicator that includes only items denominated in pesos (excluding Lebac and Nobac not linked to repos with the Central Bank) recorded a slight drop to 18.5% of deposits in local currency.

The average interest rate on the call market increased 0.2 p.p. to 9.7% in September, when the daily average trading amount rose by almost 30% compared with August, reaching a level of approximately $1.2 billion.

Financing

Lending to companies continued to lead growth in total loans to the private sector, in the context of a low and falling delinquency rate

In September lending to the private sector posted a rise of 4.4%[7] (52.2% y.o.y.). During the month there were increases in all credit lines, with a notable performance in the case of promissory notes (8.6%), pledge-backed loans (6.2%) and leasing (6%). This performance for the month by loans to companies and households was mainly driven by national private banks and public banks, in a context in which all groups of financial entities recorded positive variations in their loan stocks.

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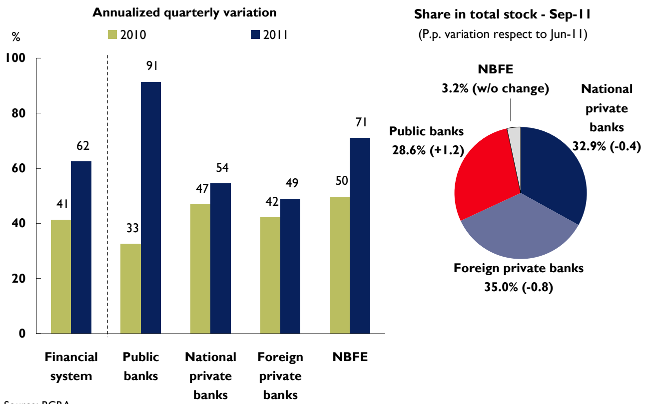
[7] If balance sheet stocks are adjusted for securitized assets during the month (using bank loans as underlying assets), the monthly variation in lending to the private sector would amount to 4.6%. During the month 7 financial trusts were issued using bank loans as underlying assets for a total of $623 million, of which $576 million corresponded to personal loan securitization and $47 million to the securitization of credit card coupons.

Chart 13

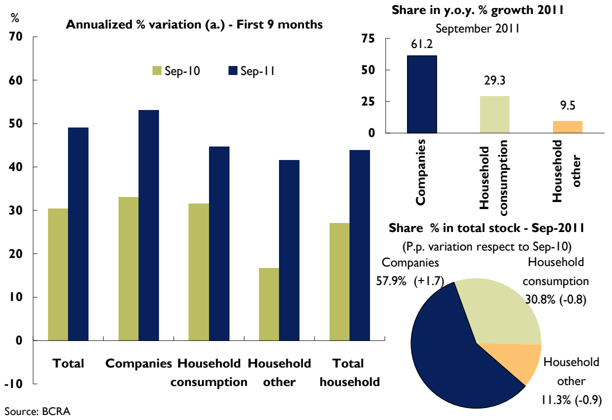
Credit to the Private Sector by Group of Financial Entities



Source: BCRA

Chart 14

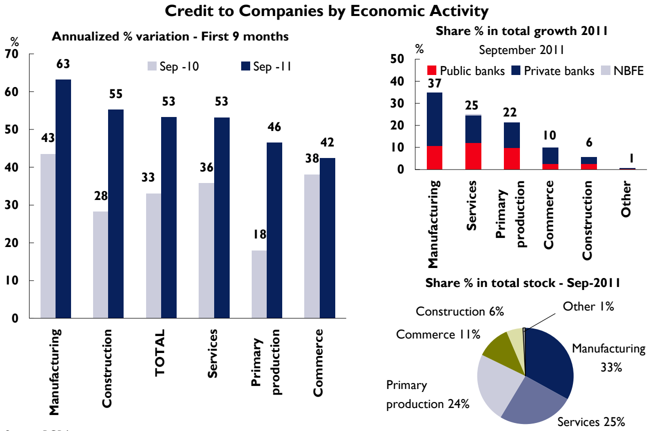
Credit to the Private Sector by Type of Debtor



Source: BCRA

Chart 15

Credit to Companies by Economic Activity



Source: BCRA

During the third quarter of the year, lending to the private sector posted growth of an annualized 62%, showing greater dynamism than in the same period of 2010. All credit lines recorded increases for the quarter (see Chart 12). The various groups of banks recorded a rate of credit expansion higher than that observed in the same quarter of the previous year, with a relatively stronger performance by public banks (see Chart 13). As a result, in the first 9 months of 2011 total credit to the private sector expanded at an annualized (a.) rate of 50%, 19 p.p. above the figure for the same period of the previous year.

Lending to companies increased 4.8% in September, accumulating an increase of 53.1%a. in the first 9 months of the year, exceeding the rate of growth in household lending, and even that for loans specifically intended to finance consumption. As a result, loans to companies explained over 61% of the growth in the total stock of lending to the private sector over the course of 2011 (see Chart 14). During this period, loans to manufacturing industry[8] and construction were the most dynamic, at a time when all productive sectors recorded an increase in their credit growth rate compared with the same period of the previous year (see Chart 15). **Manufacturing industry also stood out as the activity with the largest share of the expansion in the total stock of lending to companies during the year**, followed by services and primary production (together contributing 84% of the growth in lending to companies in 2011 to date).

Within the framework of the Bicentenary Productive Financing Program [9], in mid-November the Central Bank held its ninth funds auction, on that occasion awarding almost $500 million to 3 banks. As a result, the total amount granted since the start of the Program through to date is almost $3.415 billion, spread among 13 financial entities. By the end of October participating banks had already assisted 108 companies, disbursing $1.55 billion out of a total committed by banks to their customers of approximately $1.85 billion. Slightly over three-quarters of the amount provided by banks under this Program was channeled to the manufacturing sector (see Chart 16).

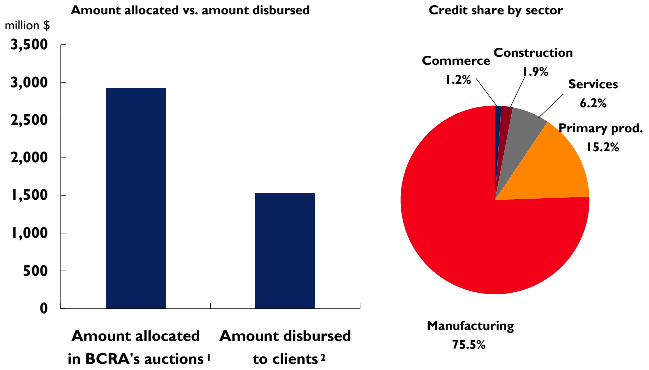
Lending to households was up 3.3% in September, driven mainly by consumer and pledge-backed loans. Loans to families have therefore accumulated a rise of 44%a. at the end of the third quarter of the year (see Chart 17). In the first 9 months of 2011 pledge-backed loans were the most dynamic, growing at a rate of

[8] Based on Financial System Debtor Center classification

[9] The purpose of this Program is to provide funding to financial entities to be channeled towards lending for investment.

Chart 16

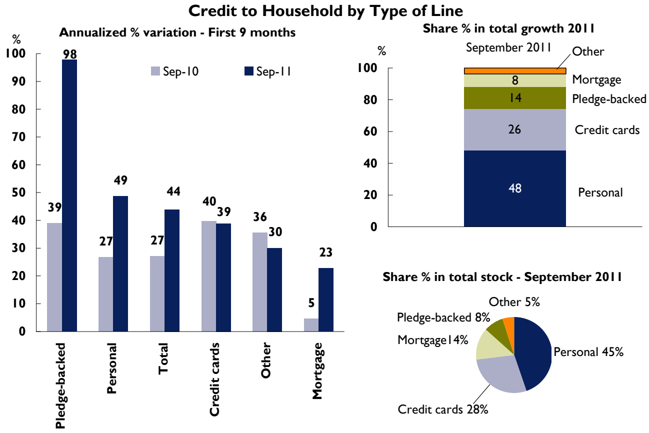
Bicentenary Productive Financing Program



1: Include first 8 auctions
2: Amount disbursed at 31/10/2011
Source: BCRA

Chart 17

Credit to Household by Type of Line

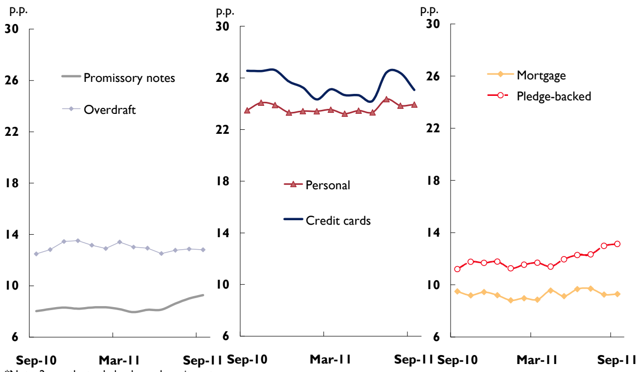


Source: BCRA

Chart 18

Interest Rates Spreads on Peso Transactions

Lending interest rates minus deposit costs*



*Note: 2-months traded volume deposit costs
Source: BCRA from SISCEN data

almost 98%a., accounting for 14% of the increase in lending to households during the period. Consumer credit lines posted a growth rate of 44.7%a. for the year to date (personal loans were up 48.7%a. and credit card lending rose by 38.9%a.), contributing almost three-quarters of the increase in household financing.

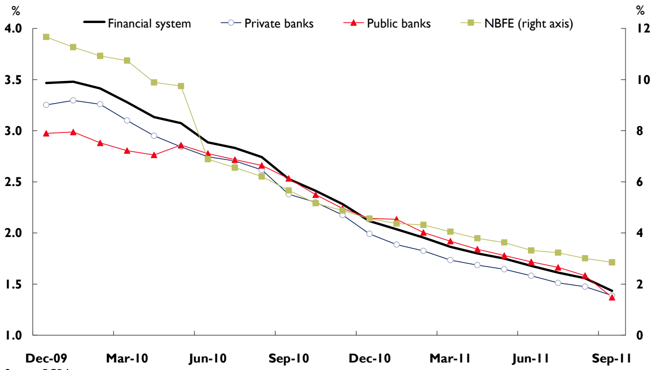
In September there were rises in most of the lending interest rates in local currency, principally in the promissory notes and pledge-backed loans, followed by mortgage, personal and overdraft loans interest rates. **On the other hand, credit card financing rates posted declines for the month.** As a result of this development and the changes in the funding costs, spreads on local currency transactions recorded uneven variations for the month across the different types of credit line (see Chart 18). In the case of promissory notes, pledge-backed loans and personal loans, spreads rose. Spreads declined in the case of credit cards and overdrafts, while remaining steady in the case of mortgage loans.

The private sector loan non-performance ratio posted a drop of 0.2 p.p. for the month to 1.4%. This change for the month was mainly driven by public banks[10] (see Chart 19). Over 2011 this indicator has fallen by 0.7 p.p. specifically, 42 banks (with 69.5% of all loans) recorded a ratio of under 1.5% in September, while at the end of 2010 barely 26 entities (holding 25% of the loan stock) recorded a ratio of less than that figure. This improvement over the course of the year is the result of the combined effect of a drop in non-performing loan stocks and the dynamism of the overall stock of loans. **The ratio of coverage by provisions of non-performing loans to the private sector reached 169%, 26 p.p. above the level at the end of 2010.**

This positive development for loan portfolio quality has taken place at a time of **steady progress in the payment capacity of households and companies.** In such a context, **private sector borrowing levels remain modest**. In Argentina, household debt currently stands at 7.6% of GDP, low compared with other periods (see Chart 20) as well as with other countries[11]. Corporate indebtedness remains at around 23% of GDP.

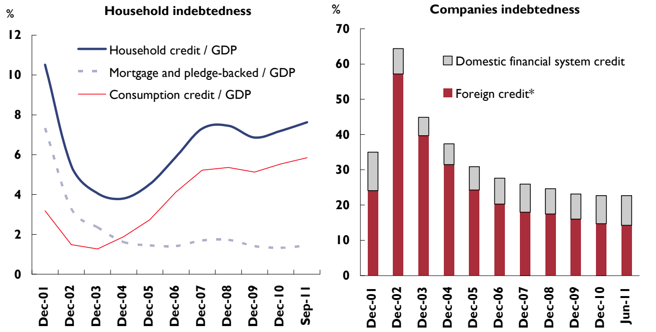
[10] In particular, there was one specific transaction by a large public bank that explained a large portion of the drop in non-performance in the official bank sector.
[11] For further details, see the latest issue of the Financial Stability Bulletin published by the Central Bank (BEF II-11), Chapter III (Situation of Debtors).

Chart 19
Non-Performing Credit to the Private Sector by Group of Banks
Non-performing loans / Total financing



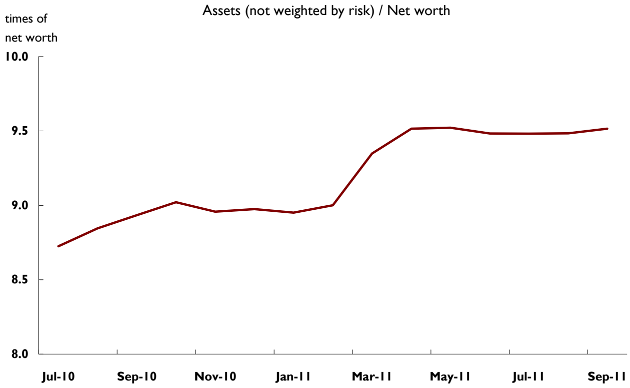
Source: BCRA

Chart 20
Private Sector Debt as % GDP



Note: Household credit includes financial system credit, financial trusts with consumption credits (credit cards and personal loans) as underlying assets and non-banking credit cards
*Private foreign credits to companies. Non-financial private sector foreign liabilities. Includes financial debt (Securities, loans and other financial debt), overdraft and pre-financing export credits, and import credits of goods and services debt.
Source: INDEC and BCRA

Chart 21
Financial System Leverage
Assets (not weighted by risk) / Net worth



Nota: (i) netted and consolidated assets; (ii) consolidated net worth
Source: BCRA

Solvency

The financial system posted profits in September, strengthening its solvency levels

Financial system consolidated net worth rose 1,2% in September (21.5% y.o.y.), mainly **driven by accrued profits, and to a lesser extent, by capital contributions.** Capitalization during the month totaled $41 million. Between January and September 2011 capital contributions amounted to $671 million, and were mainly made by foreign private banks.

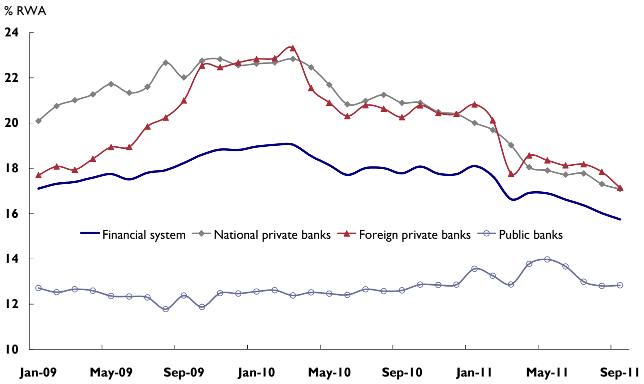
From moderate levels, financial system leverage has continued to increase gradually. This has happened at a time when the increase in assets has been relatively greater than the rise in net worth. In September banking assets reached the equivalent of 9.5 times net worth, a ratio lower than the average for the region, other emerging economies, and that of developed nations[12] (see Chart 21).

Banking system capital compliance dropped slightly in the month to 15.7% of risk-weighted assets (RWA) (see Chart 22), accumulating a fall of 2.1 p.p. compared with September 2010. The drop for the month in this indicator took place mainly because of the relatively larger increase in RWA at a time of sustained growth in lending to the private sector. Excess capital compliance stood at 65% of the local regulatory requirement. Consequently, **Argentine financial system capital levels are in line with the average for emerging countries, and exceed those corresponding to developed nations**[13].

The financial system is on the way to ending 2011 with book profits for the seventh consecutive year. In September bank book profits reached 1.3%a. of assets, less than half the level seen in August. The drop for the month in profitability can mainly be explained by lower gains on securities during a period of turbulence on international financial markets that has affected the prices of the main bonds held by banks in their portfolios. As a result, **total book profits in the third quarter of 2011 totaled 2.2%a. of assets, slightly less than those for the immediately preceding quarter and 0.9 p.p. below those recorded in the same period of 2010** (see Chart 23).

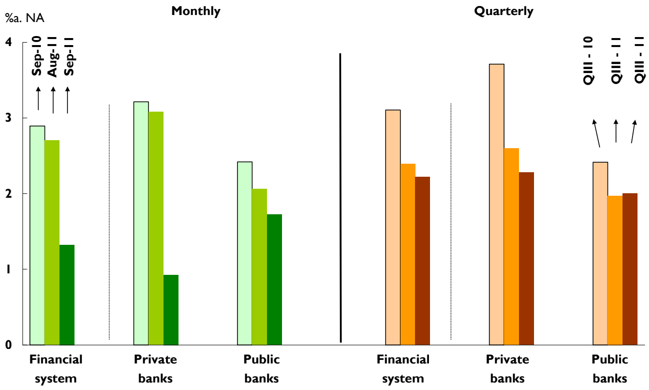
[12] See BEF II-11, Chart IV.21.
[13] See BEF II-11, Chart IV.23.

Chart 22
Capital Compliance



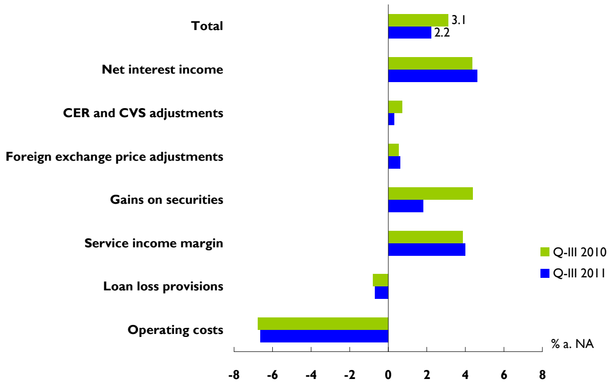
Source: BCRA

Chart 23
Profitability by Group of Banks



Source: BCRA

Chart 24
Profitability - Main Headings



Source: BCRA

Banking system financial margin[14] **fell in September to 5.5%a. of assets. The third quarter of the year ended with a financial margin equivalent to 7.2%a. of assets, slightly less than the amount recorded in the previous quarter, and 2.6 p.p. lower in the year-on-year comparison**. This year-on-year decline was mainly explained by the reduction in profit accrual from lower gains on securities, effect that was partly offset by an increase in interest income (see Chart 24).

Financial system service income posted a small increase for the month up to 4.1%a. of assets. As a result, this income statement heading ended the third quarter at a level of 4%a. of assets, a moderate improvement on the same period of 2010.

In September loan loss provisions accrued by banks reached 0.7%a. of assets. These charges were at a similar level for the third quarter as a whole, and have been lower than those for the same period of 2010, in the context of a gradual improvement in loan portfolio quality. **Operating costs totaled 6.6%a. of assets for the month as well as in the third quarter**, showing a slight year-on-year decline.

Financial system operating efficiency continued to improve during the third quarter of 2011. In terms of a broad indicator defined as the ratio between recurring income (net interest income adjusted for loan loss provisions plus service income margin) and operating costs, during this period the ratio reached a level of 120%.

Financial system overview

In recent years the local financial system has significantly increased the volume of its financial intermediation with the private sector, boosting the level of financing at the disposal of the real economy.

Unlike the situation seen in previous decades, this performance has taken place within the context of an improved financial situation for the system. Bank non-performance ratio has dropped significantly in recent periods to a level of 1.4% (see Table 1), **well below the double-digit figures seen in the mid-90s,** as well as in relation to other emerging economies (see Chart 25)[15]. This performance, combined with **ample coverage by means of provisions,** define a robust position for banks in the face of credit risk. Lending to the public sector is at a low level, and the public sector is a net creditor of the aggregated financial system

[14] Made up of the sum of net interest income, CER and CVS adjustment, foreign exchange price adjustments, gains on securities, and other financial results.
[15] The steps for the preparation of this chart are described in point (g) , page 15 of the Methodology section.

Table 1

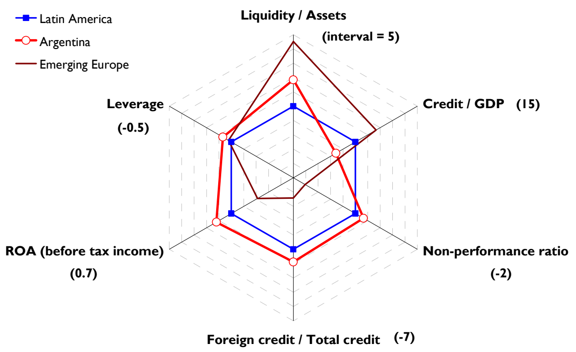
In %	1995 December	2001 Average	2007 December	2011 September
Liquidity				
.. (Liquid assets + Lebac and Nobac holdings) / Total deposits	13	21	38	40
Private sector exposure				
.. Y.o.y. % variation of credit	-1	-12	43	52
.. Credit / Netted and consolidated assets	55	48	42	49
.. Non-performing portfolio	20.7	17.1	3.2	1.4
.. Provisions / Non-performing portfolio	58	66	112	169
Public sector exposure				
.. (Public bonds (w/o L&N) + Loans to the public sector) / Total assets	14.8	19.4	16.1	10.2
.. (Public bonds (w/o L&N) + Loans to the public sector - Public Sector Deposits) / Total assets	10.3	15.5	0.1	-12.3
Foreign currency mismatching				
.. (Foreign currency assets - foreign currency liabilities + Net undelivered foreign currency term purchases) / Net worth	40	64	34	39
.. Foreign currency loans to the private sector / Total loans to the private sector	60	67	17	15
Liabilities				
.. Total deposits / Liabilities	56	61	78	84
.. Outstanding bonds, subord. debt and foreign lines of credit / Liabilities	12.8	11.8	4.1	2.0
Solvency				
.. ROE	-2.6	-0.2	11.0	22.5
.. Assets / Net worth	6.8	8.7	8.1	9.3

Source: BCRA

Chart 25

Financial System Selected Indicators

International comparison - Last available data



Note: Latin America: Argentina, Brazil, Colombia, Mexico, and Peru average; Emerging Europe: Croatia, Hungary, Czech Republic, Russia, and Bulgaria average; Data at 2011 except for Russia (at 2010).

Source: IMF and BCRA

taking into account funding derived from official sector deposits.

Unlike the situation experienced ten years ago, and that seen in other financial systems, **foreign currency lending is at a very low level, accounting for only 15% of the total (45 p.p. and 52 p.p. less than in 1995 and 2001, respectively), and is currently granted only to those who record income in the same currency.** Furthermore, at present the banking system as a whole records excess compliance of regulatory minimum cash requirement in the case of total deposits in dollars that amounts to 36% of the requirement. The consolidated balance sheet for the financial system shows a low level of currency mismatching, a characteristic that represents a significant strength factor, as it minimizes the potential impact from exchange rate volatility.

Broad banking liquidity levels are more than double those observed in the previous decade, and are higher than those that exist at regional level, situation that ensures ample coverage for short term liabilities by liquid assets. In addition, **a process of bank funding reinforcement through deposits has been recorded in recent years** (deposits now total 84% of liabilities, a level higher than 10 years ago) with a **lower level of reliance on resources provided mainly by non-residents through corporate bond (ON) and subordinated debt (OS) and foreign lines of credit** (just 2% of liabilities, compared with almost 12.8% at the end of 1995 and 11.8 in 2001), a proportion that constitutes a strength in the current scenario of uncertainty on global financial markets.

Lastly, **the recovery in the intermediation activity has enabled financial entities to once again post profits, the main source of resources to strengthen their solvency and able banks to expand their lending.**

Latest regulations

This section contains a summary of the main regulations related to the business of financial intermediation issued during the month (referenced by the date on which they came into force).

Communication "A" 5226 – 16/09/11

Credit management. In the case of loans to micro-entrepreneur, outstanding principal may at no time exceed $30,000 per customer. If the customer already holds a special loan called "reduced amount" loan, the outstanding residual principal due for both types of loan shall not be able to exceed the mentioned limit.

Communication "A" 5230 – 26/09/11

Regulations on immediate value transfers. In line with the "Know your customer" policy, it is recommended that before a transfer is made special care be taken specifically in relation to this type of operation to continue to comply with the policy for minimizing the risk of computerized fraud in relation to: 1) destination accounts not previously associated by the originator of the transfer via an ATM or any other mechanism banks may consider pertinent; 2) destination accounts that have been opened for less than 180 days; 3) accounts with no movement in the 180 days prior to the date of the transfer being ordered.

It is recommended that mechanisms be implemented to strengthen the authentication of ordering and receiving parties, and to monitor transactions to be able to detect identity alteration and unusual behavior. It will be allowed to delay the effective remittance of transfers when they are considered inconsistent with the security parameters adopted, as well as the reversal of debits and/or credits when the inconsistency of the transaction were to have been detected subsequent to the execution of the transfer in question.

Methodology

(a) Aggregate balance sheet information is taken from the monthly accounting information system (unconsolidated balance sheets). In order to calculate aggregate data for the financial system, for financial entities that have not provided data for the month reviewed, the most recent information available is repeated in the aggregate balance sheet. On the other hand, for profitability analysis only the banks providing data for that month are considered.

(b) Due to possible lack of data for some banks at the time this Report was drafted, and due to possible corrections to the data provided by financial entities later, the data included is of a preliminary nature –particularly for the last month included-. Therefore, and due to the fact that the most recent data available always used, data in connection with earlier periods may not match what was mentioned in earlier issues of the Report. In such cases, the latter release should be regarded as being of better quality.

(c) Unless otherwise indicated, data about deposits and loans refer to balance sheet information, and do not necessarily agree with those compiled by the Centralized Information Requirement System (SISCEN). Reasons for discrepancies include the precise date considered in order to calculate monthly changes and the items included in the definition adopted in either case.

(d) Profit ratio calculations are based on monthly results estimated from changes in the aggregate result amounts during the current fiscal year. Profit ratios are annualized with the exception of those ,.

(e) Initially, the breakdown by group of banks was determined by the majority of decision making role -in terms of voting rights at shareholder meetings- distinguishing between private sector financial entities (national or foreign depending on their residence) and public banks. In order to increase depth of the analysis, private sector entities were also classed according to the geographic coverage and business scope of their operations. Investment banking is defined as those specializing in large corporations and investor sector, which in general do not rely on deposits from the private sector for their funding. On the other hand, retail banks were divided into those carrying out business nationwide, those located in certain geographic regions -municipalities, provinces, or regions- and entities specialized in a financial sector niche market -usually smaller entities-. Finally, it is worth noting that the classifications defined above are solely for analytical purposes and does not mean it is the only methodology criteria by which to group them; while on the other hand, the listing of features for each financial entity group has been established in a general manner.

(f) Indicators exhibited in Tables 1 and 5 of Statistical Appendix: 1.- (Minimum cash compliance at the BCRA in pesos and foreign currency + Other cash holding in pesos and foreign currency + Creditor net balance for BCRA repo transactions with Lebac and Nobac) / Total deposits; 2.- (Position in government securities (with out Lebac and Nobac) + Loans to the public sector + Compensations receivable) / Total assets; 3.- (Loans to the non-financial private sector + Leasing) / Total assets; 4.- Non-performing portfolio with the non-financial private sector / Loans to the non-financial private sector; 5.- (Total non-performing portfolio – Loan loss provisions) / Net worth. Non-performing portfolio includes loans classified into situations 3, 4, 5 and 6; 6.- Cumulated annual result / Average monthly netted assets - % annualized; 7.- Cumulated annual result / Average monthly net worth - % annualized; 8.- (Financial margin (Net interest income + CER and CVS adjustments + Gains on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Cumulated annual operating costs; 9.- Capital compliance (Responsabilidad Patrimonial Computable) / Risk - adjusted assets according to the regulation of BCRA about Minimum Capital Compliance; 10.- Capital compliance Tier 1 / Risk weighted assets, according to the BCRA rule on minimum capital; 11.- (Capital compliance minus requirements, included forbearances) / Capital requirements.

(g) Methodological note chart 25: Latin America, Emerging Europe and Argentina financial system selected indicators are exhibited in chart 25. Level corresponding to Latin America, at half of each axis, is the level 5. Ranges are defined for the different indicators (from the values that they can reasonably observe) to assign the intervals. Data between brackets under each indicator corresponds to the interval measure. The fact of indicators moving away from the centre of the chart would indicate a more favourable situation. For example, in the case of liquidity indicator for Latin America, it represents a liquidity ratio of 23% (liquid assets / total assets). The level 5 is assigned for Latin America (the point of the blue curve), as the axis is segmented in 10 intervals, it's considered 5 p.p. in units of each indicator. In the case of Argentina, this ratio is located at 32%, almost 10 p.p. over that corresponding for Latin America, as a consequence, almost 2 intervals above the blue curve of the chart.

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 RPC in Spanish. The measure for compliance with bank capital regulations.
Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial entities.
Consolidated result: Excludes results related to shares and participations in other local financial entities.
CEDRO: Certificado de Depósito Reprogramado. Scheduled Stabilization Coefficient.
Financial margin: Income less outlays of a financial nature. Include interest income, gains from securities, CER/CVS adjustments, exchange rate differences and other financial results. Does not include the items affected by Com. A 3911.
Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt, options and from other income from financial intermediation. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.
Income from services: Commissions collected less commissions paid. Includes commissions on liabilities, credits, securities, guarantees granted, rental of safe deposits boxes and foreign trade and exchange transactions, excluding in the case of the latter results from the trading of foreign currency, which are recorded in the “Exchange difference” accounts (here included under the heading “Other financial results”). Outflows include commissions paid, contributions to the Banking Social Services Institute (ISSB), other contributions on service income and charges accrued for gross income tax.
Interest income (interest margin): Interest collected less interest paid on financial intermediation, on an accrual basis – taken from balance sheet – rather than on a cash basis. Include interest on loans of government securities and premiums on repos and reverse repos.
Lebac and Nobac: Bills and notes of the BCRA.
Liquid assets: Cash disposal (Minimum cash compliance – cash, current account at BCRA and special accounts in guarantee – and other liquid items mainly correspondent accounts) plus Creditor net balance for BCRA repo transactions with Lebac and Nobac.
Liquidity ratio: Liquid assets as a percentage of total deposits.
mill.: million.
NBFE: Non-banking financial entity.
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 counterpart risk: Non-performing portfolio net of allowances in terms of net worth.
Non-performing portfolio: Portfolio in categories 3 to 6, as per the debtor classification system.
Operating costs: Includes remuneration, social security payments, services and fees, miscellaneous expenses, taxes and amortization.
ON: Corporate bonds (Obligaciones Negociables).
OS: Subordinated debt (Obligaciones Subordinadas).
Other financial results: Income from financial leasing, adjustments to valuation of credit to the public sector, contribution to the deposit guarantee fund, interest on liquid funds, difference in market price of gold and foreign exchange, premiums on the sale of foreign currency and other unidentified income (net).
PN: Net worth (Patrimonio Neto).
p.p.: percentage points.
Private sector credit: Loans to the private sector and private sector securities.
Public sector credit: Loans to the public sector, holdings of government securities, compensation receivable from the Federal Government and other credits to the public sector.
Quotation differences: Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.
ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.
ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.
RPC: Adjusted stockholder’s equity, calculated towards meeting capital regulations. (Responsabilidad Patrimonial Computable)
RWA: Risk weighted assets.
SME: Small and Medium Enterprises.
US$: United States dollars

Statistics annex | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

As %	2002	2003	2004	2005	2006	2007	2008	2009	Sep 2010	2010	Aug 2011	Sep 2011
1.- Liquidity	22.8	29.1	29.6	20.1	22.5	23.0	27.9	28.6	28.1	28.0	25.4	24.3
2.- Credit to the public sector	48.9	47.0	40.9	31.5	22.5	16.3	12.7	14.4	12.8	12.2	10.3	10.2
3.- Credit to the private sector	20.8	18.1	19.6	25.8	31.0	38.2	39.4	38.3	38.4	39.8	44.1	45.9
4.- Private non-performing loans	38.6	33.5	18.6	7.6	4.5	3.2	3.1	3.5	2.5	2.1	1.6	1.4
5.- Net worth exposure to the private sector	16.6	11.5	1.1	-2.5	-0.8	-1.5	-1.7	-1.3	-2.7	-3.2	-4.1	-4.3
6.- ROA	-8.9	-2.9	-0.5	0.9	1.9	1.5	1.6	2.3	2.6	2.8	2.5	2.4
7.- ROE	-59.2	-22.7	-4.2	7.0	14.3	11.0	13.4	19.2	22.0	24.4	23.8	22.5
8.- Efficiency	189	69	125	151	167	160	167	185	178	179	174	170
9.- Capital compliance	-	14.5	14.0	15.3	16.9	16.9	16.9	18.8	17.8	17.7	16.0	15.7
10.- Capital compliance Tier 1	-	-	13.5	14.1	14.1	14.6	14.2	14.5	14.4	13.1	12.1	11.4
11.- Excess capital compliance	-	115.9	185.1	173.5	134.0	92.8	89.8	99.8	87.9	86.5	69.4	65.5

Source: BCRA

Chart 2 | Balance Sheet

In million of current pesos	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Sep 10	Dec 10	Aug 11	Sep 11	Change (in%)		
													Last month	2011	Last12 months
Assets	**187,532**	**186,873**	**212,562**	**221,962**	**258,384**	**297,963**	**346,762**	**387,381**	**471,474**	**510,304**	**598,681**	**600,105**	**0.2**	**17.6**	**27.3**
Cash disposal[1]	17,138	27,575	29,154	20,819	37,991	46,320	58,676	71,067	90,400	93,085	99,513	101,315	1.8	8.8	12.1
Public bonds	31,418	45,062	55,382	66,733	64,592	62,678	65,255	86,318	108,642	117,951	125,403	117,984	-5.9	0.0	8.6
Lebac/Nobac	-	-	17,755	28,340	29,289	36,022	37,093	43,867	67,197	76,948	86,169	79,630	-7.6	3.5	18.5
Portfolio	-	-	11,803	21,067	25,767	31,598	25,652	34,748	58,282	61,855	70,769	69,865	-1.3	12.9	19.9
Repo[2]	-	-	5,953	7,273	3,521	4,424	11,442	9,119	8,915	15,093	15,400	9,765	-36.6	-35.3	9.5
Private bonds	332	198	387	389	813	382	203	307	322	209	242	185	-23.5	-11.6	-42.5
Loans	84,792	68,042	73,617	84,171	103,668	132,157	154,719	169,868	206,735	230,127	294,398	306,657	4.2	33.3	48.3
Public sector	44,337	33,228	30,866	25,836	20,874	16,772	17,083	20,570	24,180	25,907	28,956	29,061	0.4	12.2	20.2
Private sector	38,470	33,398	41,054	55,885	77,832	110,355	132,844	145,247	177,696	199,202	258,475	269,609	4.3	35.3	51.7
Financial sector	1,985	1,417	1,697	2,450	4,962	5,030	4,793	4,052	4,859	5,018	6,967	7,987	14.6	59.2	64.4
Provisions over loans	-11,952	-9,374	-7,500	-4,930	-3,728	-4,089	-4,744	-5,824	-6,058	-6,232	-6,772	-6,742	-0.5	8.2	11.3
Other netted credits due to financial intermediation	39,089	27,030	32,554	26,721	26,039	29,712	38,152	33,498	37,259	39,009	44,747	38,627	-13.7	-1.0	3.7
Corporate bonds and subordinated debt	1,708	1,569	1,018	873	773	606	912	1,146	1,269	1,433	1,872	1,817	-2.9	26.8	43.2
Unquoted trusts	6,698	4,133	3,145	3,883	4,881	5,023	5,714	5,942	5,969	6,824	7,191	7,644	6.3	12.0	28.1
Compensation receivable	17,111	14,937	15,467	5,841	763	377	357	16	0	0	0	0	0.0	-19.0	-29.2
Other	13,572	6,392	12,924	16,124	19,622	23,706	31,169	26,395	30,021	30,752	35,684	29,165	-18.3	-5.2	-2.9
Leasing	567	397	611	1,384	2,262	3,469	3,935	2,933	3,453	3,936	5,315	5,633	6.0	43.1	63.1
Shares in other companies	4,653	4,591	3,871	4,532	6,392	6,430	7,236	6,711	7,741	7,921	8,534	8,596	0.7	8.5	11.0
Fixed assets and miscellaneous	8,636	8,164	7,782	7,546	7,619	7,643	7,903	8,239	8,647	9,071	9,617	9,723	1.1	7.2	12.4
Foreign branches	3,522	3,144	3,524	3,647	2,782	2,912	3,153	3,926	3,245	3,283	3,536	3,433	-2.9	4.6	5.8
Other assets	9,338	12,043	13,180	10,950	9,953	10,347	12,275	10,337	11,088	11,943	14,149	14,693	3.9	23.0	32.5
Liabilities	**161,446**	**164,923**	**188,683**	**195,044**	**225,369**	**261,143**	**305,382**	**339,047**	**417,867**	**452,752**	**534,907**	**535,546**	**0.1**	**18.3**	**28.2**
Deposits	75,001	94,635	116,655	136,492	170,898	205,550	236,217	271,853	346,516	376,344	445,389	451,385	1.3	19.9	30.3
Public sector[3]	8,381	16,040	31,649	34,019	45,410	48,340	67,151	69,143	108,106	115,954	133,181	134,941	1.3	16.4	24.8
Private sector[3]	59,698	74,951	83,000	100,809	123,431	155,048	166,378	199,278	235,779	257,595	308,686	312,889	1.4	21.5	32.7
Current account	11,462	15,071	18,219	23,487	26,900	35,245	39,619	45,752	55,459	61,306	71,996	72,761	1.1	18.7	31.2
Savings account	10,523	16,809	23,866	29,078	36,442	47,109	50,966	62,807	72,158	82,575	100,372	101,841	1.5	23.3	41.1
Time deposits	19,080	33,285	34,944	42,822	54,338	65,952	69,484	83,967	99,238	104,492	125,418	127,345	1.5	21.9	28.3
CEDRO	12,328	3,217	1,046	17	13	0	0	0	0	0	0	0	-	-	-
Other netted liabilities due to financial intermediation	75,737	61,690	64,928	52,072	46,037	46,225	57,662	52,114	55,493	60,029	72,804	67,534	-7.2	12.5	21.7
Interbanking obligations	1,649	1,317	1,461	2,164	4,578	4,310	3,895	3,251	4,052	4,201	5,804	6,771	16.7	61.2	67.1
BCRA lines	27,837	27,491	27,726	17,005	7,686	2,362	1,885	270	202	262	913	1,387	52.0	428.6	585.7
Outstanding bonds	9,096	6,675	7,922	6,548	6,603	6,938	5,984	5,033	4,138	3,432	6,418	6,707	4.5	95.4	62.1
Foreign lines of credit	25,199	15,196	8,884	4,684	4,240	3,864	4,541	3,369	3,677	3,897	5,307	5,543	4.5	42.3	50.8
Other	11,955	11,012	18,934	21,671	22,930	28,752	41,357	40,191	43,424	48,236	54,361	47,124	-13.3	-2.3	8.5
Subordinated debts	3,712	2,028	1,415	1,381	1,642	1,672	1,763	1,922	1,951	2,165	1,894	1,938	2.3	-10.5	-0.7
Other liabilities	6,997	6,569	5,685	5,099	6,792	7,695	9,740	13,159	13,906	14,213	14,820	14,688	-0.9	3.3	5.6
Net worth	**26,086**	**21,950**	**23,879**	**26,918**	**33,014**	**36,819**	**41,380**	**48,335**	**53,608**	**57,552**	**63,773**	**64,559**	**1.2**	**12.2**	**20.4**
Memo															
Netted assets	185,356	184,371	202,447	208,275	244,791	280,336	321,075	364,726	445,053	482,532	566,556	575,171	1.5	19.2	29.2
Consolidated netted assets	181,253	181,077	198,462	203,286	235,845	271,652	312,002	357,118	435,568	472,934	554,729	562,220	1.4	18.9	29.1

([1]) Includes margin accounts with the BCRA. ([2]) Booked value from balance sheet (it includes all the counterparts). ([3]) Does not include accrual on interest or CER.

Source: BCRA

Statistics annex | Financial system (cont.)

Chart 3 | Profitability Structure

Amount in million of pesos	Annual									First 9 months		Monthly			Last
	2002[1]	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2010**	**2011**	**Jul-11**	**Aug-11**	**Sep-11**	**12 months**
Financial margin	13,991	1,965	6,075	9,475	13,262	15,134	20,462	28,937	35,490	25,198	29,300	3,683	3,815	2,599	39,592
Net interest income	-3,624	-943	1,753	3,069	4,150	5,744	9,573	14,488	17,963	12,952	17,189	2,106	2,119	2,244	22,200
CER and CVS adjustments	8,298	2,315	1,944	3,051	3,012	2,624	2,822	1,196	2,434	1,801	1,310	147	128	154	1,943
Foreign exchange price adjustments	5,977	-890	866	751	944	1,357	2,307	2,588	2,100	1,607	2,271	304	386	151	2,765
Gains on securities	3,639	1,962	1,887	2,371	4,923	5,144	4,398	11,004	13,449	9,195	9,006	1,152	1,182	218	13,261
Other financial income	-299	-480	-375	233	235	264	1,362	-339	-457	-357	-477	-25	0	-168	-577
Service income margin	4,011	3,415	3,904	4,781	6,243	8,248	10,870	13,052	16,089	11,583	15,442	1,778	1,886	1,926	19,948
Loan loss provisions	-10,007	-2,089	-1,511	-1,173	-1,198	-1,894	-2,839	-3,814	-3,267	-2,374	-2,584	-330	-301	-330	-3,477
Operating costs	-9,520	-7,760	-7,998	-9,437	-11,655	-14,634	-18,767	-22,710	-28,756	-20,640	-26,274	-3,007	-3,120	-3,156	-34,390
Tax charges	-691	-473	-584	-737	-1,090	-1,537	-2,318	-3,272	-4,120	-2,895	-4,159	-484	-518	-508	-5,384
Adjust. to the valuation of gov. securities[2]	0	-701	-320	-410	-752	-837	-1,757	-262	-214	-185	-264	-23	-24	-25	-293
Amort. payments for court-ordered releases	0	-1,124	-1,686	-1,867	-2,573	-1,922	-994	-703	-635	-461	-203	-21	-23	-24	-377
Other	-3,880	1,738	1,497	1,729	2,664	2,380	1,441	918	2,079	1,230	2,359	264	225	404	3,209
Monetary results	-12,558	69	0	0	0	0	0	0	0	0	0	0	0	0	0
Total results before tax[3]	-18,653	-4,960	-623	2,360	4,901	4,938	6,100	12,145	16,665	11,455	13,617	1,859	1,941	886	18,827
Income tax	-509	-305	-275	-581	-595	-1,032	-1,342	-4,226	-4,904	-3,715	-4,085	-644	-675	-258	-5,275
ROA[3]	**-19,162**	**-5,265**	**-898**	**1,780**	**4,306**	**3,905**	**4,757**	**7,920**	**11,761**	**7,740**	**9,531**	**1,215**	**1,266**	**629**	**13,552**
ROA adjusted[4]	-	-3,440	1,337	4,057	7,631	6,665	7,508	8,885	12,610	8,387	9,998	1,259	1,313	678	14,222
Annualized indicators - As % of netted assets															
Financial margin	6.5	1.1	3.1	4.6	5.8	5.7	6.7	8.6	8.5	8.3	7.4	8.0	8.1	5.5	7.7
Net interest income	-1.7	-0.5	0.9	1.5	1.8	2.2	3.1	4.3	4.3	4.3	4.3	4.6	4.5	4.7	4.3
CER and CVS adjustments	3.9	1.3	1.0	1.5	1.3	1.0	0.9	0.4	0.6	0.6	0.3	0.3	0.3	0.3	0.4
Foreign exchange price adjustments	2.8	-0.5	0.4	0.4	0.4	0.5	0.8	0.8	0.5	0.5	0.6	0.7	0.8	0.3	0.5
Gains on securities	1.7	1.1	1.0	1.2	2.2	1.9	1.4	3.3	3.2	3.0	2.3	2.5	2.5	0.5	2.6
Other financial income	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.4	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.4	-0.1
Service income margin	1.9	1.9	2.0	2.3	2.7	3.1	3.6	3.9	3.8	3.8	3.9	3.9	4.0	4.1	3.9
Loan loss provisions	-4.7	-1.1	-0.8	-0.6	-0.5	-0.7	-0.9	-1.1	-0.8	-0.8	-0.7	-0.7	-0.6	-0.7	-0.7
Operating costs	-4.4	-4.2	-4.1	-4.6	-5.1	-5.5	-6.1	-6.7	-6.9	-6.8	-6.6	-6.6	-6.7	-6.6	-6.7
Tax charges	-0.3	-0.3	-0.3	-0.4	-0.5	-0.6	-0.8	-1.0	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.0
Adjust. to the valuation of gov. securities[2]	0.0	-0.4	-0.2	-0.2	-0.3	-0.3	-0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Amort. payments for court-ordered releases	0.0	-0.6	-0.9	-0.9	-1.1	-0.7	-0.3	-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	-0.1
Other	-1.8	0.9	0.8	0.8	1.2	0.9	0.5	0.3	0.5	0.4	0.6	0.6	0.5	0.8	0.6
Monetary results	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total results before tax[3]	-8.7	-2.7	-0.3	1.1	2.2	1.9	2.0	3.6	4.0	3.8	3.4	4.1	4.1	1.9	3.7
Income tax	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.4	-1.3	-1.2	-1.2	-1.0	-1.4	-1.4	-0.5	-1.0
ROA[3]	**-8.9**	**-2.9**	**-0.5**	**0.9**	**1.9**	**1.5**	**1.6**	**2.3**	**2.8**	**2.6**	**2.4**	**2.7**	**2.7**	**1.3**	**2.6**
ROA adjusted[4]	-8.9	-1.9	0.7	2.0	3.4	2.5	2.5	2.6	3.0	2.8	2.5	2.7	2.8	1.4	2.8
ROE before tax [3]	*-57.6*	*-21.4*	*-2.9*	*9.3*	*16.2*	*13.9*	*17.2*	*29.5*	*34.5*	*32.5*	*32.1*	*38.5*	*39.3*	*17.7*	*34.0*
ROE [3]	*-59.2*	*-22.7*	*-4.2*	*7.0*	*14.3*	*11.0*	*13.4*	*19.2*	*24.4*	*22.0*	*22.5*	*25.1*	*25.6*	*12.6*	*24.5*

(1) Data at December 2002 currency (2) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.
(3) As of January 2008, data to calculate financial system consolidated result is available. This indicator excludes results and asset headings related to shares and participation in other local financial entities.
(4) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.
Source: BCRA

Chart 4 | Portfolio Quality

As percentage	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Sep 10	Dec 10	Aug 11	Sep 11
Non-performing loans (overall)	**18.1**	**17.7**	**10.7**	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**2.2**	**1.8**	**1.4**	**1.3**
Provisions / Non-performing loans	72.3	76.8	97.8	115.3	108.2	115.2	117.0	115.3	135.3	147.7	168.9	174.9
(Total non-perfoming - Provisions) / Overall financing	5.0	4.1	0.2	-0.8	-0.3	-0.4	-0.5	-0.5	-0.8	-0.9	-0.9	-0.9
(Total non-perfoming - Provisions) / Net worth	18.2	13.3	0.8	-2.6	-0.9	-1.6	-1.8	-1.7	-3.1	-3.6	-4.5	-4.6
Non-performing loans to the non-financial private sector	**38.6**	**33.5**	**18.6**	**7.6**	**4.5**	**3.2**	**3.1**	**3.5**	**2.5**	**2.1**	**1.6**	**1.4**
Provisions / Non-performing loans	73.8	79.0	96.9	114.8	107.6	114.4	116.4	111.8	130.7	142.8	163.4	169.0
(Total non-perfoming - Provisions) / Overall financing	10.1	7.0	0.6	-1.1	-0.3	-0.5	-0.5	-0.4	-0.8	-0.9	-1.0	-1.0
(Total non-perfoming - Provisions) / Net worth	16.6	11.5	1.1	-2.5	-0.8	-1.5	-1.7	-1.3	-2.7	-3.2	-4.1	-4.3

Source: BCRA

Statistics annex | Private banks

Chart 5 | Financial Soundness Indicators (see Metodology)

As %	2002	2003	2004	2005	2006	2007	2008	2009	Sep 2010	2010	Aug 2011	Sep 2011
1.- Liquidity	24.8	27.6	29.2	21.5	23.7	25.7	34.1	29.8	27.6	26.0	27.0	25.3
2.- Credit to the public sector	50.0	47.7	41.6	28.5	16.3	9.5	6.3	6.1	4.9	4.4	3.4	3.3
3.- Credit to the private sector	22.4	19.9	22.5	31.1	37.9	46.6	44.0	43.3	47.2	50.3	52.8	55.1
4.- Private non-performing loans	37.4	30.4	15.3	6.3	3.6	2.5	2.8	3.3	2.4	2.0	1.5	1.4
5.- Net worth exposure to the private sector	19.1	12.9	3.6	-0.4	-1.4	-2.0	-1.8	-1.6	-2.7	-3.4	-4.4	-4.5
6.- ROA	-11.3	-2.5	-1.0	0.5	2.2	1.6	1.9	3.0	3.0	3.2	2.7	2.5
7.- ROE	-79.0	-19.1	-8.1	4.1	15.3	10.9	15.2	22.9	22.9	24.5	23.2	21.5
8.- Efficiency	168	93	115	136	158	152	166	195	175	176	173	169
9.- Capital compliance	-	14.0	15.1	17.8	18.6	19.2	18.3	22.6	20.6	20.4	17.6	17.1
10.- Capital compliance Tier 1	-	-	14.7	16.1	15.3	16.7	14.9	17.2	16.8	15.2	14.3	13.9
11.- Excess capital compliance	-	88.2	157.1	155.0	115.8	86.9	86.4	121.3	103.1	100.4	77.0	71.7

Source: BCRA

Chart 6 | Balance Sheet

In million of current pesos	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Sep 10	Dec 10	Aug 11	Sep 11	Change (in%) Last month	Change (in%) 2011	Change (in%) Last 12 months
Assets	**118,906**	**116,633**	**128,065**	**129,680**	**152,414**	**175,509**	**208,888**	**229,549**	**266,473**	**280,025**	**341,129**	**339,324**	**-0.5**	**21.2**	**27.3**
Cash disposal[1]	11,044	14,500	15,893	14,074	22,226	29,418	37,044	43,562	48,418	49,730	57,749	58,570	1.4	17.8	21.0
Public bonds	19,751	22,260	24,817	29,966	27,663	24,444	29,552	47,949	47,995	48,903	49,887	44,833	-10.1	-8.3	-6.6
Lebac/Nobac	-	-	8,359	15,227	15,952	17,684	23,457	31,575	33,025	34,422	35,844	31,408	-12.4	-8.8	-4.9
Portfolio	-	-	5,611	12,899	14,220	15,639	12,858	27,413	29,199	31,148	27,117	26,986	-0.5	-13.4	-7.6
Repo[2]	-	-	2,749	2,328	1,732	2,045	10,598	4,161	3,826	3,274	8,726	4,422	-49.3	35.1	15.6
Private bonds	273	172	333	307	683	310	127	233	185	184	181	130	-27.9	-29.1	-29.4
Loans	51,774	47,017	50,741	56,565	69,294	88,898	98,529	101,722	128,048	143,202	182,623	190,223	4.2	32.8	48.6
Public sector	25,056	23,571	21,420	15,954	10,036	6,413	6,249	1,694	1,516	1,625	1,319	1,316	-0.2	-19.0	-13.2
Private sector	26,074	22,816	28,213	39,031	55,632	78,587	88,426	96,790	122,731	137,308	175,365	182,159	3.9	32.7	48.4
Financial sector	644	630	1,107	1,580	3,626	3,898	3,854	3,238	3,801	4,270	5,940	6,748	13.6	58.0	77.5
Provisions over loans	-7,463	-5,225	-3,717	-2,482	-2,227	-2,365	-2,871	-3,653	-3,804	-3,926	-4,260	-4,280	0.5	9.0	12.5
Other netted credits due to financial intermediation	27,212	22,148	25,753	16,873	18,387	17,084	25,265	21,258	25,282	20,241	29,912	23,765	-20.6	17.4	-6.0
Corporate bonds and subordinated debt	1,514	1,394	829	675	618	430	699	734	731	757	969	947	-2.3	25.1	29.5
Unquoted trusts	6,205	3,571	2,362	2,444	2,982	3,456	3,869	4,198	4,060	4,500	4,513	4,851	7.5	7.8	19.5
Compensation receivable	15,971	13,812	14,657	5,575	760	377	357	16	0	0	0	0	-	-	-
Other	3,523	3,370	7,905	8,179	14,027	12,822	20,339	16,311	20,491	14,984	24,430	17,967	-26.5	19.9	-12.3
Leasing	553	387	592	1,356	2,126	3,149	3,451	2,569	3,071	3,519	4,691	4,969	5.9	41.2	61.8
Shares in other companies	3,123	2,791	1,892	2,416	4,042	3,762	4,538	4,067	4,885	4,934	5,457	5,555	1.8	12.6	13.7
Fixed assets and miscellaneous	5,198	4,902	4,678	4,575	4,677	4,685	4,926	5,096	5,460	5,808	6,290	6,371	1.3	9.7	16.7
Foreign branches	-109	-136	-53	-148	-139	-154	-178	-202	-216	-215	-231	-232	0.4	8.2	7.5
Other assets	7,549	7,816	7,137	6,178	5,682	6,277	8,505	6,946	7,150	7,646	8,829	9,418	6.7	23.2	31.7
Liabilities	**103,079**	**101,732**	**113,285**	**112,600**	**131,476**	**152,153**	**182,596**	**198,438**	**232,651**	**243,766**	**302,343**	**300,192**	**-0.7**	**23.1**	**29.0**
Deposits	44,445	52,625	62,685	75,668	94,095	116,719	135,711	154,387	184,388	198,662	241,016	244,432	1.4	23.0	32.6
Public sector[3]	1,636	3,077	6,039	6,946	7,029	7,564	19,600	17,757	25,674	23,598	32,749	32,292	-1.4	36.8	25.8
Private sector[3]	38,289	47,097	55,384	67,859	85,714	107,671	114,176	134,426	157,204	173,203	206,035	209,827	1.8	21.1	33.5
Current account	8,905	11,588	13,966	17,946	20,604	27,132	30,188	35,127	41,409	46,297	53,110	53,629	1.0	15.8	29.5
Savings account	6,309	10,547	14,842	18,362	23,165	30,169	32,778	40,999	46,249	53,085	65,513	66,830	2.0	25.9	44.5
Time deposit	11,083	18,710	22,729	27,736	38,043	45,770	46,990	54,058	63,422	67,568	79,711	81,675	2.5	20.9	28.8
CEDRO	9,016	2,409	798	3	1	0	0	0	0	0	0	0	-	-	-
Other netted liabilities due to financial intermediation	49,341	42,367	45,083	32,349	31,750	29,323	39,298	34,235	38,573	34,427	50,318	44,392	-11.8	28.9	15.1
Interbanking obligations	836	726	1,070	1,488	3,383	1,979	1,160	1,668	2,037	1,903	2,386	2,742	15.0	44.1	34.6
BCRA lines	16,624	17,030	17,768	10,088	3,689	675	649	41	36	57	302	382	26.3	571.7	973.1
Outstanding bonds	9,073	6,674	7,922	6,548	6,413	6,686	5,672	4,626	3,753	2,802	5,087	5,258	3.4	87.7	40.1
Foreign lines of credit	15,434	9,998	5,444	2,696	2,249	1,833	2,261	1,262	1,585	1,716	3,120	3,336	6.9	94.4	110.5
Other	7,374	7,939	12,878	11,530	16,015	18,150	29,555	26,638	31,162	27,949	39,423	32,673	-17.1	16.9	4.8
Subordinated debts	3,622	1,850	1,304	1,319	1,642	1,668	1,759	1,918	1,933	2,148	1,877	1,921	2.3	-10.6	-0.6
Other liabilities	5,671	4,890	4,213	3,264	3,989	4,443	5,828	7,897	7,757	8,528	9,132	9,447	3.4	10.8	21.8
Net worth	**15,827**	**14,900**	**14,780**	**17,080**	**20,938**	**23,356**	**26,292**	**31,111**	**33,822**	**36,259**	**38,786**	**39,132**	**0.9**	**7.9**	**15.7**
Memo															
Netted assets	117,928	115,091	121,889	123,271	143,807	166,231	192,074	216,100	248,817	267,364	319,749	324,881	1.6	21.5	30.6

([1]) Includes margin accounts with the BCRA. ([2]) Booked value from balance sheet (it includes all the counterparts). ([3]) Does not include accrual on interest or CER.
Source: BCRA

Statistics annex | Private banks (cont.)

Chart 7 | Profitability Structure

Amount in million of pesos	Annual									First 9 months		Monthly			Last
	2002[1]	2003	2004	2005	2006	2007	2008	2009	2010	2010	2011	Jul-11	Aug-11	Sep-11	12 months
Financial margin	10,628	2,575	3,415	5,253	7,778	8,960	12,964	19,724	21,837	15,612	18,215	2,339	2,396	1,544	24,441
Net interest income	-304	107	1,214	2,069	2,826	4,191	7,727	10,572	12,842	9,142	12,907	1,556	1,600	1,670	16,608
CER and CVS adjustments	1,476	1,082	900	1,215	858	662	651	185	244	244	218	24	26	25	218
Foreign exchange price adjustments	6,189	-312	666	576	740	990	1,620	1,646	1,493	1,107	1,572	195	239	168	1,957
Gains on securities	3,464	1,892	959	1,259	3,154	2,888	1,637	7,343	7,464	5,284	3,806	566	502	-170	5,986
Other financial income	-197	-195	-322	134	199	229	1,329	-22	-205	-166	-288	-2	29	-149	-327
Service income margin	2,782	2,341	2,774	3,350	4,459	5,881	7,632	9,198	11,345	8,200	10,960	1,259	1,358	1,388	14,104
Loan loss provisions	-6,923	-1,461	-1,036	-714	-737	-1,174	-1,863	-2,751	-2,253	-1,567	-1,827	-235	-220	-229	-2,513
Operating costs	-6,726	-5,310	-5,382	-6,303	-7,741	-9,735	-12,401	-14,807	-18,819	-13,617	-17,268	-1,963	-2,027	-2,077	-22,470
Tax charges	-512	-366	-393	-509	-769	-1,105	-1,715	-2,380	-2,927	-2,075	-3,003	-354	-370	-382	-3,856
Adjust. to the valuation of gov. securities[2]	0	-665	-51	-201	-170	-100	-267	0	47	24	-40	0	0	0	-17
Amort. payments for court-ordered releases	0	-791	-1,147	-1,168	-1,182	-1,466	-688	-367	-441	-315	-92	-9	-10	-11	-217
Other	-4,164	1,178	846	1,156	1,641	1,576	916	398	1,382	933	1,304	71	100	224	1,753
Monetary results	-10,531	-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Total results before tax[3]	-15,447	-2,518	-973	865	3,279	2,836	4,579	9,014	10,171	7,195	8,249	1,108	1,226	457	11,225
Income tax	-337	-295	-202	-217	-365	-380	-1,168	-3,001	-2,733	-2,093	-2,762	-382	-414	-209	-3,402
ROA[3]	**-15,784**	**-2,813**	**-1,176**	**648**	**2,915**	**2,457**	**3,412**	**6,014**	**7,438**	**5,103**	**5,488**	**726**	**812**	**248**	**7,823**
ROA adjusted[4]	-	-1,357	252	2,016	4,267	4,023	4,367	6,381	7,832	5,393	5,619	735	822	259	8,058
Annualized indicators - As % of netted assets															
Financial margin	7.6	2.3	2.9	4.3	5.9	5.8	7.3	9.8	9.3	9.2	8.3	9.2	9.1	5.8	8.6
Net interest income	-0.2	0.1	1.0	1.7	2.1	2.7	4.4	5.3	5.5	5.4	5.8	6.1	6.1	6.2	5.8
CER and CVS adjustments	1.1	0.9	0.8	1.0	0.6	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Foreign exchange price adjustments	4.4	-0.3	0.6	0.5	0.6	0.6	0.9	0.8	0.6	0.7	0.7	0.8	0.9	0.6	0.7
Gains on securities	2.5	1.7	0.8	1.0	2.4	1.9	0.9	3.7	3.2	3.1	1.7	2.2	1.9	-0.6	2.1
Other financial income	-0.1	-0.2	-0.3	0.1	0.2	0.1	0.8	0.0	-0.1	-0.1	-0.1	0.0	0.1	-0.6	-0.1
Service income margin	2.0	2.0	2.4	2.7	3.4	3.8	4.3	4.6	4.8	4.8	5.0	5.0	5.1	5.2	4.9
Loan loss provisions	-5.0	-1.3	-0.9	-0.6	-0.6	-0.8	-1.1	-1.4	-1.0	-0.9	-0.8	-0.9	-0.8	-0.9	-0.9
Operating costs	-4.8	-4.6	-4.6	-5.1	-5.9	-6.3	-7.0	-7.4	-8.0	-8.0	-7.8	-7.7	-7.7	-7.8	-7.9
Tax charges	-0.4	-0.3	-0.3	-0.4	-0.6	-0.7	-1.0	-1.2	-1.2	-1.2	-1.4	-1.4	-1.4	-1.4	-1.4
Adjust. to the valuation of gov. securities[2]	0.0	-0.6	0.0	-0.2	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amort. payments for court-ordered releases	0.0	-0.7	-1.0	-1.0	-0.9	-0.9	-0.4	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	-0.1
Other	-3.0	1.0	0.7	0.9	1.2	1.0	0.5	0.2	0.6	0.5	0.6	0.3	0.4	0.8	0.6
Monetary results	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total results before tax[3]	-11.1	-2.2	-0.8	0.7	2.5	1.8	2.6	4.5	4.3	4.2	3.7	4.4	4.7	1.7	3.9
Income tax	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.7	-1.5	-1.2	-1.2	-1.3	-1.5	-1.6	-0.8	-1.2
ROA[3]	**-11.3**	**-2.5**	**-1.0**	**0.5**	**2.2**	**1.6**	**1.9**	**3.0**	**3.2**	**3.0**	**2.5**	**2.9**	**3.1**	**0.9**	**2.7**
ROA adjusted[4]	-11.3	-1.2	0.2	1.6	3.2	2.6	2.5	3.2	3.3	3.2	2.5	2.9	3.1	1.0	2.8
ROE before tax [3]	*-77.3*	*-17.1*	*-6.7*	*5.5*	*17.2*	*12.6*	*20.4*	*34.4*	*33.5*	*32.3*	*32.3*	*38.3*	*41.5*	*15.4*	*33.4*
ROE [3]	*-79.0*	*-19.1*	*-8.1*	*4.1*	*15.3*	*10.9*	*15.2*	*22.9*	*24.5*	*22.9*	*21.5*	*25.1*	*27.5*	*8.3*	*23.3*

(1) Data at December 2002 currency (2) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.
(3) As of January 2008, data to calculate financial system consolidated result is available. This indicator excludes results and asset headings related to shares and participation in other local financial entities.
(4) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.
Source: BCRA

Chart 8 | Portfolio Quality

As percentage	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Sep 10	Dec 10	Aug 11	Sep 11
Non-performing loans (overall)	**19.8**	**15.7**	**8.9**	**4.4**	**2.9**	**2.2**	**2.5**	**3.1**	**2.3**	**1.9**	**1.4**	**1.3**
Provisions / Non-performing loans	71.3	73.0	89.2	102.7	114.2	123.4	118.5	115.9	130.2	143.5	165.0	168.9
(Total non-perfoming - Provisions) / Overall financing	5.7	4.2	1.0	-0.1	-0.4	-0.5	-0.5	-0.5	-0.7	-0.8	-0.9	-0.9
(Total non-perfoming - Provisions) / Net worth	20.1	14.4	3.4	-0.4	-1.4	-2.1	-1.9	-1.7	-2.7	-3.4	-4.5	-4.6
Non-performing loans to the non-financial private sector	**37.4**	**30.4**	**15.3**	**6.3**	**3.6**	**2.5**	**2.8**	**3.3**	**2.4**	**2.0**	**1.5**	**1.4**
Provisions / Non-performing loans	72.2	75.0	88.3	102.4	113.9	122.7	118.0	115.1	129.9	143.0	163.8	167.7
(Total non-perfoming - Provisions) / Overall financing	10.4	7.6	1.8	-0.1	-0.5	-0.6	-0.5	-0.5	-0.7	-0.9	-0.9	-0.9
(Total non-perfoming - Provisions) / Net worth	19.1	12.9	3.6	-0.4	-1.4	-2.0	-1.8	-1.6	-2.7	-3.4	-4.4	-4.5

Source: BCRA