Report on Banks

AUGUST 2005

Central Bank of Argentina

Year II - No. 12

Contents

Note: This report contains information from August 2005 balance sheets available on 14/10/05. Description centers mainly on the behavior of the main financial variables for the private bank aggregate (including breakdowns by uniform sub-groups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

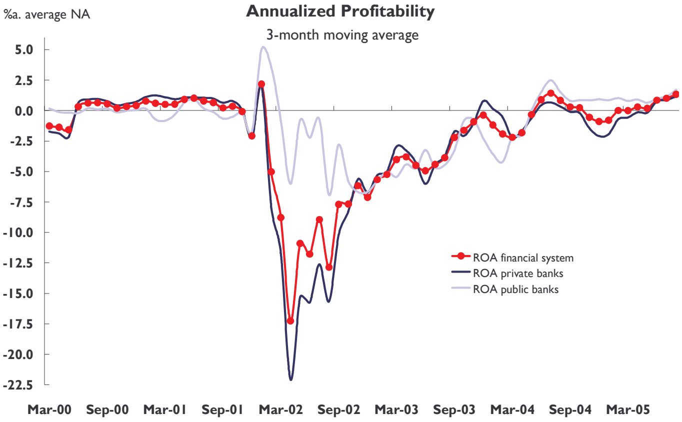
Published on October 18, 2005

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

Summary

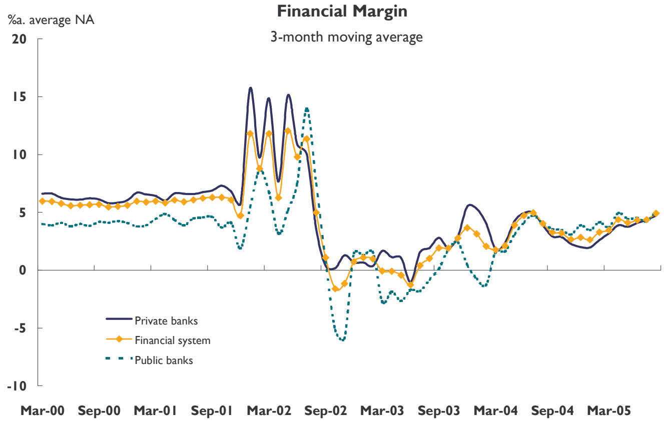
- **In the last 12 months the panorama for the financial sector has changed significantly, with notable progress in the revitalizing of financial intermediation, improved asset quality and the normalizing of financial system liabilities, in addition to the recovery in its profitability and solvency. However, the normalization of the financial system is still an ongoing process.**
- **Higher private sector loans in August (3%, for a total variation of 36%a. for 2005) were responsible for an increase of 0.3% (4.1%a.) in the assets of the consolidated financial system**.
- Quality of the private sector lending by the financial system continues to improve. **Delinquency fell to a level of 11.6%** (0.7 p.p. lower than in the previous month and 7 p.p. less than in December 2004), while coverage by provisions rose to 113%.
- **Exposure of the financial system to the public sector dropped 1.1 p.p. in August to 33.3% of assets, recording a drop of over 6 p.p. during 2005. The monthly m**ovement was led by private banks, which lowered their exposure by almost 2 p.p. (to 31.1% of assets).
- **In August the balance sheet total for deposits in the consolidated financial system recorded a rise of 0.8% (10.1%a.).** Unlike the previous month, **this growth was led by deposits from the private sector (up 0.9% or 12%a.), driven by time deposits (which increased 2.7% or 37.4%a.).**
- Progress continued to be made on the normalizing of financial system liabilities during August, as banks further reduced their obligations with the Central Bank from rediscounts granted at the recent crisis. This month **one large private bank prepaid its liabilities to the Central Bank in full, while other 3 significantly lowered their outstanding debts by the same means. As a result, only 10 banks still record pending obligations.** It is expected that this trend will continue in coming months, as several institutions (both public and private) have made significant payments in September and October.
- **Private bank cash flows during the month were mainly provided by a reduction in exposure to the public sector ($2.33 billion).** Additional funds came from an increase in private and public sector deposits. **Almost 40% of the resources obtained during the month were allocated to new lending to the private sector ($1.42 billion).** The remainder was used mainly to increase holdings of liquid assets ($790 million) and LEBAC and NOBAC portfolio ($680 million).
- **In August the financial system posted a gain of $273 million or 1.6%a. of assets, accumulating a result of $890 million or 0.7%a. of assets in 2005 to date**. While public banks accrued profits for the month totaling $153 million, or 2.3%a. of assets (with total profits of $610 million or 1.1%a. in 2005), private banks recorded a profit of $141 million or 1.4%a. of their assets (taking profits for the year to date to $280 million or 0.3%a.).
- The monthly improvement in private bank profitability was a reflection of a certain drop in operating costs and loan loss charges, increased interest income, and positive exchange differences, more than offsetting the reduction recorded in gains from securities. There was also an increase in sundry income (release of provisions, loan portfolio recovery, etc.).
- **Private bank solvency continued to gain strength in August, driven by the profits obtained and further injections of capital. Two private domestic institutions received capital contributions totaling $270 million. This meant that aggregate net worth of private banks rose 1.4% in August, for a total growth of 8.3% in 2005 to date**. Private bank capital compliance increased 0.4 p.p. for the month, to 16.7% of risk-weighted assets.

Chart I
Annualized Profitability
3-month moving average



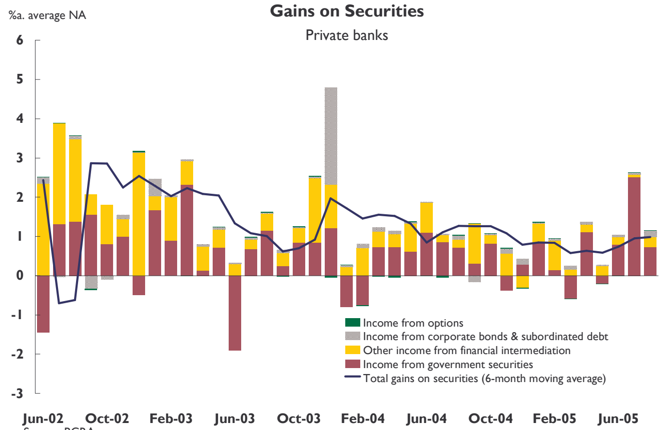
Source: BCRA

Chart 2
Financial Margin
3-month moving average



Source: BCRA

Chart 3
Gains on Securities
Private banks



Source: BCRA

Profitability:

Financial sector consolidates profits

In August the financial system recorded a profit of $273 million or 1.6% of assets on an annualized basis (a.). Having posted positive results for the fifth month in succession, a new stage in the gradual recovery in financial system profitability is being reached (see Chart 1). **The results for August are the highest so far this year, period in which profits total $890 million (0.7%a. of assets). If, with the aim of obtaining a better estimate of current profitability, the calculation were to exclude the effects of the amortization of court-ordered payments and adjustments to the valuation of government securities, adjusted accumulated results would total almost $2.38 billion (1.7%a. of assets).** Results for the first 8 months of 2005 reveal a significant improvement with regard to the same period of the previous year, when the ROA was equivalent to a loss of 0.4%a. of assets (a profit of 0.9%a. excluding court-ordered payments and valuation adjustments). Theses levels are more in line with those seen in the rest of the region, considering that in 2004 the average profitability for Latin American banks was close to 1.6%[1].

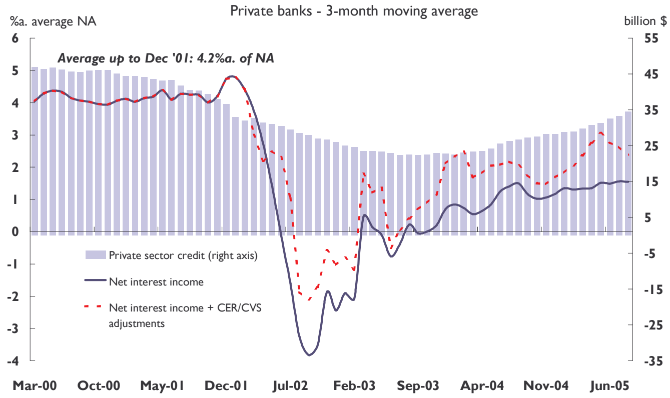
The result for the month reflects the profits obtained by both public and private banks. **The first of these sub-groups recorded profits for $153 million or 2.3%a. of assets, accumulating results for almost $610 million (1.1%a.) in 2005. In the case of private banks, August profits amounted $141 million (1.4%a. of assets), with a total of 48 financial institutions recording positive results out of a total of 60. In the year to date, private banks have accumulated profits for approximately $280 million (0.3%a. of assets),** a figure that rises to $1.16 billion (1.4%a.) if the effects of the amortization of court-ordered payments and the valuation of government securities are excluded.

The monthly improvement in the profitability of private banks was a reflection of various factors, including some reduction in the cost structure (operating costs and loan loss provisions). In the case of financial margin, **the drop in gains from securities (which was particularly high in July[2]) was partially offset by positive exchange rate differences and increased interest income** (the latter as a product of the continued recovery seen in financial intermediation). **The progress for the month also reflects an increase in sundry income,** mainly associated with the recovery of loans originally considered to be unrecoverable.

Private banks financial margin dropped to 4.9%a. in August, after having reached its highest level for 2005 in July (5.4%a. of assets). Nevertheless, this margin is still 1.3 p.p. above the level recorded in the first half of 2005 (see Chart 2, showing a moving quarterly average). **The monthly decline in the financial margin was caused by the change in gains from securities,** which after recording an

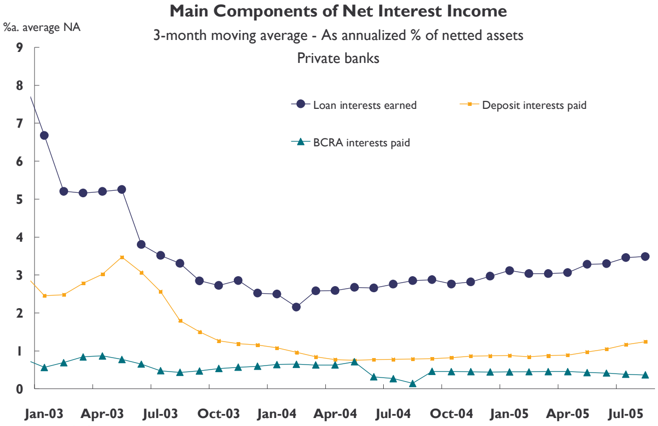
[1] Source: Global Financial Stability Report, IMF, September 2005.
[2] See Report on Banks for July 2005.

Chart 4
Net Interest Income and CER/CVS Adjustments
Private banks - 3-month moving average



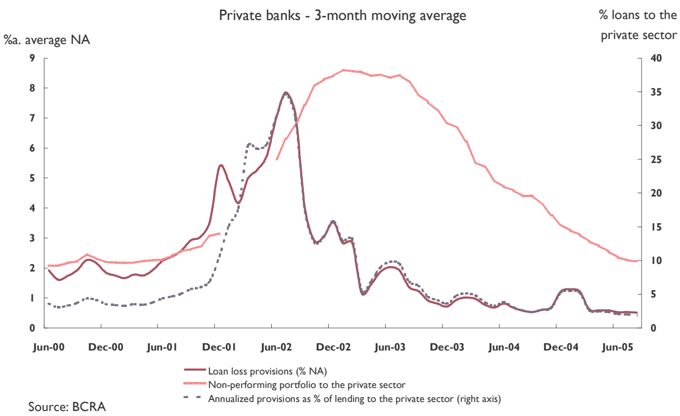
Source: BCRA

Chart 5
Main Components of Net Interest Income
3-month moving average - As annualized % of netted assets
Private banks



Source: BCRA

Chart 6
Loan Loss Provisions
Private banks - 3-month moving average



Source: BCRA

unusually high level in July (2.6%a. of private bank assets), dropped to 1.2%a. of assets in August. Although they recorded a significant volatility (see Chart 3), its level was still slightly above the average for the period January to July 2005 (1%a. of assets). **Much of the monthly drop in gains from securities was offset by gains on the revaluation of the assets and liabilities denominated in foreign currency** (recorded under Exchange Differences[3]), which rose this month by 0.8 p.p. to 1%a. of assets. In general, these variations linked to the performance of the rate of exchange have been declining steadily: in 2005 to date exchange differences have represented 0.3%a. of assets for private banks, half the level recorded during 2004. This is due to both lower exchange rate volatility and a steady reduction in exchange rate mismatching (see section on Activity).

In the case of the core components of private banks financial margin, **the sum of the results from interest and CER adjustments increased 0.2 p.p. this month (to 2.6%a. of assets), driven by interest income** (see Chart 4). This latter heading rose from 1.5%a. to 1.7%a. in August, reflecting the persistence of the trends observed in recent months: greater loan income and lower interest payments to the Central Bank more than offset the rising trend in interest expense on deposits (see Chart 5). CER adjustments remained stable at 0.9%a. of assets.

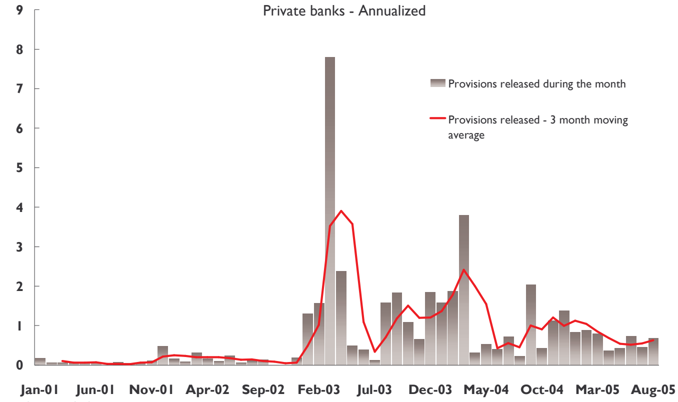
Private banks loan loss provisions dropped slightly to their lowest level in the year to date: 0.4%a. of assets. In August these charges were equivalent to 1.5%a. of the balance of lending to the private sector, standing at a relatively low level in historical terms (see Chart 6), influenced by macroeconomic context that encouraged a reduction in credit risk. The gradual decline in counterpart risk and the steady improvement in quality indicators for the portfolio of loans granted to the private sector (see section on Portfolio Quality) can also be seen from the release of provisions set up in previous years (see Chart 7) and the recovery of loans that had been written off of balance sheet in the past. The monthly increase under these headings (together with lower charges for other provisions) more than offset a certain increase in loan loss provisions for sundry loans, so that sundry income increased twofold during the month, to a level equivalent to 0.8%a. of assets for private banks. Such sundry income shows a particularly volatile behavior, however.

Income from services remained at a level of 2.9%a. of assets for private banks, 0.4 p.p. above the level reached in the first half of 2005. In this case, in addition to the marked positive trend for this line on the income statement (see Chart 8), as a result of the steady growth that has taken place in financial intermediation, in recent months there have been certain movements of a non-recurring nature centered on certain specific institutions[4]. The continued efforts by banks to expand their income base has ensured that private banks cover 53% of their operating costs with income from services, whereas at the peak of the crisis this coverage ratio was less than 40%.

[3] This heading also includes gains on the purchase and sale of foreign currency.

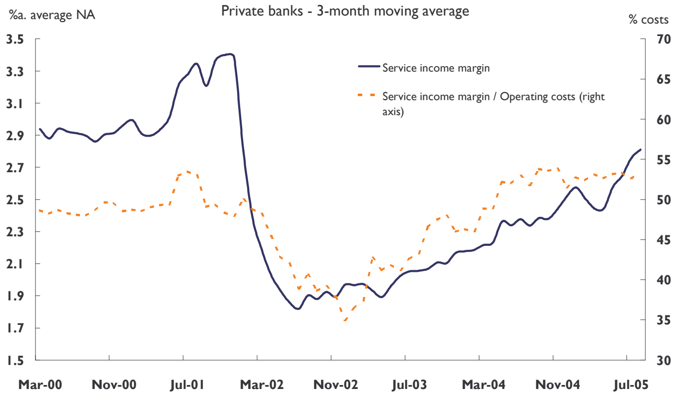
[4] For example, in August there was the case of one wholesale bank that collected commissions from the providing of financial advisory services in the debt restructuring process carried out by a corporation of the energy sector.

Chart 7
Provision Releases
Private banks - Annualized



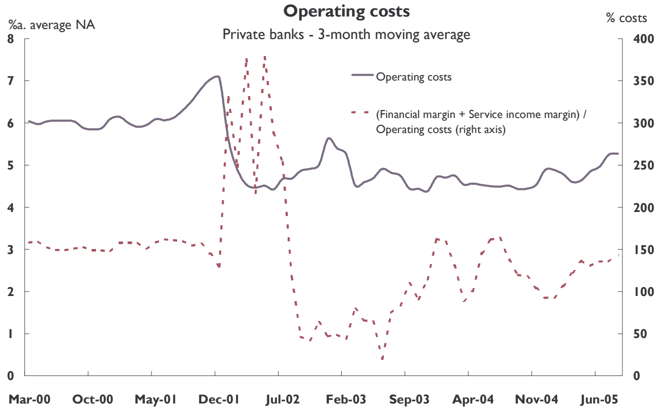
Source: BCRA

Chart 8
Service Income Margin
Private banks - 3-month moving average



Source: BCRA

Chart 9
Operating costs
Private banks - 3-month moving average



Source: BCRA

After posting several increases in recent months (reflecting both recurring factors and movements of an extraordinary nature), **in August private banks operating costs fell 0.2 p.p. to 5.2%a. of assets**. Nevertheless a certain upward trend can be detected in such expenditure, which remains almost 0.4 p.p. above the level recorded in the first half of the year. However, **given the steady increase in the income base, the ratio for the coverage of costs by income (financial margin and income from services) has gradually been recovering: in August it stood at around 150%, 20 p.p. above that recorded during the first half of the year** (see Chart 9).

The rest of the items making up private bank income statements remained stable, with a notable behavior by headings linked to the gradual recognition of the costs of the recent crisis. Whereas **the amortization of court-ordered payments represents a monthly loss of nearly 1%a. of assets for private banks (0.3 p.p. more than in the case of public institutions)**, adjustments to the valuation of government securities have recorded almost no result, in view of the schedule for gradual convergence to market prices laid down by current regulations.

Outlook for September

In line with the behavior seen in recent months, and in view of the revitalization of financial intermediation, **it is expected that during September banks will continue to rebuild their profitability, shoring up the steady improvement taking place in their solvency[5].** However, certain volatility in the monthly results would persist.

Financial margin could shrink in September, based on several factors. On the one hand, this month there has been greater exchange rate stability, witch would be reflected in a drop in exchange differences. In addition, CER adjustments will have declined, based on a lower monthly variation in the corresponding index compared with August. Interest income results are less clearly defined. Lending to the private sector continues to grow, with greater dynamism in promissory notes and personal loans (see Table 1). Although lending rates show some downward signs, the volume effect, added to gradual improvement in portfolio quality, will lead to an increase in interest income. Nevertheless, much of this increase will be offset by a rise in financial outflows, given the increase recorded by time deposits in September (although the interest rates offered did not show significant variations).

Furthermore, in view of the quarterly period-end, there could be some increase in loan loss provisions, although no significant change is expected under the remaining headings. In such a context, the bottom line for September could show a slight decline compared to the level recorded during August, although profitability is expected to remain above the levels recorded until the beginning of this year.

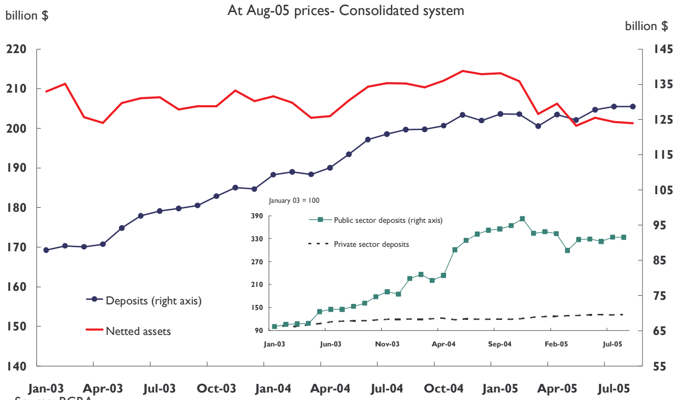
[5] For a more detailed analysis of the prospects for the development of profitability in the second half of 2005, see the latest edition of the Financial Stability Bulletin, FSB No.4 II-05, available at this Institution's website (www.bcra.gov.ar).

Table 1
Main developments in September

	Ago	Sep	Ch %
Prices			
Exchange rate ($/US$) [1]	2.91	2.91	0.1
CPI	162.89	164.79	1.2
CER [1]	1.658	1.667	0.6
			Ch (p.p.)
Average percentage rates			
Lending [2]			
Overdraft	14.0	14.0	-0.1
Promissory notes	10.5	10.1	-0.3
Mortgage	11.0	10.9	-0.1
Pledge-backed	10.3	10.1	-0.2
Personal	25.0	24.5	-0.5
30- to 44-day time deposit	4.0	4.1	0.0
1-year LEBAC in pesos, w/o CER	7.9	9.0	1.1
7 day BCRA repos	4.3	4.3	0.0
	million		Ch %
Balance[1,2] - Private banks			
Peso deposits - Private sector	55,328	60,953	10.2
Sight deposits	30,063	30,912	2.8
Time deposits	24,947	25,498	2.2
Peso loans - Private sector	28,354	29,220	3.1
Overdraft	6,809	6,803	-0.1
Promissory notes	5,944	6,612	11.2
Hipotecarios	4,978	5,001	0.5
Pledge-backed	1,081	1,106	2.4
Personal	3,081	3,275	6.3

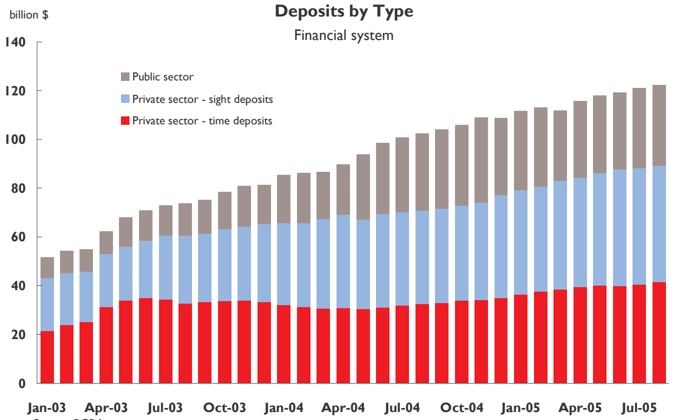
([1]) End of month figure.
([2]) Estimation based on SISCEN data (provisional data subject to change).
In million of pesos
Source: INDEC and BCRA.

Chart 10
Netted Assets and Deposits
At Aug-05 prices- Consolidated system



Source: BCRA

Chart 11
Deposits by Type
Financial system



Source: BCRA

Activity: *Significant drop in exposure to the public sector*

Financial intermediation volumes continued to show signs of recovery in August, with growths in both the stocks of private sector deposits and loans. Such movement generated an increase of 0.3% (4.1%a.) in the netted assets of the consolidated financial system (see Chart 10). In a similar manner, private bank assets recorded an increase of close to 0.5% (6.2%a.) in August, after dropping slightly in the two previous months.

Reflecting the stronger public confidence in the financial system, and slightly higher interest rates being paid on deposits, in August the balance of total deposits[6] in the financial system rose for the fifth month in a row. **The stock of total deposits in the consolidated financial system rose 0.8% (10.1%a.) this month, for total growth of close to 17.1%a. during 2005.**

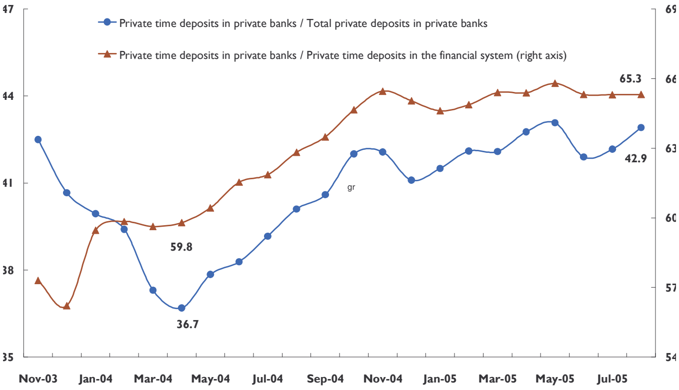
Unlike the previous month, **in August the increase in deposits was led by private sector placements (up 0.9% or 12%a.), accounting for close to 90% of the total monthly variation** (see Chart 11). **Time deposits led this movement (2.7% or 37.4%a.),** slightly offset by a decline in sight deposits (-0.2% or -2.7%a.)**. Private sector time deposits have increased by approximately 19% (29.4%a.) in 2005,** enabling a gradual growth in funding maturity of financial institutions[7]. In addition, in August public sector deposits recorded a lower relative growth (0.4% or 4.8%a.).

In August, private banks received almost two thirds of the new deposits made by corporations and households, in line with the pattern seen in recent months. In addition, given the preference demonstrated for time deposits, in August the share of such deposits in total private sector funding continued to increase (see Chart 12). This is a positive sign in relation to the availability of longer-term resources, trend that should facilitate the gradual extension of the maturities of their loans to the private sector.

Private sector CER-adjusted time deposits recorded a 3.3% (47.7%a.) increase in August. AFJPs increased their holdings of adjustable deposits in the month (see Chart 13)**, so that they account for almost 92% of their total placements**. Nevertheless, their overall deposits in the financial system continued to fall (-5%), in part because of the rising attractiveness of fixed income bond markets. Holdings of CER-adjusted deposits in pension fund portfolios have led such investors to account for 46.4% of total adjustable deposits held in the banking system.

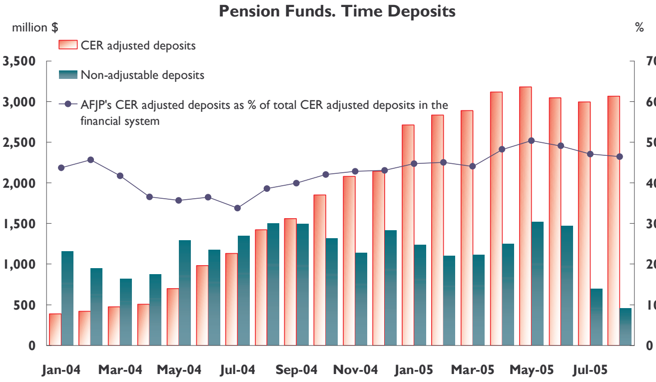
[6] Includes deposits by residents abroad and deposits of government securities, as well as total interest and adjustments accrued. Excludes deposits by the financial sector and rescheduled deposits to be exchanged for government securities.
[7] For a more detailed explanation of the development of funding maturity, see Chapter III of FSB No.4 II-05.

Chart 12
Time Deposits
Private banks



Source: BCRA

Chart 13
Pension Funds. Time Deposits



Note: Non-adjustable deposits include those from Nación AFJP classified as "Investments in regional economies"
Source: BCRA from Superintendencia de Administradoras de Fondos de Jubilaciones y Pensiones data

Table 2
Loans to the Private Sector by Group of Banks

% change based on balance sheet totals

	2005	QI 2005	Aug-05	Average share of total 2005
Public banks				
Total loans	**32**	**35**	**22**	**28**
Comerciales	82	124	27	22
Consumo	72	64	69	29
Collateralized	-1	-8	-2	41
Other	-53	-100	-20	21
Private banks				
Total loans	**38**	**47**	**51**	**69**
Commercial	52	77	47	77
Consumer	51	52	85	64
Collateralized	4	10	15	56
Other	31	11	85	79
Financial system				
Total loans	**36**	**43**	**43**	**100**
Commercial	58	87	42	100
Consumer	56	51	84	100
Collateralized	4	4	9	100
Other	8	-9	58	100

Does not include accrued interest or CER/CVS adjustments. Balance sheet totals not adjusted by transfers between loan portfolios and trust funds or by loans written off balance sheets.
The private bank group include one financial institution currently undergoing a restructuring process and under administration of a national public bank.
Loans in foreign currency expressed in pesos considering the average exchange rate for the period
Commercial loans include overdraft, acceptance of promissory notes and export credit.
Consumer loans include credit card and personal loans.
Collateralized loans include pledge-backed loans and mortgages.
Source: BCRA

The balance of loans to the private sector[8] by banks rose by 3% (43%a.), for a total increase of 36%a. during 2005 (see Table 2). In the context of a steady improvement in outlook for businesses and households, lending to the private sector will be able to growth vigorously. In August lending by private banks recorded greater dynamism (growing 3.5% or 51%a.) compared with public institutions (with an increase of 1.6% or 22%a.), while the former were responsible for 80% of the monthly increase in lending to the private sector.

Although consumer credit lines recorded a greater relative change in the month, **commercial loans accounted for almost half the growth in lending in August**. This was a result of the growing business opportunities for the manufacturing sector on both the domestic and export markets, at the same time as improved prospects for employment and wages enabled an increase in consumer lending. In August there was a significant increase in lending to households especially in the case of personal loans[9] (7% or 124%a.), with private and public banks accounting for similar shares. Credit card lending returned to growth (5.4% or 89%a.), after a temporary lull in July.

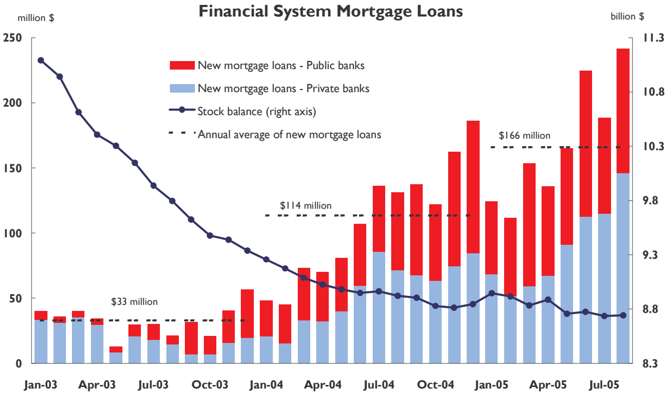
In the case of commercial loans, **the promissory notes segment recorded significant growth in August (5.2% or 83%a.)**, while current account overdrafts showed a slight drop (-0.5% or -6%a.). **Export pre-finance and finance lending maintained their dynamism in August (growing 7.6% or 142%a.), with total growth in 2005 to date close to 178%a.**

Collateralized loans again performed well in August, reflecting improvements in the car market and the lower uncertainty faced by the public when considering the possibility of medium or long-term borrowing (especially by means of mortgages). **Pledge-backed loans recorded growth of 3.9% (59%a.) during the month, while mortgage loans increased 1.1% (14%a.)[10], performing a positive variation for the third month in a row.** The increasing volumes of new loans in these lines, in both private and public banks, has gone hand-in-hand with the increased dynamism seen in the real estate market (see Chart 14).

In August the financial system exposure to the public sector[11] decreased 1.1 p.p., to 33.3% of total assets (see Chart 15), almost 10 p.p. less than 12 months earlier. The monthly change has been explained not only by the sale of securities, but also by the amortization of part of the bonds received for compensation. **Private banks have continued to lead this trend, reducing their exposure to the public sector by almost 2 p.p., to a level of 31.1% of total assets.** As a result, there has been a growing normalization of financial institution assets, and a gradual move towards compliance with regulations that establishes a 40% limit to banks exposure to public

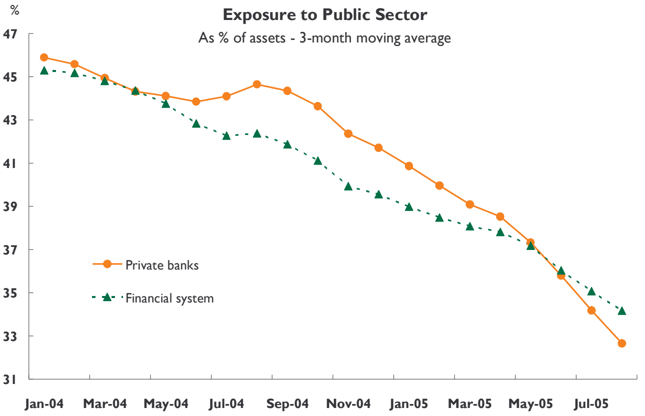
[8] Calculated according to balance sheet totals. Loans in foreign currency are stated in pesos (if balances for various months are considered an average rate of exchange is used). Interest and restatement is excluded. No adjustment is made for unrecoverable loans that have been written off the balance sheet.
[9] Adjusted for the setting up of trusts with personal loans by a group of private banks.
[10] Adjusted for the setting up of a trust with mortgage loans during the month.
[11] Exposure to the public sector includes balance sheet totals for government securities (excluding LEBAC and NOBAC), loans to the public sector, and compensation receivable.

Chart 14
Financial System Mortgage Loans



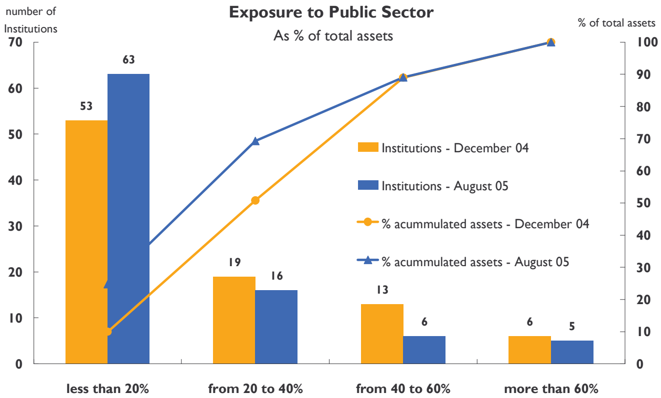
Note: Stock balance not adjusted by transfer between loan portfolios and trust funds or by loans written off balance sheet.
Source: BCRA

Chart 15
Exposure to Public Sector
As % of assets - 3-month moving average



Source: BCRA

Chart 16
Exposure to Public Sector
As % of total assets



Source: BCRA

sector since 2006 (see Chart 16). It is expected that in coming months financial institutions will continue to cut back their exposure to this sector, a behavior that will be assisted by the improvement in market prices for government securities (leading to a narrowing of the gap between market and book values[12]).

In August private banks recorded a slight drop in their foreign currency mismatching, to a level of approximately US$1.33 billion[13] (see Chart 17). Private banks assets in foreign currency fell slightly (US$20 million) during the month, reflecting the impact of a decline in lending to the public sector (particularly holdings of government securities in foreign currency), partly offset by a rise in lines for export finance and a certain increase in bank dollar liquidity held at the Central Bank. Foreign currency liabilities of private banks recorded an increase (approximately US$55 million), in view of the rise in private sector deposits in that currency, a development that was partly offset by a drop in the stock of corporate bonds issued in foreign currency.

In the case of estimated cash flows for private banks in August (see Table 3), **the source of funds was mainly explained by the reduction in lending to the public sector, accounting for an amount of close to $2.33 billion**. In addition, **the rise in private sector deposits (excluding CEDRO) as well as in those of the public sector, provided additional resources for $560 and $225 million respectively**. Capitalization by SEDESA of a financial institution in the process of being sold (for almost $130 million), as well as the sale of private sector securities held by banks ($60 million), completed the sources of funds for private banks.

Increased lending to the private sector represented the main use of funds taken by private banks in August. Approximately $1.42 billion were channeled in this direction (almost double the amount of the increase in deposits, and approximately 40% of all resources gained during the month), almost 60% more than in July and well above the average recorded during the last year and a half (almost $880 million). This behavior was in line with the growing dynamism of financial institutions when it came to lending to the private sector, mainly through the search for new customers and the development of specific niches in the local credit market.

Unlike the situation in June and July, **private sector banks increased their portfolios of liquid assets by approximately $790 million in August, giving rise to an additional use of funds.** This development was linked to an increase of approximately $1.27 billion in bank reverse repurchases with the Central Bank and a rise of $80 million under other liquid funds, partly offset by a drop of almost $560 million in minimum cash compliance accounts held by banks at this Institution[14]. This increase in liquid assets is reflected in a positive

[12] For further details see Chapter IV, FSB No.4 II-05.
[13] Branches abroad are included under foreign currency assets.
[14] This drop in minimum cash compliance mainly reflects the effect of a change in regulations by the National Securities Commission on the liquidity margin to be maintained by money market mutual funds.

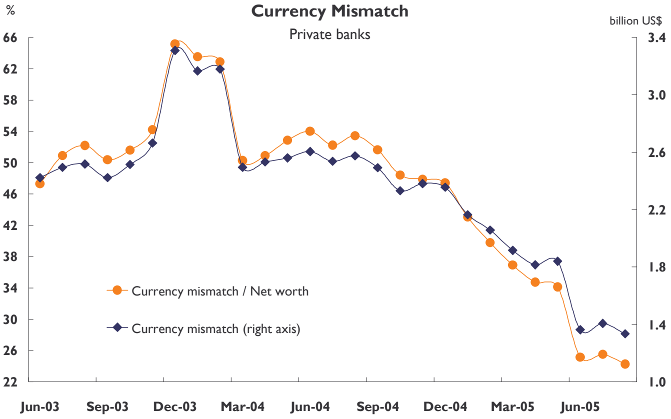
variation of 1 p.p. in the private bank liquidity indicator[15], to a level of 25.4% of deposits (see Chart 18).

Uses of resources in August were completed by an increase of $680 million in LEBAC and NOBAC holdings, payments to the Central Bank under the matching mechanism for approximately $260 million (both from regular installments and early payments by several banks), reduction in foreign bank debt (outstanding and subordinated debt, and credit lines) for almost $200 million, and the payment of the last installment of the CEDROs for $140 million[16] (these being items left over from the 2001-2002 crisis). **Private banks have made disbursements for more than $3.7 billion since the matching system for repayment of rediscounts was introduced. During August, one large bank completely settled in advance its outstanding debt with the Central Bank, while another 3 banks significantly reduced their borrowing using the same mechanism. As a result, only 10 banks record debt with this Institution** (see Chart 19). In coming months it is expected that financial institutions (both public and private), will continue to speed the reduction of their liabilities to the Central Bank, in the context of a growing availability of funds from deposits taken and a reduction in exposure to the public sector. In September and October several banks have made early payments of their borrowings from the Central Bank, leading the way towards normalization of financial system liabilities.

As a result of the profits obtained by private institutions and the new capital injections that were made, in August there was an increase of 1.4% in private bank net worth, amounting a 8.3% change in 2005 to date. In August, as part of a restructuring process, one private bank received a capital contribution from SEDESA of close to $130 million. In addition, another private bank that changed hands in 2005 received a capital contribution of more than $140 million from its new owner[17]. Furthermore, a number of private banks adjusted their retained earnings from pervious years downward for various reasons (including distribution of dividends and the accelerated recognition of certain losses).

Following the changes in private banks assets and net worth in August, the leverage ratio declined slightly to a level of 7.6 times (see Chart 20). In regulatory terms, **capital compliance in relation to risk-weighted assets for private banks grew 0.4 p.p. in August, to a level of 16.7%.** In view of the slight decline in capital requirements for credit risk, total capital position (compliance less requirement) increased almost 1.1 p.p. to a level of 149%.

Chart 17
Currency Mismatch
Private banks



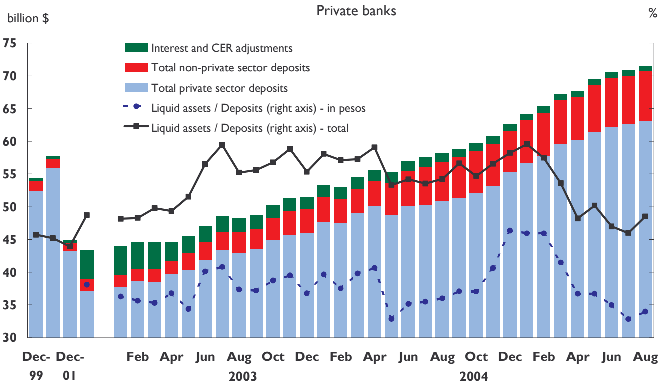
Source: BCRA

Table 3
Estimated Sources and Uses of Funds
Private banks - August 2005
million pesos

Source		Uses	
Loans to the public sector	2,330	Loans to non-financial private sector (1)	1,420
Private sector deposits(4)	560	Liquid assets (2)	790
Public sector deposits	225	LEBAC and NOBAC stocks	680
Capital injections	130	BCRA rediscounts	260
Private securities	60	O.B and S.D and foreign lines of credit	200
Other	185	CEDRO (3)	140

(1) Adjusting for credit written off from balance sheet and transfers between loan portfolios and trust funds.
(2) Minimum cash compliance (cash, current account with the BCRA and special collateral accounts), other liquid assets (with foreign branches or head offices) and reverse repos with the Central Bank
(3) Includes the difference between the deposit repayments by banks using the market exchange rate and their balance sheet value (converted at a 1.40 $/US$ rate plus CER)
(4) Excluding CEDRO.
Source: BCRA

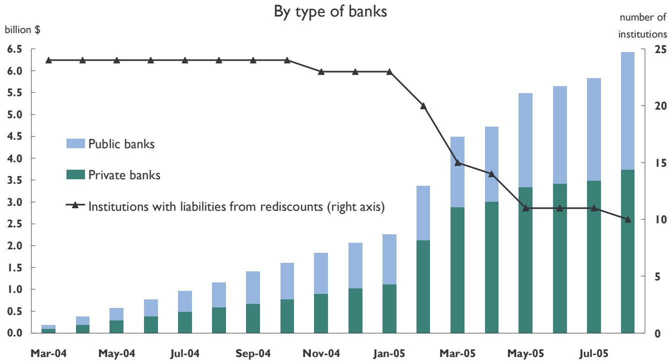
Chart 18
Deposits and Liquidity
Private banks



Source: BCRA

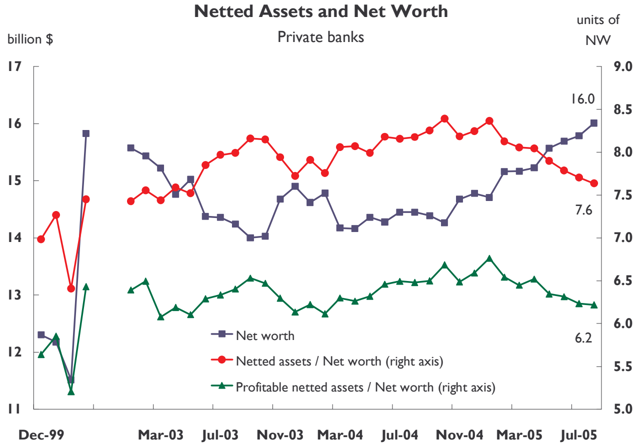
15 Defined as the sum of bank minimum liquidity requirement compliance at the Central Bank, other cash, and the balance of reverse repos by banks with the Central Bank.
16 There is still a balance of CEDROs recorded as a liability by banks, corresponding to certificates subject to court rulings.
17 For an analysis of the capital contributions received by banks from 2002 to date, see the chapter on Solvency in FSB No.4 II-05.

Chart 19
Acummulated Payments of Rediscounts
By type of banks



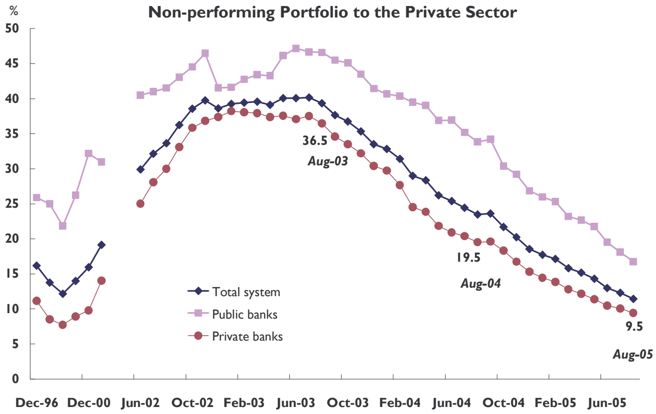
Note: Include installments paid in auctions, anticipated cancellations and current matching schedule
Source: BCRA

Chart 20
Netted Assets and Net Worth
Private banks



Source: BCRA

Chart 21
Non-performing Portfolio to the Private Sector



Source: BCRA

Portfolio quality:
Less non-performance, increased cover by provisions

In August, the quality of private sector loan portfolio maintained the positive performance seen since the middle of 2003. This performance has been consistent with the favorable macroeconomic context, which continues to have a positive influence on the financial situation of corporations and households. Not only is there a lower implicit risk in the case of new lending[18], but also, as the repayment capacity of the various economic agents has recovered, they are in a better position to bring their payments up-to-date or restructure existing loans. In this context, **during August the non-performance ratio for the financial system fell 0.7 p.p. to a level of 11.6%, accumulating a cut-back of almost 7 p.p. in 2005 to date.** The current level is almost one third of that recorded in the middle of 2003, and is close to the lowest level of the series recorded during the third quarter of 1998 (see Chart 21).

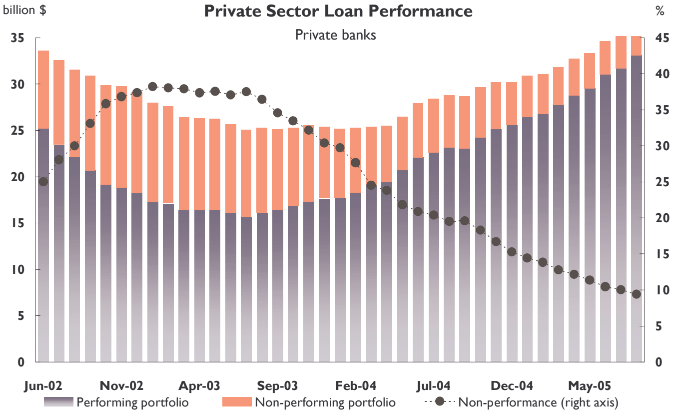
Once again, the monthly improvement in the non-performance indicators can be explained by the combined effect of a fall in the amount of loans classified as non-performing and the increase in the overall size of the portfolio. This effect was led by both private and public banks (see Chart 22). **While the former ones verified a drop of 0.5 p.p. in their non-performance (to 9.5% of their lending to the private sector), public banks recorded a drop of 0.8 p.p., to a level of** 17.3%. Although the delinquency level tends to be comparatively higher in public banks, in 2005 to date this group has showed a decline in the rate of 9.5 p.p., while in the case of private bank the accumulated drop has been 5.8 p.p. As a result, **the gap that exists between public and private bank non-performance has been declining steadily: whereas in mid-2004 it was almost 16 p.p., it has currently fallen to almost half this amount.**

In the specific case of private banks, the monthly gains reflect an improvement in both the commercial and the consumer loan portfolios (see Chart 23). Non-performance in the private banks commercial portfolio continues to record larger variations than those posted by the consumer portfolio, which in turn shows a lower delinquency level. **During August, the commercial loans portfolio of private bank exhibited a drop of 0.7 p.p. in its delinquency to 11.2%, a reduction of almost 7 p.p. in 2005. Consumer loan portfolio non-performance dropped 0.2 p.p. to 6.2%, almost 4 p.p. below its level in December last year.**

Reflecting the lower levels of non-performance being recorded, in August the total for provisions on private bank balance sheets declined. Nevertheless, as the total amount of non-performing loans posted a sharper drop, **the ratio for coverage by provisions showed by private banks increased slightly to a level of close to 102%, well above historic levels of approximately 70%** (see Chart 24). This increased coverage also took place in public banks (for which provisions currently amount to 130% of the total non-performing portfolio), so that the level of provisions for the system as a whole resulted in 113%.

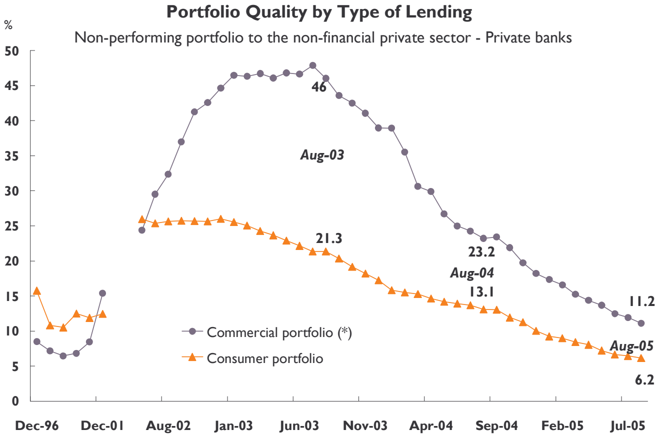
[18] For further details, see Chapter IV of FSB No.4 II-05.

Chart 22
Private Sector Loan Performance
Private banks



Source: BCRA

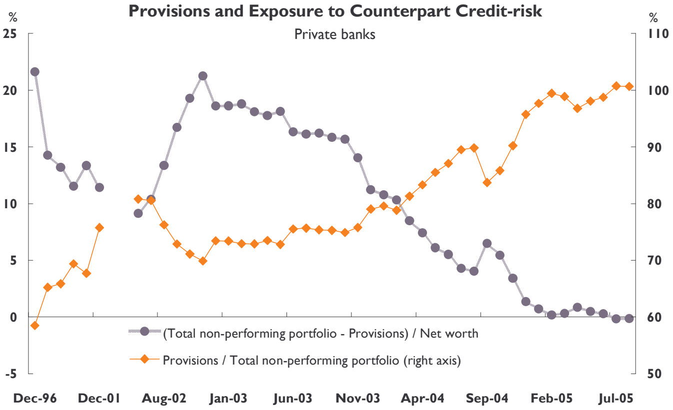
Chart 23
Portfolio Quality by Type of Lending
Non-performing portfolio to the non-financial private sector - Private banks



Source: BCRA

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

Chart 24
Provisions and Exposure to Counterpart Credit-risk
Private banks



Source: BCRA

In turn, this situation is reflected in a continuous improvement in the ratio for exposure of net worth to credit risk: the ratio of total non-performing loans not covered by provisions as a percentage of net worth remains at slightly negative levels for both private and public banks (-0.1 and –3% of net worth, respectively).

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" 4402 – 12 August 05
It has been extended to December 31, 2008, the term of the regulation allowing the capitalized amount of the differences resulting from compliance with court orders, originating in cases in which current regulations on deposits and other liabilities from financial intermediation (originally agreed in foreign currency) have been challenged, to be excluded for purposes of the limit established in the regulations on "Ratios for immobilized assets and other items".

Communication "A" 4405 – 16 August 05
As from September 1, 2006, the margin allowed for the transfer of the minimum cash requirement has been relaxed. Positions in the form of monthly averages of daily balances of the obligations involved may not be lower than 80% of the adjusted minimum cash requirement. This limit had previously been set at 90%.

Communication "A" 4406 – 17 August 05
As a result of General Resolution 481/05 issued by the CNV, which establishes that the mandatory liquidity margin defined for mutual investment funds that more than 50% of which are made up of assets valued on an accrual basis, should be deposited in current accounts opened at the Central Bank, in the name of the depository company. As from August 17, 2005, minimum cash requirements have been modified, eliminating the 100% requirement on sight deposits that were required to mutual investment funds.
Furthermore, for the calculation of the daily minimum cash requirement from August 17, 2005 to September 30, 2005, it will be necessary to exclude the amounts corresponding to the reserve requirement on sight deposits which as a minimum requirement were required to make up the assets of the mutual investment funds.

Methodology

(a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). To calculate 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. When estimating income flows, however, consideration is given exclusively to 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 writing 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. As the latest available data is always used, data related to earlier periods may not coincide with what had been previously mentioned in earlier issues of the Report. In these cases, the latter version should be considered as that of the best quality.

(c) Data on deposits and loans relate to balance sheet information and do not necessarily agree with those gathered by the centralized System of Information Requirements (SISCEN). Reasons for discrepancies include the exact date taken into account for the calculation of monthly variances 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 financial statements of the banks, or obtained on the basis of inquiries made of the supervisors of the Superintendency of Financial and Exchange Institutions.

(e) Estimates of the main sources and uses of funds: this table summarizes the aggregate principal movements of funds in the corresponding period, derived mainly from the institutions' assets and liabilities management policies. In view of the source of this information – the main variations in the aggregate balance sheet headings for the institutions aggregate – and the purpose of the table, when preparing it certain changes have been made, mainly on the ground that changes related to the revaluation of items (for exchange rate or inflation adjustments, etc.) should be eliminated, as should those related to the accrual of provisions, depreciation and amortization, changes in the way certain transactions are recorded and the elimination from the balance sheet of assets for which recovery is doubtful (with 100% provisioning). In particular, balances of foreign currency items at the end of the period are restated at the exchange rate at the beginning of the period

(f) The profitability indicators provided have been calculated on the basis of monthly results estimated on the basis of the changes in the amount of the accumulated results during the year in progress. Unless otherwise indicated, profitability ratios have been annualized.

(g) Initially, the breakdown by group of banks was determined on the basis of the majority existing in decision-making – in terms of shareholders' meeting votes – distinguishing between privately-owned institutions and public institutions. With the aim of deepening the analysis, wholesale banks were defined as those specializing in the large corporation and investor segment, which usually do not depend for their funding on deposits from the private non-financial sector. Retail banks were divided into those carrying out business at a national level, those located in specific geographical regions – municipal, provincial or regional institutions – and institutions specializing in a financial sector niche market – generally smaller institutions. Lastly, it should be noted that this grouping has been carried out solely for analytical purposes and does not represent the only methodological criterion for grouping, while, in addition, the detailing of the characteristics of each group of institutions has been established in a general manner. The group of private banks includes 3 institutions currently in the process of restructuring, which are under the management of a national public bank.

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.
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 99	Dec 00	Dec 01	Dec 02	Dec 03	Aug 04	Dec 04	Jul 05	Aug 05	Change (%)		
										Month on month	Accum. 2005	Year on year
Assets	**153,140**	**163,550**	**123,743**	**187,532**	**186,873**	**205,570**	**212,562**	**218,301**	**217,918**	**-0.2**	**2.5**	**6.0**
Liquid assets[1]	20,423	20,278	13,005	17,138	27,575	30,942	29,154	26,327	27,513	4.5	-5.6	-11.1
Public bonds	8,531	10,474	3,694	31,418	45,062	48,669	55,382	61,500	60,447	-1.7	9.1	24.2
Lebac/Nobac	0	0	0	n/a	n/a	n/a	17,755	24,810	25,023	0.9	40.9	n/d
Portfolio	0	0	0	n/a	n/a	n/a	11,803	18,874	19,073	1.1	61.6	n/d
Repo	0	0	0	n/a	n/a	n/a	5,953	5,936	5,950	0.2	0.0	n/d
Private bonds	477	633	543	332	198	251	387	484	382	-21.1	-1.4	51.9
Loans	83,850	83,277	77,351	84,792	68,042	75,002	73,617	78,803	79,060	0.3	7.4	5.4
Public sector	12,138	15,164	22,694	44,337	33,228	34,655	30,866	28,550	27,519	-3.6	-10.8	-20.6
Private sector	67,934	64,464	52,039	38,470	33,398	38,097	41,054	48,164	49,614	3.0	20.9	30.2
Financial sector	3,778	3,649	2,617	1,985	1,417	2,250	1,697	2,089	1,927	-7.8	13.5	-14.4
Provisions over loans	-6,001	-6,907	-6,987	-11,952	-9,374	-8,295	-7,500	-6,321	-6,093	-3.6	-18.8	-26.5
Other netted credits due to financial intermediation	33,679	42,361	21,485	39,089	27,030	31,780	32,554	29,425	28,536	-3.0	-12.3	-10.2
Corporate bonds and subordinated debt	1,115	794	751	1,708	1,569	1,086	1,018	804	855	6.3	-16.0	-21.2
Unquoted trusts	1,336	2,053	2,065	6,698	4,133	2,855	3,145	3,233	3,400	5.2	8.1	19.1
Compensation receivable	0	0	0	17,111	14,937	15,966	15,467	9,834	9,683	-1.5	-37.4	-39.4
BCRA	81	141	84	3,360	650	542	376	348	382	9.6	1.4	-29.6
Other	31,146	39,373	18,585	10,212	5,741	11,331	12,547	15,205	14,215	-6.5	13.3	25.5
Assets under financial leases	814	786	771	567	397	510	611	906	972	7.2	59.1	90.7
Shares and participation	1,838	2,645	2,688	4,653	4,591	3,494	3,871	4,090	4,200	2.7	8.5	20.2
Fixed assets and sundry	4,973	4,939	4,804	8,636	8,164	7,974	7,782	7,604	7,588	-0.2	-2.5	-4.8
Foreign branches	996	1,115	1,057	3,522	3,144	3,397	3,524	3,441	3,518	2.2	-0.2	3.6
Other assets	3,560	3,950	5,334	9,338	12,043	11,848	13,180	12,043	11,796	-2.0	-10.5	-0.4
Liabilities	**136,252**	**146,267**	**107,261**	**161,446**	**164,923**	**183,951**	**188,683**	**192,995**	**192,260**	**-0.4**	**1.9**	**4.5**
Deposits	81,572	86,506	66,458	75,001	94,635	112,068	116,655	128,589	129,406	0.6	10.9	15.5
Public sector [2]	7,232	7,204	950	8,381	16,040	31,773	31,649	32,930	33,050	0.4	4.4	4.0
Private sector [2]	73,443	78,397	43,270	59,698	74,951	78,075	83,000	93,676	94,659	1.0	14.0	21.2
Current account	6,478	6,438	7,158	11,462	15,071	16,498	18,219	20,465	20,975	2.5	15.1	27.1
Savings account	13,047	13,008	14,757	10,523	16,809	21,714	23,866	27,321	26,702	-2.3	11.9	23.0
Time deposit	48,915	53,915	18,012	19,080	33,285	32,512	34,944	40,406	41,491	2.7	18.7	27.6
CEDRO	0	0	0	12,328	3,217	1,714	1,046	301	184	-38.8	-82.4	-89.3
Other netted liabilities due to financial intermediation	50,361	55,297	36,019	75,737	61,690	64,482	64,928	58,838	57,087	-3.0	-12.1	-11.5
Call money	3,793	3,545	2,550	1,649	1,317	1,980	1,461	1,852	1,667	-10.0	14.1	-15.8
BCRA lines	315	102	4,470	27,837	27,491	27,835	27,726	22,561	21,874	-3.0	-21.1	-21.4
Outstanding bonds	5,087	4,954	3,777	9,096	6,675	7,991	7,922	6,055	5,959	-1.6	-24.8	-25.4
Foreign lines of credit	10,279	8,813	7,927	25,199	15,196	10,537	8,884	5,824	5,914	1.5	-33.4	-43.9
Other	30,886	37,883	17,295	11,955	11,012	16,138	18,934	22,546	21,673	-3.9	14.5	34.3
Subordinated debts	2,206	2,255	2,260	3,712	2,028	1,525	1,415	1,310	1,338	2.2	-5.4	-12.2
Other liabilities	2,113	2,210	2,524	6,997	6,569	5,877	5,685	4,258	4,429	4.0	-22.1	-24.6
Net worth	**16,888**	**17,283**	**16,483**	**26,086**	**21,950**	**21,619**	**23,879**	**25,307**	**25,659**	**1.4**	**7.5**	**18.7**
Memo												
Netted assets	126,432	129,815	110,275	185,356	184,371	196,815	202,447	204,950	205,580	0.3	1.5	4.5
Consolidated netted assets	122,270	125,093	106,576	181,253	181,077	192,638	198,462	200,699	201,316	0.3	1.4	4.5

(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 netted assets	Annual 1999	2000	2001	2002	2003	2004	First 8 months 2004	2005	Monthly Jun-05	Jul-05	Aug-05	Last 6 months
Financial margin	5.6	5.7	5.7	6.5	1.1	3.1	3.4	4.2	4.1	5.3	5.3	4.5
Net interest income	4.3	4.0	3.8	-1.7	-0.5	0.9	0.9	1.3	1.5	1.4	1.5	1.4
Restatement by CER and CVS	0.0	0.0	0.0	3.9	1.3	1.0	1.2	1.5	1.0	1.4	1.6	1.6
Foreign exchange price adjustments	0.9	1.2	1.2	1.7	1.1	0.4	0.7	0.1	0.4	-0.1	1.0	0.2
Gains on securities	0.2	0.1	0.2	2.8	-0.5	1.0	0.9	1.1	1.0	2.4	1.2	1.1
Other financial income	0.2	0.4	0.5	-0.1	-0.3	-0.2	-0.3	0.1	0.2	0.1	0.1	0.1
Service income margin	2.9	2.8	3.0	1.9	1.9	2.0	2.0	2.2	2.4	2.4	2.4	2.3
Loan loss provisions	-2.1	-2.4	-2.6	-4.7	-1.1	-0.8	-0.7	-0.5	-0.4	-0.5	-0.4	-0.5
Operating costs	-5.9	-5.8	-6.1	-4.4	-4.2	-4.1	-4.1	-4.4	-4.7	-4.7	-4.6	-4.5
Tax charges	-0.4	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.3
Income tax	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	-0.2	-0.3	-0.6	-0.2	-0.5	-0.3
Adjustments to the valuation of government securities (*)	0.0	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.4	-0.1	-0.1	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-1.0	-0.9	-0.8	-1.0
Other	0.5	0.4	0.6	-1.8	0.9	0.8	0.7	0.8	1.8	0.4	0.8	0.8
Monetary results	0.0	0.0	0.0	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.6	0.4	0.2	-8.7	-2.7	-0.3	-0.2	0.9	1.5	1.5	2.1	1.1
ROA before monetary results	0.2	0.0	0.0	-3.1	-2.9	-0.5	-0.4	0.7	0.9	1.3	1.6	0.7
ROA	**0.2**	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**-0.4**	**0.7**	**0.9**	**1.3**	**1.6**	**0.7**
ROA adjusted (**)	0.2	0.0	0.0	-8.9	-1.9	0.7	0.9	1.7	2.3	2.3	2.5	1.8
Indicators (%)												
ROE	**1.7**	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-4.2**	**-3.4**	**5.4**	**7.7**	**10.5**	**12.8**	**5.9**
Financial margin + service income margin / Operating costs	142.5	147.4	143.3	189.1	69.3	124.8	130.6	147.9	137.8	162.6	166.9	150.6
Interest income (with CER and CVS) / loans	..	13.0	15.2	11.8	13.1	10.3	10.9	12.7	11.5	12.1	12.9	13.1
Interest payments (with CER and CVS) / deposits	..	5.3	7.3	9.2	5.7	1.8	1.8	2.3	2.1	2.3	2.6	2.3

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

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

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

Source: BCRA

Portfolio quality

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Aug 04	Dec 04	Jun 05	Jul 05	Aug 05
Non-performing loans (overall)([1])	11.5	12.9	13.1	18.1	17.7	12.7	10.7	7.9	7.7	7.3
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	33.5	23.4	18.6	13.0	12.3	11.6
Commercial portfolio ([2])	12.1	14.9	20.7	44.0	38.0	28.6	22.8	16.2	15.2	14.3
Consumption and housing portfolio	16.6	17.3	17.5	31.4	28.0	14.6	11.0	7.4	7.2	7.0
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	79.2	92.4	102.9	110.8	113.1	113.2
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	3.7	1.0	-0.3	-0.9	-1.0	-1.0
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	11.9	3.5	-1.0	-2.8	-3.2	-3.1

([1]) As a percentage of each lending category.

([2]) Include commercial loans treated as consumer loans for classification purposes.

Source: BCRA

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Aug 04	Dec 04	Jul 05	Aug 05	Change (%)		
										Month on month	Accum. 2005	Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,633**	**122,172**	**128,065**	**130,593**	**131,528**	**0.7**	**2.7**	**7.7**
Liquid assets[1]	13,228	13,920	10,576	11,044	14,500	15,556	15,893	15,193	14,814	-2.5	-6.8	-4.8
Public bonds	6,433	7,583	1,627	19,751	22,260	19,727	24,817	27,862	28,681	2.9	15.6	45.4
Lebac/Nobac	0	0	0	n/a	n/a	n/a	8,359	12,919	14,872	15.1	77.9	n/d
Portfolio	0	0	0	n/a	n/a	n/a	5,611	10,781	11,264	4.5	100.8	n/d
Repo	0	0	0	n/a	n/a	n/a	2,749	2,138	3,608	68.8	31.2	n/d
Private bonds	410	563	451	273	172	223	333	404	310	-23.3	-6.9	39.1
Loans	56,916	56,035	52,319	51,774	47,017	52,827	50,741	53,380	53,438	0.1	5.3	1.2
Public sector	6,389	8,172	13,803	25,056	23,571	24,882	21,420	18,866	17,746	-5.9	-17.2	-28.7
Private sector	47,705	45,103	36,636	26,074	22,816	26,684	28,213	33,267	34,418	3.5	22.0	29.0
Financial sector	2,823	2,760	1,880	644	630	1,261	1,107	1,247	1,274	2.1	15.0	1.0
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,225	-4,349	-3,717	-3,036	-2,927	-3.6	-21.3	-32.7
Other netted credits due to financial intermediation	27,330	36,600	13,037	27,212	22,148	23,705	25,753	22,750	23,209	2.0	-9.9	-2.1
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,394	895	829	613	650	5.9	-21.6	-27.4
Unquoted trusts	958	1,609	1,637	6,205	3,571	2,139	2,362	2,193	2,319	5.7	-1.8	8.4
Compensation receivable	0	0	0	15,971	13,812	14,939	14,657	9,403	9,388	-0.2	-35.9	-37.2
BCRA	12	35	865	377	415	304	311	302	311	2.7	-0.1	2.3
Other	25,338	34,232	9,870	3,146	2,955	5,428	7,594	10,238	10,541	3.0	38.8	94.2
Assets under financial leases	796	776	752	553	387	498	592	886	949	7.1	60.3	90.5
Shares and participation	1,371	1,651	1,703	3,123	2,791	1,567	1,892	2,066	2,173	5.2	14.9	38.7
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,902	4,806	4,678	4,596	4,584	-0.2	-2.0	-4.6
Foreign branches	48	75	112	-109	-136	-69	-53	-70	-72	3.2	36.6	4.2
Other assets	2,120	2,190	2,574	7,549	7,816	7,681	7,137	6,563	6,370	-2.9	-10.8	-17.1
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**101,732**	**107,721**	**113,285**	**114,807**	**115,519**	**0.6**	**2.0**	**7.2**
Deposits	54,447	57,833	44,863	44,445	52,625	58,446	62,685	70,929	71,591	0.9	14.2	22.5
Public sector [2]	1,342	1,276	950	1,636	3,077	5,744	6,039	7,102	7,329	3.2	21.4	27.6
Private sector [2]	52,460	55,917	43,270	38,289	47,097	51,122	55,384	62,634	63,222	0.9	14.2	23.7
Current account	5,022	4,960	7,158	8,905	11,588	12,483	13,966	15,095	15,709	4.1	12.5	25.8
Savings account	9,702	9,409	14,757	6,309	10,547	13,792	14,842	17,472	16,685	-4.5	12.4	21.0
Time deposit	35,218	39,030	18,012	11,083	18,710	20,424	22,729	26,390	27,109	2.7	19.3	32.7
CEDRO	0	0	0	9,016	2,409	1,296	798	257	168	-34.6	-78.9	-87.0
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	42,367	43,845	45,083	39,804	39,718	-0.2	-11.9	-9.4
Call money	2,146	2,293	1,514	836	726	1,665	1,070	1,365	1,163	-14.8	8.7	-30.1
BCRA lines	274	83	1,758	16,624	17,030	17,720	17,768	13,185	12,882	-2.3	-27.5	-27.3
Outstanding bonds	4,990	4,939	3,703	9,073	6,674	7,991	7,922	6,055	5,959	-1.6	-24.8	-25.4
Foreign lines of credit	6,680	5,491	4,644	15,434	9,998	6,725	5,444	3,882	3,935	1.3	-27.7	-41.5
Other	24,954	33,466	11,010	7,374	7,939	9,745	12,878	15,315	15,779	3.0	22.5	61.9
Subordinated debts	1,683	1,668	1,700	3,622	1,850	1,381	1,304	1,211	1,239	2.3	-5.0	-10.3
Other liabilities	1,299	1,420	1,637	5,671	4,890	4,049	4,213	2,863	2,972	3.8	-29.5	-26.6
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,900**	**14,450**	**14,780**	**15,786**	**16,009**	**1.4**	**8.3**	**10.8**
Memo												
Netted assets	85,918	88,501	73,796	117,928	115,091	118,161	121,889	121,624	122,235	0.5	0.3	3.4

(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	Annual						First 8 months		Monthly			Last
netted assets	1999	2000	2001	2002	2003	2004	2004	2005	Jun-05	Jul-05	Aug-05	6 months
Financial margin	6.1	6.2	6.4	7.6	2.3	2.9	3.4	4.0	3.8	5.4	4.9	4.2
Net interest income	4.5	4.1	4.3	-0.2	0.1	1.0	1.0	1.5	1.4	1.5	1.7	1.5
Restatement by CER and CVS	0.0	0.0	0.0	1.1	0.9	0.8	0.9	1.1	0.6	0.9	0.9	1.2
Foreign exchange price adjustments	1.1	1.4	1.2	2.5	1.7	0.6	1.0	0.3	0.5	0.2	1.0	0.4
Gains on securities	0.3	0.2	0.3	4.4	-0.3	0.8	0.9	1.0	1.0	2.6	1.2	1.0
Other financial income	0.3	0.5	0.7	-0.1	-0.2	-0.3	-0.4	0.1	0.3	0.2	0.1	0.1
Service income margin	3.1	2.9	3.2	2.0	2.0	2.4	2.3	2.6	2.7	2.9	2.9	2.7
Loan loss provisions	-2.2	-2.5	-3.0	-5.0	-1.3	-0.9	-0.7	-0.6	-0.6	-0.5	-0.4	-0.6
Operating costs	-6.3	-6.0	-6.4	-4.8	-4.6	-4.6	-4.5	-4.9	-5.3	-5.4	-5.2	-5.1
Tax charges	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Income tax	-0.5	-0.4	-0.3	-0.2	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Adjustments to the valuation of government securities (*)	0.0	0.0	0.0	0.0	-0.6	0.0	-0.1	-0.1	-0.5	0.0	0.0	-0.1
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.7	-1.0	-0.9	-1.0	-1.0	-1.0	-1.0	-1.0
Other	0.5	0.4	0.7	-3.0	1.0	0.7	0.6	0.8	2.1	0.4	0.8	0.8
Monetary results	0.0	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.8	0.6	0.5	-11.1	-2.2	-0.8	-0.3	0.5	0.9	1.3	1.5	0.6
ROA before monetary results	0.3	0.1	0.2	-3.8	-2.4	-1.0	-0.7	0.3	0.7	1.1	1.4	0.4
ROA	**0.3**	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**-0.7**	**0.3**	**0.7**	**1.1**	**1.4**	**0.4**
ROA adjusted (**)	0.3	0.1	0.2	-11.3	-1.2	0.2	0.7	1.4	2.2	2.1	2.4	1.5
Indicators (%)												
ROE	**2.3**	**0.8**	**1.4**	**-79.0**	**-19.1**	**-8.1**	**-5.3**	**2.7**	**5.1**	**8.6**	**10.6**	**3.4**
Financial margin + service income margin / Operating costs	146.0	151.9	150.9	199.3	92.6	115.0	126.6	135.1	123.9	153.3	149.8	136.7
Interest income (with CER and CVS) / loans	..	13.9	16.1	24.7	9.0	8.2	8.7	10.9	9.0	10.4	11.1	11.2
Interest payments (with CER and CVS) / deposits	..	5.7	7.8	21.9	5.8	2.2	2.3	2.9	2.6	3.0	3.2	2.9

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

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

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

Source: BCRA

Portfolio quality

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Aug 04	Dec 04	Jun 05	Jul 05	Aug 05
Non-performing loans (overall)([1])	7.6	8.3	9.9	19.8	15.7	10.4	8.9	6.5	6.4	6.1
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	19.5	15.3	10.5	10.0	9.5
Commercial portfolio ([2])	6.8	8.4	15.4	44.7	39.0	23.2	18.2	12.5	11.9	11.2
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	13.1	10.0	6.6	6.4	6.2
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	89.8	95.7	98.8	100.9	101.5
(Total non-performing - Provisions) / Overall financing	2.3	2.7	2.4	5.3	3.3	1.1	0.4	0.1	-0.1	-0.1
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	4.0	1.3	0.3	-0.2	-0.3

([1]) As a percentage of each lending category.

([2]) Include commercial loans treated as consumer loans for classification purposes.

Source: BCRA