Report on *Banks*

MAY 2006

Central Bank of Argentina

Year III – No. 9

Contents

Note: This report contains information from May, 2006, available as at June 29, 2006. The description herein focuses on the financial system performance, including break-downs into uniform subgroups. Data provided (specifically those relating to profitability) are preliminary and may be subject to changes later.

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Summary

- **During May, the expansion of the financial intermediation volume of the banking system speeded up.** This monthly evolution was driven by the sustained increase in the major private credit lines (with lower delinquency levels) funded mainly with deposits, while the banking system's exposure to the public sector continues contracting.

- **The netted assets of the financial system recorded a 2.6% expansion in May,** a positive variation that was 2.1% in real terms. The encouraging perspectives in the local banking meant that, **for the first time since the crisis, a new financial (foreign) institution took part in the domestic market**.

- **In line with the policy that the Central Bank is carrying out, the exposure of the banking system to the public sector maintained its declining pattern in May: it dropped 0.7 p.p. to 27% of the total banking assets.** This reduction was 0.2 p.p. within the private sector banks group, to 24.1% of total assets. Thus, resources continue to be released to be used to finance the productive sector.

- **The stock of private credits from banks increased 4.2% (almost $2.5 billion) in May**, led mainly by overdrafts (around $900 million) and personal credits (about $420 million). During the first five months of 2006, loans granted to the private sector for terms of over a year were granted for almost $5.9 billion.

- **Leasing is consolidating as an alternative bank financing tool for SME's,** and the stock at present totals approximately $1.7 billion, channeled especially towards manufacturing industry and the production of primary goods.

- **The delinquency rate on loans by the financial system to the private sector declined 0.2 p.p. in May, to a 6.5% level**. This improvement was mainly accounted for by private banks: its delinquency ratio was reduced by 0.2 p.p. to 5.5%.

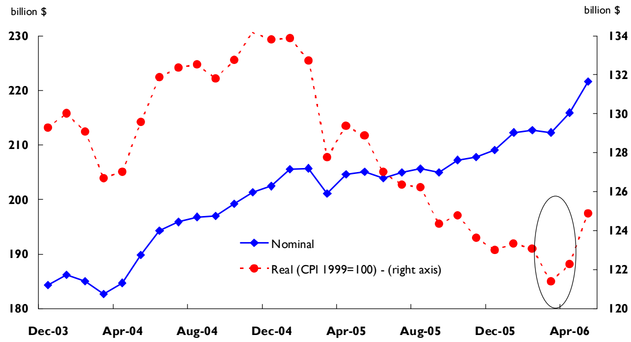
- **The availability of fresh funds for the financial system during the month was accounted for in particular by the increase of both private sector deposits (slightly more than $2.7 billion) and by government deposits (also around $2.7 billion)**. The rate of growth of private sector sight and time deposits in the financial system was similar in May: they expanded 2.7% during the month.

- **The liabilities of the financial system maintain their path towards normalization: while in May the financial institutions made payments to the Central Bank for $142 million under the "matching" scheme, in June and July these outlays amounted to $250 million.** Thus, the financial system has accumulated payments for $5.97 million as matching funds since the beginning of 2006, with an outstanding stock of about $6.84 million (capital plus CER).

- **In May, the financial system continued to accrue positive accounting results (0.9%a. of assets).** Although the results in May were lower than during previous months, the financial margin is still recovering in a sustained manner.

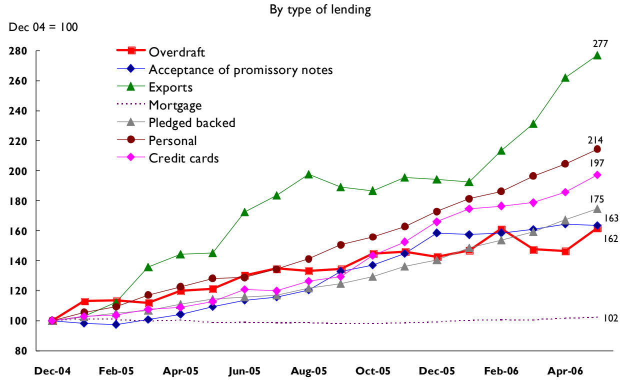
- **The post crisis recapitalization strategy set by the Central Bank is becoming evident.** The financial institutions increased their net worth by 1.1% during May, to consolidate a 7.2% expansion so far in 2006. Thus, **the banking system continues to show solvency indicators that exceed domestic requirements and the minimum recommendations on an international basis**: by the end of May, the total capital compliance of the financial system reached 16.4% of risk weighted assets, while the capital position remained at 135% of the total requirement.

Chart 1
Netted Assets
Financial system



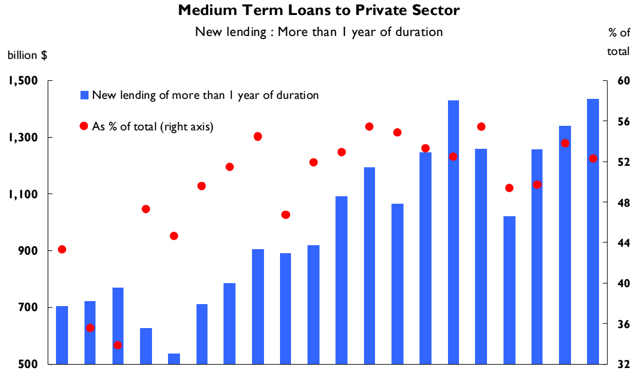
Source: BCRA

Chart 2
Loans to the Private Sector
By type of lending



Source: BCRA

Chart 3
Medium Term Loans to Private Sector
New lending : More than 1 year of duration



Source: BCRA
Note: Excludes credit card and overdraft lending.

Activity:
Private sector loans match public sector assets

Within a framework of sustained economic growth and, fundamentally, an increasing confidence of the public in banks, **the level of financial intermediation grew sharply in May. The netted assets of the financial system expanded 2.6% in May, or 2.1% in real terms** (see Chart 1), to accumulate a 6% increase (15%a.) during the first five months of 2006, or 1.5% (3.7%a.) in real terms. **The encouraging outlook for the domestic banking sector resulted in, for the first time after the crisis, a new financial (foreign[1]) institution joining the domestic market[2].**

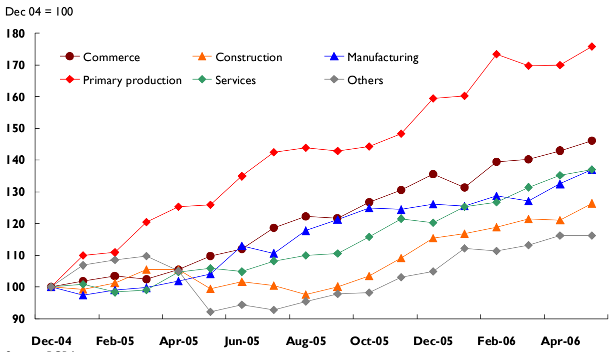
Within a framework of a sustained normalization of the banking sector, financial institutions allocated slightly more than a third of their new available funds to generate credits for the private sector. **The financial system total stock of loans[3] granted to the private sector recorded a $2.5 billion increase in May.** This marked credit momentum was driven by both the action of public sector banks and of the private sector financial institutions, although the latter had a dominant role. While **at private sector banks the credits targeted at the private sector grew by $2.0 billion, at public sector banks the increase recorded was smaller ($350 million)[4].**

In a similar fashion to earlier months, **in May the loans in connection with family consumption (personal and credit cards) experienced a larger relative growth, although in absolute terms the expansion of overdrafts had a dominant role** (see Chart 2). In addition, the total amount of loans granted with a duration of over a year grew significantly during 2006, compared to the same period of the year before: they totaled $5.9 billion and $3.6 billion, respectively. In terms of total loans (without including overdrafts and credit cards), the share of loans with over a year's duration grew 2 p.p. during the first five months of 2006, when compared to the same period of the year before, to reach a 52% level (see Chart 3).

During May, a strong increase in overdrafts ($ 900 million) was seen, while loans undertaken by means of discount of promissory notes exhibited a smaller expansion (1.2%). Despite the heterogeneous growth that both credit lines recorded in May, during recent months a similar development was evident. Meanwhile, **loans for export pre finance and finance (a credit line that maintains a remarkable momentum in the past two years), increased by $280 million during the month.**

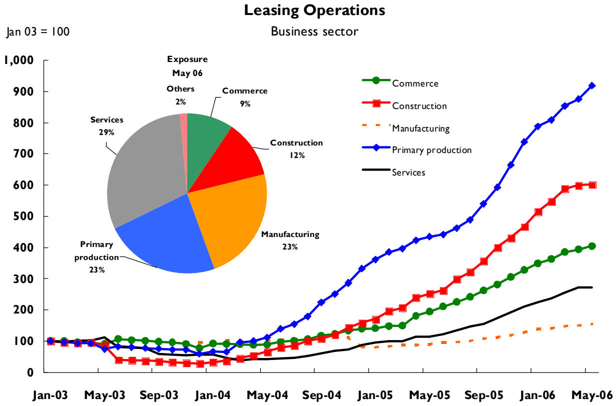
[1] See Communication "B" 8712.
[2] For details on the development of the financial system structure in recent periods, see Chapter III of the Financial Stability Bulletin, First Half 2006.
[3] Calculation based on balance sheet figures. The loans denominated in foreign currency are stated in pesos (if the balances of several months are considered, an average exchange rate is used). Neither interests nor adjustments are included. Figures are not adjusted for loans written off the balance sheet.
[4] The remainder is for non banking financial institutions (NBFI).

Chart 4
Lending by Economic Sectors
Financial system



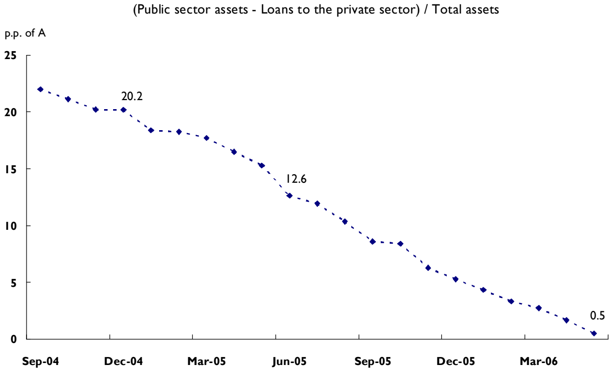
Source: BCRA

Chart 5
Leasing Operations
Business sector



Source: BCRA

Chart 6
Public and Private Sector Credit Risk
(Public sector assets - Loans to the private sector) / Total assets



Source: BCRA

As regards the loans mainly associate with household consumption, **credit card finance recorded an increase of $410 million**, the largest monthly expansion so far this year. On the other hand, **personal loans grew by $420 million in May, a figure which expands to $580 million if financial trusts set up during the month with such assets are included.**

In a favorable macroeconomic environment that drives individuals and businesses to increase their demand for medium and long term financing, **collateralized loans grew 1.7% in May.** In particular, **pledge backed loans increased 5%,** while **the stock of mortgage loans rose 0.8%.** In this context, it should be noted that **new mortgage loans granted amounted to $290 million in May,** a slightly higher value than that recorded in recent months and remained above the 2005 average. In a similar manner to what was seen in recent months, almost two thirds of new mortgage loans were granted by private sector banks. The continuity in the dynamic growth of the building sector allows for the estimate of a sustained channeling of credit resources geared to the purchase of real estate over the medium term.

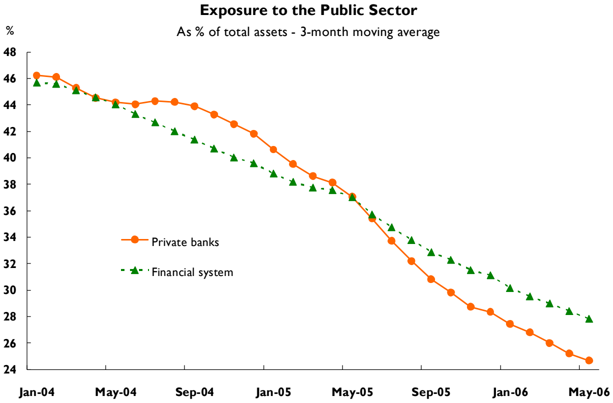
The financial system continues to allocate most of its new funds to business sectors that offer the best outlooks in terms of relative growth. In this sense, in May financing of the manufacturing industry and of primary production of goods accounted for almost 58% of the total stock of credit for businesses[5] (see Chart 4), with both sectors recording increases of their shares by 0.2 p.p. in the month. On the other hand, loans for the service sector experienced a slight decline in their share (to 22%), while the commercial and construction sectors kept their share of total loans unchanged.

The favorable development of the manufacturing industry and in the primary production of goods sector not only drives the use of traditional bank credit instruments, but it also fosters the use of alternative financing sources, such as leasing. In particular, **the stock of bank funds channeled to corporations under leasing facilities amounted to about $1.7 billion in May, to show a 26% increase ($350 million) since the end of 2005** (see Chart 5). At present around 27% of these lines are granted for amounts of less than $1 million, while 48% are for between $1 million and $5 million, directed towards medium sized businesses.

This expansion of credit for the private sector, together with a reduction of the exposure to the government, is generating a swift closure of the gap between credit for the public sector and the private loans[6] (see Chart 6). In line with the policy that the Central Bank is carrying out, the weighting of public sector assets[7] in the portfolios of financial institutions dropped by 0.7 p.p. in May, to reach a level of 27% of total assets (29.2% of netted assets) (see Chart 7). In this fashion, during the past 12 months this decline has been

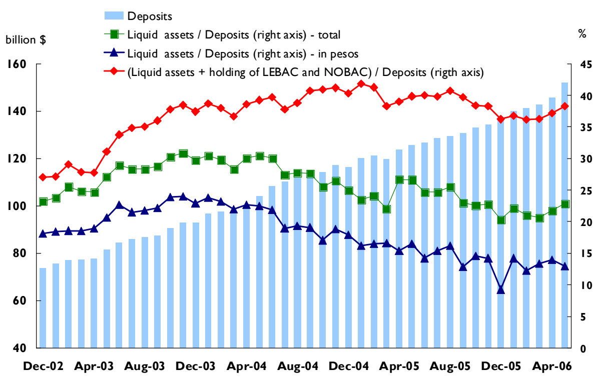
[5] For the purpose of analysis, the loans granted to legal persons and commercial financing granted to individuals is considered in this paragraph.
[6] If private sector financing granted as leasing transactions is included, the gap takes a slightly negative value (-0.3 p.p. of total assets).
[7] Exposure to public sector involves the position in sovereign bonds (including receivables for compensation) and the loans to the public sector. LEBAC and NOBAC are not included.

Chart 7
Exposure to the Public Sector
As % of total assets - 3-month moving average



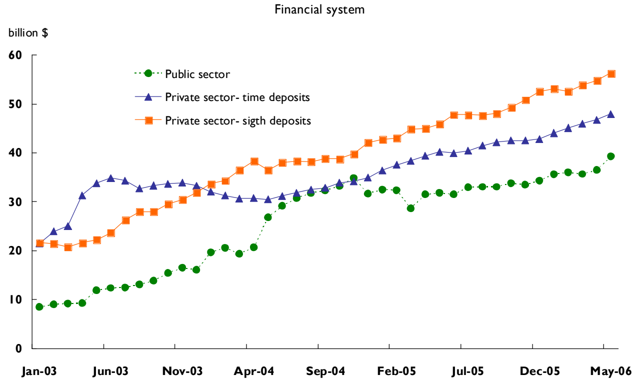
Source: BCRA

Chart 8
Deposits and Liquidity
Financial system



Source: BCRA

Chart 9
Deposits by Type
Financial system



Source: BCRA

almost 9 p.p.. The monthly reduction in the exposure of private sector banks to the public sector was 0.2 p.p. to 24.1% of total assets (25.6% of netted assets), to accumulate a fall of 11.3 p.p. in the past year. This monthly drop was influenced in particular by the reduction of public sector Guaranteed Loans in the bank portfolios.

In May, there was an expansion of about $3.0 billion in the liquid assets of financial institutions[8], mainly driven by the growth by $ 300 million of cash holdings and of $2.7 billion in reverse repos with Central Bank securities. It is worth noting that the increase in reverse repos for the aggregate financial system was influenced in particular by the actions taken by a major public bank (which also recorded a significant increase in its public sector deposits). Therefore, **in May the liquidity ratio of the financial system increased by 1 p.p. to 22.8%** (see Chart 8). In the specific case of private sector banks, during May its liquidity indicator recorded a 0.4 p.p. increase, up to 22.4%, a change mainly associated with more funds available and reverse repos with the Central Bank.

In addition, **the financial system increased its holdings of Central Bank securities by about $3.8 billion in May**. If these securities are considered as part of the liquid assets of the financial system, the liquidity ratio stood at 38.3%, or 1.1 p.p. higher than in April. For private sector banks, this ratio was 43.9% in May, 0.3 p.p. higher than the value recorded the month before. In this manner, banks maintain a strong liquidity position in order to face up to possible shocks.

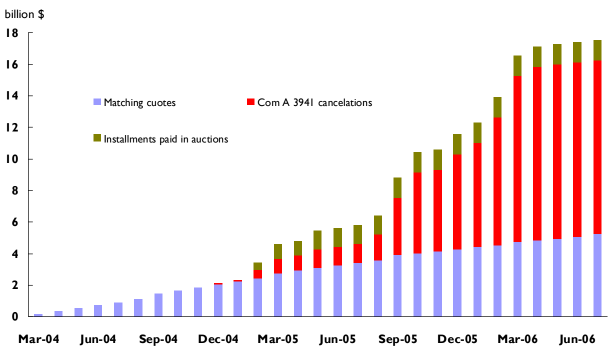
The increase in bank deposits consisted in the main source of funds for the financial system during the month. In this sense, **in May the total deposits[9] increased $5.4 billion,** to exhibit the largest monthly increase rate in the past two years**. Private sector deposits grew $2.7 billion during May**. Meanwhile, in a context of high historical values for national tax revenue **half the monthly increase in total deposits was accounted for by the public sector deposits (that grew $2.7 billion)** (see Chart 9). As regards private sector deposits, in May three quarters of the new private deposits were at private sector banks, a group that has slightly more than two thirds of all the deposits by the sector.

The momentum of the different segments of private sector deposits was quite homogeneous in the month. In particular, **sight deposits increased by $1.5 billion in May, while time deposits recorded a significant increase of $1.2 billion in the month. Thus, the time deposits account for 44% of the total deposits in the financial system**, still far from the pre crisis average that stood at 64%.

In the specific case of the group of private sector banks, deposits by the non financial sector exhibited a significant growth of $2.5 billion in May. This change was mainly driven by the private deposits (which grew by $2.1 billion), and at present account for more than 90% of the total stock of deposits at this group of banks. While sight deposits

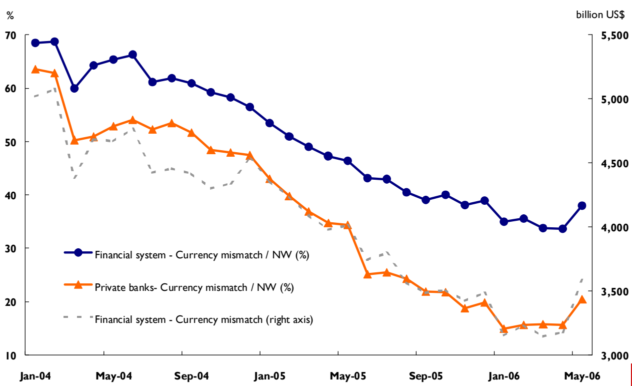
[8] Includes compliance with minimum cash requirements (cash, current accounts at the Central Bank and special collateral accounts), other liquid assets (as correspondent accounts) and net reverse repos with the Central Bank.
[9] Includes deposits made by residents abroad and sovereign bond deposits, as well as the total interests and adjustments accrued. Financial sector deposits are not included.

Chart 10
Matching: Accumulated Payments
Financial system



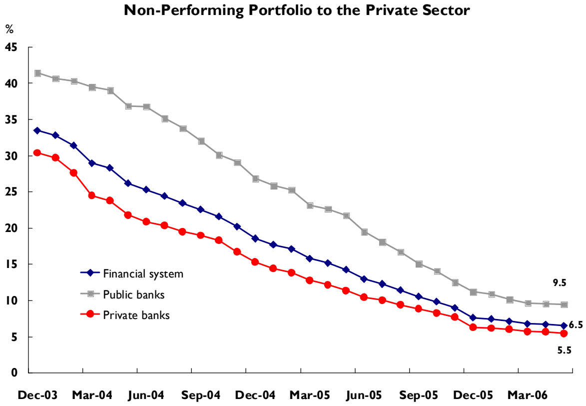
Source: BCRA

Chart 11
Currency Mismatch



Source: BCRA

Chart 12
Non-Performing Portfolio to the Private Sector



Source: BCRA

increased 2.5% at private sector financial institutions in May, time deposits recorded a 3.7% increase, to reach the highest relative monthly expansion in the past year and a half.

Liabilities of the financial system undertaken as corporate bonds (ON) recorded a decline of $670 million in May, due mainly to two sizeable private sector banks. In fact, while one of the banks amortized its debt according to the scheduled maturity, the other one repurchased bonds using funding under improved contract terms.

During May the financial system made payments to the Central Bank for $142 million in the framework of the so called "matching" schedule (of which approximately half was by private sector banks). Also, in June and July the financial institutions (of both the private and public sectors) made payments of $250 million under this scheme, totalizing $5.97 billion during the first seven months of 2006 (see Chart 10). In this manner, by the beginning of July only three financial institutions still registered debts owed to the Central Bank under the matching scheme, with an outstanding debt stock of $6.84 billion (including capital plus adjustment by the Reference Stabilization Coefficient –CER-).

In May the mismatch of foreign currency in the financial system grew US$410 million to a level of US$3.59 billion, accounting for 38% the net worth of the banking system (see Chart 11). This increase was due to a US$230 million increase in the foreign currency assets of the banking system (mainly associated with increases in liquid assets, loans and holdings of sovereign debt denominated in U.S. dollars), and to a fall in foreign currency liabilities for an amount of about US$175 million (a shift that can largely be accounted for by the fall in corporate bonds owed abroad).

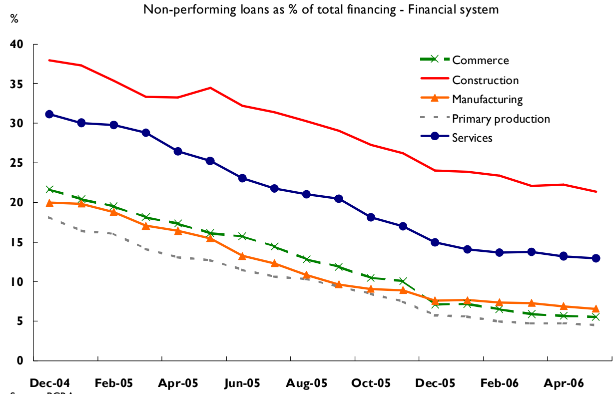
Portfolio quality:
Private sector banks lead the monthly improvement

The bank delinquency rate has remained on its declining path, driven specifically by the steady growth of domestic economic activity, regulatory measures adopted by the Central Bank, and by the prudential strategy to originate bank loans. In fact, **in May non-performing private loans recorded a fall of 0.2 p.p. of the total private credit portfolio to a 6.5% rate,** which amounted to a year on year drop of almost 8 p.p. (see Chart 12). In this manner, non performing levels in the domestic financial system are converging towards the levels seen in other emerging economies[10].

Unlike the previous months, private sector financial institutions recorded a slightly better relative improvement in their portfolio quality during May. **While public sector banks registered a 0.1 p.p. drop in their non performing ratio (to 9.5%), private sector financial institutions recorded a 0.2 p.p. decline (to reach 5.5%).** However,

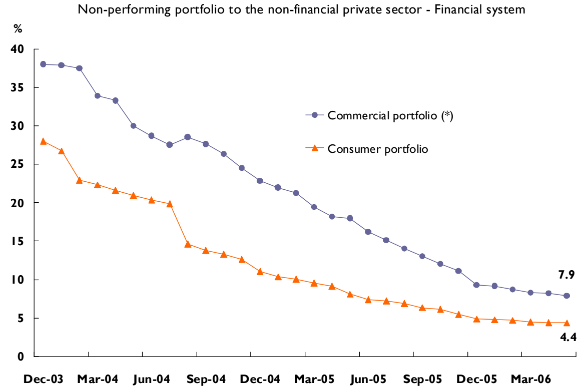
[10] For a medium term outlook on the development of the quality of the credit portfolio of the domestic financial system in regional terms, see Box I of the Financial Stability Bulletin, First Half 2006.

Chart 13
Non-Perfomance by Economic Sector
Non-performing loans as % of total financing - Financial system



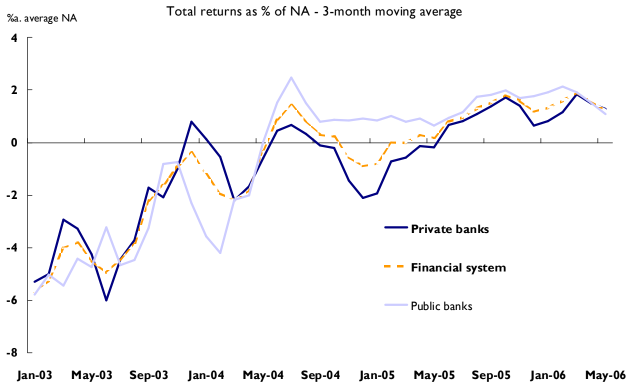
Source: BCRA

Chart 14
Portfolio Quality by Type of Lending
Non-performing portfolio to the non-financial private sector - Financial system



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

Chart 15
Annualized Profitability
Total returns as % of NA - 3-month moving average



Source: BCRA

throughout 2006 this performance is the reverse: while private banks reduced their non performing level by 0.8 p.p., the government owned banks reduced their ratio by around 1.7 p.p.. In both groups of financial institutions groups, this encouraging development is mainly a consequence of granting new loans with less credit risk, and the smaller stocks of non performing loans.

In a framework of sustained growth of domestic economic activity, the banking system continues to allocate a significant amount of its resources to generating loans for the manufacturing industry and to the production of primary goods, which are sectors that have lower non performance levels. In this sense **the delinquency rate for manufacturing and primary goods production exhibits rates of 6.6% and 4.5%, respectively, to accumulate falls of 1 p.p. and 1.2 p.p. so far in 2006** (see Chart 13).

In May, a reduction was recorded in the non performance levels of commercial loans at banks (by 0.3 p.p. to 7.9%), while the arrears on the loans for consumer purposes was stable (4.4%). Thus, the delinquency on consumer portfolio is still less than the level recorded for commercial finance (see Chart 14). **The relatively poor performance of the commercial portfolio can be largely explained by a few large corporations that are concentrate at a few banks**. In this manner, if these are excluded from the analysis, the non performance ratio for commercial loans would be slightly above the consumer loans.

In May the financial system did not record any variations in its coverage through provisions: **the indicator for coverage with provisions by the financial system remained at a 126% level,** while the ratio for non performing loans without coverage with provisions as a percentage of the net worth remained at –3.9% for the financial system.

Profitability:
Growth of results due to exchange rate differences

Like the months before, **positive profitability obtained by the financial system in May helped consolidate the solvency of the sector, and at the same time allow for a gradual compensation of the losses recorded in the 2002 - 2004 period**. This favorable development in the net worth of the bank system occurs in a framework of active competition between financial institutions, which leads to the strengthening of traditional credit activity, a trend boosted by the favorable domestic macroeconomic outlook.

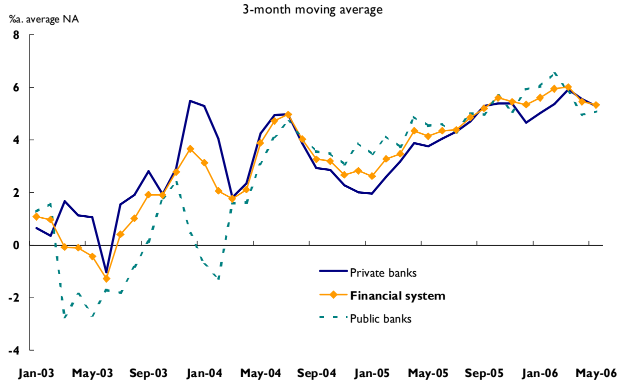
In May the domestic financial system accrued book profits of about $168 million or an annualized (a.) 0.9% of its netted assets[11], a value that accounts for a decline by about 0.6 p.p. compared with the performance the month before (see Chart 15, where the quarterly

[11] Whenever a reference is made to assets in this section, it should be considered that the net value heading is being employed (see the Glossary).

Chart 16

Financial Margin

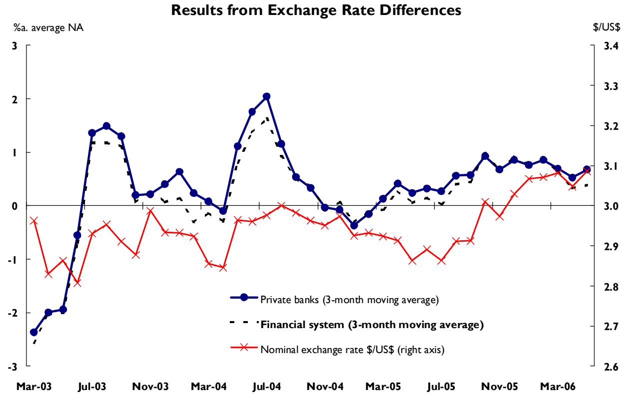
3-month moving average



Source: BCRA

Chart 17

Results from Exchange Rate Differences

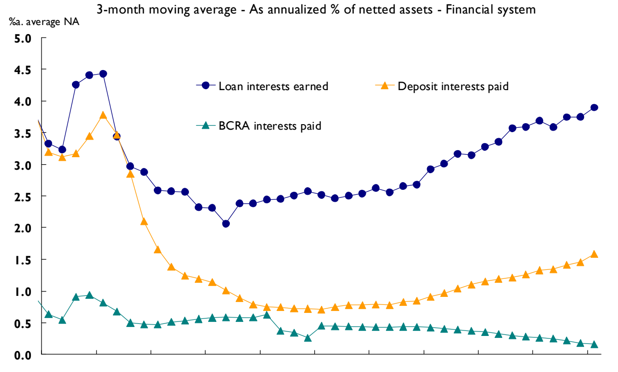


Source: BCRA

Chart 18

Main Components of Net Interest Income

3-month moving average - As annualized % of netted assets - Financial system



Source: BCRA

moving average is shown). In this framework, the profitability attained between January and May of 2006 totals 1.6%a. of assets, which was 1.3 p.p. more than that recorded in the same period of the year before[12]. In comparative terms, **the profits earned by the financial system in 2005 and so far in 2006 are equivalent to about 13% of the losses suffered from 2002 to 2004**.

The public sector banks accrued positive results of about $72 million in May (1%a. of their assets), while the private sector financial institutions exhibited profits of $90 million (about 0.8%a. of their assets). In this manner, both kinds of banks recorded lower monthly profits than April, although they have earned a 1.6%a. return of their assets during the first five months in 2006.

Although there is a consolidation in the growth of the more stable sources of earnings, like interest and income from services, the volatility of profits of the financial system continues to be an issue that calls for attention. Especially in May, part of this variability was determined by the changes in the prices of the sovereign bonds held in the financial system portfolio that are valued at market prices, and due to the slight adjustments in the nominal $/US$ exchange rate, due to the mismatch in foreign currency.

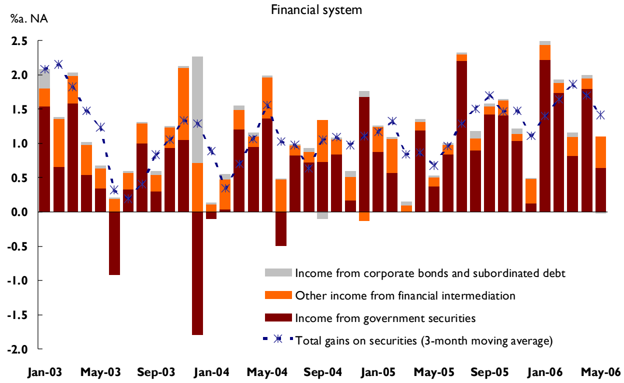
The decline of the financial system profitability during May was accounted for in particular by the fall in the profits from financial assets and sundry revenues, factors that were **partly offset by the larger earnings due to exchange rate differences and net CER adjustments**. In addition, in May less accrual was recorded for adjustments in the valuation of public sector assets and the amortization of court ordered payments.

The financial margin of the banking system registered a 0.2 p.p. increase in May, to reach 5.4%a. of assets, almost 0.8 p.p. higher than the value recorded throughout 2005 (see Chart 16 where the quarterly moving average is shown). **This positive monthly development was specifically associated with the 0.5 p.p. increase in the results from exchange rate differences accrued in May, which totaled 0.6% of the assets**. Both the profits earned as a result of the financial institutions foreign exchange trading activities, and as a result of the increase in the nominal $/US$ exchange rate between the ends of each month ($0.04 per US$) on the mismatch in foreign currency of the banks, accounted for these larger monthly profits (see Chart 17). Therefore, for the financial system the results due to exchange rate differences totaled a yield 0.5%a. of the assets during 2006.

Net CER adjustments by the financial system grew 0.3 p.p. in May, to reach 1.6% of the assets. On the other hand, **the net results from interest earnings for the banks remained unchanged at 1.8%a. of the assets, and in the specific case of the private sector financial institutions this heading recorded a 0.2 p.p. expansion, to 2.2%a. of the assets**. Within this framework, interest income of the financial system exhibited a moderate monthly expansion, in line with the

[12] If, in order to have a measurement of the current profitability of the financial system, the effect of the headings associated with the gradual acknowledgement of the 2001 - 2002 crisis effects are excluded, the adjusted profitability of the banking system amounts to 1.5% of the assets in May, to accumulate 2.6%a. of assets during the first five months in 2006.

Chart 19
Gains on Securities
Financial system

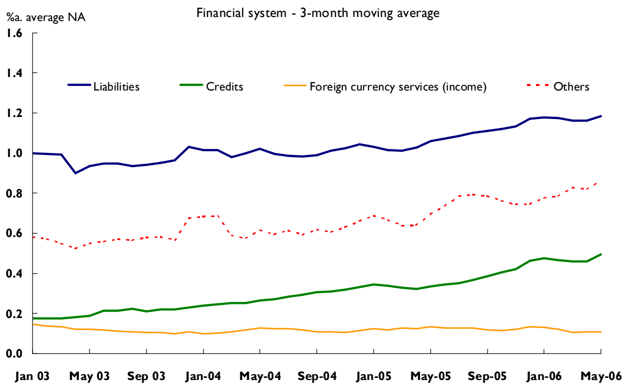


Source: BCRA

ongoing strengthening of the lending activity. This movement was partly offset by growing interest outlays for deposits (see Chart 18), accounted for by both a larger stock on these deposits and by the increase recorded in their borrowing rates. As seen during the past year and a half, a period during which the cancellation of rediscounts granted by the Central Bank to banks as assistance for illiquidity speeded up, interest outlays on these debts continued to decline.

The positive monthly movements mentioned were partly offset by the **reduced gains on assets holdings and trading by banks** (see Chart 19) in a context of a worsening of the prices of the principal sovereign bonds held in portfolios (to a lesser account, it was also explained by the falling prices of some corporate bonds). Thus, this source of income for the financial system registered a fall of about 0.9 p.p. in May, or 1.1%a. on the assets, to remain at the lowest monthly figure in 2006.

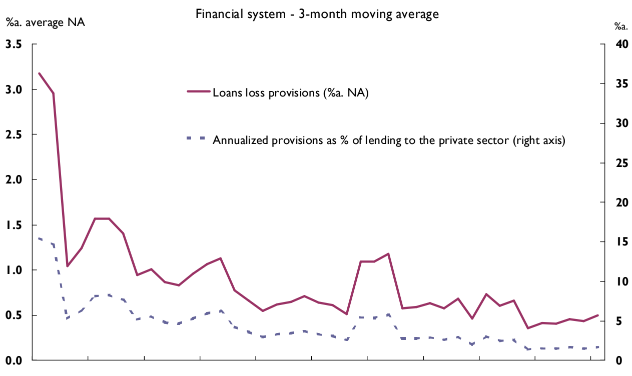
Chart 20
Breakdown of the Service Income Margin
Financial system - 3-month moving average



Source: BCRA

Income from services of the banking system recorded a growing momentum again in May, after the slight reduction recorded the month before. Thus, **results obtained for services by financial institutions, one of the least volatile sources of income, recorded a 0.2 p.p. expansion in May, to stand at 2.7%a, on their assets**. Although most of these results can be accounted for by revenues associated with deposits (almost 45% in the first five months of 2006) (see Chart 20), the increase in credit income is remarkable, from a segment which has shown most momentum during the first five months of the year, compared with the same period the year before. Close to the point of obtaining service results similar to those recorded prior to the 2001 - 2002 crisis in terms of assets, the favorable current development of this item is associated with the growing use of transactional services offered by the banking system. Therefore, this item in the profits and loss statement at present covers more than half the operating costs of the financial system, with its development driven by private sector banks in particular.

Chart 21
Loans Loss Provisions
Financial system - 3-month moving average

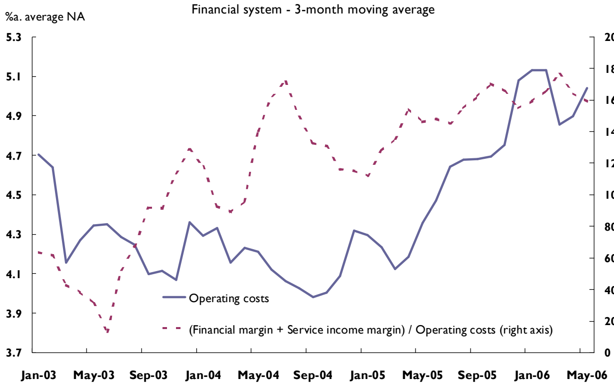


Source: BCRA

Loan loss provisions by the financial system still remain at low levels (0.6%a. of assets), due especially to the recovery of the quality of the portfolio of loans to the private sector and by prudent bank strategies for the generation of credits for the private sector. Although, in terms of assets, the charges for uncollectible loans at present exhibit a slightly increasing trend, a fact that is mainly related to a larger share of loans, for 2006 their cumulative value is in line with that seen in 2005, well below their figures in recent years (see Chart 21). In terms of private sector finance, charges also reached a 1.9% level, a favorable value compared to those of the beginning of 2006 (2.3%a) and in May last year (3.9%a.).

In the context of readjustment of the staff structure employed by the financial system, as well as their wages, management costs recorded a 0.2 p.p. increase in May, up to a level of 5.2%a. of assets (see Chart 22), driven by both the private sector and the government owned financial institutions. So these expenses maintain the slightly increasing trend recorded during the past year and a half. However, the monthly increase in banking system income more than offset the growing administrative expenditure, to result in a coverage ratio of the latter by net income that recorded an almost 3 p.p. monthly increase

Chart 22
Operating Costs
Financial system - 3-month moving average



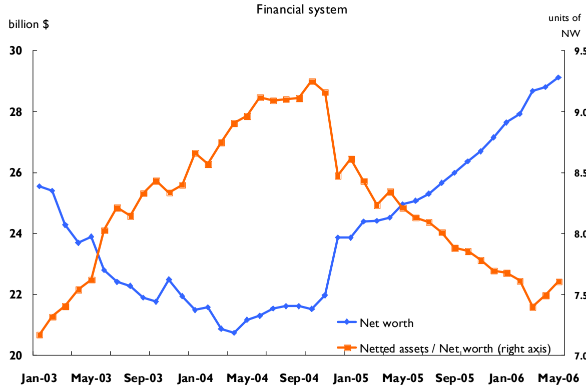
Source: BCRA

Table 1
Main Developments in June 2006

	May	Jun	Ch. %
Prices			
Exchange rate ($/US$)[1]	3.09	3.09	0.0
CPI	177.4	178.3	0.5
CER[1]	1.80	1.82	0.6
			Ch. p.p.
Government securities - annual IRR[1]			
Boden $ 2007	2.1	2.2	0.1
Boden U$S 2012	8.8	8.9	0.1
Discount $	6.9	7.1	0.2
			Ch. p.p.
Average percentage rates			
Lending[2]			
Overdraft	17.2	17.3	0.0
Promissory notes	12.6	12.9	0.3
Mortgage	11.7	11.6	-0.2
Pledge-backed	10.6	10.9	0.3
Personal	24.2	23.9	-0.2
30 to 44 day time deposit	6.7	6.6	0.0
3-month LEBAC in pesos, w/o CER	7.1	7.3	0.2
7 day BCRA repos	5.3	5.7	0.4
			Ch. %
Balance[2,3] **- Financial system**			
Peso deposits - Private sector	94,032	95,319	1.4
Sight deposits	52,429	52,754	0.6
Time deposits	41,604	42,565	2.3
Peso loans - Private sector	50,797	52,708	3.8
Overdraft	8,734	9,495	8.7
Promissory notes	11,261	11,455	1.7
Mortgage	8,863	8,980	1.3
Pledge-backed	2,807	2,940	4.7
Personal	8,970	9,392	4.7

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

Chart 23
Solvency
Financial system



Source: BCRA

to 159%, higher by 22 p.p. than the value recorded in the same month of 2005.

The sundry results of the financial system dropped 0.7 p.p. in May, to total 0.1%a. of assets, an extraordinarily low value compared with previous months. This monthly performance was influenced by specific sundry profits earned in April by a sizeable public financial institution in particular, and, to a lesser extent, by certain private sector banks. **These results recorded during April were specifically associated with provisions that were lifted, partly connected with excess provisioning booked during the 2001 - 2002 crisis.**

The items in connection with the progressive acknowledgment of the effects of the recent crisis exhibited a decline in the financial system during May. Both the amortization of court ordered payments and the adjustments in the pricing of public sector assets recorded a 0.2%a. reduction in the banking system assets, with the latter determined by the gradual adjustment schedule set forth in Communication "A" 3911 and its amendments.

Outlook for June

According to the information available at the time this Report was published, **it can be estimated that in June the banking system will continue to expand its financial intermediation activity, a situation that will be reflected in the consolidation of its solvency.** As in previous months, the monthly change in profitability in June could be affected by the volatility of markets for fixed income securities at present.

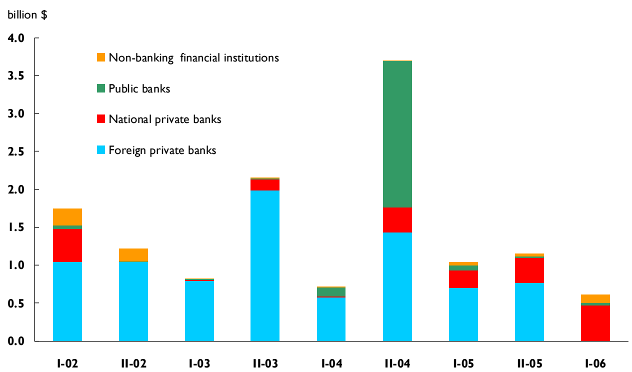
In June, the average stocks of both private sector credit and deposits sustained their rising trend (see Table 1). As regards the former, **overdrafts exhibited a sharp growth in June,** which was similar to May, **with interest rates that remained stable**. On the other hand, personal credits maintained their momentum, in a framework of lower interest rates. Lastly, medium term collateralized credit lines (mortgages and pledge backed loans) continue their progressive increase, in a context of a heterogeneous development of the contractual interest rates. Likewise, **in June there was a sustained expansion of time deposit placements in the financial system, with stable borrowing rates**. As a result, **higher net income from interest can be expected in bank balance sheets for the month of June**.

The smaller increase of the CER in June may probably result in lower gains for net adjustments by this indicator, although they will remain positive. As a complement, and unlike May, the unchanged nominal $/US$ exchange rate between the ends of the months will be reflected by a possibly smaller quoted differences. Lastly, consolidation of higher service results is expected to continue in June, while before closing the books for the first half of the year, there might be specific adjustments in terms of loans loss provisions and higher operating costs.

Solvency:
The recovery strategy designed by the Central Bank becomes effective

Month after month, **financial system makes the strategy developed by the Central Bank in order to restore the solvency of domestic banks in the post crisis period effective**. On one hand, by means of improvements in accounting results, the gradual recovery of the financial intermediation business is driving an increase in the capital of the financial system. On the other hand, the promising outlook in terms of the development and deepening of the domestic banking system is driving fresh capital contributions by the financial institutions, a situation mainly lead by foreign banks.

Chart 24
Capital Contributions

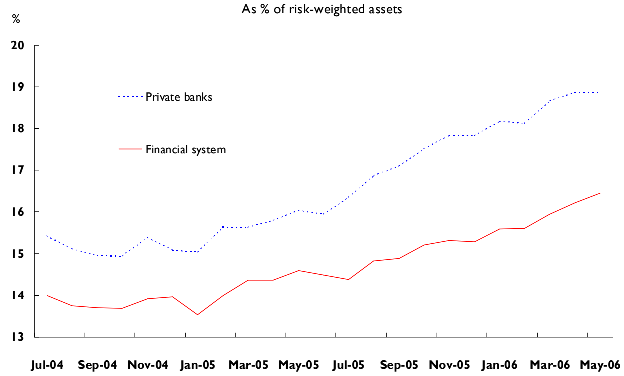


Source: BCRA

During May, **financial institutions increased their net worth by 1.1%, around $320 million, to consolidate a 7.2% expansion for 2006 to date** (see Chart 23). Private sector banks accounted for about two thirds of the increase in the capital of the financial system. However, the expansion of assets, funded largely by deposits, resulted in a slight increase in the leverage ratio.

Although they began to give way to an endogenous capitalization system through profits and with an ever lower systemic relevance, the continuity of capital contributions still reflects the good prospects for financial activity (see Chart 24). For some smaller institutions these contributions are significant, as in the case of a non bank financial company which made a contribution in May equivalent to 16% its capital, adding to other contributions carried out by the same financial institution in earlier months.

Chart 25
Capital Compliance
As % of risk-weighted assets



Source: BCRA

The financial system exhibits solvency indicators that exceed the domestic requirements. In this sense, by the end of May the surplus of capital compliance remained at similar values to the month before, as it accounted for 135% and 126% of the capital requirement for the financial system and for the private sector banks, respectively. The increase in the capital compliance was offset by the increase in capital requirement, which in particular reflected the effect of a greater credit risk exposure (due to the expansion of the loans granted to the private sector) and by the market risk.

Furthermore, **domestic banks are adjusting to the international recommendations on minimums**. On these lines, the capital contribution to the financial system increased by 0.2 p.p. of risk weighted assets, and reached 16.4% by the end of May (see Chart 25). **These indicators reflect the strength of the financial system to face adverse scenarios, and still provide a margin for the expansion of finance for the private sector, consistent with a financial stability framework.**

Latest Regulations

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

Communication "A" 4531 – 4/May/06
Mutual guaranty companies. The cap on the total guarantees that a mutual guaranty company may grant to a participating partner was increased from $1.25 million to $3 million. It is worth noting that this amount must be compared to the 5% risk fund of the mutual guaranty company, and the lowest of the two has to be applied. Likewise, it stated that this amount will not be applicable if the guarantees are for corporate debt instruments that are offered on the market under the public trading regime.

Communication "A" 4532 – 5/May/06
Minimum cash requirement. It clarified that the rules that define a 100% reserve requirement on sight accounts remunerated at over 50% of the BADLAR rate are not applicable to the Construction Workers Unemployment Fund accounts.

Communication "A" 4535 – 9/May/06
Defined the prudential treatment which should be considered regarding the Minimum Income Tax Assumption in the cases of Foreign Exchange institutions and agencies. In these cases, the credit balances of the Minimum Income Tax Assumption will be deducted from the Equity Responsibility Estimate (RPC), for the amounts of over 5% of the RPC.

Communication "A" 4539 – 17/May/06
Minimum capital. The procedure that must be followed to deduct the shareholdings of regulated financial institution when calculating the RPC was adjusted in order to clarify the treatment that should be applied to the results of periods that lack an auditor's report.

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	May 05	Dec 05	Apr 06	May 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**163,550**	**123,743**	**187,532**	**186,873**	**212,562**	**219,691**	**222,732**	**233,526**	**239,241**	**2.4**	**7.4**	**8.9**
Liquid assets[1]	20,278	13,005	17,138	27,575	29,154	27,888	21,166	28,459	28,803	1.2	36.1	3.3
Public bonds	10,474	3,694	31,418	45,062	55,382	58,996	66,733	59,926	64,833	8.2	-2.8	9.9
Lebac/Nobac	0	0	n/a	n/a	17,755	22,159	28,340	25,590	29,410	14.9	3.8	32.7
Portfolio	0	0	n/a	n/a	11,803	15,558	21,067	20,083	20,953	4.3	-0.5	34.7
Repo	0	0	n/a	n/a	5,953	6,601	7,273	5,507	8,457	53.6	16.3	28.1
Private bonds	633	543	332	198	387	430	387	799	815	1.9	110.3	89.5
Loans	83,277	77,351	84,792	68,042	73,617	77,747	83,664	86,844	88,081	1.4	5.3	13.3
Public sector	15,164	22,694	44,337	33,228	30,866	30,362	25,317	22,899	21,899	-4.4	-13.5	-27.9
Private sector	64,464	52,039	38,470	33,398	41,054	45,338	55,898	60,883	63,456	4.2	13.5	40.0
Financial sector	3,649	2,617	1,985	1,417	1,697	2,048	2,450	3,062	2,726	-11.0	11.3	33.1
Provisions over loans	-6,907	-6,987	-11,952	-9,374	-7,500	-6,847	-4,953	-4,663	-4,561	-2.2	-7.9	-33.4
Other netted credits due to financial intermediation	42,361	21,485	39,089	27,030	32,554	33,237	26,746	32,626	32,431	-0.6	21.3	-2.4
Corporate bonds and subordinated debt	794	751	1,708	1,569	1,018	807	873	852	821	-3.6	-5.9	1.7
Unquoted trusts	2,053	2,065	6,698	4,133	3,145	3,109	3,888	4,276	4,444	3.9	14.3	43.0
Compensation receivable	0	0	17,111	14,937	15,467	12,032	5,841	5,491	5,441	-0.9	-6.8	-54.8
BCRA	141	84	3,360	650	376	379	353	331	297	-10.1	-15.8	-21.5
Other	39,373	18,585	10,212	5,741	12,547	16,910	15,791	21,676	21,426	-1.2	35.7	26.7
Assets under financial leases	786	771	567	397	611	800	1,384	1,703	1,756	3.1	26.9	119.5
Shares and participation	2,645	2,688	4,653	4,591	3,871	3,959	4,525	4,778	4,794	0.3	5.9	21.1
Fixed assets and sundry	4,939	4,804	8,636	8,164	7,782	7,626	7,546	7,495	7,485	-0.1	-0.8	-1.9
Foreign branches	1,115	1,057	3,522	3,144	3,524	3,421	3,652	3,730	3,769	1.0	3.2	10.2
Other assets	3,950	5,334	9,338	12,043	13,180	12,433	11,882	11,828	11,036	-6.7	-7.1	-11.2
Liabilities	**146,267**	**107,261**	**161,446**	**164,923**	**188,683**	**194,717**	**195,571**	**204,718**	**210,116**	**2.6**	**7.4**	**7.9**
Deposits	86,506	66,458	75,001	94,635	116,655	125,762	136,778	145,643	152,011	4.4	11.1	20.9
Public sector [2]	7,204	950	8,381	16,040	31,649	31,839	34,320	36,600	39,282	7.3	14.5	23.4
Private sector [2]	78,397	43,270	59,698	74,951	83,000	91,819	100,794	107,103	109,835	2.6	9.0	19.6
Current account	6,438	7,158	11,462	15,071	18,219	20,380	23,475	24,199	24,881	2.8	6.0	22.1
Savings account	13,008	14,757	10,523	16,809	23,866	25,488	29,077	30,642	31,430	2.6	8.1	23.3
Time deposit	53,915	18,012	19,080	33,285	34,944	40,228	42,822	46,714	47,924	2.6	11.9	19.1
CEDRO	0	0	12,328	3,217	1,046	505	17	17	17	-3.1	-5.5	-96.7
Other netted liabilities due to financial intermediation	55,297	36,019	75,737	61,690	64,928	62,871	52,071	52,192	51,271	-1.8	-1.5	-18.5
Call money	3,545	2,550	1,649	1,317	1,461	1,879	2,164	2,829	2,496	-11.8	15.3	32.8
BCRA lines	102	4,470	27,837	27,491	27,726	23,886	17,005	11,772	11,675	-0.8	-31.3	-51.1
Outstanding bonds	4,954	3,777	9,096	6,675	7,922	6,128	6,548	7,564	6,897	-8.8	5.3	12.5
Foreign lines of credit	8,813	7,927	25,199	15,196	8,884	6,723	4,684	4,305	4,439	3.1	-5.2	-34.0
Other	37,883	17,295	11,955	11,012	18,934	24,254	21,670	25,722	25,764	0.2	18.9	6.2
Subordinated debts	2,255	2,260	3,712	2,028	1,415	1,324	1,381	1,209	1,234	2.0	-10.7	-6.9
Other liabilities	2,210	2,524	6,997	6,569	5,685	4,760	5,341	5,674	5,601	-1.3	4.9	17.7
Net worth	**17,283**	**16,483**	**26,086**	**21,950**	**23,879**	**24,974**	**27,161**	**28,807**	**29,125**	**1.1**	**7.2**	**16.6**
Memo												
Netted assets	129,815	110,275	185,356	184,371	202,447	205,064	209,044	215,936	221,576	2.6	6.0	8.1
Consolidated netted assets	125,093	106,576	181,253	181,077	198,462	200,662	204,160	210,102	216,188	2.9	5.9	7.7

(1) Includes margin accounts with the BCRA

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

n/a: not available

Source: BCRA

Statistics: Financial System

Profitability Structure

In annualized terms

As % of	Annual						First 5 months		Monthly			Last	
netted assets	2000	2001	2002	2003	2004	2005	2005	2006	Mar-06	Apr-06	May-06	6 months	12 months
Financial margin	5.7	5.7	6.5	1.1	3.1	4.6	3.9	5.7	5.0	5.2	5.4	5.6	5.2
Net interest income	4.0	3.8	-1.7	-0.5	0.9	1.5	1.2	1.8	2.0	1.8	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	1.3	1.3	1.6	1.5	1.4
Foreign exchange price adjustments	1.2	1.2	1.7	1.1	0.4	0.4	0.0	0.5	0.4	0.1	0.6	0.6	0.5
Gains on securities	0.1	0.2	2.8	-0.5	1.0	1.2	0.9	1.7	1.2	2.0	1.1	1.5	1.5
Other financial income	0.4	0.5	-0.1	-0.3	-0.2	0.1	0.1	0.2	0.1	0.1	0.3	0.1	0.1
Service income margin	2.8	3.0	1.9	1.9	2.0	2.3	2.2	2.6	2.7	2.5	2.7	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	-0.5	-0.6	-0.4	-0.5
Operating costs	-5.8	-6.1	-4.4	-4.2	-4.1	-4.6	-4.2	-5.0	-4.9	-5.0	-5.2	-5.1	-4.8
Tax charges	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4	-0.3	-0.4	-0.5	-0.4	-0.5	-0.4	-0.4
Income tax	-0.3	-0.2	-0.2	-0.2	-0.1	-0.3	-0.2	-0.4	-0.3	-0.2	-0.5	-0.3	-0.3
Adjustments to the valuation of government securities [1]	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.2	-0.3	-0.3	-0.1	-0.3	-0.2
Amortization payments for court-ordered releases	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-0.7	-0.8	-0.7	-0.5	-0.7	-0.9
Other	0.4	0.6	-1.8	0.9	0.8	0.8	0.6	0.5	0.6	0.8	0.1	0.5	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	0.5	2.0	1.6	1.7	1.4	1.7	1.7
ROA before monetary results	0.0	0.0	-3.1	-2.9	-0.5	0.9	0.3	1.6	1.3	1.5	0.9	1.4	1.4
ROA	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**0.9**	**0.3**	**1.6**	**1.3**	**1.5**	**0.9**	**1.4**	**1.4**
ROA adjusted [2]	-	-	-	-1.9	0.7	2.0	1.3	2.6	2.4	2.5	1.5	2.4	2.5
Indicators (%)													
ROE	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-4.2**	**7.1**	**2.3**	**12.2**	**9.6**	**11.1**	**6.9**	**10.7**	**10.9**
Financial margin + service income margin / Operating costs	147.4	143.3	189.1	69.3	124.8	150.8	143.2	167.8	158.7	155.8	155.5	161.2	159.4
Interest income (with CER and CVS) / loans	13.0	15.2	11.8	13.1	10.3	12.8	13.1	12.9	14.4	12.2	12.6	13.0	12.8
Interest payments (with CER and CVS) / deposits	5.3	7.3	9.2	5.7	1.8	2.4	2.3	2.9	3.1	2.9	3.0	2.9	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	May 05	Dec 05	Mar 06	Apr 06	May 06
Non-performing loans (overall)	12.9	13.1	18.1	17.7	10.7	8.6	5.2	4.7	4.8	4.7
Non-performing loans to the non-financial private sector	16.0	19.1	38.6	33.5	18.6	14.3	7.6	6.8	6.7	6.5
Commercial portfolio (*)	14.9	20.7	44.0	38.0	22.8	18.0	9.3	8.3	8.2	7.9
Consumption and housing portfolio	17.3	17.5	31.4	28.0	11.0	8.1	4.8	4.5	4.3	4.4
Provisions / Total non-performing loans	61.1	66.4	73.8	79.2	102.9	109.6	125.1	129.0	126.7	126.5
(Total non-performing - Provisions) / Overall financing	5.0	4.4	4.7	3.7	-0.3	-0.8	-1.3	-1.3	-1.2	-1.2
(Total non-performing - Provisions) / Net worth	26.2	21.6	17.2	11.9	-1.0	-2.7	-4.2	-4.3	-4.0	-3.9

(*) 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	May 05	Dec 05	Apr 06	May 06	Change (%)		
										Month on month	Accum. 2006	Last 12 months
Assets	**119,371**	**82,344**	**118,906**	**116,633**	**128,065**	**132,886**	**129,680**	**135,928**	**136,575**	**0.5**	**5.3**	**2.8**
Liquid assets[1]	13,920	10,576	11,044	14,500	15,893	16,029	14,074	16,439	16,845	2.5	19.7	5.1
Public bonds	7,583	1,627	19,751	22,260	24,817	26,469	29,966	27,789	29,767	7.1	-0.7	12.5
Lebac/Nobac	0	0	n/a	n/a	8,359	11,197	15,227	14,495	15,079	4.0	-1.0	34.7
Portfolio	0	0	n/a	n/a	5,611	8,640	12,899	12,972	12,892	-0.6	-0.1	49.2
Repo	0	0	n/a	n/a	2,749	2,557	2,328	1,523	2,186	43.6	-6.1	-14.5
Private bonds	563	451	273	172	333	356	307	711	708	-0.5	130.6	98.9
Loans	56,035	52,319	51,774	47,017	50,741	53,340	56,565	58,171	59,237	1.8	4.7	11.1
Public sector	8,172	13,803	25,056	23,571	21,420	20,777	15,954	13,374	12,392	-7.3	-22.3	-40.4
Private sector	45,103	36,636	26,074	22,816	28,213	31,245	39,031	42,832	44,947	4.9	15.2	43.9
Financial sector	2,760	1,880	644	630	1,107	1,318	1,580	1,965	1,898	-3.4	20.2	44.1
Provisions over loans	-3,248	-3,957	-7,463	-5,225	-3,717	-3,202	-2,482	-2,412	-2,406	-0.2	-3.0	-24.8
Other netted credits due to financial intermediation	36,600	13,037	27,212	22,148	25,753	25,934	16,873	20,161	17,992	-10.8	6.6	-30.6
Corporate bonds and subordinated debt	724	665	1,514	1,394	829	616	675	684	650	-5.1	-3.8	5.5
Unquoted trusts	1,609	1,637	6,205	3,571	2,362	2,183	2,444	2,721	2,872	5.5	17.5	31.5
Compensation receivable	0	0	15,971	13,812	14,657	11,355	5,575	5,226	5,175	-1.0	-7.2	-54.4
BCRA	35	865	377	415	311	312	279	255	216	-15.4	-22.7	-30.8
Other	34,232	9,870	3,146	2,955	7,594	11,469	7,900	11,275	9,080	-19.5	14.9	-20.8
Assets under financial leases	776	752	553	387	592	780	1,356	1,658	1,702	2.7	25.5	118.2
Shares and participation	1,651	1,703	3,123	2,791	1,892	1,970	2,416	2,632	2,659	1.0	10.1	35.0
Fixed assets and sundry	3,225	3,150	5,198	4,902	4,678	4,621	4,575	4,527	4,528	0.0	-1.0	-2.0
Foreign branches	75	112	-109	-136	-53	-73	-148	-157	-160	2.0	8.5	119.3
Other assets	2,190	2,574	7,549	7,816	7,137	6,662	6,178	6,410	5,704	-11.0	-7.7	-14.4
Liabilities	**107,193**	**70,829**	**103,079**	**101,732**	**113,285**	**117,315**	**112,600**	**117,804**	**118,248**	**0.4**	**5.0**	**0.8**
Deposits	57,833	44,863	44,445	52,625	62,685	69,596	75,668	79,048	82,423	4.3	8.9	18.4
Public sector [2]	1,276	950	1,636	3,077	6,039	6,831	6,946	6,262	6,713	7.2	-3.4	-1.7
Private sector [2]	55,917	43,270	38,289	47,097	55,384	61,496	67,859	71,769	73,833	2.9	8.8	20.1
Current account	4,960	7,158	8,905	11,588	13,966	15,231	17,946	18,175	18,735	3.1	4.4	23.0
Savings account	9,409	14,757	6,309	10,547	14,842	16,010	18,362	19,353	19,717	1.9	7.4	23.2
Time deposit	39,030	18,012	11,083	18,710	22,729	26,468	27,736	30,367	31,495	3.7	13.6	19.0
CEDRO	0	0	9,016	2,409	798	404	3	2	2	-3.3	-15.2	-99.4
Other netted liabilities due to financial intermediation	46,271	22,629	49,341	42,367	45,083	43,109	32,349	34,171	31,324	-8.3	-3.2	-27.3
Call money	2,293	1,514	836	726	1,070	1,344	1,488	2,027	1,682	-17.0	13.0	25.1
BCRA lines	83	1,758	16,624	17,030	17,768	14,389	10,088	7,352	7,277	-1.0	-27.9	-49.4
Outstanding bonds	4,939	3,703	9,073	6,674	7,922	6,128	6,548	7,564	6,897	-8.8	5.3	12.5
Foreign lines of credit	5,491	4,644	15,434	9,998	5,444	4,525	2,696	2,315	2,418	4.5	-10.3	-46.6
Other	33,466	11,010	7,374	7,939	12,878	16,723	11,530	14,914	13,050	-12.5	13.2	-22.0
Subordinated debts	1,668	1,700	3,622	1,850	1,304	1,226	1,319	1,148	1,174	2.2	-11.0	-4.3
Other liabilities	1,420	1,637	5,671	4,890	4,213	3,385	3,264	3,436	3,327	-3.2	1.9	-1.7
Net worth	**12,178**	**11,515**	**15,827**	**14,900**	**14,780**	**15,571**	**17,080**	**18,124**	**18,327**	**1.1**	**7.3**	**17.7**
Memo												
Netted assets	88,501	73,796	117,928	115,091	121,889	123,013	123,271	126,430	128,852	1.9	4.5	4.7

(1) Includes margin accounts with the BCRA

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

n/a: not available

Source: BCRA

Statistics: Private Banks

Profitability Structure

In annualized terms

As % of netted assets	Annual 2000	2001	2002	2003	2004	2005	First 5 months 2005	2006	Monthly Mar-06	Apr-06	May-06	Last 6 months	12 months
Financial margin	6.2	6.4	7.6	2.3	2.9	4.3	3.6	5.7	5.0	5.8	5.0	5.3	5.1
Net interest income	4.1	4.3	-0.2	0.1	1.0	1.7	1.4	2.1	2.3	2.0	2.2	2.1	1.9
Restatement by CER and CVS	0.0	0.0	1.1	0.9	0.8	1.0	1.3	0.8	0.8	0.7	0.7	0.8	0.9
Foreign exchange price adjustments	1.4	1.2	2.5	1.7	0.6	0.5	0.2	0.7	0.6	0.4	1.0	0.8	0.6
Gains on securities	0.2	0.3	4.4	-0.3	0.8	1.0	0.7	2.0	1.2	2.5	1.0	1.6	1.5
Other financial income	0.5	0.7	-0.1	-0.2	-0.3	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Service income margin	2.9	3.2	2.0	2.0	2.4	2.7	2.5	3.2	3.4	3.1	3.3	3.2	3.0
Loan loss provisions	-2.5	-3.0	-5.0	-1.3	-0.9	-0.6	-0.6	-0.5	-0.4	-0.5	-0.4	-0.5	-0.6
Operating costs	-6.0	-6.4	-4.8	-4.6	-4.6	-5.1	-4.7	-5.6	-5.6	-5.7	-5.9	-5.8	-5.5
Tax charges	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.6	-0.5	-0.5
Income tax	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-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	-0.2	-0.3	-0.1	-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	-0.8	-0.9	-0.9	-0.9
Other	0.4	0.7	-3.0	1.0	0.7	0.9	0.6	0.6	0.7	0.7	0.4	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	0.0	1.8	1.5	1.8	1.0	1.4	1.4
ROA before monetary results	0.1	0.2	-3.8	-2.4	-1.0	0.5	-0.1	1.6	1.4	1.6	0.8	1.2	1.2
ROA	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**0.5**	**-0.1**	**1.6**	**1.4**	**1.6**	**0.8**	**1.2**	**1.2**
ROA adjusted [2]	-	-	-	-1.2	0.2	1.6	0.9	2.6	2.5	2.8	1.8	2.4	2.3
Indicators (%)													
ROE	**0.8**	**1.4**	**-79.0**	**-19.1**	**-8.1**	**4.1**	**-0.6**	**11.2**	**9.5**	**11.5**	**5.9**	**8.6**	**8.9**
Financial margin + service income margin / Operating costs	151.9	150.9	199.3	92.6	115.0	136.5	130.1	158.4	151.4	157.3	142.0	147.5	147.0
Interest income (with CER and CVS) / loans	13.9	16.1	24.7	9.0	8.2	11.0	11.4	11.6	11.9	10.8	11.9	11.7	11.1
Interest payments (with CER and CVS) / deposits	5.7	7.8	21.9	5.8	2.2	3.0	2.8	3.5	3.2	3.5	3.7	3.5	3.3

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	May 05	Die 05	Mar 06	Apr 06	May 06
Non-performing loans (overall)	8.3	9.9	19.8	15.7	8.9	6.9	4.4	4.1	4.2	4.1
Non-performing loans to the non-financial private sector	9.8	14.0	37.4	30.4	15.3	11.4	6.3	5.7	5.7	5.5
Commercial portfolio (*)	8.4	15.4	44.7	39.0	18.2	13.7	7.3	6.7	6.6	6.3
Consumption and housing portfolio	11.9	12.4	26.0	17.2	10.0	7.2	4.2	4.0	3.9	3.9
Provisions / Total non-performing loans	67.7	75.7	73.4	79.0	95.7	98.1	114.6	117.7	114.3	114.2
(Total non-performing - Provisions) / Overall financing	2.7	2.4	5.3	3.3	0.4	0.1	-0.6	-0.7	-0.6	-0.6
(Total non-performing - Provisions) / Net worth	13.4	11.4	18.6	11.2	1.3	0.5	-2.2	-2.4	-2.0	-2.0

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

Source: BCRA