Report on Banks

OCTOBER 2006

Central Bank of Argentina

Year IV – No. 2

Contents

Note: Includes information for October 2006 available by 22/11/06. This report focuses on the description of the performance of the financial system, including breakdowns into homogeneous sub-groups. The data exhibited (in particular, the ones concerning profitability) are provisional, and are subject to revisions later.

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Summary

- Approaching the end of 2006, **banks have strengthened their deposit-taking and private lending performance, reducing their public sector exposure.** Growing normalization of their balance sheets has allowed them to consolidate the fundamental pillars of profitability, interest and service incomes, while gains on government securities remain significant. As a result, the banking sector continues to reinforce its position in the face of negative shocks.

- **The main sources of funds for the financial system during October were the increase in non-financial deposits ($3.1 billion), declining exposure to the public sector (close to $1.2 billion)** and increased liabilities from unsettled currency transactions ($1.5 billion). **Increased lending to the private sector and rising liquid assets (approximately $2.8 billion each)**, have made up the main uses of bank resources during the month.

- **In line with the policy on reserve requirements established by the Central Bank, the migration from private sight to time deposits accelerated in October.** The higher stock of deposits ($3.1 billion) was mainly due to the increase in private deposits ($2.15 billion). Time deposits segment grew at a faster rate (2.6%, $1.4 billion) than sight deposits (1.3%, $750 million). **In 2006 to date, steady growth by time deposits (31%a.) has almost doubled that recorded by sight deposits (17%a.).**

- **Household credit has maintained its dynamism.** Personal loans increased $700 million in October, while credit card financing went up $450 million. **Current account overdrafts performed notably** (rising $420 million), in a context in which loans to companies of all sizes have continued to increase. **In October mortgage loans posted their highest rate of growth since the crisis ($270 million)** with longer terms to maturity for new loans.

- **Private sector loan non-performance levels are below the Latin American average.** In October the delinquency level fell 0.1 p.p. to 4.9% of private sector lending. In line with the dynamic seen during the whole of 2006, commercial loans have recorded a sharper decline in their non-performance levels than consumer loans.

- **Consumer and corporate loans have increased their share of bank assets.** In October private credit reached 28.4% of financial system assets, exceeding the public sector exposure by 5 p.p.. The latter dropped 1.3 p.p. in October to 22.9% of total assets.

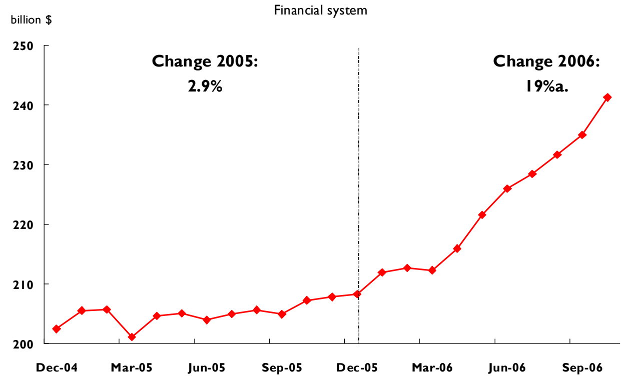
- **Accrued profits reached $450 million (2.3%a. of assets) in October**, accumulating returns of $3.27 billion (1.8% of assets) in the first 10 months of the year. Monthly results were mainly generated by higher gains on securities and increased interest income.

- Financial system net worth rose 1.4% in October, led by higher sector returns. In a context of improving balance sheets and good prospects for coming periods, **there has been an increase in trading volumes and prices of shares of listed banks on the stock exchange, with a positive impact on their market capitalization.**

Activity

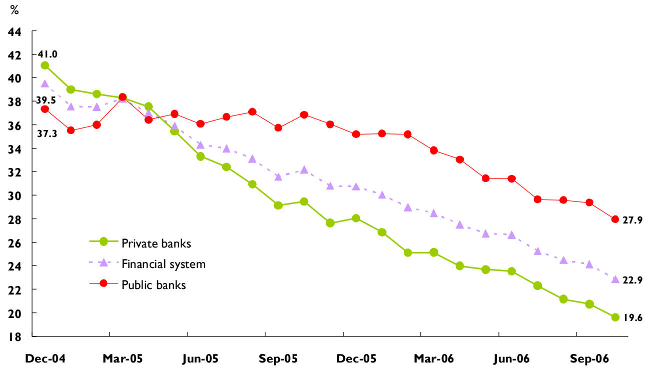
Deepening call market strengthens banking sector in the face of liquidity risk

Chart 1
Netted Assets
Financial system



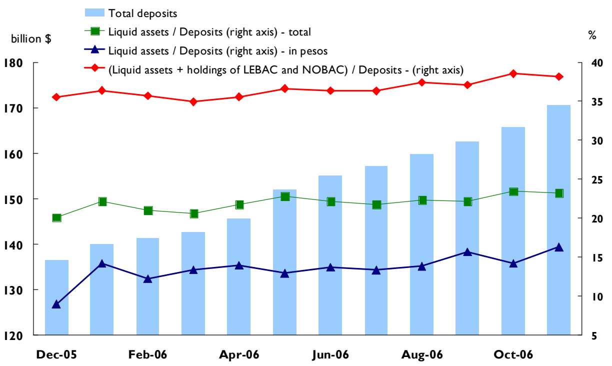
Source: BCRA

Chart 2
Public Sector Exposure
As % of total assets



Source: BCRA

Chart 3
Deposits and Liquidity
Financial system



Source: BCRA

The financial system recorded a marked expansion in the financial intermediation volume in October. **Netted bank assets recorded their largest monthly increase for the last three years, rising 2.7%** in October (1.8% in real terms) (see Chart 1), accumulating an annualized (a.) increase of 19% (9%a. in real terms) in the first ten months of 2006.

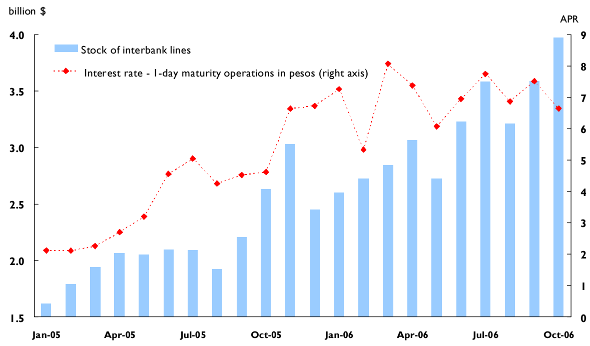
In October banks strengthened their position in the face of public sector credit risk. The weighting of public sector assets in the financial system portfolio[1] dropped 1.3 p.p. in October to a level of 22.9% of total assets (24.8% of netted assets) (see Chart 2). This lower exposure to public sector credit risk was evident in both official and private banks, although the former led the way this month. Public banks cut their exposure to the Government by 1.4 p.p. to 27.9% of total assets, following sales of government securities (particularly BODEN 2012) and the receipt of outstanding compensation payments in cash. In the case of private banks, the drop was 1.1 p.p. to 19.6% of total assets.

An increase was recorded in financial system liquidity during October. The growth in liquid assets[2] ($2.8 billion) was mainly a reflection of the increase in repos with the Central Bank ($2.3 billion) and higher bank cash holdings ($500 million). As a result of this performance, in October the financial system liquidity ratio rose 1.2 p.p. to 23.4% of total deposits (see Chart 3). If LEBAC and NOBAC holdings are taken into account, liquidity posted a 1.5 p.p. growth for the month to 38.6% of total deposits, a performance that was further explained by the higher volume of Central Bank securities in bank portfolios ($850 million increase). In the case of private banks, the liquidity ratio went up 0.3 p.p. to 22.4% of deposits, reaching 42.9% if LEBAC and NOBAC holdings are taken into account (up $350 million for the month). **During 2006 the financial system has recorded an increase of slightly over 3 p.p. in both liquidity indicators.**

In this scenario of increased liquidity, the average cost of short-term interbank lines posted a drop for the month (see Chart 4). During October the average rate for one-day call operations was 6.6%, almost 100 b.p. below the average rate for the previous month. Given the increased daily liquidity needs of financial institutions (because of the growth in financial intermediation) **a gradual acceleration has taken place in the deepening of the call market.** A steady increase took place in call operations during 2006, with a stock of close to $4 billion recorded in October, 60% more than the stock at the end of 2005. This growth, added to the gradual development of the domestic capital market and interbank swaps, **enables financial institutions to**

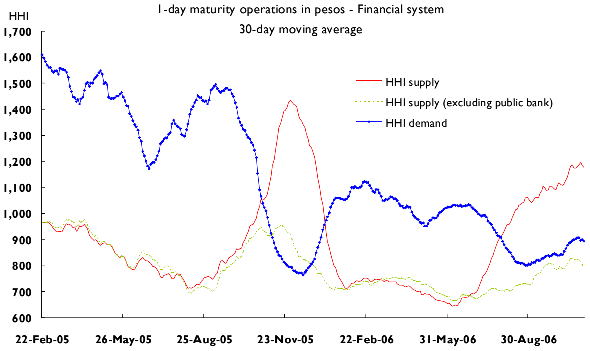
[1] Exposure to the public sector includes the position in government securities (taking into account compensation receivable) and loans to the public sector. It does not include LEBAC and NOBAC.
[2] Includes minimum cash compliance (cash, current account and Central Bank and special guarantee accounts) other liquid funds (such as correspondent accounts) and net reverse repos with the Central Bank.

Chart 4
Call Market



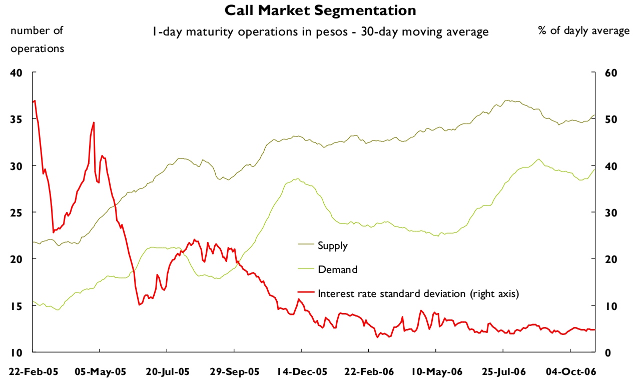
Source: BCRA

Chart 5
Call Market Concentration
1-day maturity operations in pesos - Financial system
30-day moving average



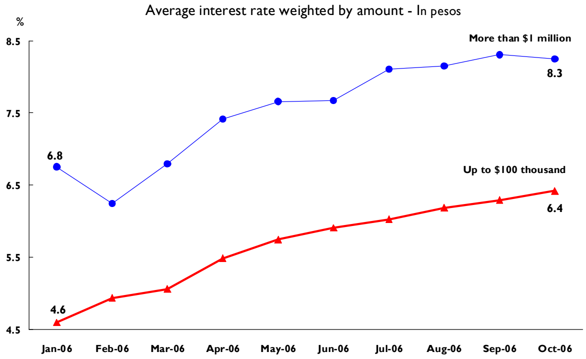
Source: BCRA

Chart 6
Call Market Segmentation
1-day maturity operations in pesos - 30-day moving average



Source: BCRA

Chart 7
Interest Rate of Private Time Deposits
Average interest rate weighted by amount - In pesos



Source: BCRA

make use of market tools to achieve improved efficiency for their liquidity administration policies.

In addition to the increase in the amounts traded, **the gradual reduction in the levels of concentration and a scenario considered to be of low segmentation are signs of the growing depth of the call market.** In terms of concentration, over the last two years a reduction has been observed in the level of concentration of the amounts traded by takers of call transactions, while on the side of lenders there has been some stability in the pattern if one large official bank is excluded (see Chart 5). Call operations evidence a pattern where there is a cross-trading diversity among participants, an indication that the call market does not record a high level of segmentation. The drop in the differences between daily interest rates agreed and the steady increase in the number of participants, both takers and lenders, sustain the argument that there is currently low segmentation in the call market (see Chart 6).

Non-financial private sector deposits gained importance as the main source of banking resources, reaching 52% of total liabilities. Time deposits continue to gain relative share, driven by both Central Bank regulations and higher deposit rates offered by banks during the course of 2006 (see Chart 7).

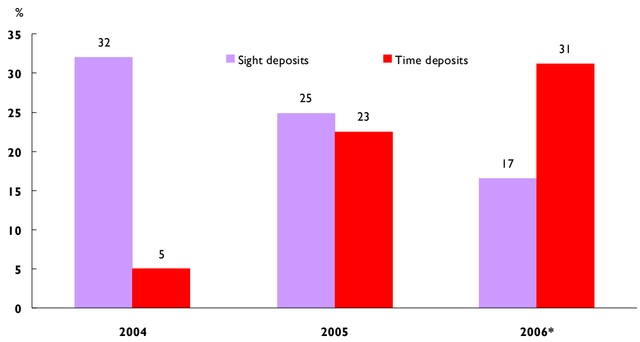
In October over two-thirds of the growth in total non-financial deposits (1.9%, $3.1 billion) was explained by private deposits (1.8%, $2.15 billion), while public deposits recorded more moderate growth in absolute terms (2.2%, $950 million). **In October migration continued from private sight to time deposits.** In the private deposit segment, the increase in time deposits (2.6%, $1.4 billion) was notably higher than that recorded by sight deposits (1.3%, $750 million). This performance for the month is consistent with the behavior evidenced over the course of 2006, when time deposits have accumulated expansion (31%a.) that is almost double that posted by sight deposits (17%a.) (see Chart 8).

In the particular case of private banks, the monthly growth in total deposits (2%, $1.75 billion) was almost entirely explained by the private segment (2.1%, $1.65 billion). Unlike the situation seen in recent months, in October private sight deposits recorded a rate of growth that was slightly higher than that shown by time deposits. Despite this monthly change, **in 2006 to date the increase in private time deposits (40%a.) has been almost three times the rise registered by sight deposits (13%a.).**

In October the financial system significantly increased lending to the private sector. Bank loans to the private sector[3] increased 3.6% ($2.5 billion) during the month, growing 42%a. in 2006 to date. Private banks boosted their lending to the private sector by 4% ($2 billion). **The sustained growth in lending to the private sector is being reflected in an increase in bank exposure to this sector.** Whereas at the end of 2005 private loans represented 24.3% of total financial

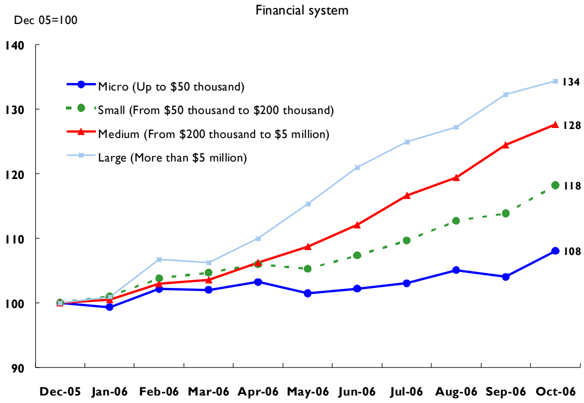
[3] Calculation made on the basis of balance sheet stocks. Loans in foreign currency are stated in pesos. Does not include interest or adjustments. Not adjusted for unrecoverable loans written off from the balance sheet.

Chart 8
Private Deposits
Yearly % change - Financial system



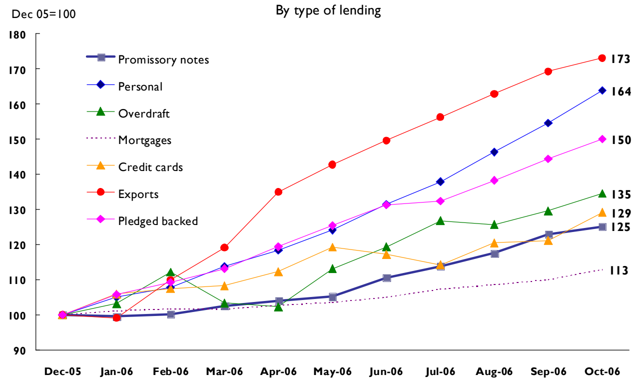
* Annualized October growth rate.
Source: BCRA

Chart 9
Lending to Companies by Amount Range
Financial system



Source: BCRA

Chart 10
Loans to the Private Sector
By type of lending



Source: BCRA

system assets (25.9% of netted assets), in October this ratio reached 27.7% of total assets (30.1% of netted assets).

Lending to companies of all sizes continued to increase. Although credit lines intended mainly for large corporations (those for amounts of over $5 million) have performed strongly (rising by 1.5% in October, 42.5%a. in 2006), there has been encouraging dynamism in the segment of smaller-size loans. In particular, while loans to medium-size companies (between $200 thousand and $5 million) rose 2.5% in October (34%a. in 2006), loans to small companies and micro-undertakings did so at a rate of 3.8% and 3.9% in the month (totaling 22.2% and 9.7%a. in 2006) (see Chart 9). Central Bank regulations have been encouraging the channeling of lending resources to companies of all sizes, in an economic environment that is favorable to the business sector. Among this credit lines to companies, in October there was a significant increase in current account overdrafts (3.8%, $420 million) and in promissory notes (1.8%, $300 million) (see Chart 10). Export loans maintained their upward trend during the month (increasing 2.2%, $260 million), reaching growth of 73% (93%a.) in 2006.

Household loans increased in October. Personal loans went up 6% ($700 million), followed by a 6.6% ($450 million) increase in credit card lending. The increase for the latter totals 7.2% ($500 million) if adjusted for the setting up of a financial trust during the period.

In the context of regulatory adjustments introduced by the Central Bank[4], in October mortgage loans posted their sharpest growth rate for the post-crisis period. These loans rose by 2.7% ($260 million) over the month, accumulating a rise of 13% (16%a.) in 2006 to date. New loans have more than doubled the average for 2005 (see Chart 11). **The rising availability of longer-term credit has enabled a greater number of borrowers to take such loans, boosting the mortgage loan growth rate.** The average term to maturity of family mortgages (a group that accounts for almost 60% of the total) increased by over one year in 2006 to date (see Chart 12).

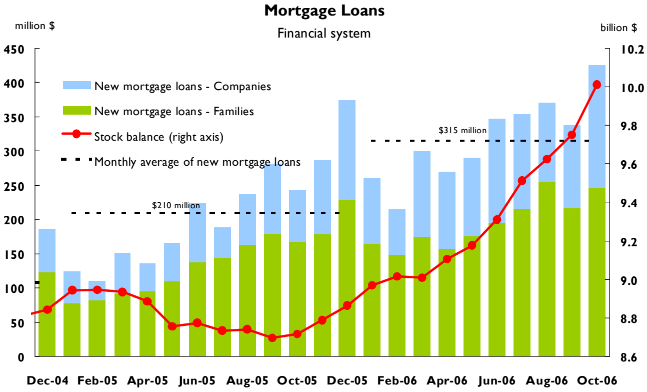
Pledge-backed loans have also shown considerable dynamism (in October they went up 3.9%, $130 million) having been granted with lengthening terms to maturity, particularly in the case of loans directed at families. **This positive development in the maturity of collateralized lines has contributed to the overall lengthening of loan terms for the private lending aggregate.**

Companies have continued to increase their financing by means of leasing. In October these credit lines rose 6%, reaching a total of $2.1 billion. Although this increase took place across all segments of economic activity, service and commerce sectors recorded the highest relative growth rates (8.2% and 7.2%, respectively). Leasing transactions involving the primary sector also showed high growth in October (7%).

In October the financial system made payments to the Central Bank for $123 million under the system commonly known as matching.

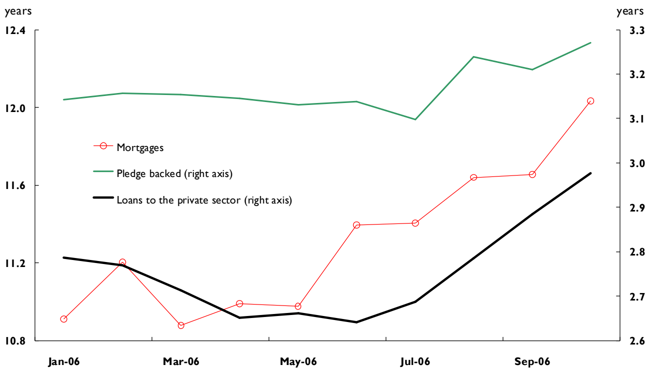
[4] For a more detailed description of the adjustments made by the Central Bank, see the September 2006 edition of this Report.

Chart 11
Mortgage Loans
Financial system



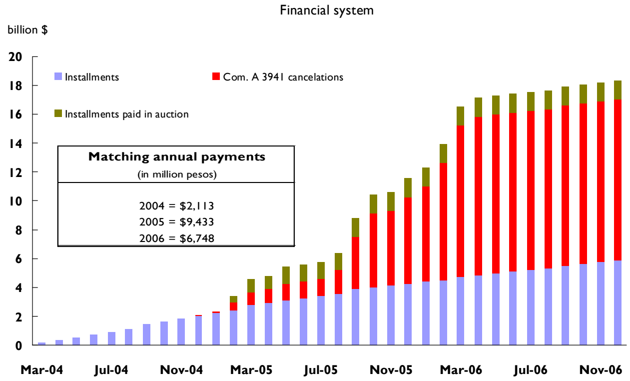
NOTE: Stock balance not adjusted by transfer between loan portfolio and trusts funds or by loans written off balance sheet.
Source: BCRA

Chart 12
Average Maturity of Loans



NOTE: Loans to the private sector do not include overdraft or credit cards.
Source: BCRA

Chart 13
Matching: Accumulated Payments
Financial system



Fuente: BCRA

In November and December payments by banks under this heading totaled $254 million, taking the total for 2006 to $6.75 billion (see Chart 13). At December the outstanding rediscount stock repayable under the matching schedule totaled $6.37 billion (including principal, interest and CER adjustments).

Financial system foreign currency mismatching (assets less liabilities) remained relatively unchanged at US$3.25 billion. **Driven mainly by rising solvency in the sector, exposure to foreign currency risk declined 0.6 p.p. to a level of 31.2%.** Foreign currency assets increased US$570 million, almost entirely as a result of greater liquidity in bank current accounts at the Central Bank. The increase in foreign currency liabilities (for a similar amount to the increase in assets) was mainly a consequence of an increase in the sundries heading for US$750 million[5] and a drop in foreign credit lines of US$200 million.

Profitability:

Gains on securities behind the increase in profitability in October

Bank profits continued to strengthen in October, in the context of marked dynamism in private credit activity that contributed to the normalization of financial system balance sheets. **Banks have improved their solvency levels**, enabling them to comfortably face potential scenarios of financial constraint.

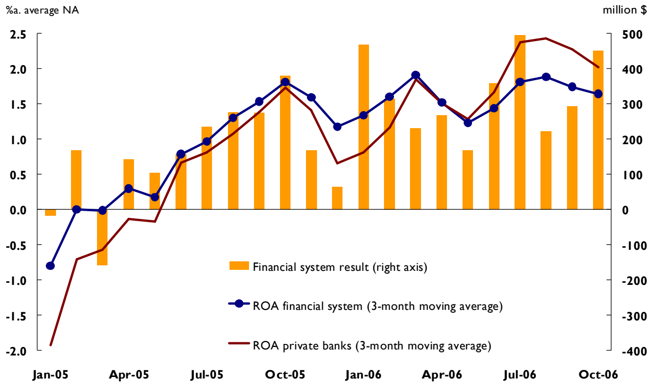
In October the financial system accrued book profits for over $450 million (2.3%a. of netted assets[6]) (see Chart 14), an amount that exceeds the monthly average for 2006 ($330 million). Between January and October banks accumulated benefits for $3.27 billion (1.8%a. of assets)[7], more than doubling earnings recorded in the same period of 2005 ($1.56 billion, 0.9%a. of assets). In real terms (deflated by CPI), banking activity profitability (real ROE: 3.1%) is at a similar level to the average recorded in the 1993-2001 period (real ROE: 2.6%) (see Chart 15). Nevertheless, the profitability of the local financial system, measured both in real terms and in dollars, is still below the levels posted in other economies in the region, and in developed countries (see Chart 16).

In October private banks continued to lead the way in recording profits. Private capital financial institutions posted benefits for the month of almost $340 million (2.9%a. of their assets), recording earnings for $2.17 billion (2%a. of assets) in the first 10 months of the year. Public banks recorded positive results for almost $100 million (1.2%a. of assets) in October, and profits for $995 million (1.3%a. of assets) over the course of 2006.

[5] Mainly explained by the action of one large public bank.
[6] In this section, all references to assets should be understood as referring to netted assets (see Glossary).
[7] If profitability is calculated excluding the effect of those headings related to the gradual recognition of the effects of the 2001-2002 crisis (amortization of court-ordered payments and adjustments to the valuation of public sector assets) the adjusted ROA of the financial system totals 3.1%a. of assets in October, for an accumulated profitability of 2.8%a. in 2006.

Chart 14

Financial System Profitability

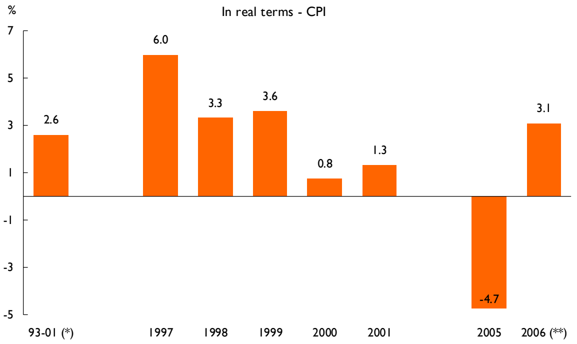


Source: BCRA

Chart 15

ROE

In real terms - CPI

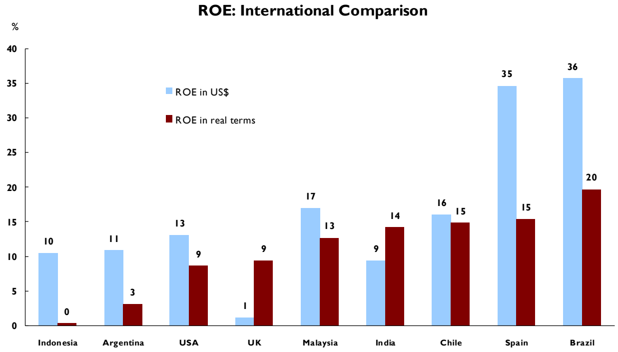


(*) 1993-2001 average, excluding 1995; (**) January-October annualized

Source: BCRA

Chart 16

ROE: International Comparison



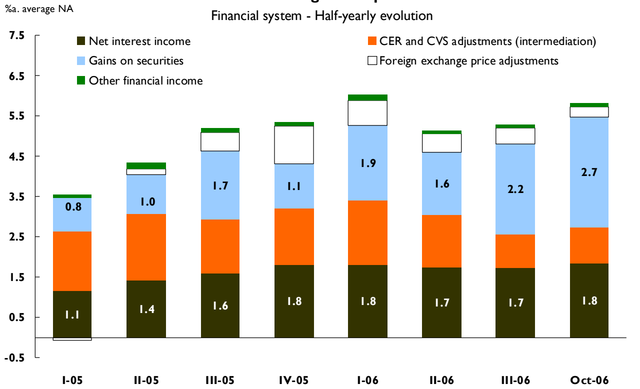
Nota: ROE 2006 data for Argentina and Chile (October), Spain and Brazil (June) and USA (March); 2005 data for: United Kingdom, Malaysia and Indonesia; 2004 data for India.

Source: BCRA from Central Banks and IMF

Chart 17

Financial Margin Composition

Financial system - Half-yearly evolution



Source: BCRA

Bank financial margin rose by 0.9 p.p. of assets in October to a level of 5.8%a., 0.3 p.p. higher than the average for the first 10 months of the year. This performance for the month was mainly a consequence of increased profit accrual from the holding and trading of financial assets and increased interest income.

Gains on securities have attained a rising share of bank financial margin, accounting for almost half the total in October (see Chart 17). This weighting is explained mainly by the position of the financial system in government securities. Both the encouraging local economic situation and the favorable international context for emerging countries debt have helped to make domestic bonds more attractive, with a positive repercussion on bank holdings (in the case of the portion of the portfolio marked to market). As a result, **in October gains on securities totaled 2.7%a. of financial system assets** (0.8 p.p. more than in September) (see Chart 18), reaching a record high for the last two years. Although these profits are a source of certain volatility in bank profitability, they complement the benefits from private sector lending activity.

Banking interest income recorded an increase of 0.2 p.p. in October to a total of 1.8%a. of assets. The steady increase in domestic lending activity is reflected in the rise in bank interest income, a heading that has gone up by close to 42% in nominal terms (total for 2006 to date compared with the same period of the previous year) (see Chart 19). Both the increase in time deposits and slightly higher interest rates have caused a gradual increase in interest expense, although the higher relative growth in loans has been responsible for a rise in interest income. This effect was combined with a relatively stable implicit lending-deposit interest rate spread over the year. As a result, **bank interest income totaled 1.8%a. of assets in 2006, 0.4 p.p. above the level in the same period of 2005 and twice the level in 2004**. Nevertheless, it is still below pre-crisis performance (which ranged around 4%a. of assets between 1999 and 2001).

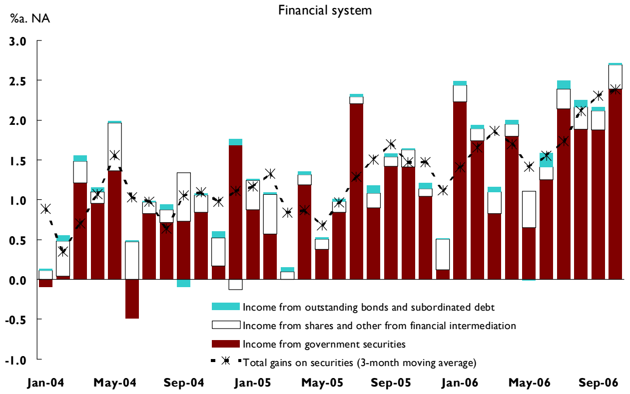
CER adjustments posted a slight 0.1 p.p. improvement in October to a total of 0.9%a. of financial system assets, while **exchange rate gains again recorded a slight decline for the month to 0.3%a. of assets.** These movements were explained by the higher rise in CER compared with September, and the moderate decline in the nominal peso-dollar exchange rate between ends for the month.

For the third month in succession, service income margin for financial institutions remained stable at 2.8%a. of assets (see Chart 20 showing a quarterly moving average). From an annual perspective, **net interest income has risen 28% in nominal terms in 2006**, or 0.4 p.p. of assets (reaching a level of 2.7%a. of assets in 2006). This source of low volatility bank income has maintained its upward trend after the crisis, in the context of an increasing volume of transactions by banks. Resources derived from the administration of deposits have formed the core of this balance sheet heading (almost 44%), followed by commissions from loan transactions (19%). In this context, approximately 56% of financial system operating costs are covered by such service income margin.

Chart 18

Gains on Securities

Financial system

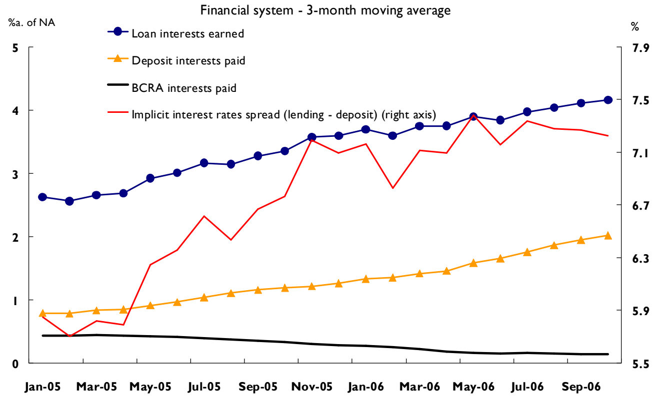


Source: BCRA

Chart 19

Main Components of Net Interest Income

Financial system - 3-month moving average

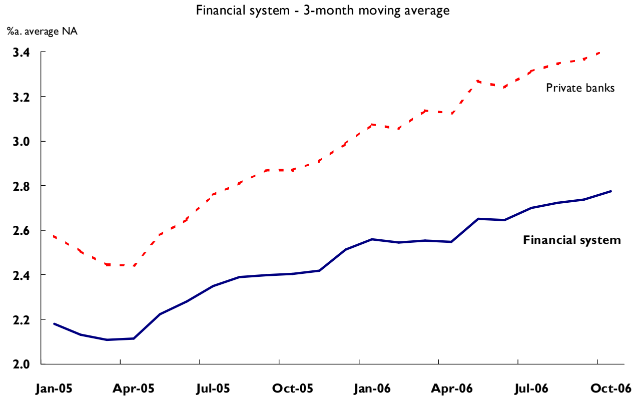


Source: BCRA

Chart 20

Service Income Margin

Financial system - 3-month moving average



Source: BCRA

In October bank loan loss provisions recorded a drop of 0.1 p.p. to a level of 0.5%a. of assets (similar to the figure for 2006 to date), following the upward adjustment in September in the context of the quarter-end financial statement period closing. Regulations introduced by the Central Bank, added to the favorable prospects for private sector income, its low level of indebtedness and the prudent credit policies implemented by financial institutions have contributed to explain the low levels of private sector counterpart risk. Loan loss provisions totaled 1.6%a. of private loans in October, 0.3 p.p. less than in the previous month.

Operating costs remained stable at 4.9%a. of assets in October (see Chart 21), 0.4 p.p. above the level reached in 2005 but slightly below the accumulated total for 2006 (5%a. of assets). This performance has taken place in the context of a gradual increase in the employment level by financial institutions, given the favorable outlook for banking activity. **The increase for the month in financial margin has largely been responsible for the rise of approximately 22 p.p. in the coverage of these expenses (financial margin and income from services) to a total of close to 177% in the month.** In the medium term, the efficiency of the labour factor in the financial system (for example, as determined from the ratio of employment costs to total private deposits and private loans) has shown a slight improvement in trend (see Chart 22), although there is still a significant gap compared with the pre-crisis period.

Sundry results dropped 0.1 p.p. in October to 0.9%a. of assets, in line with the accumulated total for 2006. Headings related to the gradual recognition of the effects of the recent crisis (amortization of court-ordered payments and adjustment to the valuation of public sector securities) posted a slight increase in the month to a level of 0.9%a. of assets in the aggregate (over three-quarters corresponding to the amortization of court ordered payments). Lastly, given the rising profits recorded by banks since 2005, income tax accrual is beginning to gain in significance, rising 0.2 p.p. in October to 0.5%a. of financial system assets.

Outlook for November

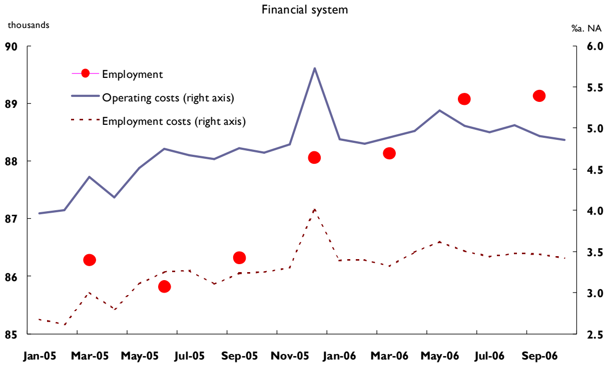
On the basis of the macroeconomic context and the Central Bank's financial policy, it is estimated that coming periods will see an extension of the process of balance normalization, increased private credit activity, a rise in deposits taken from the private sector and sustained profitability. According to the information available at the date of publication of this Report, it is estimated that the different types of banks will continue to post positive results in November, reinforcing the profits obtained in the first ten months of the year.

In line with the trend recorded over the course of 2006, **November has shown significant growth in the stock of private lending.** In particular, **there has once again been an increase in current account overdrafts for companies and in personal loans,** with a slight rise in interest rates (see Table 1), while collateralized (pledge-backed and mortgage) loans have consolidated their development. Time deposits have shown a significant growth in the month, with slightly lower

Chart 21

Operating Costs

Financial system



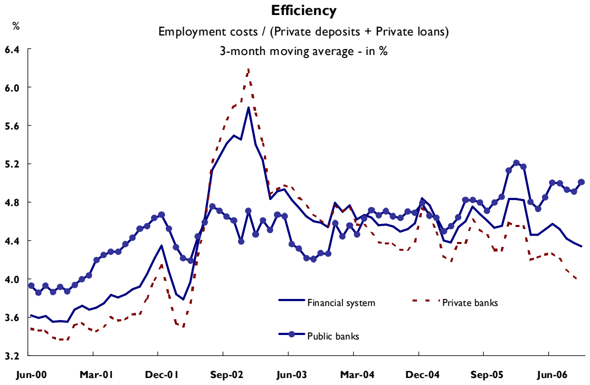
Source: BCRA

Chart 22

Efficiency

Employment costs / (Private deposits + Private loans)

3-month moving average - in %



Source: BCRA

Table 1

Main Developments in November 2006

	Oct	Nov	Var. Oct.%	Var. Nov.%
Prices				
Exchange rate ($/US$)[1]	3.093	3.069	-0.4	-0.8
CPI	183.6	184.9	0.9	0.7
CER[1]	1.86	1.88	0.8	0.9
	%	%	Var p.p.	Var p.p.
Government securities - annual IRR[1]				
Boden $ 2007	5.8	4.9	96	-161
Boden U$S 2012	8.1	7.6	-41	-46
Discount $	6.6	6.1	-5	-44
Discount U$S NY	8.5	8.4	-3	-88
	%	%	Var p.p.	Var p.p.
Average percentage rates				
Lending [2]				
Overdraft	16.2	16.5	-80	34
Promissory notes	12.8	12.6	-17	-17
Mortgage	11.4	11.5	-12	11
Pledge-backed	10.5	10.8	3	26
Personal	24.3	24.4	-5	9
30 to 44 day time deposit	7.1	7.1	-4	7
LEBAC in $ without CER - 1 year	11.4	11.2	-12	-16
7 day BCRA repos	6.0	6.2	25	24
BADLAR	7.2	7.4	-15	21
	Mill. $	Mill. $	Var %	Var %
Balance[2,3] - Financial system				
Peso deposits - Private sector	101,201	102,756	1.6	1.5
Sight deposits	55,010	55,679	2.5	1.2
Time deposits	46,191	47,077	0.6	1.9
Peso loans - Private sector	59,607	61,689	3.8	3.5
Overdraft	10,880	11,318	4.3	4.0
Promissory notes	13,084	13,456	3.8	2.8
Mortgage	9,607	9,832	2.3	2.3
Pledge-backed	3,361	3,507	4.3	4.3
Personal	11,809	12,553	6.2	6.3

(1) End of month figure.

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

(3) Monthly average. In million of pesos.

Source: INDEC and BCRA.

interest rates (although rates on BADLAR deposits rose slightly), encouraging forecasts for an improvement in bank interest rate income. Given the higher increase in CER growth in November than in October, it is expected that accrual of these adjustments will show an increase once again. In addition, the rise in transactional deposits and in loans during the month will give an impulse to bank income from services.

The promising economic outlook will continue to encourage the channeling of resources into emerging economies bonds. As a result, **the main securities held in portfolio (BOGAR 18, BODEN 07 and 12) saw an improvement in their price during the month, a development that will help ensure gains on securities will remain at its current levels.** Gains from exchange rate differences will probable record a further drop in November, given the slight decline in the nominal peso-dollar exchange rate between ends for the month. Lastly, the gradual growth in bank payroll could give rise to higher operating costs, a development that could be contributed to by the accrual of year-end additional wages and bonuses.

Solvency:

Bank stock exchange indicators gain strength

The widespread profitability in the sector and new capital contributions totaling almost $2.4 billion during 2006 have enabled banks to steadily improve their solvency. As a result, financial institutions can count on increased resources to be able to confront any potential negative shock.

In October, financial system net worth increased by close to 1.4% (approximately $430 million), totaling growth of 24.7%a. during the course of 2006 (21.2%a. if participations between institutions are consolidated) (see Chart 23). As in the previous month, in October bank leverage posted an increase of 0.1 units of net worth (to 7.5), a development largely explained by the steady growth in domestic financial intermediation. Nevertheless, this figure is 0.3 and 1 lower than that recorded at the end of 2005 and 2004, respectively.

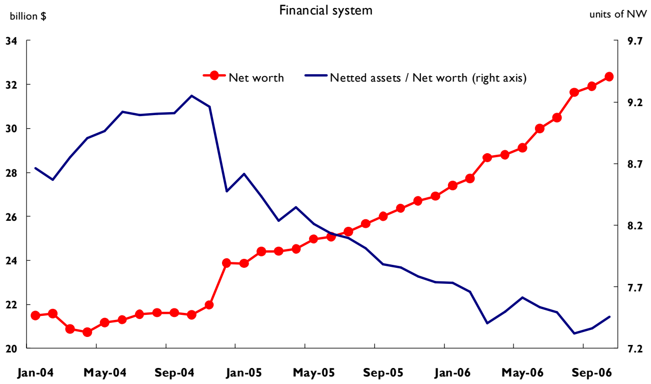
The main indicators for banks listed on the Argentine stock market recorded a positive performance during the second half of the year (see Chart 24). The recovery in financial institution profitability and solvency was reflected in both trading volumes and stock prices. The price of leading bank stocks performed positively between July and October, with trading volumes that were behind part of the increase of the stock market (amounts of such stocks traded during the period accounted for 16% of the total).

As a result, banks have maintained the consolidation of their solvency, recording indicators that are in excess of minimum capital requirement levels established by the Central Bank and by international standards. As in recent periods, the steady increase in lending to the private sector has been reflected in an unchanged capital compliance indicator at 16.5% of risk-weighted assets (see Chart 25) (18.7% in the case of private banks). Excess bank capital compliance totaled 136% of the capital requirement for October, a similar level to that for the previous month.

Chart 23

Solvency

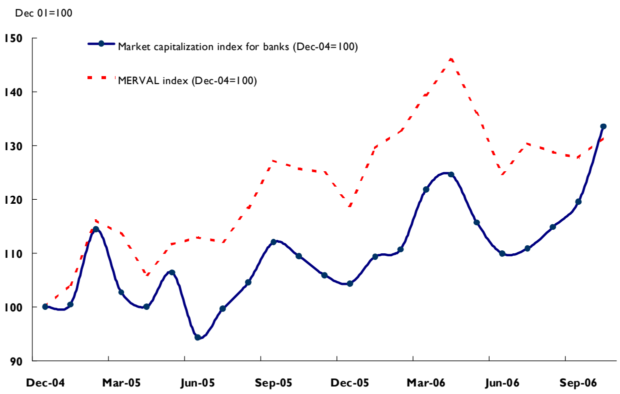
Financial system



Source: BCRA

Chart 24

Financial Entities Market Index

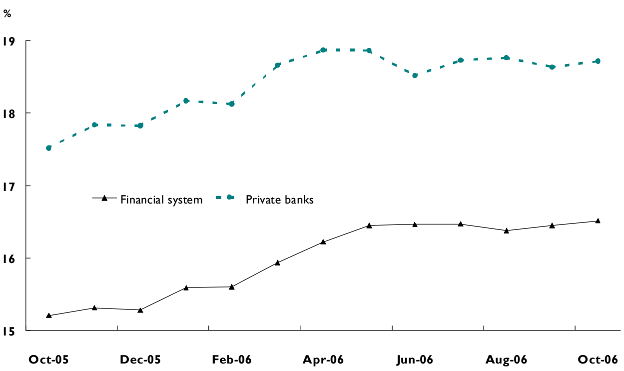


Source: BCRA from BCBA

Chart 25

Capital Compliance

As % of assets at risk



Source: BCRA

Latest regulations:

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

Communication "A" " 4589 – 29/Oct/06
It is laid down that financial institutions shall be able to distribute profits as long as:
. (i) They are not covered by the terms of section 34 "Regularization and recovery" and 35 bis "Restructuring of the institution in defense of loans and bank deposits";
. (ii) They do not record financial assistance from the Central Bank – except for liquidity assistance under the terms of the system instituted by Decree 739/03;
. (iii) They do not record arrears or failure to comply with the Central Bank's information regime;
. (iv) They do not record shortfalls in their minimum capital compliance.

Banks not included in the above situations shall be able to distribute profits up to the positive amount arising from deducting from the "Retained earnings" the legal and statutory reserves, followed by the following items: 1) stocks activated of differences on payments in compliance with court orders for deposits converted into pesos; 2) the positive difference between book and market value when the institution holds government securities not marked to market; 3) adjustments to bond valuations notified by the SEFyC, 4) individual securities valuation allowances granted by the SEFyC.

As long as the institution continues to record positive results after the adjustments have been made, to be able to distribute profits it will be a requirement for the minimum capital technical ratio to be complied with by deducting from it the above mentioned items, the amount of minimum notional income tax able to be included in regulatory capital, the amount of profit planned to be distributed, and lastly, the allowances that exist with regard to minimum capital requirements on the basis of the holding of public sector assets and interest rate risk.

The request should be made at least 30 days in advance of the shareholders' meeting that will consider profit distribution, and must count on the express approval of the SEFyC.

Methodology:

(a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). With a view to calculating data for the system aggregate, for institutions not providing data for the month under review, the latest information available is repeated in the aggregate balance sheet. In turn, for the analysis of profitability, only taken into consideration are those institutions providing data on the month in question.

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

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

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

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

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

Glossary:

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

Statistics Annex: Financial System

Chart 1: Financial Soundness Indicators (see Methodological note in next page)

As %	1996	1997	1998	1999	2000	2001	2002	2003	2004	Oct 2005	2005	Sep 2006	Oct 2006
1.- Liquidity	22.3	26.1	23.1	25.0	23.4	19.6	22.8	29.1	29.6	22.4	19.9	22.1	23.3
2.- Lending to the public sector	19.2	19.2	19.3	21.8	21.8	25.8	49.1	47.2	41.5	34.1	32.8	26.6	24.8
3.- Lending to the private sector	57.8	56.2	57.2	53.7	49.7	47.2	20.8	18.1	20.3	25.2	26.8	30.6	30.8
4.- Private non-performing loans	16.2	13.8	12.2	14.0	16.0	19.1	38.6	33.5	18.6	9.8	7.6	5.0	4.9
5.- Net worth exposure to private sector	24.9	22.5	20.6	24.7	26.2	21.9	17.3	12.4	-1.0	-3.8	-4.1	-3.7	-3.6
6.- ROA	0.6	1.0	0.5	0.2	0.0	0.0	-8.9	-2.9	-0.5	0.9	0.9	1.7	1.8
7.- Adjusted ROA	-	-	-	-	-	-	-	-1.9	0.7	2.0	2.0	2.7	2.8
8.- Efficiency	142	136	138	142	147	143	189	69	125	153	151	164	166
9.- Capital compliance	23.8	20.8	20.3	21.0	20.1	21.4	-	14.5	14.0	15.2	15.3	16.5	16.5
10.- Excess capital compliance	64	73	49	54	58	54	-	116	185	178	173	136	136

Source: BCRA

Chart 2: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Oct 05	Dec 05	Sep 06	Oct 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**219,617**	**221,962**	**252,905**	**261,881**	**3.5**	**18.0**	**19.2**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	26,831	20,819	33,008	33,487	1.5	60.9	24.8
Public bonds	10,474	3,694	31,418	45,062	55,382	60,560	66,733	62,829	68,320	8.7	2.4	12.8
Lebac/Nobac	0	0	-	-	17,755	24,136	28,340	30,102	32,855	9.1	15.9	36.1
Portfolio	0	0	-	-	11,803	20,039	21,067	24,179	25,020	3.5	18.8	24.9
Repo	0	0	-	-	5,953	4,097	7,273	5,923	7,835	32.3	7.7	91.3
Private bonds	633	543	332	198	387	390	389	738	599	-18.8	53.7	53.5
Loans	83,277	77,351	84,792	68,042	73,617	81,406	84,171	96,732	99,540	2.9	18.3	22.3
Public sector	15,164	22,694	44,337	33,228	30,866	26,562	25,836	21,335	21,224	-0.5	-17.9	-20.1
Private sector	64,464	52,039	38,470	33,398	41,054	52,210	55,885	71,808	74,342	3.5	33.0	42.4
Financial sector	3,649	2,617	1,985	1,417	1,697	2,634	2,450	3,589	3,974	10.7	62.2	50.9
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-5,747	-4,930	-4,231	-4,270	0.9	-13.4	-25.7
Other netted credits due to financial intermediation	42,361	21,485	39,089	27,030	32,554	27,448	26,721	33,317	34,084	2.3	27.6	24.2
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	873	873	776	782	0.7	-10.4	-10.4
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,649	3,883	4,633	4,827	4.2	24.3	32.3
Compensation receivable	0	0	17,111	14,937	15,467	8,161	5,841	5,227	4,776	-8.6	-18.2	-41.5
Other	39,514	18,669	13,572	6,392	12,924	14,766	16,124	22,680	23,699	4.5	47.0	60.5
Assets under financial leases	786	771	567	397	611	1,154	1,384	1,987	2,088	5.1	50.9	81.0
Shares and participation	2,645	2,688	4,653	4,591	3,871	4,378	4,532	5,738	5,835	1.7	28.8	33.3
Fixed assets and miscellaneous	4,939	4,804	8,636	8,164	7,782	7,502	7,546	7,508	7,497	-0.1	-0.6	-0.1
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,650	3,647	3,892	3,246	-16.6	-11.0	-11.1
Other assets	3,950	5,334	9,338	12,043	13,180	12,045	10,950	11,388	11,454	0.6	4.6	-4.9
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**193,245**	**195,044**	**220,993**	**229,536**	**3.9**	**17.7**	**18.8**
Deposits	86,506	66,458	75,001	94,635	116,655	133,040	136,492	162,438	165,667	2.0	21.4	24.5
Public sector[2]	7,204	950	8,381	16,040	31,649	33,802	34,019	43,090	44,036	2.2	29.4	30.3
Private sector[2]	78,397	43,270	59,698	74,951	83,000	97,661	100,809	117,063	119,161	1.8	18.2	22.0
Current account	6,438	7,158	11,462	15,071	18,219	22,131	23,487	25,017	25,667	2.6	9.3	16.0
Savings account	13,008	14,757	10,523	16,809	23,866	27,157	29,078	33,932	34,044	0.3	17.1	25.4
Time deposit	53,915	18,012	19,080	33,285	34,944	42,506	42,822	52,324	53,699	2.6	25.4	26.3
CEDRO	0	0	12,328	3,217	1,046	22	17	16	15	-9.5	-16.9	-33.7
Other netted liabilities due to financial intermediation	55,297	36,019	75,737	61,690	64,928	53,903	52,072	51,529	56,408	9.5	8.3	4.6
Call money	3,545	2,550	1,649	1,317	1,461	2,412	2,164	3,315	3,643	9.9	68.4	51.0
BCRA lines	102	4,470	27,837	27,491	27,726	18,140	17,005	11,046	10,873	-1.6	-36.1	-40.1
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,077	6,548	6,542	6,505	-0.6	-0.7	7.0
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	5,899	4,684	4,795	4,173	-13.0	-10.9	-29.3
Other	37,883	17,295	11,955	11,012	18,934	21,375	21,671	25,830	31,214	20.8	44.0	46.0
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,423	1,381	1,244	1,249	0.4	-9.5	-12.2
Other liabilities	2,210	2,524	6,997	6,569	5,685	4,879	5,099	5,782	6,212	7.4	21.8	27.3
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**26,372**	**26,918**	**31,913**	**32,345**	**1.4**	**20.2**	**22.6**
Memo												
Netted assets	129,815	110,275	185,356	184,371	202,447	207,242	208,275	234,950	241,233	2.7	15.8	16.4
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	202,296	203,391	227,858	233,626	2.5	14.9	15.5

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

Source: BCRA

Statistics Annex: Financial System

Chart 3: Profitability Structure

	Annual						First 10 months		Monthly			Last 12 months
Amounts in million of pesos	2000	2001	2002 [1]	2003	2004	2005	2005	2006	Aug-06	Sep-06	Oct-06	12 months
Financial margin	7,291	6,943	13,991	1,965	6,075	9,441	7,753	10,331	1,048	963	1,168	12,053
Net interest income	5,106	4,625	-3,624	-943	1,753	3,063	2,419	3,302	323	320	368	3,940
CER and CVS adjustments	0	0	8,298	2,315	1,944	3,021	2,540	2,303	161	161	182	2,715
Foreign exchange price adjustments	185	268	5,977	-890	866	751	526	851	117	78	51	1,089
Gains on securities	1,481	1,490	3,639	1,962	1,887	2,373	2,074	3,693	436	384	545	3,989
Other financial income	519	559	-299	-480	-375	233	195	182	11	19	21	221
Service income margin	3,582	3,604	4,011	3,415	3,904	4,781	3,885	4,963	538	539	559	5,859
Loan loss provisions	-3,056	-3,096	-10,007	-2,089	-1,511	-1,130	-1,023	-978	-79	-111	-101	-1,081
Operating costs	-7,375	-7,362	-9,520	-7,760	-7,998	-9,432	-7,603	-9,229	-971	-964	-974	-11,058
Tax charges	-528	-571	-691	-473	-584	-737	-597	-856	-97	-94	-98	-997
Income tax	-446	-262	-509	-305	-275	-530	-536	-698	-75	-64	-99	-692
Adjustments to the valuation of government securities [1]	0	0	0	-701	-320	-366	-226	-470	-33	-42	-40	-568
Amortization payments for court-ordered releases	0	0	0	-1,124	-1,686	-1,867	-1,560	-1,408	-186	-124	-137	-1,715
Other	535	702	-3,880	1,738	1,497	1,629	1,465	1,619	82	190	174	1,795
Monetary results	0	0	-12,558	69	0	0	0	0	0	0	0	0
Total results	**3**	**-42**	**-19,162**	**-5,265**	**-898**	**1,790**	**1,558**	**3,274**	**227**	**292**	**452**	**3,496**
Adjusted results [3]	-	-	-	-3,440	1,337	4,023	3,344	5,153	446	458	629	5,780
Annualized indicators - As % of netted assets												
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	4.5	5.5	5.4	4.9	5.8	5.5
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.4	1.8	1.7	1.6	1.8	1.8
CER and CVS adjustments	0.0	0.0	3.9	1.3	1.0	1.5	1.5	1.2	0.8	0.8	0.9	1.2
Foreign exchange price adjustments	0.1	0.2	2.8	-0.5	0.4	0.4	0.3	0.5	0.6	0.4	0.3	0.5
Gains on securities	1.2	1.2	1.7	1.1	1.0	1.2	1.2	2.0	2.3	2.0	2.7	1.8
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.3	2.7	2.8	2.8	2.8	2.6
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.5	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-4.5	-5.0	-5.0	-4.9	-4.9	-5.0
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.4	-0.3	-0.5	-0.3
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.3	-0.2	-0.2	-0.2	-0.3
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-0.8	-1.0	-0.6	-0.7	-0.8
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.9	0.9	0.4	1.0	0.9	0.8
Monetary results	0.0	0.0	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**0.9**	0.9	**1.8**	**1.2**	**1.5**	**2.3**	**1.6**
ROA adjusted [3]	0.0	0.0	-8.9	-1.9	0.7	2.0	2.0	2.8	2.3	2.3	3.1	2.6
ROE	*0.0*	*-0.2*	*-59.2*	*-22.7*	*-4.2*	*7.1*	*7.5*	*13.2*	*8.6*	*11.0*	*16.9*	*11.9*

(1) Data at December 2002 currency (2) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.

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

Source: BCRA

Chart 4: Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Oct 05	Dec 05	Ago 06	Sep 06	Oct 06
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	6.4	5.2	4.0	3.8	3.7
Non-performing loans to the non-financial private sector	**16.0**	**19.1**	**38.6**	**33.5**	**18.6**	**9.8**	**7.6**	**5.3**	**5.0**	**4.9**
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	12.0	9.3	6.1	5.7	5.6
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	6.1	4.8	4.0	3.8	3.7
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	118.3	125.1	128.3	131.5	131.8
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-1.2	-1.3	-1.1	-1.2	-1.1
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-3.8	-4.1	-3.4	-3.7	-3.7

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

Source: BCRA

Methodological note (chart 1):

1.-(Cash compliance according to BCRA + Other cash holdings + Central Bank repos) / Total deposits; **2.-**(Public bonds position (without LEBAC and NOBAC) + Loans to the public sector + Compensation receivable) / Netted assets; **3.-**Loans to the private sector / Netted assets; **4.-**Non-performing loans to the non-financial private sector / Loans to the non-financial private sector; **5.-**(Total non-performing loans – Provisions) /Net Worth. The non-performing loans includes loans classified in situation 3,4,5, and 6; **6.-**(Accumulated annual results /Average monthly netted assets - % Annualized; **7.-**(Accumulated annual results – Amortization of Court ordered payments – Adjustments to the valuation of government securities) / Average monthly netted assets - % Annualized; **8.-**(Financial margin (Net interest income + Restatement by CER and CVS + Gain on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Operating costs; **9.-**Capital compliance (Responsabilidad Patrimonial Computable) / Risk – adjusted assets according to the norm of BCRA about Minimum Capital Compliance; **10.-**(Capital Compliance minus requirements, included franchises) / Capital requirements.

Statistics Annex: Private Banks

Chart 5: Financial Soundness Indicators (see Methodological note in next page)

As %	1996	1997	1998	1999	2000	2001	2002	2003	2004	Oct 2005	2005	Sep 2006	Oct 2006
1.- Liquidity	23.6	26.9	22.8	24.3	24.1	23.6	24.8	27.6	29.2	23.1	21.1	21.9	22.3
2.- Lending to the public sector	15.9	16.9	17.0	20.4	19.9	23.2	49.9	47.7	43.1	31.5	29.5	22.1	21.3
3.- Lending to the private sector	59.5	57.4	58.9	55.5	51.0	49.6	22.1	19.8	23.1	29.6	31.7	37.3	38.0
4.- Private non-performing loans	11.1	8.5	7.7	8.9	9.8	14.0	37.4	30.4	15.3	8.3	6.3	4.1	4.0
5.- Net worth exposure to private sector	21.6	14.3	13.2	11.5	13.4	11.4	18.6	11.2	1.9	-1.1	-2.2	-2.8	-2.9
6.- ROA	0.6	0.7	0.5	0.3	0.1	0.2	-10.7	-2.5	-1.0	0.7	0.5	1.9	2.0
7.- Adjusted ROA	-	-	-	-	-	-	-	-1.2	0.2	1.7	1.6	2.9	3.0
8.- Efficiency	144	135	139	146	152	151	168	93	115	140	136	158	160
9.- Capital compliance	15.9	15.4	14.6	18.9	18.0	17.6	-	14.0	15.1	17.5	17.8	18.6	18.7
10.- Excess capital compliance	33	47	27	60	49	43	-	88	157	152	155	124	125

Source: BCRA

Chart 6: Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Oct 05	Dec 05	Sep 06	Oct 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**130,841**	**129,680**	**144,736**	**150,928**	**4.3**	**16.4**	**15.4**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	16,126	14,074	19,126	18,275	-4.4	29.9	13.3
Public bonds	7,583	1,627	19,751	22,260	24,817	27,634	29,966	27,250	28,927	6.2	-3.5	4.7
Lebac/Nobac	0	0	-	-	8,359	13,328	15,227	14,638	16,914	15.5	11.1	26.9
Portfolio	0	0	-	-	5,611	12,145	12,899	13,684	14,016	2.4	8.7	15.4
Repo	0	0	-	-	2,749	1,183	2,328	955	2,899	203.6	24.5	145.0
Private bonds	563	451	273	172	333	312	307	624	485	-22.2	58.1	55.6
Loans	56,035	52,319	51,774	47,017	50,741	54,266	56,565	64,916	67,172	3.5	18.8	23.8
Public sector	8,172	13,803	25,056	23,571	21,420	16,696	15,954	11,806	11,678	-1.1	-26.8	-30.1
Private sector	45,103	36,636	26,074	22,816	28,213	36,231	39,031	50,675	52,708	4.0	35.0	45.5
Financial sector	2,760	1,880	644	630	1,107	1,339	1,580	2,435	2,786	14.4	76.3	108.0
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-2,821	-2,482	-2,244	-2,273	1.3	-8.4	-19.4
Other netted credits due to financial intermediation	36,600	13,037	27,212	22,148	25,753	21,160	16,873	19,675	22,701	15.4	34.5	7.3
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	697	675	578	584	1.0	-13.5	-16.2
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,457	2,444	2,999	3,077	2.6	25.9	25.2
Compensation receivable	0	0	15,971	13,812	14,657	7,882	5,575	4,916	4,772	-2.9	-14.4	-39.5
Other	34,267	10,735	3,523	3,370	7,905	10,125	8,179	11,182	14,268	27.6	74.5	40.9
Assets under financial leases	776	752	553	387	592	1,127	1,356	1,887	1,976	4.7	45.7	75.4
Shares and participation	1,651	1,703	3,123	2,791	1,892	2,287	2,416	3,587	3,671	2.3	52.0	60.5
Fixed assets and miscelaneous	3,225	3,150	5,198	4,902	4,678	4,543	4,575	4,572	4,563	-0.2	-0.3	0.4
Foreign branches	75	112	-109	-136	-53	-76	-148	-138	-138	0.3	-6.5	82.5
Other assets	2,190	2,574	7,549	7,816	7,137	6,282	6,178	5,481	5,569	1.6	-9.9	-11.4
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**114,396**	**112,600**	**124,772**	**130,628**	**4.7**	**16.0**	**14.2**
Deposits	57,833	44,863	44,445	52,625	62,685	73,717	75,668	87,869	89,599	2.0	18.4	21.5
Public sector [2]	1,276	950	1,636	3,077	6,039	7,253	6,946	7,369	7,410	0.6	6.7	2.2
Private sector [2]	55,917	43,270	38,289	47,097	55,384	65,579	67,859	79,174	80,834	2.1	19.1	23.3
Current account	4,960	7,158	8,905	11,588	13,966	16,747	17,946	18,673	19,215	2.9	7.1	14.7
Savings account	9,409	14,757	6,309	10,547	14,842	17,038	18,362	20,671	21,131	2.2	15.1	24.0
Time deposit	39,030	18,012	11,083	18,710	22,729	27,780	27,736	35,930	36,646	2.0	32.1	31.9
CEDRO	0	0	9,016	2,409	798	7	3	2	2	-2.5	-25.1	-68.5
Other netted liabilities due to financial intermediation	46,271	22,629	49,341	42,367	45,083	36,245	32,349	32,372	36,286	12.1	12.2	0.1
Call money	2,293	1,514	836	726	1,070	1,709	1,488	2,323	2,405	3.5	61.7	40.7
BCRA lines	83	1,758	16,624	17,030	17,768	10,472	10,088	6,888	6,785	-1.5	-32.7	-35.2
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,077	6,548	6,502	6,465	-0.6	-1.3	6.4
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	3,890	2,696	2,112	2,141	1.4	-20.6	-45.0
Other	33,466	11,010	7,374	7,939	12,878	14,097	11,530	14,547	18,491	27.1	60.4	31.2
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,328	1,319	1,183	1,188	0.4	-9.9	-10.5
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,106	3,264	3,348	3,555	6.2	8.9	14.4
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**16,445**	**17,080**	**19,964**	**20,300**	**1.7**	**18.9**	**23.4**
Memo												
Netted assets	88,501	73,796	117,928	115,091	121,889	122,410	123,271	135,830	138,854	2.2	12.6	13.4

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

Source: BCRA

Statistics Annex: Private Banks

Chart 7: Profitability Structure

	Annual						First 10 months		Monthly			Last
Amounts in million of pesos	2000	2001	2002[1]	2003	2004	2005	2005	2006	Aug-06	Sep-06	Oct-06	12 months
Financial margin	5,441	5,282	10,628	2,575	3,415	5,253	4,416	6,223	643	585	759	7,060
Net interest income	3,598	3,519	-304	107	1,214	2,069	1,624	2,263	221	218	256	2,708
CER and CVS adjustments	0	0	1,476	1,082	900	1,215	1,065	704	44	58	56	854
Foreign exchange price adjustments	160	256	6,189	-312	666	576	438	636	72	55	50	774
Gains on securities	1,232	962	3,464	1,892	959	1,259	1,179	2,471	294	238	378	2,550
Other financial income	450	546	-197	-195	-322	134	110	150	12	15	19	173
Service income margin	2,554	2,598	2,782	2,341	2,774	3,350	2,725	3,543	385	379	401	4,168
Loan loss provisions	-2,173	-2,464	-6,923	-1,461	-1,036	-714	-595	-588	-53	-71	-61	-707
Operating costs	-5,263	-5,224	-6,726	-5,310	-5,382	-6,303	-5,085	-6,107	-638	-633	-646	-7,325
Tax charges	-379	-418	-512	-366	-393	-509	-402	-602	-66	-66	-68	-709
Income tax	-393	-216	-337	-295	-202	-217	-177	-245	-31	-22	-54	-285
Adjustments to the valuation of government securities [1]	0	0	0	-665	-51	-201	-93	-152	-10	-14	-12	-260
Amortization payments for court-ordered releases	0	0	0	-791	-1,147	-1,168	-978	-951	-136	-90	-97	-1,141
Other	307	615	-4,164	1,178	846	1,156	862	1,054	24	129	116	1,348
Monetary results	0	0	-10,531	-20	0	0	0	0	0	0	0	0
Total results	**93**	**174**	**-15,784**	**-2,813**	**-1,176**	**648**	**673**	**2,174**	**118**	**198**	**339**	**2,148**
Adjusted results[3]	-	-	-	-1,357	252	2,016	1,745	3,277	264	302	448	3,549
Annualized indicators - As % of netted assets												
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	4.3	5.8	5.7	5.2	6.6	5.5
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	1.6	2.1	2.0	1.9	2.2	2.1
CER and CVS adjustments	0.0	0.0	1.1	0.9	0.8	1.0	1.0	0.7	0.4	0.5	0.5	0.7
Foreign exchange price adjustments	0.2	0.3	4.4	-0.3	0.6	0.5	0.4	0.6	0.6	0.5	0.4	0.6
Gains on securities	1.4	1.2	2.5	1.7	0.8	1.0	1.2	2.3	2.6	2.1	3.3	2.0
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	2.7	3.3	3.4	3.3	3.5	3.2
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.5	-0.5	-0.6	-0.5	-0.5
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-5.0	-5.6	-5.7	-5.6	-5.6	-5.7
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.4	-0.6	-0.6	-0.6	-0.6	-0.6
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.5	-0.2
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-1.0	-0.9	-1.2	-0.8	-0.8	-0.9
Other	0.4	0.7	-3.0	1.0	0.7	0.9	0.8	1.0	0.2	1.1	1.0	1.0
Monetary results	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**0.5**	**0.7**	**2.0**	**1.1**	**1.7**	**2.9**	**1.7**
ROA adjusted[3]	0.1	0.2	-11.3	-1.2	0.2	1.6	1.7	3.0	2.4	2.7	3.9	2.8
ROE	*0.8*	*1.4*	*-79.0*	*-19.1*	*-8.1*	*4.1*	*5.2*	*14.0*	*7.2*	*11.9*	*20.0*	*11.7*

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

Chart 8: Portfolio Quality

As percentages	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Oct 05	Dec-05	Ago 06	Sep 06	Oct 06
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	5.7	4.4	3.5	3.2	3.2
Non-performing loans to the non-financial private se	**9.8**	**14.0**	**37.4**	**30.4**	**15.3**	**8.3**	**6.3**	**4.4**	**4.1**	**4.0**
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	9.7	7.3	4.8	4.4	4.3
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	5.5	4.2	3.6	3.5	3.3
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	105.7	114.6	121.5	125.6	126.5
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	-0.3	-0.6	-0.7	-0.8	-0.8
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	-1.1	-2.2	-2.5	-2.8	-2.9

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

Methodological note (chart 5):

1.-(Cash compliance according to BCRA + Other cash holdings + Central Bank repos) / Total deposits; **2.-**(Public bonds position (without LEBAC and NOBAC) + Loans to the public sector + Compensation receivable) / Netted assets; **3.-**Loans to the private sector / Netted assets; **4.-**Non-performing loans to the non-financial private sector / Loans to the non-financial private sector; **5.-**(Total non-performing loans – Provisions) /Net Worth. The non-performing loans includes loans classified in situation 3,4,5, and 6; **6.-**(Accumulated annual results /Average monthly netted assets - % Annualized; **7.-**(Accumulated annual results – Amortization of Court ordered payments – Adjustments to the valuation of government securities) / Average monthly netted assets - % Annualized; **8.-**(Financial margin (Net interest income + Restatement by CER and CVS + Gain on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Operating costs; **9.-**Capital compliance (Responsabilidad Patrimonial Computable) / Risk – adjusted assets according to the norm of BCRA about Minimum Capital Compliance; **10.-**(Capital Compliance minus requirements, included franchises) / Capital requirements.