Report on Banks

APRIL 2006

Central Bank of Argentina

Year III - No. 8

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Note: This report contains information from April 2006 balance sheets available on 12/06/06. 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.

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Summary

- In the first four months of 2006 the financial system continued to consolidate the progress made during the previous year. In particular, **in April there was a deep expansion in lending to the private sector, accompanied by lower non-performance, a reduction in lending to the public sector and increased profitability, trends that have reinforced bank solvency in a context of competition and limited risk.**

- **Financial exposure to the public sector is at close to half the levels seen in 2004. The decline continued to accelerate in April, dropping 1 p.p. to 27.7% of total assets.** In the group of private banks the fall was somewhat sharper (1.2 p.p.), standing at a level of 24.3% of total assets.

- The banking sector continues to record progress in the normalizing of its liabilities. **In the first half of the year the financial system made payments to the Central Bank for $5.85 billion within the framework of the so-called "matching" mechanism.** As a result, out of the 24 institutions that originally borrowed under the "matching" scheme, by June 2006 only 3 still recorded liabilities under this heading.

- Financial system solvency indicators reflected the gains made in profitability: whereas **bank net worth rose 0.3% in April** (accumulating an annual growth of 5.8%, a figure that rises to 21% if the period between January 2005 and April 2006 is taken into account) **private bank net worth rose 0.2% in the month** (consolidating growth of almost 6.1% in 2006 to date). **Capital compliance in terms of risk-weighted assets increased to 16.2% for the system** as a whole (18.8% in the case of the group of private banks).

- **The steady increase in levels of financial intermediation was reflected in April by a significant increase in total deposits** (1.9%). Sight and time deposits grew at similar rates in April (1.8% and 1.6%, respectively). As a result, in the first four months of the year the increase in time deposits (9.1%) was far higher than that posted by sight deposits (4.4%). **In April, loans to the private sector recorded their highest growth in the year to date** (2.9%).

- **Non-performance levels for the portfolio of financial system loans to the private sector fell 0.1 p.p. in April to a level of 6.7%.** This improvement was largely explained by public banks (for which the non-performance ratio dropped 0.1 p.p. to 9.6%), as in the case of private banks portfolio delinquency remained at a level of 5.7%.

- **In the case of private banks, higher private sector deposits ($1.39 billion) together with the placing of corporate bonds in dollars ($620 million) and the drop in lending to the public sector ($550 million), constituted the main sources of funds in April. More than half the funds generated in the month ($1.68 billion) were allocated to increasing the balance of lending to the private sector, while a significant portion was applied to repay Central Bank rediscounts ($570 million).** Purchase of LEBAC and NOBAC ($470 million) and an increase in liquid assets ($350 million), completed private bank uses of funds during the month.

Activity:
Deep expansion in lending to the private sector

Table 1

Loans to the Private Sector by Group of Banks

% change based on balance sheet totals

	2005	Accum. 2006	Apr-06	Share of total 2006
Public banks				
Total loans	**33**	**18**	**-2**	**27**
Commercial	55	10	-34	24
Consumer	74	42	38	28
Collateralized	1	10	9	39
Other	-44	22	120	12
Private banks				
Total loans	**41**	**32**	**60**	**70**
Commercial	50	29	71	76
Consumer	70	57	70	66
Collateralized	7	19	33	57
Other	22	18	39	88
Total system				
Total loans	**39**	**29**	**42**	**100**
Commercial	55	25	37	100
Consumer	69	55	59	100
Collateralized	7	20	29	100
Other	6	14	50	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.

Financial system includes non-banking institutions. The private bank group include a financial institutions 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.

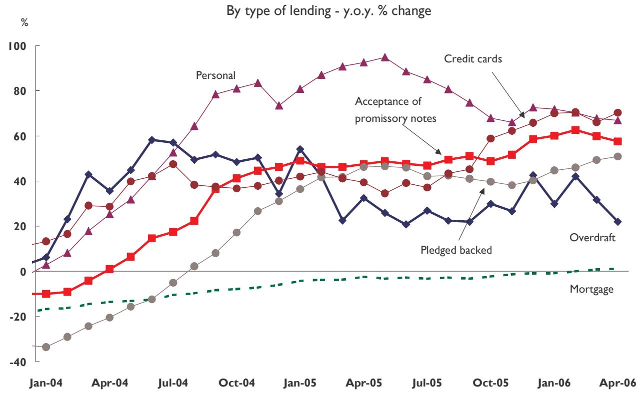
Commercial loans include overdraft, acceptance of promissory notes and export credit.

Source: BCRA

Chart 1

Loans to the Private Sector

By type of lending - y.o.y. % change

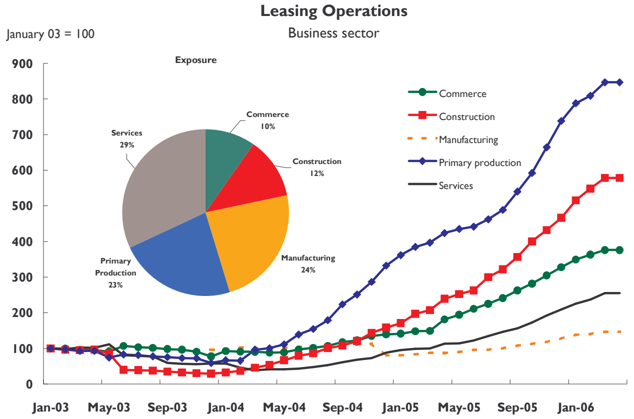


Source: BCRA

Chart 2

Leasing Operations

Business sector



Source: BCRA

In a context of sustained growth in the level of economic activity that has encouraged favorable income expectations for companies and households, banks continue to increase the level of their financial intermediation. **In April, financial system private sector loan totals[1] recorded the sharpest monthly rise in 2006 to date (2.9% or 42%a.), for total growth of 9% (29%a.) in the first four months of the year.** The increase in loan totals in April was almost entirely explained by the behavior of private banks (with growth of 4% or 60%a.), improving on the performance of public banks (down 0.2%) (see Table 1).

Although both commercial lending and consumer loans for individuals posted positive growth rates in April, it was the latter that recorded the greatest relative increase. Whereas **financial system consumer lending went up 3.9% (68% y-o-y) in April, commercial lines expanded by 2.6% (46% y-o-y)** (see Chart 1).

In the case of commercial lending, **in April there was a notable increase in export finance and pre-finance (12.2% or $520 million in absolute terms) and in loans granted by means of the discounting of promissory notes (1.4% or $183 million).** Current account overdrafts recorded a slight decline of 1% during the month. Consumer loans to households rose during the month, mainly from growth in personal loans (up 4.1%, which rises to 4.9% if adjusted for the setting up of financial trusts). In addition, loans granted by means of credit cards continued to strengthen the positive trend that began two years ago (rising 3.4% in April[2]).

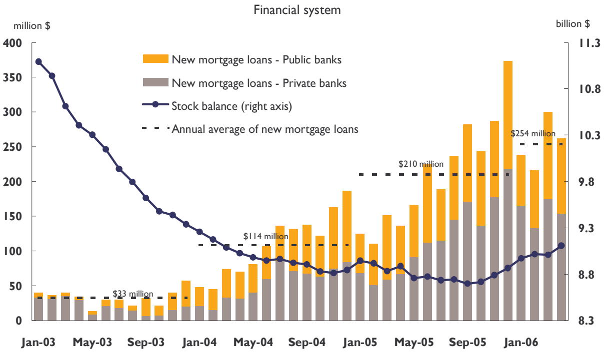
In parallel to the growth in traditional bank lending lines, financial institutions are developing alternative private sector financing opportunities. In particular, confirming the trend begun in early 2004, there has been significant increase in the use of leasing as a mechanism whereby companies are able to acquire capital assets. **The stock of resources channeled to companies by means of leasing operations reached a total of almost $1.64 billion in April.** Although industry and primary goods production accounted for almost half such resources for companies (46%, see Chart 2), recent months have seen significant dynamism in the services and construction sectors.

For the first time since the crisis there has been sustained growth in **collateralized lending (pledge-backed and mortgage loans), with growth reaching 2.1% in April.** This was largely due to **a marked increase of 5.5% in pledge-backed loans during the month, while mortgage loans maintained their steady upward trend, rising 1.1% (for a total increase of 4.7% or 8.2%a. since September 2005)** (see

[1] Calculation made on the basis of balance sheet totals. Loans in foreign currency are stated in pesos (if the balances of various months are considered, an average exchange rate is used). Does not include interest or adjustments. Not adjusted for unrecoverable loans written off from the balance sheet.

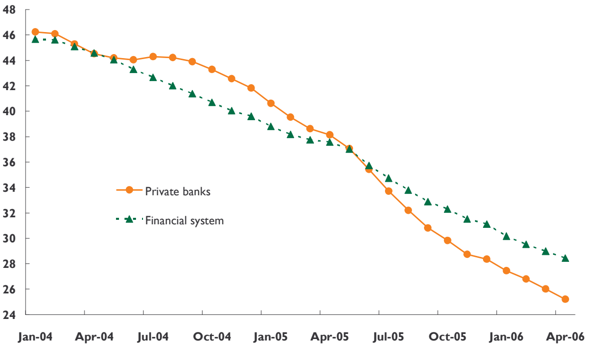
[2] Adjusted for the reclassification of accounts by one financial institution, the growth rate drops to 1.9%.

Chart 3
Mortgage Loans
Financial system



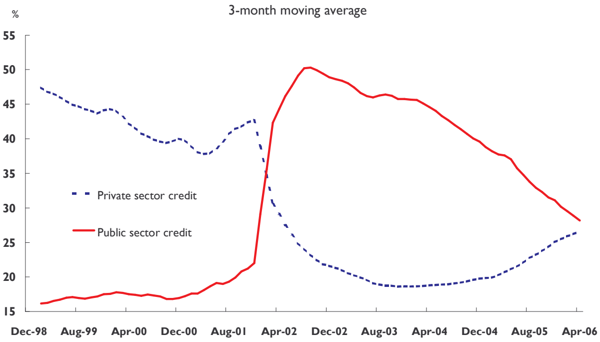
Note: Stock balance not adjusted by transfer between loan portfolios and trust funds or by loans written off balance sheet.
Source: BCRA

Chart 4
Exposure to Public Sector
As % of total assets - 3-month moving average



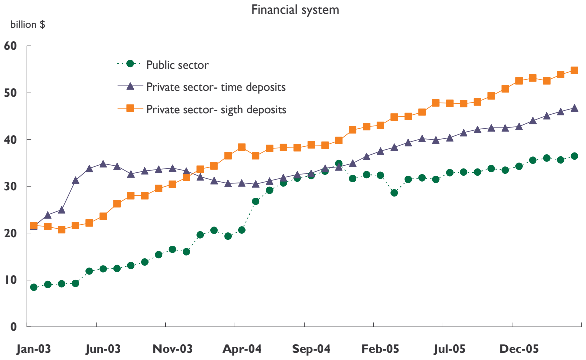
Source: BCRA

Chart 5
Public and Private Sector Credit Risk
As % of total assets of financial system
3-month moving average



Source: BCRA

Chart 6
Deposits by Type
Financial system



Source: BCRA

Chart 3). In the case of the latter, new placements of mortgage loans totaled $260 million in April, more than half being made by private banks.

Within the framework of the sound fiscal policy being implemented, the financial system continues to achieve greater independence from the public sector. **In April the financial system lowered its exposure to the public sector by 1 p.p.[3], to a level of 27.7%[4] of total assets** (see Chart 4). Private banks continue to lead the reduction in exposure to the public sector, recording a drop of 1.2 p.p. in April, to a level of 24.3% of total assets. The steady decline in the share of total financial system assets accounted for by the public sector helps banks to increase their supply of credit to the private sector (a crowding-in effect, see Chart 5), gradually diversifying their credit portfolio at the same time as reducing their term and CER adjustment mismatching.

Growth in the total deposit balance seen in April (1.9%) exceeded the average monthly growth rate recorded in the last year (1.6%) (see Chart 6). This increase for the month (1.7% or $1.76 billion approximately) was higher than the growth recorded by public sector deposits (2.7% or $970 million).

Growth rates for sight and time deposits were similar in April (rising 1.8% and 1.6%, respectively). With the aim of increasing the average term of deposits, and thus extending the term of loans, as from April the Central Bank has implemented a series of regulatory developments to stimulate saving and productive investment. These included a 2 p.p. increase in the level of reserve requirements for sight deposits and the elimination of their remuneration[5]. This should encourage a relative improvement in compensation on reserve requirements on time deposits, generating incentives for a switch of non-transactional deposits from sight accounts to time deposits, in turn increasing the average term of deposits. **In the first four months of the year the cumulative increase in time deposits (9.1% or $3.9 billion) was higher than that recorded for sight deposits (4.4% or $2.29 billion).**

In the specific case of private banks, it should be noted that **growth in total deposits during April (1.7%) was mainly explained by new deposits by the private sector** (1.8%), while public sector deposits recorded a slight decline (0.5%). Furthermore, the increase in time deposits (2.9% or $840 million) was more than double that posted by sight deposits (1% or $380 million). The rise in time deposits in April in this group of banks was the highest for the last twelve months. In April time deposits accounted for 42% of private sector deposits in private banks (see Chart 7), below pre-crisis levels (almost 70% at the end of 2000), despite having posted an increase of 6 p.p. in the last two years.

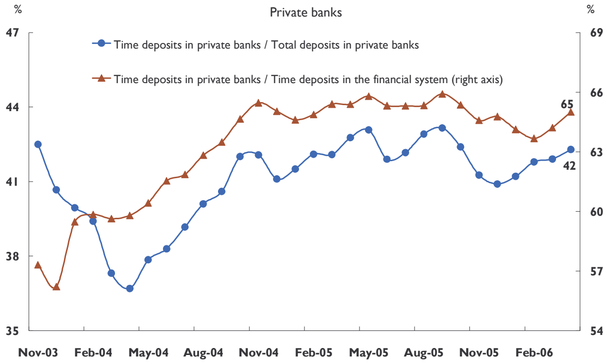
At a time when there are more capital market investment alternatives, **private sector CER-adjusted time deposits recorded a drop in April (4.1% or $286 million,** see Chart 8). This fall was largely explained by

[3] 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.
[4] Provisional information subject to revision.
[5] See Communication “A” 4509.

Chart 7

Time Deposits of Private Sector

Private banks

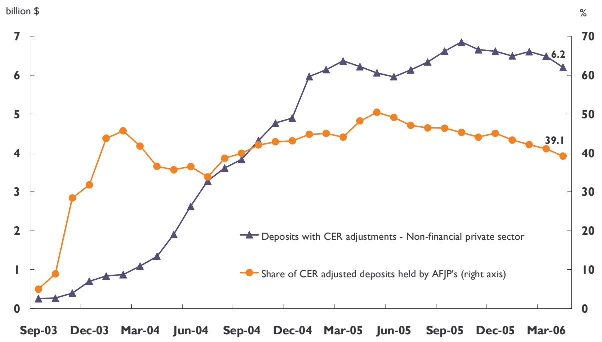


Source: BCRA

Chart 8

Time Deposits with CER Adjustments

Financial system



Source: BCRA and SAFJP

Table 2

Estimated Sources and Uses of Funds

Private banks - April 2006

Million pesos

Source		Uses	
Private sector deposits	1,390	Loans to non-financial private sector (1)	1,680
Loans to the public sector	900	BCRA rediscounts	570
O.B and S.D and foreign lines of credit	620	LEBAC and NOBAC stocks	470
Rediscounts guarantees	350	Liquid assets (2)	350
		Others	190

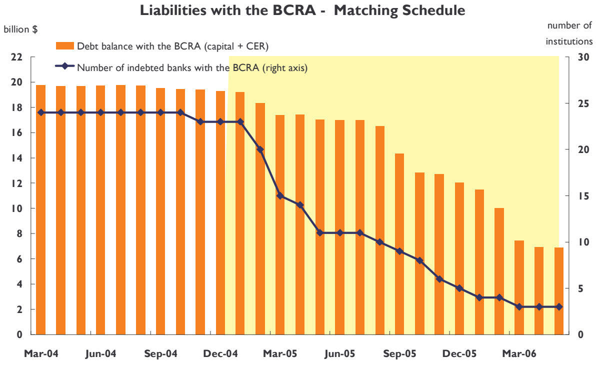
(1) Adjusting for credit written off from balance sheet and transfers between loan portfolios and trust funds.

(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

Source: BCRA

Chart 9

Liabilities with the BCRA - Matching Schedule



Note: Considering that banks which brought forward 100% of the installments will not recall them.

Source: BCRA

the considerable reduction in the holding of such deposits by domestic pension funds (down 8.6% or $245 million).

Private banks continue to increase their financial intermediation levels, at the same time as they further strengthen their balance sheets. **The increase in private sector deposit balances accounted for almost 43% of their sources of funds for the month** (see Table 2). In addition, **the steady decline in exposure to the public sector represented further source of funds for private banks amounting to $550 million**[6]. As in March, one large private bank made use of $350 million in assets that it had previously set up in guarantee of outstanding rediscounts[7].

Additional funds for $620 million were generated, mainly associated with the placing of bonds in foreign currency by one large private bank. This has been a sign of the increasing use being made of capital markets for funding purposes by local banks, making it possible to gradually increase the financing of projects for medium and long-term productive processes.

Contributing to the deepening of the financial system, **private banks allocated slightly over half the resources obtained during April ($1.68 billion) to lending to the private sector.** In turn, in line with the process for the normalization of liabilities, **the accelerated payment of rediscounts in the context of the system commonly known as matching gave rise to a use of funds of $570 million by private banks in April**. Considering the financial system as a whole, this figure rises to $586 million. In May and June financial institutions (both public and private) made payments of $264 million under the same heading, so that in the first half of the year repayments totaled $5.85 billion. Consequently, by the end of May only three banks still recorded debt with the Central Bank from liquidity assistance, with an outstanding balance of $6.89 billion (including principal and CER adjustment) (see Chart 9).

The net position in LEBAC and NOBAC rose $470 million in April, at the same time as private bank liquid assets grew by $350 million. This latter change was mainly explained by the growth of $630 million in reverse repos by these banks with the Central Bank, an effect that was partly offset by a drop in the month of almost $350 million (2.3%) in minimum capital compliance. Nevertheless, given the increase recorded in total private bank deposits, the liquidity ratio remained unchanged at 22% (see Chart 10).

For both private banks and the financial system as a whole, foreign currency mismatching recorded no significant change in April. Although in the case of private banks foreign currency assets and liabilities increased by the same amount (US$535 million), the increase for the month in net worth (see section on Solvency) helped to reduce the balance sheet exposure of the remaining mismatched amount. In the case of assets, there was a notable monthly growth in loans for export finance and pre-finance, while in the case of liabilities, there was growth in corporate bonds in dollars and deposits in foreign

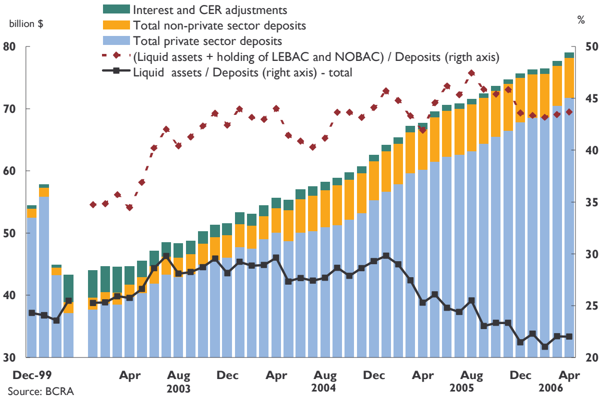
[6] This amount rises to $900 million if government securities used as collateral for repos with public banks are included.

[7] See Report on Banks - February 2006.

Chart 10

Deposits and Liquidity

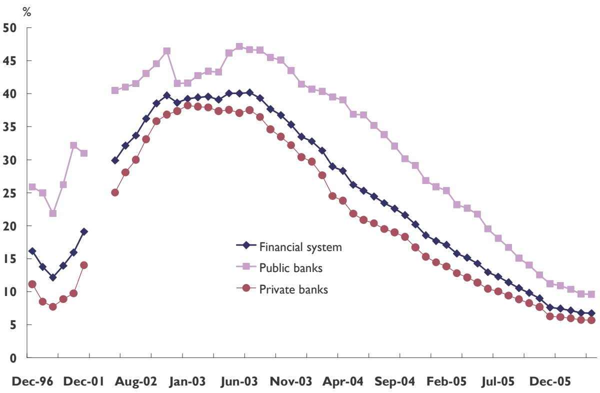
Private banks



Source: BCRA

Chart 11

Non-Performing Portfolio to the Private Sector

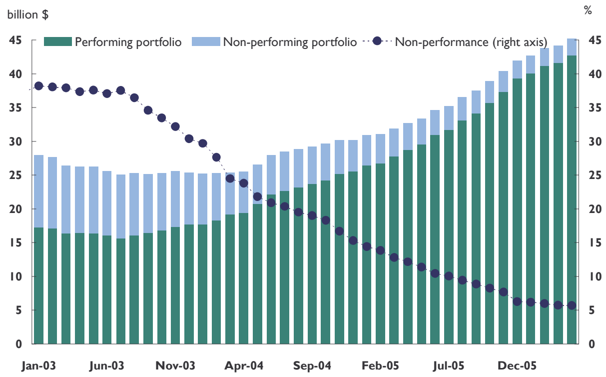


Source: BCRA

Chart 12

Private Sector Loan Performance

Private banks



Source: BCRA

currency. For the financial system as a whole, foreign currency mismatching recorded a slight increase of a little over US$30 million to a level of close to US$3.18 billion, equivalent to almost 37% of bank net worth.

Portfolio quality:
Public banks lead drop in loan delinquency

Levels of non-performance within the financial system continue to decline, in a manner consistent with the trend that began in mid-2003 and gained in strength in the last eighteen months. Such significant improvement in financial institution portfolio quality has been caused by various factors, including the increased level of economic activity, regulatory changes introduced by the Central Bank and better strategies for assigning credit by banks.

In April the financial system non-performance ratio recorded a drop of 0.1 p.p. to a level of 6.7%, accumulating a drop of 8.4 p.p. in the last twelve months (see Chart 11). The reduction for the month in non-performance was explained by an increase in new loans granted (with a lower implicit credit risk) (see Chart 12). This improvement in portfolio did not take place evenly across all groups of banks, as while public banks posted a drop in their non-performance ratio, private banks recorded no change in that indicator. **The private bank non-performance ratio remained at 5.7% of loans, while delinquency for public banks fell 0.1 p.p. to 9.6%.** Although this latter group of banks records a relatively greater deterioration in its loan portfolio, **the non-performance gap in relation to private banks is continuing to narrow gradually.**

In the specific case of private banks, **in April the reduction in the level of non-performance for commercial loans and consumer loans was similar (0.1 p.p.). As a result, the delinquency level for commercial loans continues to be higher than that displayed by consumer lines (6.6% and 3.9%, respectively)** (see Chart 13). Taking a medium-term view, non-performing levels for both types of loan continue to converge gradually on levels more in line with those recorded by other economies in the region.

In April private bank coverage by means of provisions was slightly lower, caused by both a slight increase in the amount of non-performing loans and a cut-back in provisions. In this context, **the ratio for coverage by provisions fell almost 4 p.p. in the month, to a level of 114%.** In the case of public banks this indicator did not show significant change, totaling 147%. **The coverage indicator for the financial system fell almost 3 p.p. to a level of 126%.** Despite these developments for the month, **the ratio of financial system non-performing loans not covered by provisions as a percentage of net worth continued at a negative level for all bank groups.**

Profitability:
Increased gains on securities

During April 2006 the financial system maintained its trend towards the consolidation of its profitability, a process founded on the rapid recovery by traditional financial intermediation, in an environment marked by considerable competition among financial institutions. This positive performance is in line with the steady increase in local economic activity in a context of sound fiscal and monetary policies, reflected in both expanding demand for credit by companies and households and lower credit risk levels in the various sectors of the economy.

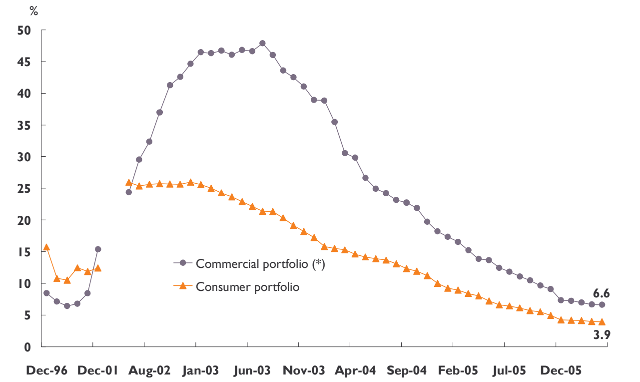
In this context, **in April local banks posted book profits for $267 million or an annualized (a.) 1.5% of their assets,** 0.2 p.p. above the positive results obtained in the previous month and almost doubling the profits posted in the same month of 2005 (see Chart 14). As a result, **accumulated profitability in the first four months of the year reached 1.8%a. of assets**, 1.6 p.p. more than in the same period of 2005. Despite this favorable performance, the profitability of the local financial system is still below the levels seen in most Latin American countries[8]. If in order to obtain a measure of the current profitability level of the financial system the effect of those items related to the gradual recognition of the effects of the 2001-2002 crisis (amortization of court-ordered payments and adjustments to the valuation of government securities) were to be excluded, **adjusted bank profitability for April totaled 2.5%a. of assets**, 0.1 p.p. above the figure recorded in the previous month. **Accumulated adjusted profitability in the first four months of the year totals 2.8%a. of assets,** approximately 1.5 p.p. above the level in the first four months of 2005.

While official banks obtained positive results for approximately $81 million in April (or 1.1%a. of assets), private financial institutions posted gains of almost $173 million (approximately 1.6% of assets). As a result, both types of financial institution recorded an improvement in profit compared with the previous month, accumulating profits for the first four months of 2006 for $495 million and $747 million, respectively.

As in previous months, **volatility in bank profitability continued to be a significant factor in the development of local financial intermediation** (see Chart 15). It should be noted that the influence of the remaining effects of the recent crisis (changes in the valuation of government securities, active mismatching in foreign currency, among other factors) is gradually waning.

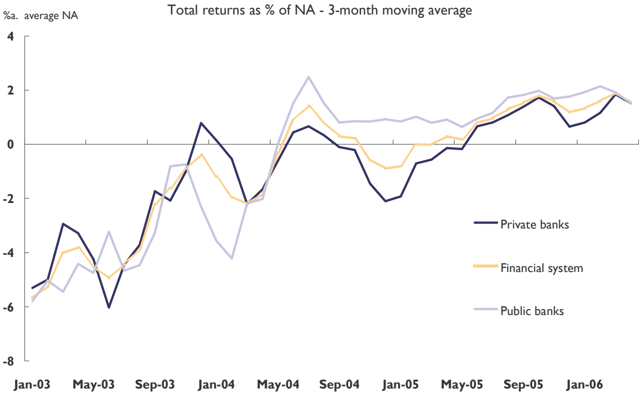
In the specific case of private banks, increased profitability in April was led by the recovery for the month in results from bond holdings. Income from interest and services recorded a moderate decline in April. In addition, private banks posted lower gains for the month from CER adjustments and exchange rate differences.

Chart 13
Portfolio Quality by Type of Lending
Non-performing portfolio to the non-financial private sector - Private banks



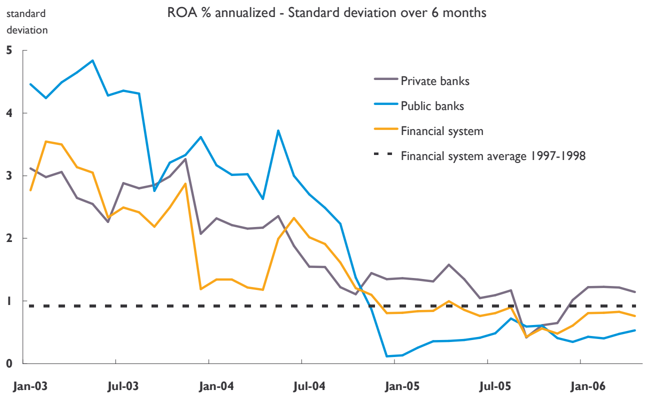
Source: BCRA (*) Includes commercial loans treated as consumer loans for classification purposes.

Chart 14
Annualized Profitability
Total returns as % of NA - 3-month moving average



Source: BCRA

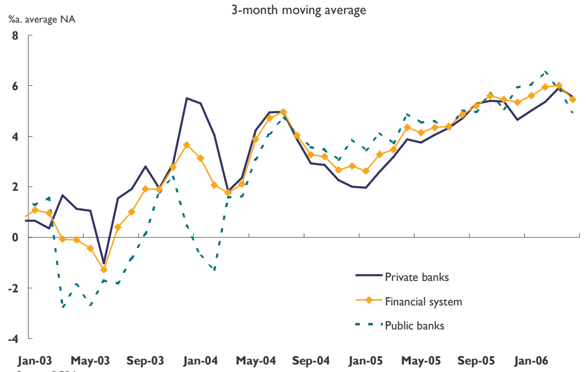
Chart 15
Historical Volatility of Results
ROA % annualized - Standard deviation over 6 months



Source: BCRA

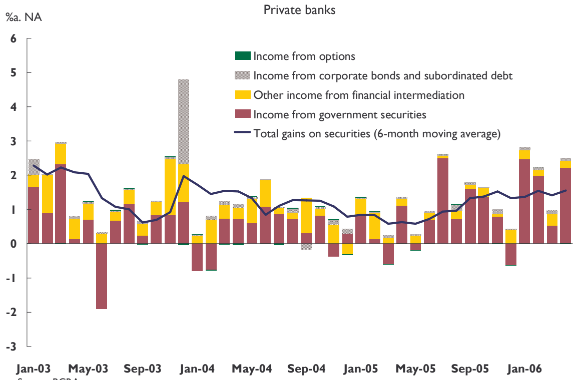
[8] See "Global Financial Stability Report", April 2006.

Chart 16
Financial Margin
3-month moving average



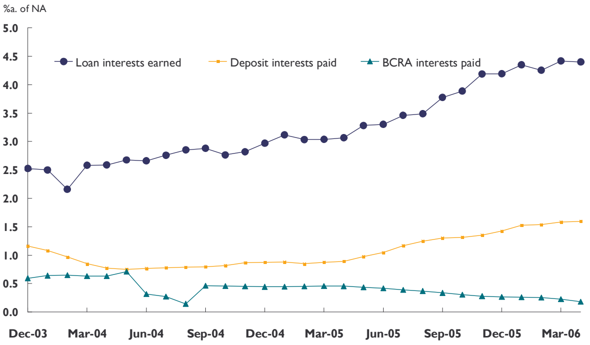
Source: BCRA

Chart 17
Gains on Securities
Private banks



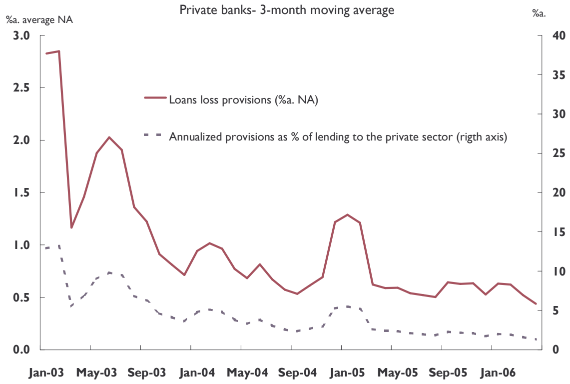
Source: BCRA

Chart 18
Main Components of Net Interest Income
3-month moving average - As annualized % of netted assets - Private banks



Source: BCRA

Chart 19
Loans Loss Provisions
Private banks- 3-month moving average



Source: BCRA

Private bank financial margin increased 0.8 p.p. in April, to 5.8%a. of assets, almost 1.5 p.p. above the level reached over the course of 2005 (see Chart 16, showing the moving quarterly average). **This recovery for the month was driven in particular by the positive results obtained from government securities holdings** (see Chart 17), in a context of improved prices for the main government bonds held in portfolio by private banks and rising profits from regular trading in such assets. As a result, this source of income recorded a notable 1.3 p.p. improvement in private banks in April, reaching 2.5%a. of assets. This is above the average for the first four months of 2006 (2.2%a. of assets) and over the whole of the previous year (1%a. of assets).

On the other hand, private bank interest income was slightly lower in April. **Private bank net interest income dropped 0.3 p.p. during April to a level of 2%a. of assets**. This change for the month was mainly explained by the slightly lower interest on loans at a time when interest paid on deposits showed little change, while the payment of interest to the Central Bank fell again, given the rapid reduction in bank financial obligations with the Central Bank (see Chart 18). Despite this change for the month, net interest income for April maintained the pattern of growing consolidation seen in recent months, standing 0.3 p.p. and 1 p.p. above the levels recorded in 2005 and 2004, respectively. In addition, net CER adjustments fell slightly in April, to 0.7%a. of assets.

Income from exchange rate differences recorded a slight drop of 0.2 p.p. in April, totaling 0.4%a. of assets. This movement for the month was driven mainly by the gains obtained on foreign currency trading by this group of banks, added to the positive results from the revaluation of the price of precious metals held in portfolio by some banks. These effects were partly offset by the decline in the nominal $/US$ exchange rate between ends for the month ($0.03). Despite this monthly variation, this level is in line with the figures recorded in the first four months of 2006 (0.6%a.) and during 2005 (0.5%a.).

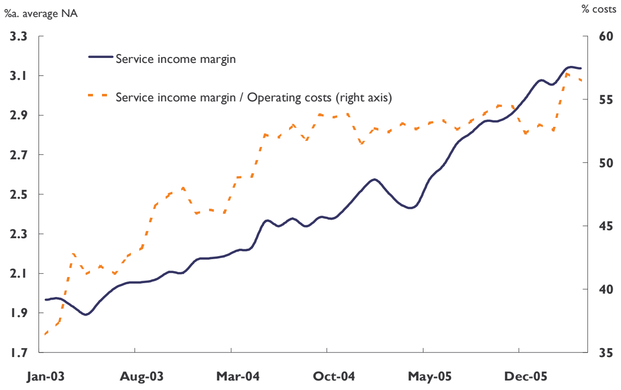
Within the context of a gradual recovery in private bank portfolio quality, strategies by banks to generate lending to the private sector and the level of provisions seen during the 2001-2002 crisis, **private bank loan loss provisions remained at a low level (0.5%a. of assets), standing at values lower than those seen in recent years** (see Chart 19). In terms of private sector loan totals, loan loss provisions amounted to 1.5%a. in April, still low when it is considered that this item stood at 2.1%a. of loans in April last year.

Private bank income from services recorded a slight drop (0.3 p.p. of assets) during April, to a level of 3.1%a. of assets, although this source of income continues to gain strength for this group of banks. This trend has been encouraged by the increased dynamism shown by financial intermediation, and in particular by the growing use of transaction services provided by banks. As a result, in April net income from services had remained in line with the cumulative total for the year under this heading, with growth of 0.4 p.p. and 0.7 p.p. compared with 2005 and 2004, respectively. **This income source is covering an increasing portion of private bank spending, as in April service income covered 54.6% of the operating costs of this group of banks, compared with 53.2% in 2005** (see Chart 20). A significant

Chart 20

Service Income Margin

Private banks - 3-month moving average

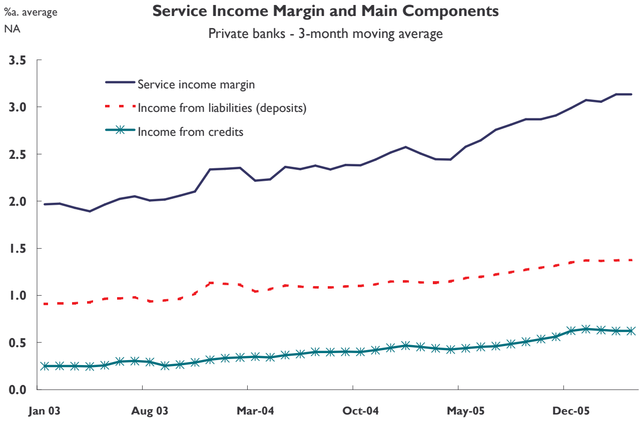


Source: BCRA

Chart 21

Service Income Margin and Main Components

Private banks - 3-month moving average

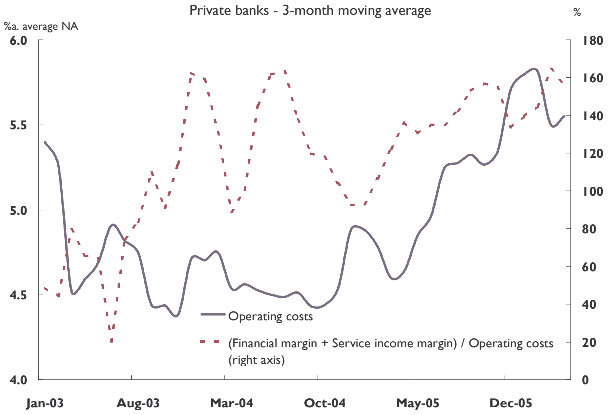


Source: BCRA

Chart 22

Operating Costs

Private banks - 3-month moving average



Source: BCRA

portion of commission income derives from the administration of deposits (both private and fiscal) and the generation of private sector loans (see Chart 21).

Operating costs grew slightly during the month (0.1 p.p.) for the second consecutive month, reaching a level of 5.7%a. of assets. These costs have been showing a certain upward trend in recent periods, standing in April 1.1 p.p. above the same month of 2005, 0.6 p.p. and 1.1 p.p. higher than the figures recorded in 2005 and 2004, respectively. This is a reflection of both the gradual increase in the number of employees in the banking sector and the adjustments being made to sector wages. In this situation, and given the recovery during April of private bank net income, **the ratio for the coverage of costs by net income grew 6 p.p. to a level of close to 157%, 21 p.p. above the value recorded in 2005** (see Chart 22).

Unlike previous months, other income did not vary significantly during April, remaining at 0.7%a. of private bank assets. Headings linked to the gradual recognition by private banks of the costs of the crisis continued to follow a relatively stable course. While the amortization of court-ordered payments remained practically stable (0.8%a. of assets), adjustments to the valuation of lending to the public sector increased slightly to 0.3%a. of assets.

Outlook for May

On the basis of information available at the date of publication of this report, **it is estimated that during May the pattern of positive profitability for the financial system will be maintained**, with a gradual strengthening of main sources of bank income, at the same time as a steady deepening takes place in traditional financial intermediation services. Despite this positive context, the bottom line in May could be affected by certain deterioration on financial markets.

As has been the case in recent months, **in May average balances for both private sector loans and deposits continued to grow** (see Table 3). Current account overdraft balances in private banks recorded a significant increase in May, although this movement could be partially offset by the lower lending rates recorded. As in recent months, consumer lines continued to increase (at the same time as interest rates declined), while longer-term loans (mortgage and pledge-backed) have once again exhibited a gradual recovery. Private banks recorded a further rise in time deposit totals in May, with a moderate increase in deposit rates (a trend seen in recent periods). In this context, it is expected that net interest income will show improvement.

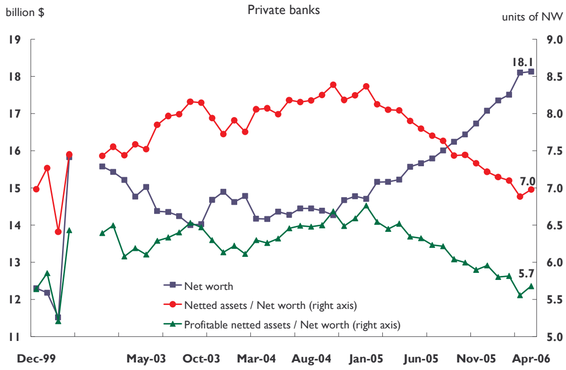
The performance by the CER index in May leads to expectations for positive net adjustments for this coefficient. The rise in the nominal $/US$ exchange rate between ends in May means that there is likely to be an increase in results from exchange differences. Lastly, it is expected that the remaining income statement headings will perform as they have done in recent months, with increased results from services, low loan loss charges and slightly higher operating costs.

Table 3
Main Developments in May 2006

	Apr	May	Ch. %
Prices			
Exchange rate ($/US$)[1]	3.05	3.09	1.3
CPI	176.6	177.4	0.5
CER[1]	1.8	1.8	1.0
			Ch. p.p.
Government securities - annual TIR[1]			
Boden $ 2007	2.0	2.1	0.1
Boden U$S 2012	8.6	8.8	0.2
Discount $	6.1	6.9	0.7
			Ch. p.p.
Average percentage rates			
Lending [2]			
Overdraft	18.0	17.5	-0.5
Promissory notes	12.8	12.7	-0.1
Mortgage	11.6	11.5	-0.1
Pledge-backed	10.4	10.0	-0.4
Personal	24.0	23.7	-0.2
30 to 44 day time deposit	6.5	6.7	0.1
3-month LEBAC in pesos, w/o CER	7.2	7.1	-0.1
7 day BCRA repos	5.0	5.3	0.3
			Ch. %
Balance[2,3] - Private banks			
Peso deposits - Private sector	61,232	62,327	1.8
Sight deposits	31,881	32,253	1.2
Time deposits	26,928	27,709	2.9
Peso loans - Private sector	34,852	35,960	3.2
Overdraft	7,534	8,003	6.2
Promissory notes	8,173	8,223	0.6
Mortgage	5,068	5,124	1.1
Pledge-backed	1,483	1,544	4.1
Personal	4,617	4,795	3.9

(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.

Chart 23
Netted Assets and Net Worth
Private banks



Source: BCRA

Solvency:
Banking net worth rises

The favorable performance by profitability was the driver behind the positive development of bank net worth in April. **Financial system net worth rose by 0.3%, for total growth of 5.8% since the beginning of 2006**, a figure that rises to 21% if the period from January 2005 to April 2006 is taken into account. **Private bank net worth rose 0.2% in the month, achieving a positive variation of 6.1% during 2006** and 22.6% since the beginning of 2005. Unlike in recent periods, the greater growth by assets during April compared with net worth for the private bank aggregate has resulted in a slight increase in leverage to a level of seven times (see Chart 23).

In April **financial system capital compliance in relation to risk-weighted assets rose 0.3 p.p. to a level of 16.2%. In the case of the private bank group, this ratio increased 0.1 p.p. during the month, to 18.8%. The overall capital position for the financial system remained at a high 135% of total capital requirement.** In private banks, the ratio for integration in excess of requirement declined slightly to 127%.

At present, financial system solvency indicators exceed not only local requirements but also minimum internationally recommended levels. Therefore **favorable solvency levels should enable growth in lending to the private sector while preserving the strength of the system.** Although there are certain differences between financial institutions, both private banks and public banks report a financial condition that will enable them to help in encouraging investment and sustaining economic growth within a framework of financial stability[9].

[9] For a more detailed evaluation see Financial Stability Bulletin – First six months of 2006, available at www.bcra.gov.ar.

Latest regulation

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" 4522 – 04/April/06
Changes to the rule on "Guarantees" and "Credit Management". Requirements for considering credit documents discounted with recourse as preferred class "A" guarantees. Specifically :

- The exclusion from the 20% limit on notes from a single obligor that can be discounted has been extended to cover promissory note for up to $10,000 (previously $5,000).
- Requirements and margins established in relation to the category of the assignor have been eliminated, leaving only those related to the obligor, which have also been eased.

In addition, requirements have been established for those cases in which the assignor is a credit cooperative or mutual association or any other legal person not included in section 2 of the Financial Institutions Act. Furthermore, in the "Credit Management" rules, the loan amount which together with 2.5% of adjusted stockholders equity, generates the obligation for the customer to file an affidavit on relationship to the financial institution has been raised from $ 1,000,000 to $ 2,000,000.

Communication "A" 4527 – 25/April/06
The Central Bank shall be able to grant state companies operating under the terms of Law 20,705 the general treatment foreseen for persons in the private non-financial sector as long as certain requirements specifically laid down are observed, which in general assimilate the operation of such companies to those of the private sector. This treatment must be requested from this Institution prior to the granting of the first loan.

Communication "A" 4529 – 26/April/06
The terms for the payment of receivables and claims related to the consideration of export credit insurance as preferred class "A" or "B" in the rules on Guarantees have been relaxed.

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 on 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 exchange rate differences): Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.
ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.
ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.
SMEs: Small and Medium Enterprises.
US$: United States dollars.

Statistics: Financial System

Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Apr 05	Dec 05	Mar 06	Apr 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**218,039**	**222,732**	**227,748**	**233,511**	**2.5**	**4.8**	**7.1**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	26,630	21,166	27,411	28,464	3.8	34.5	6.9
Public bonds	10,474	3,694	31,418	45,062	55,382	57,704	66,733	58,601	59,910	2.2	-10.2	3.8
Lebac/Nobac	0	0	n/a	n/a	17,755	21,564	28,340	24,369	25,573	4.9	-9.8	18.6
Portfolio	0	0	n/a	n/a	11,803	14,357	21,067	20,416	20,087	-1.6	-4.7	39.9
Repo	0	0	n/a	n/a	5,953	7,208	7,273	3,953	5,486	38.8	-24.6	-23.9
Private bonds	633	543	332	198	387	386	387	663	804	21.4	107.7	108.2
Loans	83,277	77,351	84,792	68,042	73,617	76,987	83,664	85,637	86,844	1.4	3.8	12.8
Public sector	15,164	22,694	44,337	33,228	30,866	30,214	25,317	23,535	22,899	-2.7	-9.6	-24.2
Private sector	64,464	52,039	38,470	33,398	41,054	44,706	55,898	59,259	60,884	2.7	8.9	36.2
Financial sector	3,649	2,617	1,985	1,417	1,697	2,067	2,450	2,843	3,062	7.7	25.0	48.1
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-7,001	-4,953	-4,726	-4,664	-1.3	-5.9	-33.4
Other netted credits due to financial intermediation	42,361	21,485	39,089	27,030	32,554	34,794	26,746	31,083	32,617	4.9	21.9	-6.3
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	813	873	993	852	-14.2	-2.4	4.8
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,018	3,888	4,278	4,276	0.0	10.0	41.7
Compensation receivable	0	0	17,111	14,937	15,467	14,862	5,841	5,573	5,491	-1.5	-6.0	-63.1
BCRA	141	84	3,360	650	376	367	353	684	322	-53.0	-8.9	-12.5
Other	39,373	18,585	10,212	5,741	12,547	15,733	15,791	19,554	21,676	10.8	37.3	37.8
Assets under financial leases	786	771	567	397	611	770	1,384	1,651	1,703	3.2	23.1	121.2
Shares and participation	2,645	2,688	4,653	4,591	3,871	3,901	4,525	4,727	4,778	1.1	5.6	22.5
Fixed assets and sundry	4,939	4,804	8,636	8,164	7,782	7,649	7,546	7,489	7,495	0.1	-0.7	-2.0
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,434	3,652	3,754	3,730	-0.6	2.1	8.6
Other assets	3,950	5,334	9,338	12,043	13,180	12,785	11,882	11,457	11,828	3.2	-0.5	-7.5
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**193,519**	**195,571**	**199,065**	**204,704**	**2.8**	**4.7**	**5.8**
Deposits	86,506	66,458	75,001	94,635	116,655	123,699	136,778	142,744	145,637	2.0	6.5	17.7
Public sector [2]	7,204	950	8,381	16,040	31,649	31,496	34,320	35,652	36,596	2.6	6.6	16.2
Private sector [2]	78,397	43,270	59,698	74,951	83,000	89,997	100,794	105,363	107,101	1.6	6.3	19.0
Current account	6,438	7,158	11,462	15,071	18,219	19,598	23,475	23,550	24,196	2.7	3.1	23.5
Savings account	13,008	14,757	10,523	16,809	23,866	25,360	29,077	30,333	30,643	1.0	5.4	20.8
Time deposit	53,915	18,012	19,080	33,285	34,944	39,383	42,822	45,988	46,714	1.6	9.1	18.6
CEDRO	0	0	12,328	3,217	1,046	613	17	17	17	-0.5	-2.5	-97.2
Other netted liabilities due to financial intermediation	55,297	36,019	75,737	61,690	64,928	63,589	52,071	49,645	52,182	5.1	0.2	-17.9
Call money	3,545	2,550	1,649	1,317	1,461	1,803	2,164	2,627	2,829	7.7	30.7	56.9
BCRA lines	102	4,470	27,837	27,491	27,726	25,691	17,005	12,295	11,772	-4.3	-30.8	-54.2
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,258	6,548	6,863	7,564	10.2	15.5	20.9
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	7,773	4,684	4,441	4,305	-3.1	-8.1	-44.6
Other	37,883	17,295	11,955	11,012	18,934	22,064	21,670	23,419	25,713	9.8	18.7	16.5
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,349	1,381	1,290	1,209	-6.3	-12.4	-10.4
Other liabilities	2,210	2,524	6,997	6,569	5,685	4,882	5,341	5,385	5,675	5.4	6.3	16.2
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**24,520**	**27,161**	**28,683**	**28,807**	**0.4**	**6.1**	**17.5**
Memo												
Netted assets	129,815	110,275	185,356	184,371	202,447	204,628	209,044	212,289	215,921	1.7	3.3	5.5
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	200,256	204,160	206,811	210,088	1.6	2.9	4.9

(1) Includes margin accounts with the BCRA

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

n/a: not available

Source: BCRA

Statistics: Financial System

Profitability Structure

In annualized terms

As % of	Annual						First 4 months		Monthly			Last	
netted assets	2000	2001	2002	2003	2004	2005	2005	2006	Feb-06	Mar-06	Apr-06	6 months	12 months
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	3.9	5.8	5.9	5.0	5.2	5.5	5.2
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.1	1.8	1.7	2.0	1.8	1.8	1.7
Restatement by CER and CVS	0.0	0.0	3.9	1.3	1.0	1.5	1.7	1.5	1.7	1.3	1.3	1.5	1.4
Foreign exchange price adjustments	1.2	1.2	1.7	1.1	0.4	0.4	0.0	0.5	0.5	0.4	0.1	0.5	0.5
Gains on securities	0.1	0.2	2.8	-0.5	1.0	1.2	1.0	1.9	1.9	1.2	2.0	1.6	1.5
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.1	2.5	2.4	2.7	2.5	2.6	2.5
Loan loss provisions	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.6	-0.5	-0.4	-0.4	-0.5	-0.4	-0.5
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-4.1	-4.9	-4.8	-4.9	-5.0	-5.0	-4.8
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.3	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.2	-0.4	-0.4	-0.3	-0.2	-0.3	-0.3
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.3	-0.2	-0.3	-0.3	-0.3	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.8	-0.9
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.5	0.6	0.5	0.6	0.8	0.6	0.8
Monetary results	0.0	0.0	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.4	0.2	-8.7	-2.7	-0.3	1.1	0.4	2.2	2.2	1.6	1.7	1.7	1.7
ROA before monetary results	0.0	0.0	-3.1	-2.9	-0.5	0.9	0.2	1.8	1.8	1.3	1.5	1.4	1.4
ROA	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**0.9**	**0.2**	**1.8**	**1.8**	**1.3**	**1.5**	**1.4**	**1.4**
ROA adjusted [2]	0.0	0.0	-8.9	-1.9	0.7	2.0	1.3	2.8	2.8	2.4	2.5	2.5	2.5
Indicators (%)													
ROE	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-4.2**	**7.1**	**1.6**	**13.6**	**13.5**	**9.6**	**11.1**	**10.9**	**10.9**
Financial margin + service income margin / Operating costs	147.4	143.3	189.1	69.3	124.8	150.8	144.9	171.3	173.6	158.7	155.8	160.9	159.4
Interest income (with CER and CVS) / loans	13.0	15.2	11.8	13.1	10.3	12.8	12.8	13.0	13.0	14.4	12.2	13.2	12.9
Interest payments (with CER and CVS) / deposits	5.3	7.3	9.2	5.7	1.8	2.4	2.8	2.8	2.8	3.1	2.9	2.8	2.6

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

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

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

Source: BCRA

Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Apr 05	Dec 05	Feb 06	Mar 06	Apr 06
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	9.1	5.2	4.9	4.7	4.8
Non-performing loans to the non-financial private sector	16.0	19.1	38.6	33.5	18.6	15.2	7.6	7.1	6.8	6.7
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	18.7	9.3	8.7	8.3	8.2
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	9.1	4.8	4.6	4.5	4.3
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	106.1	124.6	127.5	128.5	125.9
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-0.6	-1.3	-1.4	-1.3	-1.2
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-1.8	-4.2	-4.5	-4.3	-4.0

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

Source: BCRA

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Apr 05	Dec 05	Mar 06	Apr 06	Change (%) Month on month	Change (%) Accum. 2006	Change (%) Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**130,588**	**129,680**	**132,483**	**135,928**	**2.6**	**4.8**	**4.1**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	14,969	14,074	16,788	16,439	-2.1	16.8	9.8
Public bonds	7,583	1,627	19,751	22,260	24,817	24,984	29,966	26,989	27,789	3.0	-7.3	11.2
Lebac/Nobac	0	0	n/a	n/a	8,359	10,104	15,227	13,392	14,495	8.2	-4.8	43.5
Portfolio	0	0	n/a	n/a	5,611	7,634	12,899	12,969	12,969	0.0	0.5	69.9
Repo	0	0	n/a	n/a	2,749	2,470	2,328	423	1,525	260.8	-34.5	-38.3
Private bonds	563	451	273	172	333	312	307	585	711	21.5	131.7	127.7
Loans	56,035	52,319	51,774	47,017	50,741	52,737	56,565	56,969	58,171	2.1	2.8	10.3
Public sector	8,172	13,803	25,056	23,571	21,420	20,667	15,954	14,062	13,374	-4.9	-16.2	-35.3
Private sector	45,103	36,636	26,074	22,816	28,213	30,731	39,031	41,256	42,832	3.8	9.7	39.4
Financial sector	2,760	1,880	644	630	1,107	1,339	1,580	1,651	1,965	19.0	24.4	46.8
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-3,351	-2,482	-2,397	-2,412	0.6	-2.8	-28.0
Other netted credits due to financial intermediation	36,600	13,037	27,212	22,148	25,753	26,673	16,873	19,018	20,161	6.0	19.5	-24.4
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	624	675	824	684	-16.9	1.4	9.7
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,147	2,444	2,726	2,721	-0.2	11.3	26.7
Compensation receivable	0	0	15,971	13,812	14,657	14,050	5,575	5,308	5,226	-1.6	-6.3	-62.8
BCRA	35	865	377	415	311	300	279	610	255	-58.2	-8.6	-15.1
Other	34,232	9,870	3,146	2,955	7,594	9,552	7,900	9,551	11,275	18.1	42.7	18.0
Assets under financial leases	776	752	553	387	592	751	1,356	1,613	1,658	2.8	22.2	120.8
Shares and participation	1,651	1,703	3,123	2,791	1,892	1,941	2,416	2,583	2,632	1.9	9.0	35.6
Fixed assets and sundry	3,225	3,150	5,198	4,902	4,678	4,633	4,575	4,533	4,527	-0.1	-1.1	-2.3
Foreign branches	75	112	-109	-136	-53	-75	-148	-158	-157	-0.8	6.3	108.3
Other assets	2,190	2,574	7,549	7,816	7,137	7,012	6,178	5,962	6,410	7.5	3.8	-8.6
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**115,359**	**112,600**	**114,389**	**117,804**	**3.0**	**4.6**	**2.1**
Deposits	57,833	44,863	44,445	52,625	62,685	67,763	75,668	77,715	79,048	1.7	4.5	16.7
Public sector[2]	1,276	950	1,636	3,077	6,039	6,287	6,946	6,300	6,262	-0.6	-9.8	-0.4
Private sector[2]	55,917	43,270	38,289	47,097	55,384	60,268	67,859	70,477	71,769	1.8	5.8	19.1
Current account	4,960	7,158	8,905	11,588	13,966	14,777	17,946	17,811	18,175	2.0	1.3	23.0
Savings account	9,409	14,757	6,309	10,547	14,842	16,024	18,362	19,335	19,353	0.1	5.4	20.8
Time deposit	39,030	18,012	11,083	18,710	22,729	25,752	27,736	29,525	30,367	2.9	9.5	17.9
CEDRO	0	0	9,016	2,409	798	481	3	3	2	-2.0	-12.3	-99.5
Other netted liabilities due to financial intermediation	46,271	22,629	49,341	42,367	45,083	42,853	32,349	32,250	34,171	6.0	5.6	-20.3
Call money	2,293	1,514	836	726	1,070	1,269	1,488	1,836	2,027	10.4	36.2	59.7
BCRA lines	83	1,758	16,624	17,030	17,768	15,928	10,088	7,905	7,352	-7.0	-27.1	-53.8
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,258	6,548	6,863	7,564	10.2	15.5	20.9
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	4,926	2,696	2,430	2,315	-4.8	-14.1	-53.0
Other	33,466	11,010	7,374	7,939	12,878	14,472	11,530	13,216	14,914	12.9	29.4	3.1
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,240	1,319	1,230	1,148	-6.6	-12.9	-7.4
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,504	3,264	3,194	3,436	7.6	5.3	-1.9
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**15,229**	**17,080**	**18,094**	**18,124**	**0.2**	**6.1**	**19.0**
Memo												
Netted assets	88,501	73,796	117,928	115,091	121,889	122,522	123,271	124,574	126,430	1.5	2.6	3.2

(1) Includes margin accounts with the BCRA

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

n/a: not available

Source: BCRA

Statistics: Private Banks

Profitability Structure

In annualized terms

As % of netted assets	Annual						First 4 months		Monthly			Last	
	2000	2001	2002	2003	2004	2005	2005	2006	Feb-06	Mar-06	Apr-06	6 months	12 months
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	3.2	5.9	5.9	5.0	5.8	5.3	5.1
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	1.3	2.1	2.1	2.3	2.0	2.1	1.9
Restatement by CER and CVS	0.0	0.0	1.1	0.9	0.8	1.0	1.0	0.8	0.9	0.8	0.7	0.8	0.9
Foreign exchange price adjustments	1.4	1.2	2.5	1.7	0.6	0.5	0.1	0.6	0.5	0.6	0.4	0.6	0.6
Gains on securities	0.2	0.3	4.4	-0.3	0.8	1.0	0.7	2.2	2.2	1.2	2.5	1.6	1.5
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	2.4	3.1	2.9	3.4	3.1	3.1	3.0
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.5	-0.4	-0.4	-0.5	-0.5	-0.6
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-4.6	-5.5	-5.4	-5.6	-5.7	-5.7	-5.5
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.1	-0.2	-0.1	-0.2	-0.3	-0.3	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.7	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-0.8	-0.9	-0.9
Other	0.4	0.7	-3.0	1.0	0.7	0.9	0.6	0.6	0.2	0.7	0.7	0.9	1.0
Monetary results	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.6	0.5	-11.1	-2.2	-0.8	0.7	-0.4	2.0	1.7	1.5	1.8	1.4	1.4
ROA before monetary results	0.1	0.2	-3.8	-2.4	-1.0	0.5	-0.6	1.8	1.5	1.4	1.6	1.2	1.2
ROA	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**0.5**	**-0.6**	**1.8**	**1.5**	**1.4**	**1.6**	**1.2**	**1.2**
ROA adjusted [2]	0.1	0.2	-11.3	-1.2	0.2	1.6	0.4	2.8	2.5	2.5	2.8	2.3	2.3
Indicators (%)													
ROE	**0.8**	**1.4**	**-79.0**	**-19.1**	**-8.1**	**4.1**	**-4.7**	**12.6**	**10.6**	**9.5**	**11.5**	**8.2**	**8.9**
Financial margin + service income margin / Operating costs	151.9	150.9	199.3	92.6	115.0	136.5	122.4	162.8	161.4	151.4	157.3	148.0	147.0
Interest income (with CER and CVS) / loans	13.9	16.1	24.7	9.0	8.2	11.0	11.5	11.6	11.4	11.9	10.8	11.5	11.1
Interest payments (with CER and CVS) / deposits	5.7	7.8	21.9	5.8	2.2	3.0	3.5	3.5	3.5	3.2	3.5	3.4	3.2

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

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

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

Source: BCRA

Portfolio Quality

As percentages	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04	Apr 05	Dec 05	Feb 06	Mar 06	Apr 06
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	7.3	4.4	4.3	4.1	4.2
Non-performing loans to the non-financial private sector	9.8	14.0	37.4	30.4	15.3	12.2	6.3	6.0	5.7	5.7
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	14.4	7.3	7.0	6.7	6.6
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	8.0	4.2	4.1	4.0	3.9
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	96.8	114.6	117.1	117.9	114.3
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	0.2	-0.6	-0.7	-0.7	-0.6
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	0.8	-2.2	-2.5	-2.5	-2.0

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

Source: BCRA