

Report on Banks



Central Bank
of Argentina

JANUARY 2007

Year IV - No. 5

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Note: This report contains information from January 2007 available on 26 February 2007. Description centers mainly on the behavior of the financial system (including breakdowns by uniform sub-groups). Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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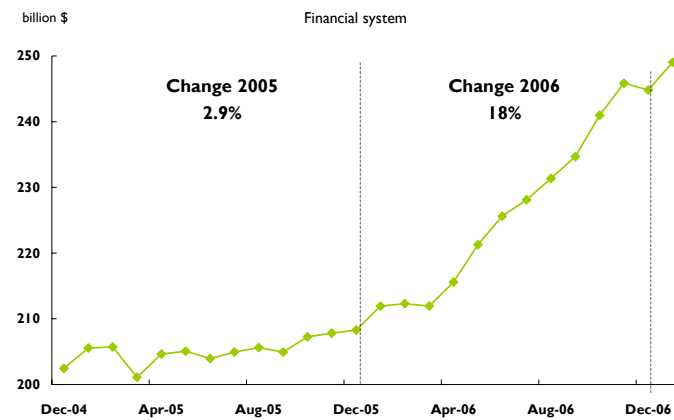
Summary

- At the beginning of 2007 banks continued to deepen the advances made in 2006. With **private sector lending increasing** (and lower levels of delinquency), as well as **declining exposure to the Government**, banks succeed in diversifying their portfolio and improving their exposure to credit risk. **Bank liabilities with the Central Bank are on the verge of disappearance** (only one bank still records rediscounts outstanding). This favorable performance in a context of steady competition, contributes to strengthen the solvency of the sector.
- **Longer-term funding is gaining strength.** Unlike the previous month, in January there was notable growth in private sector time deposits (\$3 billion), greater than the increase in private sector sight deposits (\$0.8 billion). Monthly growth in deposits was led by private sector (\$4.1 billion), followed by the increase in public sector deposits (\$1.45 billion).
- **Normalization of banks' liabilities with the Central Bank is taking place rapidly.** One of the two financial entities that recorded liabilities under the matching schedule at the end of 2006, in January and March repaid all its obligations in advance, paying out \$2.61 billion. As a result, **at the beginning of March only one bank recorded liquidity rediscounts (out of an initial total of 24), for a principal amount of \$2.57 billion. On the basis of the instruments generated by the Central Bank since the end of 2004, the financial system was able to settle close to 86% of the debt stock due at that time.**
- Primary production and industry were the main sectors providing an impulse to bank lending to companies at the beginning of 2007. Commercial lines for exports and overdrafts, in particular, showed increased dynamism in January. Personal loans continued to evolve positively. In this scenario, private sector loan delinquency reached a record low: 4.4%.
- **The monetary and financial system continues to gain independence from Government needs.** Financial system exposure to the public sector fell 0.2 p.p. of assets in January, to 21.5%, 8 p.p. below the weighting of the private sector lending.
- **Bank financial margin showed a sound increase during January**, reaching 7.8%a. of assets. As a result, in January financial system profitability reached 3.3%a. of assets or 24.5%a. of net worth, figures that compare favorably with those of the same month of 2006 (2.7%a. and 20.7%a. respectively). Increased net interest income, gains on securities and exchange rate differences during the month was accompanied by a contraction in bank operating cost structure.
- Bank net worth rose 2.2% in the first month of 2007, indicating year-on-year growth of 23.7%. **In January one foreign bank received a \$20 million capital contribution.** Solvency indicators remained stable, at above local capital requirements.



Chart 1

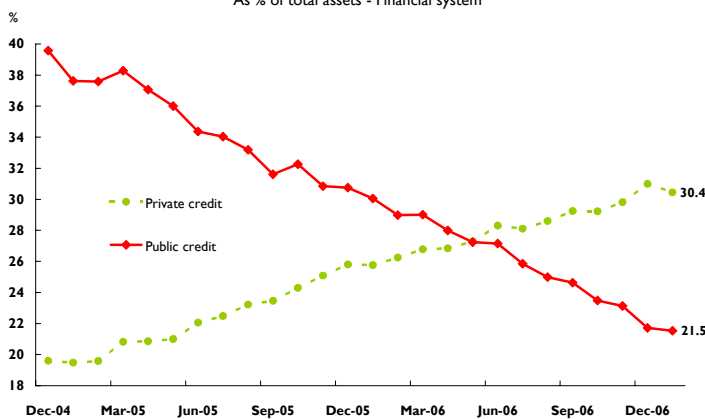
Netted Assets
Financial system



Source: BCRA

Chart 2

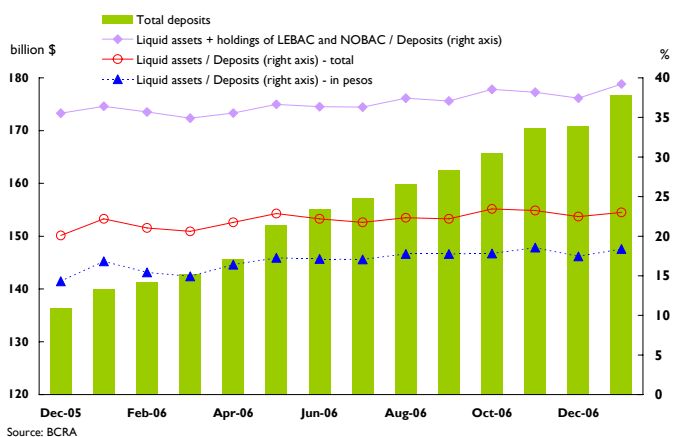
Public and Private Sector Exposure
As % of total assets - Financial system



Source: BCRA

Chart 3

Deposits and Liquidity
Financial system



Source: BCRA

Activity

Rediscounts are close to disappear

In the first month of 2007 financial entities continued to reinforce the trends that had gained strength in the two previous years: lending to the private sector displaced lending to the public sector, there has been a greater increase in time than in sight deposits, and liabilities to the Central Bank are being rapidly repaid. Specifically, bank netted assets went up 1.7% in January (0.6% in real terms) (see Chart 1), accumulating year-on-year (y.o.y.) expansion of 17.5% (7% y.o.y. in real terms).

In January private and public sector deposits constituted the main source of financial system resources (growing \$5.55 billion). Lower public sector exposure released resources for approximately \$400 million, while a sale abroad of corporate bonds by one private bank in particular gave rise to a source of funds for \$300 million.

Increased holdings of Central Bank securities (\$3.1 billion) and growth in bank liquid assets (\$2.3 billion) represented the main uses of fund during the month by financial entities. Whereas payments made to the Central Bank under the matching schedule totaled \$1.86 billion¹, private sector lending went up \$1.7 billion².

Encouraged by Central Bank regulations, banks have cut back their public sector exposure. In January the weighting of public sector assets³ in financial system portfolio fell 0.2 p.p. to a level of 21.5% of total assets (23.2% of netted assets). This monthly behavior was led by public banks. In the last twelve months, financial entities reduced their public sector exposure by 8.5 p.p. of assets, accumulating a drop of 18 p.p. since the end of 2004 (see Chart 2).

Growth in bank liquid assets (\$2.3 billion) took place in the context of a change in its composition: while repos with the Central Bank increased \$4.4 billion, financial institution liquidity in current accounts at the Central Bank dropped \$2.1 billion. In this scenario, the bank liquidity ratio rose 0.5 p.p. to 23% of total deposits (see Chart 3). The liquidity indicator that includes Lebac and Nobac holdings grew 1.8 p.p. to 39.2%.

In a situation in which banks continue to reflect a comfortable liquidity position, the call market showed lower dynamism in the first month of 2007. The average interest rate for 1-day maturity transactions in pesos was 6.8%, 110 basis points (b.p.) less than in December, in the context of a slight drop in the total stock, which fell 4.2% (\$200 million), to \$4.75 billion (see Chart 4).

Loans to the private sector⁴ went up 1.9% (\$1.45 billion) in January. Private financial entities accounted for slightly more than two thirds of

¹ Of which \$1.73 billion correspond to a payment committed to in December that was actually made in January.

² Adjusted for the setting up of financial trusts during the month. Includes leasing financing.

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



Chart 4
Call Market

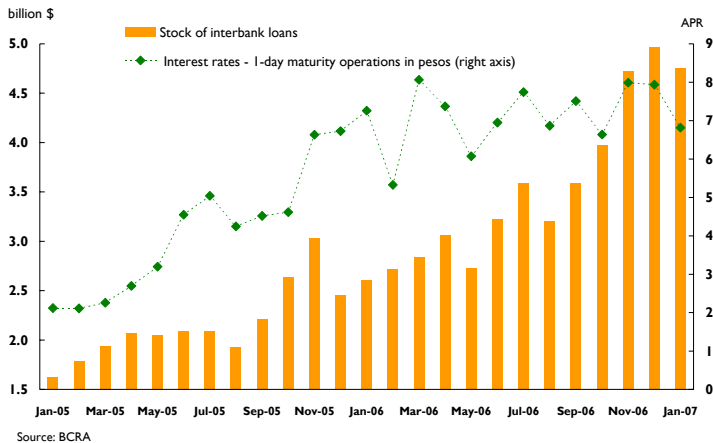


Chart 5
Lending to Companies by Economic Sector

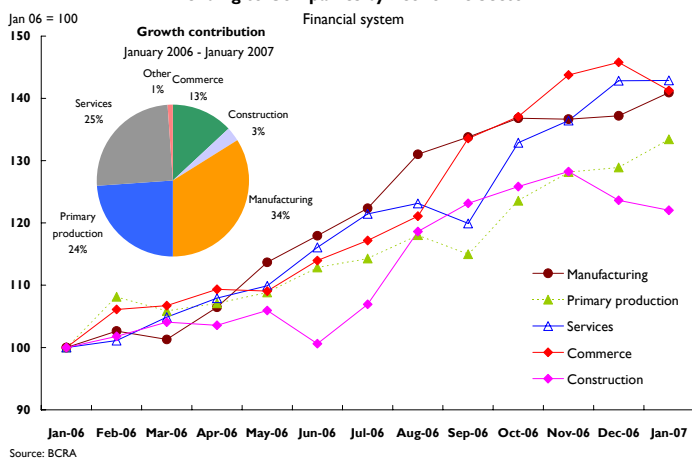
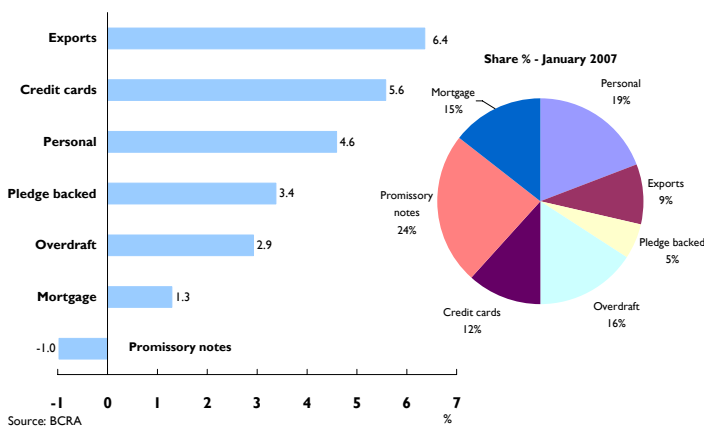


Chart 6
Loans to the Private Sector
By type of lines - Monthly % change



the increase for the month, with a rise of 1.8% (\$980 million) in their loans to the private sector. In January, the increased private sector exposure of the financial system took place in a declining credit risk context, with a non-performance ratio for private loans that amounts to 4.4% of the total, in line with other emerging economies.

Primary production and manufacturing industry were the sectors that provided an impulse to bank lending to business in the first month of 2007. Loans to the primary sector and industry grew by somewhat more than \$400 million in each case. In the last twelve months manufacturing industry and services have been the sectors with the greatest weighting in the expansion of lending to companies, having contributed 34% and 25%, respectively (see Chart 5). In terms of growth rate, services and commerce were the most dynamic sectors, showing growth rates for their lending of 43% y.o.y. and 41% y.o.y., respectively.

Credit lines most used by companies in January were financing and pre-financing exports (up 6.4%, \$400 million), followed by current account overdrafts (up 2.9%, \$300 million). Loans by means of promissory notes recorded a slight decline (1%) (see Chart 6). Greater exposure by banks to companies took place in the context of lower interest rates, together with a decline in credit non-performance (down 0.2 p.p. to 5%).

In line with the trend displayed in previous months, **the increase in lending to households was led by personal loans (\$600 million)⁵.** In addition, credit card lending recorded a growth of 5.6% (\$450 million). Increased consumer lending took place in the context of a slight rise in interest rates, while delinquency levels continues at a very low level.

In a context of lower interest rates, mortgage loans stock rose 1.3% in January, achieving an increase of 17% y.o.y. (see Chart 7). Pledge-backed loans increased 3.4% (\$130 million)⁶, recording a significant increase in the last twelve months (58%). The average interest rate on this line of credit dropped 240 b.p. in January, because of certain seasonality associated with car sales at preferential interest rates, to a level of 8.4%. As a result, **medium and long-term financing continues to grow gradually.**

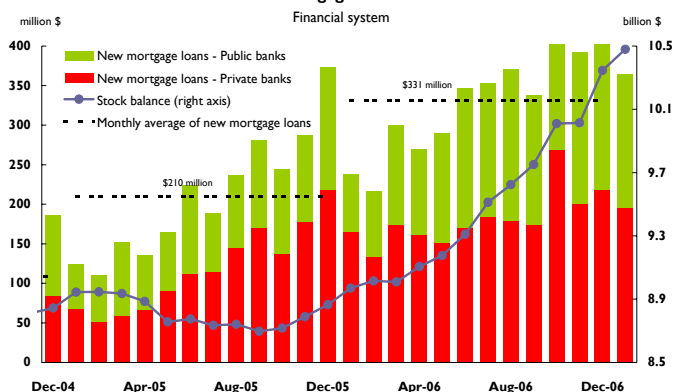
Steady growth in economic activity levels continues to encourage companies, and small and medium size enterprises (SMEs) in particular, to make use of leasing as a medium-term financing tool. Bank leasing went up 5.2% in January, accumulating growth of 60% y.o.y.. Services and manufacturing industry sectors received the greatest amount of new loans during the month. As a result, the stock of leases on bank balance sheets continue to account for an increasing share of financing in comparison to more traditional lines. Their stock at January 2007 was equivalent to 42% of mortgage and pledge-backed loans to companies, 8 p.p. more than in the same month of 2006 (see Chart 8).

⁵ Adjusted for the setting up of financial trusts during the month, the increase in this credit line totals \$700 million.

⁶ A rate of growth that rises to 3.8% if adjusted for the setting up of one financial trust during the month.

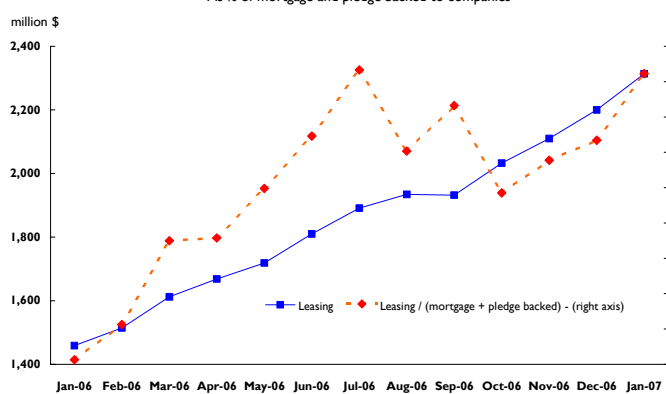


Chart 7
Mortgage Loans
Financial system



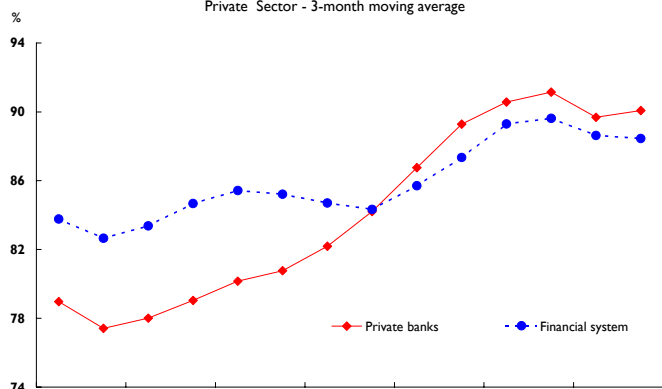
NOTE: Stock balance not adjusted by transfer between loan portfolio and trusts funds or by loans written off balance sheet.
Source: BCRA

Chart 8
Leasing to Companies
As % of mortgage and pledge backed to companies



Source: BCRA

Chart 9
Time Deposits / Sight Deposits
Private Sector - 3-month moving average



Source: BCRA

The rise in the stock of deposits in January (3.3%, \$5.55 billion) was explained by the increase in private sector deposits (3.3%, \$4.1 billion), and to a lesser extent, to growth in public sector deposits (3.2%, \$1.45 billion). In the context of rising private sector deposits, and in line with the trend shown over the whole of 2006, in January the migration from sight to time deposits continued to gain strength. The former went up 1.3% (\$800 million), while time deposit grew by 5.5% (\$3 billion)⁷. As a result, time deposits are equivalent to 89% of the stock of sight deposit, 6 p.p. more than in the same period of the previous year (see Chart 9, showing a 3-month moving average). Growing preference for time deposits is being driven by their higher interest rates, a behavior that is in line with the incentives established by the Central Bank. In effect, in the last twelve months there has been an upward displacement and a sharpening of the time deposit yield curve (see Chart 10).

Bank liabilities with the Central Bank related to rediscunts granted are on the verge of disappearance. The financial system made payments under the matching schedule that amounted to \$1.86 billion, \$123 million and \$1 billion, during January, February and March, respectively. The high disbursements made in the first and third month of the year were driven by the settlement in full made by one large private bank. In the case of the payments made in 2007, 87% corresponded to settlements made in advance. As a result, by the beginning of March only one bank still recorded liquidity rediscunts (out of the original 24) (see Chart 11), for a principal amount of \$2.57 billion, having settled 86% of original stock due since the end of 2004.

In January, assets in foreign currency increased US\$110 million, mainly as a consequence of greater holdings of government securities and higher private sector loan. Liabilities in dollars rose by US\$175 million, largely explained by the increase in deposits, both public and private, and in corporate bonds (from the placement abroad of outstanding bonds by one private bank). As a result, foreign currency mismatching in terms of net worth fell in January by 1.1 p.p. to 24.3%. (see Chart 12).

Profitability:

Notable increase in financial margin

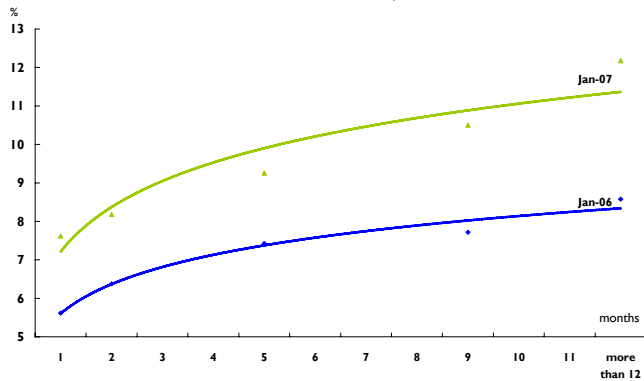
At the beginning of 2007 the financial system further emphasized the positive profitability pattern seen in the last two years, a trend that continues to be largely explained by the recovery of traditional financial intermediation channels in the context of a favorable economy. In January the banking system recorded a profitability of approximately annualized 3.3% (a.) of its netted assets and 24.5% a. of net worth⁸ (see Chart 13), higher than the figures for the same month of the previous year (2.7% a. of assets and 20.7% a. of net worth, respectively). Out of a total of 90 financial institutions, 76 obtained positive results during the month (93% of assets).

⁷ Deposits recorded under the Others heading posted growth for the month of almost \$300 million.

⁸ In this section, all references to assets should be understood as referring to netted assets (see Glossary)

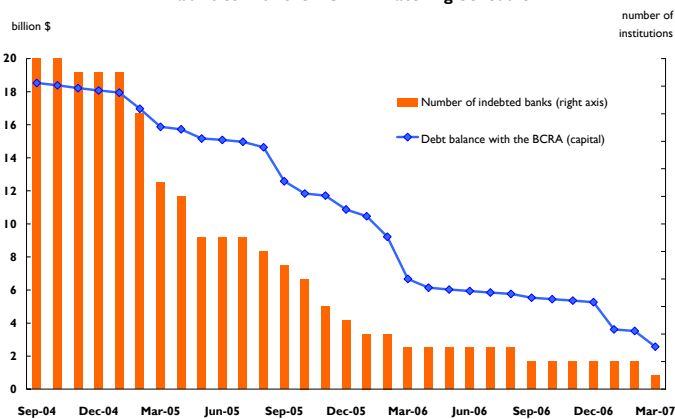


Chart 10
Private Time Deposits
Yield curve - In pesos



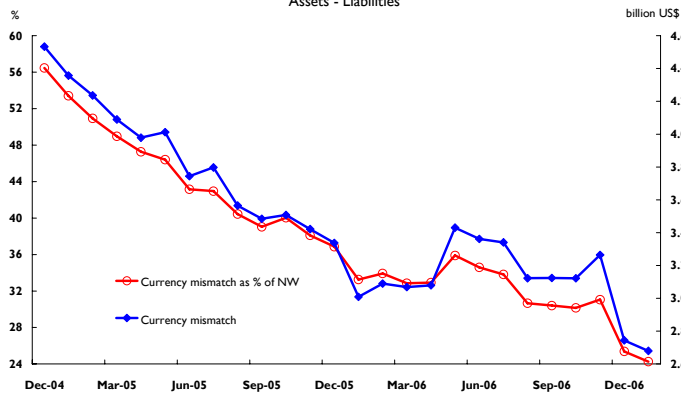
Source: BCRA

Chart 11
Liabilities with the BCRA - Matching Schedule



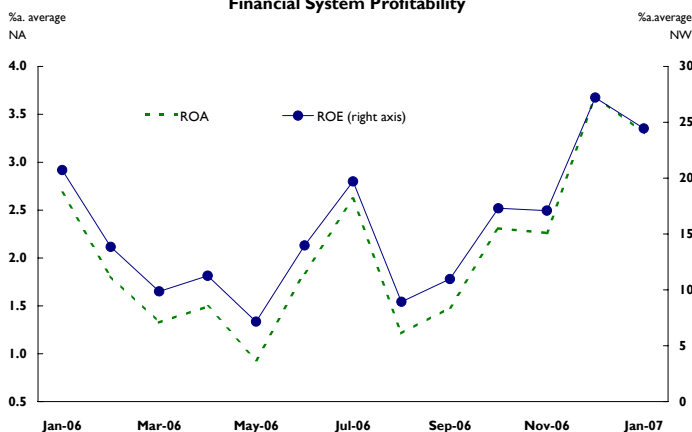
Fuente: BCRA

Chart 12
Currency Mismatch - Financial System
Assets - Liabilities



Source: BCRA

Chart 13
Financial System Profitability



Source: BCRA

Private sector banks led financial system profits in January, achieving a profitability of 3.6%a. of assets and 24.1%a. in terms of net worth. Official banks recorded profitability of 2.8%a. of assets and 25.7%a. of net worth. As a result, in January both groups of banks posted ROA levels that were higher than those recorded in 2006. This positive performance matches the progress made in the normalization of bank balance sheets, a trend that is also reflected in the recovery of income associated with lending activity, growth in profits from the transactional services sold, and the steady profits from the holding and trading of securities.

Financial margin recorded a significant increase for the month of 1.6 p.p. of assets in January, to a level of 7.8%a. (see Chart 14 showing a 3-month moving average). Growing accrual of net interest income, gains on securities, and increased income from exchange rate differences were responsible for the increase in the financial margin.

Gains on securities continued to show an increase in their weighting financial margin, a share that reached 45% in January, almost 10 p.p. above the average for 2006. The favorable domestic economic scenario added to the attractiveness of domestic bonds in the first month of 2007, was reflected in the profits on bank holdings marked to market (see Chart 15). As a result, in January gains on securities totaled 3.5%a. of assets, 0.8 p.p. and 1.4 p.p. more than in December and over the course of 2006, respectively. Despite this positive trend, turbulence on international financial markets towards the end of February will probably be reflected in a certain fluctuation in bank results.

Net interest income results rose by 0.3 p.p. of assets in January, to a level of 2.2%a. of assets (see Chart 16). This improvement was seen by both public banks (with an increase of 0.4 p.p. of their assets to 1.4%a.) and private banks (0.2 p.p. to 2.4%a.). Net interest income growth has been led by the dynamism of the resources associated with lending activity to the private sector. Interest payments on deposits remained stable in January. Deposit interest rates on new time deposits remained steady in January, although in recent months they had been showing a gradual upward trend, in line with the interest rates established by the Central Bank in its repo transactions.

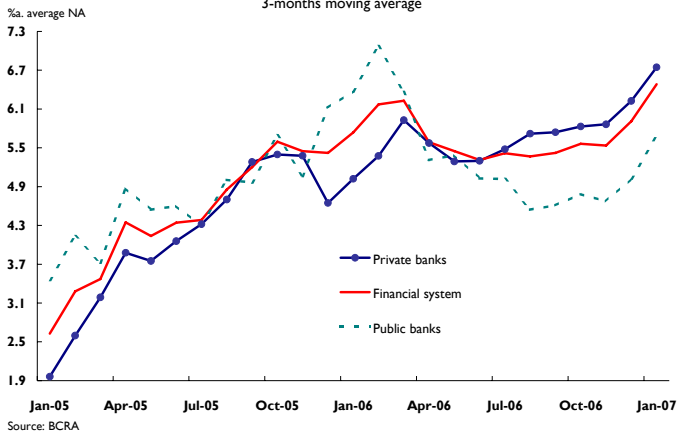
Results from exchange rate differences increased 0.4 p.p. of assets in January, totaling 0.6%a.. Both bank profits from the purchase and sale of foreign currency and the effect of the increase in the peso-dollar exchange rate between month-ends (\$0.04 per US\$) on financial system foreign currency mismatching, have explained the mismatching increase in gains from exchange rate differences (see Chart 17). Foreign exchange difference results for January were 0.2 p.p. of assets higher than the figure posted over the course of 2006. CER adjustments remained steady at a level of 1.3%a. of assets.

One source of low-volatility income for financial entities, service income margin remained stable at 3%a. of assets in January (see Chart 18, showing a 3-month moving average), recorded a growth of 0.3 p.p. of asset when compared with 2006, and 0.5 p.p. compared with the same month of the previous year. As a result, bank service income margin has continued the trend begun after the recent crisis, being



Chart 14
Financial Margin

3-months moving average



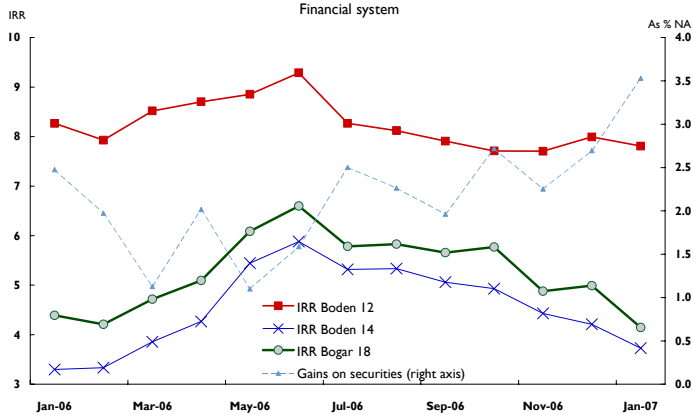
Source: BCRA

driven in particular by resources from deposit and loan administration. As transactions in the economy are increasingly being carried out in the formal sector, the rising volume of loans granted and in income derived from debit and credit card use are the main factors contributing to service income margin. As a result, approximately 58% of bank operating costs are covered by net income from services, evidencing a gradual upward trend in recent periods.

Contrary to the situation in the previous three months, in January bank loan loss provisions recorded an increase of 0.4 p.p. to 0.8%a. of assets (see Chart 19), standing 0.3 p.p. above the value posted during 2006. This change has in part been due to the rise in private sector lending, and certain specific adjustments by two banks. Nevertheless, **loan loss provisions continue to stand at historically low levels**, as in the period 1999-2001 they averaged 2%a. of assets. In the case of private sector lending, loan loss provisions totaled 2.3%a. in January, almost 1 p.p. higher than in December, but below the same month of 2006. It should be noted that this has taken place in a situation in which provisions exceed non-performing loans.

Chart 15
Gains on Securities and Public Bonds

Financial system



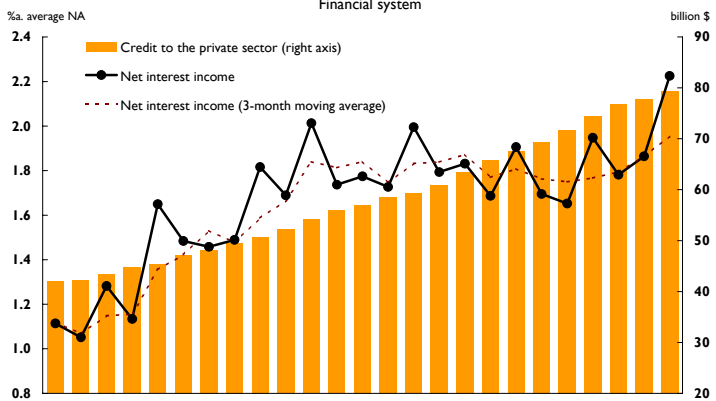
Source: BCRA and Reuters

Following the increase that normally takes place at the end of the year, operating costs dropped in January by 0.7 p.p. of assets, to a level of 5.1%a. (see Chart 20). Nevertheless, in the last two years these costs have recorded a gradual upward trend, reflecting both the increased employment in the financial sector, given the improved outlook for the business, and improved wage levels. At the end of 2006 there were approximately 91,500 people employed in the financial sector, a rise of over 4% in the course of 2006.

Notwithstanding this upward trend in operating costs in the sector, **higher costs continue to be more than offset by higher income**. The ratio of coverage of costs by net income, although showing significant fluctuation (largely explained by income volatility), has evidenced a marked recovery in recent years, reaching 176% in January, when in the same month of 2006 and 2005 it was 161% and 112%, respectively.

Chart 16
Net Interest Income

Financial system



Source: BCRA

Sundry results stood at a more moderate level in January (0.4%a. of assets), below the level of last December. It should be noted that in the previous month this income statement heading reflected the effects of certain gains on financial participations and other specific operations by a group of banks.

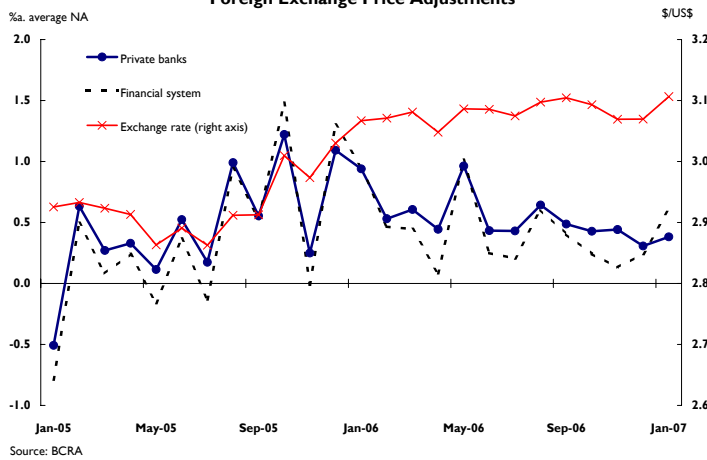
Lastly, **headings related to the gradual recognition of the effects of the recent crisis** (amortization of court orders and adjustments to the valuation of public sector assets) recorded a drop of 0.1 p.p. in the aggregate in January, to a level of 0.8%a. of assets. This monthly performance has originated in a 0.1 p.p. drop in adjustments to the valuation of public sector assets. Amortizations of court order payment remained stable at 0.7%a. of assets.

Outlook for February

On the basis of the information available at the date of publication of this Report, financial system profitability is expected to continue its



Chart 17
Foreign Exchange Price Adjustments

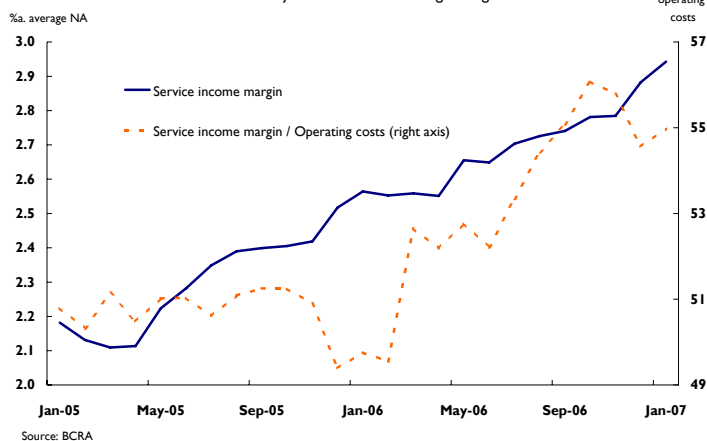


consolidation, and financial institution solvency will become increasingly robust. Financial intermediation will continue to benefit from the positive performance by the local economy.

Unlike previous months, in February the stock of loans mainly granted to companies (overdrafts and promissory notes) showed a slight seasonal drop (see Table 1). Personal loans continued to increase, while lending interest rate remained stable, a situation that could potentially be reflected in increased net interest income for banks. Steady growth in time deposits, with moderately lower interest rates, could cause a rise in expenditure under this heading, partly offsetting the higher income from private sector loans. **Gains on securities will probably show a fall in February, in line with the drop in domestic government security prices at the end of the month,** mainly as a result of the turbulence on international financial markets.

Given the performance by the CER index (showing a higher rise than in the previous month), adjustments for this coefficient should be slightly higher, although the final behavior of this line could be influenced by changes in bank positions in adjustable instruments. It is estimated that income from exchange difference will be lower in February, as the exchange rate recorded a slight monthly drop.

Chart 18
Service Income Margin
Financial system - 3-month moving average



Loan loss provisions are expected to return to levels more in line with those reached in 2006, after an increase in January because of certain extraordinary adjustments. The cost structure will remain at a similar level to that for January.

Solvency:

Capital levels in line with those of other emerging economies

At the beginning of 2007 the financial system maintained the consolidation of its solvency levels, an improvement that continues to be mainly driven by the profits arising from traditional financial intermediation activity and the sale of financial services. In addition, the favorable prospects for banking for the rest of the year encourage further capital contributions that will enable financial entities to increase their activity.

In January banks recorded an improvement of 2.2% in their net worth (almost \$720 million) (see Chart 21), accumulating a year-on-year increase of 23.7% (\$6.5 billion), figures higher than those recorded in 2006. **Growth in net worth continues to lead the gradual increase in the solvency level of the financial system.**

One foreign private bank received a further capital contribution in cash of \$20 million in January, taking new capitalization by the financial system in the last 12 months to \$2.43 billion. In that period, national private banks acquired particular relevance, accounting for over 54% of contributions, followed by public banks with 32% of capitalizations made.

Chart 19
Loan Loss Provisions
Financial system - 3-month moving average

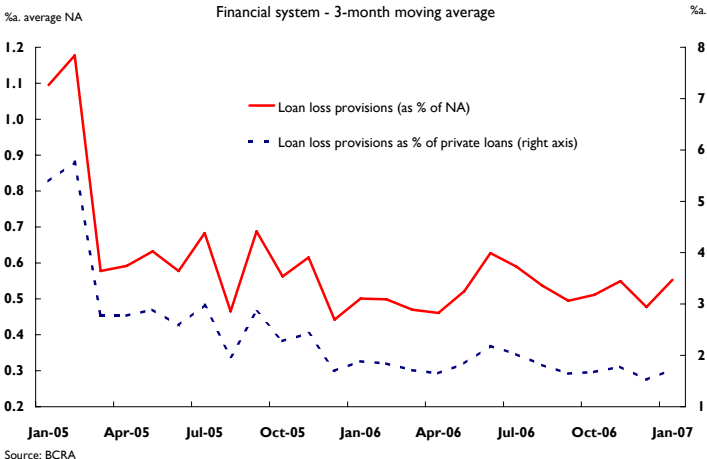
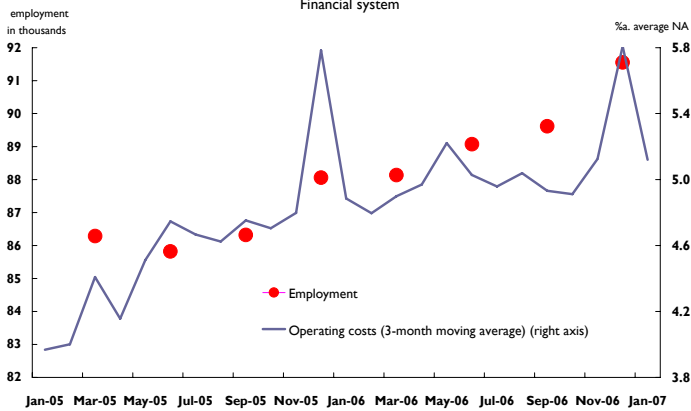




Chart 20
Operating Costs
Financial system



As a result, the financial system has achieved solvency indicators that are in excess of local requirements and minimum international recommendations, achieving adequate levels of protection against potential adverse shocks. Last December⁹ bank capital compliance stood at 16.8% of assets at risk, a level that is in line with the values recorded in other emerging economies (see Chart 22), and higher than that in developed countries, because of their lower intrinsic risk. Furthermore, in December excess capital compliance reached a level of 136% of capital requirements. In January a reduction is expected in excess capital compliance, driven by the effect of the increases foreseen in the coefficients for the adjustment of capital requirements or both public sector credit risk and interest rate risk¹⁰. At present, complying with the guidelines established, the ratio corresponding to interest rate risk has been left in abeyance.

Table I
Main Developments in February 2007

| | Jan | Feb | Var. Jan% | Var. Feb% |
|---|----------|----------|-----------|-----------|
| Prices | | | | |
| Exchange rate (\$/US\$) ¹ | 3.106 | 3.101 | 1.2 | -0.2 |
| CPI | 188.8 | 189.4 | 1.1 | 0.3 |
| CER ¹ | 1.91 | 1.93 | 0.9 | 1.1 |
| | % | % | Var p.p. | Var p.p. |
| Government securities - annual IRR¹ | | | | |
| BOGAR \$ 2018 | 4.1 | 4.9 | -85 | 79 |
| BODEN US\$ 2012 | 6.6 | 7.5 | -93 | 88 |
| Discount \$ | 5.5 | 5.9 | -28 | 42 |
| Discount US\$ NY | 7.3 | 7.3 | -45 | 4 |
| | % | % | Var p.p. | Var p.p. |
| Average percentage rates | | | | |
| Lending² | | | | |
| Overdraft | 15.7 | 15.1 | -112 | -57 |
| Promissory notes | 12.0 | 12.1 | -64 | 16 |
| Mortgage | 11.4 | 11.5 | -9 | 14 |
| Pledge-backed | 8.4 | 9.3 | -229 | 95 |
| Personal | 24.8 | 24.7 | 19 | -7 |
| 30 to 44 day time deposit | 7.5 | 7.1 | 14 | -43 |
| LEBAC in \$ without CER - 1 year | 10.9 | 10.7 | -26 | -23 |
| 7 day BCRA repos | 6.5 | 6.7 | 24 | 19 |
| BADLAR | 7.7 | 7.1 | -16 | -62 |
| | Mill. \$ | Mill. \$ | Var % | Var % |
| Balance^{2,3} - Financial system | | | | |
| Peso deposits - Private sector | 107,936 | 110,376 | 2.2 | 2.3 |
| Sight deposits | 58,924 | 59,843 | 0.8 | 1.6 |
| Time deposits | 49,012 | 50,532 | 3.9 | 3.1 |
| Peso loans - Private sector | 64,426 | 65,328 | 1.2 | 1.4 |
| Overdraft | 11,139 | 10,995 | -4.6 | -1.3 |
| Promissory notes | 14,245 | 14,161 | 2.0 | -0.6 |
| Mortgage | 10,093 | 10,322 | 2.4 | 2.3 |
| Pledge-backed | 3,770 | 3,886 | 3.5 | 3.1 |
| Personal | 13,416 | 14,010 | 3.1 | 4.4 |

(¹) End of month figure.

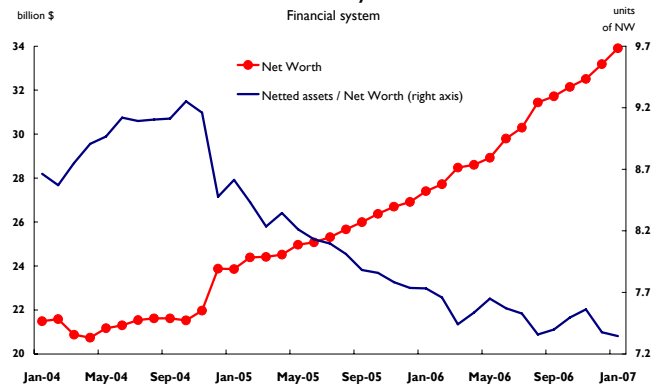
(²) Estimation based on SISGEN data (provisional data subject to change).

(³) Monthly average. In million of pesos.

Source: INDEC and BCRA.

Chart 21

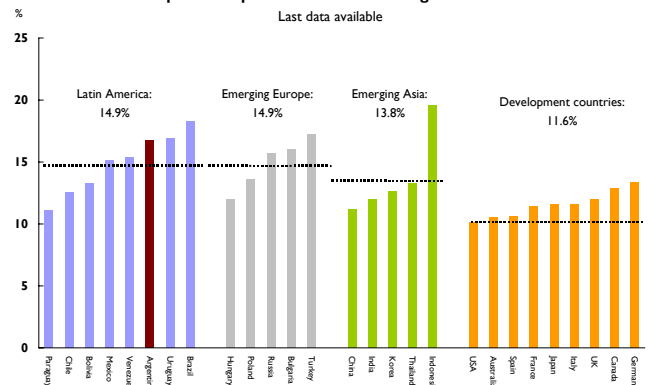
Solvency
Financial system



Source: BCRA

Chart 22

Capital Compliance as % of Risk Weighted Assets
Last data available



Source: BCRA from IMF data

⁹ Latest available information.

¹⁰ See ordered text on Minimum Capital for Financial institutions (www.bcra.gov.ar). For further detail on regulations for the adjustment of financial institution capital requirements, see Financial Stability Bulletin, first half of 2004, Chapter II.



Latest regulations:

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

- **Communication “A” 4612 – 01/01/07**

Variable Interest Time Investments. The range of assets and indicators eligible for calculation of the variable compensation for these investments has been widened. The financial assets eligible for the calculation of variable retribution as per the list of volatilities published by the Central Bank are to be restated. Indicators that have been added include the interest rate published by the Central Bank for time deposits of up to 59 days -according to the daily survey for transactions in pesos and in dollars, the “CER” for use only for deposits in pesos for a minimum term of 365 days- and internationally-traded foreign currencies (US dollar, pound sterling, yen, real and euro).

- **Communication “A” 4615 – 16/01/07**

Minimum capital requirements: interest rate risk. Treatment of the instruments issued by the Central Bank. It is established that debt instruments with a variable yield derived from a local indicator: i) not restated by “CER” shall receive the same treatment as that established for loans to the National Government; ii) those restated according to “CER” shall receive similar treatment to that for loans to the non-financial public sector and holdings in investment accounts restated according to “CER”.



Methodology:

- (a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). With a view to calculating data for the system aggregate, for institutions not providing data for the month under review, the latest information available is repeated in the aggregate balance sheet. In turn, for the analysis of profitability, only taken into consideration are those institutions providing data on the month in question.
- (b) Due to the possible lack of data for a number of banks at the time of drafting this Report, and given the possibility of subsequent corrections to the data provided by financial institutions, the data included –particularly for the last month mentioned- is of a preliminary nature. Consequently, and given the fact that the latest available data are always used, data in connection with earlier periods may not match what was previously mentioned in prior issues of the Report. In such cases, the latter release should be considered the highest quality available one.
- (c) Unless provided to the contrary, data on deposits and loans relate to balance sheet information, and do not necessarily agree with those gathered via the Centralized System of Information Requirements (SISCEN). Reasons for discrepancies include: the exact date taken into account for the calculation of monthly variations and the items included in the definition adopted in each case.
- (d) Qualitative information on specific transactions involving specific banks has been taken from the notes to the banks financial statements, or obtained on the basis of inquiries made to the supervisors with the Superintendence of Financial and Exchange Institutions.
- (e) Profitability indicators are calculated based on monthly results estimated on the grounds of the changes in the amount of aggregated results during the current fiscal year. Unless a provision is made to the contrary, profitability ratios are annualized.
- (f) Initially, the breakdown by group of banks was determined on the basis of majority involvement in decision taking –in terms of Shareholders meetings votes- differentiating between privately-owned institutions from public banks. Also and with a view to deepening the scope of the analysis, private institutions were identified according to geographic and business scope of their operations. Thus, wholesale banks were defined as those specializing in the large corporations and investors sector, which usually do not depend for their funding on deposits from the private sector. On the other hand, retail banks were divided into those carrying out business at the domestic level, located in certain geographic regions –municipalities, provinces, or regions- and institutions specializing in a financial sector niche market –generally smaller institutions. Lastly, it should be noted that the grouping herein has solely been carried out for analytical purposes and does not imply the only methodological grouping criterion; whereas, on the other hand, the listing of features pertaining to each set of institutions has been established in a general manner.



Glossary:

%a.: annualized percentage.

%i.a.: interannual percentage.

Adjusted profit: Total profit excluding payments made due to court-ordered releases and adjustments to the valuation of public sector assets according to Com. "A" 3911 and modifications.

ASE: Adjusted stockholders' equity, for Responsabilidad Patrimonial Computable (RPC) in Spanish. The measure for compliance with bank capital regulations.

Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial institutions.

CEDRO: *Certificado de Depósito Reprogramado*. Rescheduled Stabilization Coefficient.

Financial margin: Income less outlays of a financial nature. Includes interest income, gains from securities, CER/CVS adjustments, exchange rate differences and other financial results. Does not include the items affected by Com. A 3911 and modifications.

Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt, options and from other income from financial intermediation. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.

Income from services: Commissions collected less commissions paid. Includes commissions on liabilities, credits, securities, guarantees granted, rental of safe deposits boxes and foreign trade and exchange transactions, excluding in the case of the latter results from the trading of foreign currency, which are recorded in the "Exchange difference" accounts (here included under the heading "Other financial results"). Outflows include commissions paid, contributions to the Banking Social Services Institute (ISSB), other contributions on service income and charges accrued for gross income tax.

Interest income (interest margin): Interest collected less interest paid on financial intermediation, on an accrual basis – taken from balance sheet – rather than on a cash basis. Includes interest on loans of government securities and premiums on repos and reverse repos.

Liquid assets: Minimum cash compliance – cash, current account at Central Bank and special accounts in guarantee – and other liquid items, including correspondent accounts.

Liquidity ratio: Liquid assets as a percentage of total deposits.

mill.: million

Netted assets (NA) and liabilities: Those net of accounting duplications inherent to the recording of repurchase agreements, term transactions or unsettled spot transactions.

Net worth exposure to counterparty risk: Non-performing portfolio net of allowances in terms of net worth.

Non-performing portfolio: Portfolio in categories 3 to 6, as per the debtor classification system.

Operating costs: Includes remuneration, social security payments, services and fees, sundry expenses, taxes and amortization.

ON: Corporate bonds (Obligaciones Negociables).

OS: Subordinated debt (Obligaciones Subordinadas).

Other financial results: Income from financial leasing, adjustments to valuation of credit to the public sector, contribution to the deposit guarantee fund, interest on liquid funds, difference in market price of gold and foreign exchange, premiums on the sale of foreign currency and other unidentified income (net).

PN: Net worth (Patrimonio Neto).

p.p.a.: annualized percentage points

Private sector credit: Loans to the private sector and private sector securities.

Public sector credit: Loans to the public sector, holdings of government securities and compensation receivable from the Federal Government.

Quotation differences: Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.

ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.

ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.

RPC: Adjusted stockholders' equity, calculated towards meeting capital regulations. (Responsabilidad Patrimonial Computable)

SMEs: Small and Medium Enterprises.

US\$: United States dollars

Statistics Annex: Financial System

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

| As % | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Jan 2006 | 2006 | Jan 2007 |
|--|------|------|------|------|------|------|-------|-------|------|------|----------|------|----------|
| 1.- Liquidity | 22.3 | 26.1 | 23.1 | 25.0 | 23.4 | 19.6 | 22.8 | 29.1 | 29.6 | 20.1 | 22.2 | 22.5 | 23.0 |
| 2.- Lending to the public sector | 16.9 | 16.2 | 16.2 | 18.0 | 17.3 | 23.0 | 48.5 | 46.5 | 39.6 | 30.8 | 30.0 | 21.7 | 21.5 |
| 3.- Lending to the private sector | 50.8 | 47.7 | 48.4 | 44.9 | 39.9 | 42.7 | 20.8 | 18.1 | 19.6 | 25.8 | 25.8 | 31.0 | 30.4 |
| 4.- Private non-performing loans | 16.2 | 13.8 | 12.2 | 14.0 | 16.0 | 19.1 | 38.6 | 33.5 | 18.6 | 7.6 | 7.5 | 4.5 | 4.4 |
| 5.- Net worth exposure to private sector | 24.9 | 22.5 | 20.6 | 24.7 | 26.2 | 21.9 | 17.3 | 12.4 | -1.0 | -4.1 | -4.3 | -3.3 | -3.3 |
| 6.- ROA | 0.6 | 1.0 | 0.5 | 0.2 | 0.0 | 0.0 | -8.9 | -2.9 | -0.5 | 0.9 | 2.7 | 2.0 | 3.3 |
| 7.- ROE | 4.1 | 6.3 | 3.9 | 1.7 | 0.0 | -0.2 | -59.2 | -22.7 | -4.2 | 7.0 | 20.7 | 15.0 | 24.5 |
| 8.- Efficiency | 142 | 136 | 138 | 142 | 147 | 143 | 189 | 69 | 125 | 151 | 200 | 167 | 210 |
| 9.- Capital compliance | 23.8 | 20.8 | 20.3 | 21.0 | 20.1 | 21.4 | - | 14.5 | 14.0 | 15.3 | 15.6 | 16.8 | n.a. |
| 10.- Excess capital compliance | 64 | 73 | 49 | 54 | 58 | 54 | - | 116 | 185 | 173 | 128 | 136 | n.a. |

Source: BCRA

Chart 2: Balance Sheet

| In current pesos (millions) | Dec 00 | Dec 01 | Dec 02 | Dec 03 | Dec 04 | Dec 05 | Jan 06 | Dec 06 | Jan 07 | Change (%) | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------|-------------|----------------|--|
| | | | | | | | | | | Last month | Accum. 2007 | Last 12 months | |
| Assets | 163,550 | 123,743 | 187,532 | 186,873 | 212,562 | 221,962 | 227,002 | 258,396 | 268,268 | 3.8 | 3.8 | 18.2 | |
| Liquid assets ¹ | 20,278 | 13,005 | 17,138 | 27,575 | 29,154 | 20,819 | 27,745 | 37,992 | 35,817 | -5.7 | -5.7 | 29.1 | |
| Public bonds | 10,474 | 3,694 | 31,418 | 45,062 | 55,382 | 66,733 | 61,853 | 64,422 | 71,671 | 11.3 | 11.3 | 15.9 | |
| Lebac/Nobac | 0 | 0 | - | - | 17,755 | 28,340 | 23,797 | 29,091 | 36,775 | 26.4 | 26.4 | 54.5 | |
| Portfolio | 0 | 0 | - | - | 11,803 | 21,067 | 19,911 | 25,581 | 28,660 | 12.0 | 12.0 | 43.9 | |
| Repo | 0 | 0 | - | - | 5,953 | 7,273 | 3,886 | 3,510 | 8,115 | 131.2 | 131.2 | 108.8 | |
| Private bonds | 633 | 543 | 332 | 198 | 387 | 389 | 458 | 813 | 859 | 5.6 | 5.6 | 87.5 | |
| Loans | 83,277 | 77,351 | 84,792 | 68,042 | 73,617 | 84,171 | 86,160 | 103,649 | 104,684 | 1.0 | 1.0 | 21.5 | |
| Public sector | 15,164 | 22,694 | 44,337 | 33,228 | 30,866 | 25,836 | 26,571 | 20,857 | 20,643 | -1.0 | -1.0 | -22.3 | |
| Private sector | 64,464 | 52,039 | 38,470 | 33,398 | 41,054 | 55,885 | 56,987 | 77,830 | 79,286 | 1.9 | 1.9 | 39.1 | |
| Financial sector | 3,649 | 2,617 | 1,985 | 1,417 | 1,697 | 2,450 | 2,602 | 4,962 | 4,755 | -4.2 | -4.2 | 82.7 | |
| Provisions over loans | -6,907 | -6,987 | -11,952 | -9,374 | -7,500 | -4,930 | -4,959 | -3,996 | -4,011 | 0.4 | 0.4 | -19.1 | |
| Other netted credits due to financial intermediation | 42,361 | 21,485 | 39,089 | 27,030 | 32,554 | 26,721 | 28,172 | 26,073 | 29,844 | 14.5 | 14.5 | 5.9 | |
| Corporate bonds and subordinated debt | 794 | 751 | 1,708 | 1,569 | 1,018 | 873 | 903 | 773 | 777 | 0.5 | 0.5 | -14.0 | |
| Unquoted trusts | 2,053 | 2,065 | 6,698 | 4,133 | 3,145 | 3,883 | 4,058 | 4,915 | 5,103 | 3.8 | 3.8 | 25.8 | |
| Compensation receivable | 0 | 0 | 17,111 | 14,937 | 15,467 | 5,841 | 5,516 | 763 | 768 | 0.6 | 0.6 | -86.1 | |
| Other | 39,514 | 18,669 | 13,572 | 6,392 | 12,924 | 16,124 | 17,696 | 19,622 | 23,197 | 18.2 | 18.2 | 31.1 | |
| Assets under financial leases | 786 | 771 | 567 | 397 | 611 | 1,384 | 1,490 | 2,262 | 2,383 | 5.4 | 5.4 | 59.9 | |
| Shares and participation | 2,645 | 2,688 | 4,653 | 4,591 | 3,871 | 4,532 | 4,630 | 6,378 | 6,587 | 3.3 | 3.3 | 42.3 | |
| Fixed assets and miscellaneous | 4,939 | 4,804 | 8,636 | 8,164 | 7,782 | 7,546 | 7,520 | 7,604 | 7,616 | 0.1 | 0.1 | 1.3 | |
| Foreign branches | 1,115 | 1,057 | 3,522 | 3,144 | 3,524 | 3,647 | 3,703 | 2,788 | 2,822 | 1.2 | 1.2 | -23.8 | |
| Other assets | 3,950 | 5,334 | 9,338 | 12,043 | 13,180 | 10,950 | 10,230 | 10,411 | 9,995 | -4.0 | -4.0 | -2.3 | |
| Liabilities | 146,267 | 107,261 | 161,446 | 164,923 | 188,683 | 195,044 | 199,599 | 225,212 | 234,360 | 4.1 | 4.1 | 17.4 | |
| Deposits | 86,506 | 66,458 | 75,001 | 94,635 | 116,655 | 136,492 | 140,106 | 170,904 | 176,796 | 3.4 | 3.4 | 26.2 | |
| Public sector ² | 7,204 | 950 | 8,381 | 16,040 | 31,649 | 34,019 | 35,652 | 45,410 | 46,846 | 3.2 | 3.2 | 31.4 | |
| Private sector ² | 78,397 | 43,270 | 59,698 | 74,951 | 83,000 | 100,809 | 102,772 | 123,437 | 127,503 | 3.3 | 3.3 | 24.1 | |
| Current account | 6,438 | 7,158 | 11,462 | 15,071 | 18,219 | 23,487 | 23,371 | 26,900 | 28,065 | 4.3 | 4.3 | 20.1 | |
| Savings account | 13,008 | 14,757 | 10,523 | 16,809 | 23,866 | 29,078 | 29,762 | 36,444 | 36,097 | -1.0 | -1.0 | 21.3 | |
| Time deposit | 53,915 | 18,012 | 19,080 | 33,285 | 34,944 | 42,822 | 44,045 | 54,338 | 57,353 | 5.5 | 5.5 | 30.2 | |
| CEDRO | 0 | 0 | 12,328 | 3,217 | 1,046 | 17 | 17 | 13 | 13 | -0.1 | -0.1 | -23.2 | |
| Other netted liabilities due to financial intermediation | 55,297 | 36,019 | 75,737 | 61,690 | 64,928 | 52,072 | 52,940 | 46,032 | 49,287 | 7.1 | 7.1 | -6.9 | |
| Call money | 3,545 | 2,550 | 1,649 | 1,317 | 1,461 | 2,164 | 2,370 | 4,579 | 4,253 | -7.1 | -7.1 | 79.4 | |
| BCRA lines | 102 | 4,470 | 27,837 | 27,491 | 27,726 | 17,005 | 16,236 | 7,686 | 5,894 | -23.3 | -23.3 | -63.7 | |
| Outstanding bonds | 4,954 | 3,777 | 9,096 | 6,675 | 7,922 | 6,548 | 6,830 | 6,603 | 6,979 | 5.7 | 5.7 | 2.2 | |
| Foreign lines of credit | 8,813 | 7,927 | 25,199 | 15,196 | 8,884 | 4,684 | 4,478 | 4,240 | 4,189 | -1.2 | -1.2 | -6.5 | |
| Other | 37,883 | 17,295 | 11,955 | 11,012 | 18,934 | 21,671 | 23,026 | 22,924 | 27,972 | 22.0 | 22.0 | 21.5 | |
| Subordinated debts | 2,255 | 2,260 | 3,712 | 2,028 | 1,415 | 1,381 | 1,372 | 1,642 | 1,655 | 0.8 | 0.8 | 20.6 | |
| Other liabilities | 2,210 | 2,524 | 6,997 | 6,569 | 5,685 | 5,099 | 5,180 | 6,635 | 6,622 | -0.2 | -0.2 | 27.8 | |
| Net worth | 17,283 | 16,483 | 26,086 | 21,950 | 23,879 | 26,918 | 27,404 | 33,184 | 33,908 | 2.2 | 2.2 | 23.7 | |
| Memo | | | | | | | | | | | | | |
| Netted assets | 129,815 | 110,275 | 185,356 | 184,371 | 202,447 | 208,275 | 211,911 | 244,799 | 249,036 | 1.7 | 1.7 | 17.5 | |
| Consolidated netted assets | 125,093 | 106,576 | 181,253 | 181,077 | 198,462 | 203,391 | 206,795 | 235,925 | 240,160 | 1.8 | 1.8 | 16.1 | |

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

Source: BCRA

Statistics Annex: Financial System

Chart 3: Profitability Structure

| Amounts in million of pesos | Annual | | | | | | | First month | | Monthly | | | Last |
|--|------------|-------------|-------------------|---------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | 2000 | 2001 | 2002 ¹ | 2003 | 2004 | 2005 | 2006 | 2006 | 2007 | Nov-06 | Dec-06 | Jan-07 | 12 months |
| Financial margin | 7,291 | 6,943 | 13,991 | 1,965 | 6,075 | 9,475 | 12,973 | 1,281 | 1,552 | 1,127 | 1,262 | 1,552 | 13,243 |
| Net interest income | 5,106 | 4,625 | -3,624 | -943 | 1,753 | 3,069 | 4,097 | 313 | 443 | 365 | 380 | 443 | 4,227 |
| CER and CVS adjustments | 0 | 0 | 8,298 | 2,315 | 1,944 | 3,051 | 3,022 | 343 | 260 | 255 | 262 | 260 | 2,940 |
| Foreign exchange price adjustments | 185 | 268 | 5,977 | -890 | 866 | 751 | 928 | 162 | 120 | 27 | 49 | 120 | 887 |
| Gains on securities | 1,481 | 1,490 | 3,639 | 1,962 | 1,887 | 2,371 | 4,703 | 437 | 703 | 462 | 550 | 703 | 4,968 |
| Other financial income | 519 | 559 | -299 | -480 | -375 | 233 | 223 | 26 | 25 | 19 | 21 | 25 | 222 |
| Service income margin | 3,582 | 3,604 | 4,011 | 3,415 | 3,904 | 4,781 | 6,162 | 447 | 593 | 574 | 622 | 593 | 6,309 |
| Loan loss provisions | -3,056 | -3,096 | -10,007 | -2,089 | -1,511 | -1,173 | -1,173 | -113 | -155 | -107 | -75 | -155 | -1,215 |
| Operating costs | -7,375 | -7,362 | -9,520 | -7,760 | -7,998 | -9,437 | -11,477 | -863 | -1,019 | -1,050 | -1,185 | -1,019 | -11,633 |
| Tax charges | -528 | -571 | -691 | -473 | -584 | -737 | -1,080 | -77 | -102 | -101 | -122 | -102 | -1,105 |
| Income tax | -446 | -262 | -509 | -305 | -275 | -581 | -728 | -109 | -141 | -94 | 66 | -141 | -759 |
| Adjustments to the valuation of government securities ² | 0 | 0 | 0 | -701 | -320 | -410 | -690 | -66 | -13 | -60 | -46 | -13 | -637 |
| Amortization payments for court-ordered releases | 0 | 0 | 0 | -1,124 | -1,686 | -1,867 | -1,697 | -140 | -141 | -141 | -149 | -141 | -1,698 |
| Other | 535 | 702 | -3,880 | 1,738 | 1,497 | 1,729 | 2,227 | 114 | 84 | 314 | 378 | 84 | 2,197 |
| Monetary results | 0 | 0 | -12,558 | 69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total results | 3 | -42 | -19,162 | -5,265 | -898 | 1,780 | 4,516 | 473 | 658 | 463 | 752 | 658 | 4,701 |
| Adjusted results ³ | - | - | - | -3,440 | 1,337 | 4,057 | 6,904 | 680 | 812 | 664 | 946 | 812 | 7,036 |
| Annualized indicators - As % of netted assets | | | | | | | | | | | | | |
| Financial margin | 5.7 | 5.7 | 6.5 | 1.1 | 3.1 | 4.6 | 5.7 | 7.3 | 7.8 | 5.5 | 6.2 | 7.8 | 5.8 |
| Net interest income | 4.0 | 3.8 | -1.7 | -0.5 | 0.9 | 1.5 | 1.8 | 1.8 | 2.2 | 1.8 | 1.9 | 2.2 | 1.8 |
| CER and CVS adjustments | 0.0 | 0.0 | 3.9 | 1.3 | 1.0 | 1.5 | 1.3 | 1.9 | 1.3 | 1.2 | 1.3 | 1.3 | 1.3 |
| Foreign exchange price adjustments | 0.1 | 0.2 | 2.8 | -0.5 | 0.4 | 0.4 | 0.4 | 0.9 | 0.6 | 0.1 | 0.2 | 0.6 | 0.4 |
| Gains on securities | 1.2 | 1.2 | 1.7 | 1.1 | 1.0 | 1.2 | 2.1 | 2.5 | 3.5 | 2.3 | 2.7 | 3.5 | 2.2 |
| 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 | 2.7 | 2.5 | 3.0 | 2.8 | 3.0 | 3.0 | 2.8 |
| Loan loss provisions | -2.4 | -2.6 | -4.7 | -1.1 | -0.8 | -0.6 | -0.5 | -0.6 | -0.8 | -0.5 | -0.4 | -0.8 | -0.5 |
| Operating costs | -5.8 | -6.1 | -4.4 | -4.2 | -4.1 | -4.6 | -5.1 | -4.9 | -5.1 | -5.1 | -5.8 | -5.1 | -5.1 |
| Tax charges | -0.4 | -0.5 | -0.3 | -0.3 | -0.3 | -0.4 | -0.5 | -0.4 | -0.5 | -0.5 | -0.6 | -0.5 | -0.5 |
| Income tax | -0.3 | -0.2 | -0.2 | -0.2 | -0.1 | -0.3 | -0.3 | -0.6 | -0.7 | -0.5 | 0.3 | -0.7 | -0.3 |
| Adjustments to the valuation of government securities ² | 0.0 | 0.0 | 0.0 | -0.4 | -0.2 | -0.2 | -0.3 | -0.4 | -0.1 | -0.3 | -0.2 | -0.1 | -0.3 |
| Amortization payments for court-ordered releases | 0.0 | 0.0 | 0.0 | -0.6 | -0.9 | -0.9 | -0.7 | -0.8 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 |
| Other | 0.4 | 0.6 | -1.8 | 0.9 | 0.8 | 0.8 | 1.0 | 0.6 | 0.4 | 1.5 | 1.9 | 0.4 | 1.0 |
| 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 | 0.0 | 0.0 | -8.9 | -2.9 | -0.5 | 0.9 | 2.0 | 2.7 | 3.3 | 2.3 | 3.7 | 3.3 | 2.1 |
| ROA adjusted ³ | 0.0 | 0.0 | -8.9 | -1.9 | 0.7 | 2.0 | 3.0 | 3.9 | 4.1 | 3.2 | 4.6 | 4.1 | 3.1 |
| ROE | 0.0 | -0.2 | -59.2 | -22.7 | -4.2 | 7.0 | 15.0 | 20.7 | 24.5 | 17.1 | 27.2 | 24.5 | 15.4 |

(1) Data at December 2002 currency (2) Com. "A" 391 I. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.

(3) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 391 I and 4084.

Source: BCRA

Chart 4: Portfolio Quality

| As percentages | Dec 00 | Dec 01 | Dec 02 | Dec 03 | Dec 04 | Dec 05 | Jan 06 | Oct 06 | Nov 06 | Dec 06 | Jan 07 |
|---|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| Non-performing loans (overall) | 12.9 | 13.1 | 18.1 | 17.7 | 10.7 | 5.2 | 5.1 | 3.7 | 3.5 | 3.4 | 3.3 |
| Non-performing loans to the non-financial private sector | 16.0 | 19.1 | 38.6 | 33.5 | 18.6 | 7.6 | 7.5 | 4.8 | 4.7 | 4.5 | 4.4 |
| Commercial portfolio (*) | 14.9 | 20.7 | 44.0 | 38.0 | 22.8 | 9.3 | 9.2 | 5.5 | 5.3 | 5.1 | 4.9 |
| Consumption and housing portfolio | 17.3 | 17.5 | 31.4 | 28.0 | 11.0 | 4.8 | 4.8 | 3.7 | 3.6 | 3.5 | 3.5 |
| Provisions / Total non-performing loans | 61.1 | 66.4 | 73.8 | 79.2 | 102.9 | 125.1 | 126.8 | 131.8 | 134.4 | 130.6 | 130.8 |
| (Total non-performing - Provisions) / Overall financing | 5.0 | 4.4 | 4.7 | 3.7 | -0.3 | -1.3 | -1.3 | -1.2 | -1.2 | -1.0 | -1.0 |
| (Total non-performing - Provisions) / Net worth | 26.2 | 21.6 | 17.2 | 11.9 | -1.0 | -4.1 | -4.3 | -3.7 | -4.0 | -3.3 | -3.3 |

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

Source: BCRA

Methodological note (chart 1):

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

Statistics Annex: Private Banks

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

| As % | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Jan 2006 | 2006 | Jan 2007 |
|--|------|------|------|------|------|------|-------|-------|------|------|----------|------|----------|
| 1.- Liquidity | 23.6 | 26.9 | 22.8 | 24.3 | 24.1 | 23.6 | 24.8 | 27.6 | 29.2 | 21.5 | 22.3 | 23.7 | 22.4 |
| 2.- Lending to the public sector | 13.5 | 13.7 | 13.6 | 16.1 | 14.7 | 20.8 | 49.4 | 47.1 | 41.2 | 28.0 | 26.8 | 15.9 | 16.4 |
| 3.- Lending to the private sector | 51.0 | 46.7 | 47.6 | 44.6 | 38.4 | 45.4 | 22.4 | 19.9 | 22.5 | 31.1 | 30.9 | 37.9 | 37.8 |
| 4.- Private non-performing loans | 11.1 | 8.5 | 7.7 | 8.9 | 9.8 | 14.0 | 37.4 | 30.4 | 15.3 | 6.3 | 6.2 | 3.6 | 3.5 |
| 5.- Net worth exposure to private sector | 21.6 | 14.3 | 13.2 | 11.5 | 13.4 | 11.4 | 18.6 | 11.2 | 1.9 | -2.2 | -2.4 | -3.0 | -3.1 |
| 6.- ROA | 0.6 | 0.7 | 0.5 | 0.3 | 0.1 | 0.2 | -11.3 | -2.5 | -1.0 | 0.5 | 2.7 | 2.2 | 3.6 |
| 7.- ROE | 4.1 | 6.3 | 4.3 | 2.3 | 0.8 | 1.4 | -79.0 | -19.1 | -8.1 | 4.1 | 19.1 | 15.3 | 24.1 |
| 8.- Efficiency | 144 | 135 | 139 | 146 | 152 | 151 | 168 | 93 | 115 | 136 | 182 | 159 | 203 |
| 9.- Capital compliance | 15.9 | 15.4 | 14.6 | 18.9 | 18.0 | 17.6 | - | 14.0 | 15.1 | 17.8 | 18.2 | 18.2 | n.a. |
| 10.- Excess capital compliance | 33 | 47 | 27 | 60 | 49 | 43 | - | 88 | 157 | 155 | 117 | 116 | n.a. |

Source: BCRA

Chart 6: Balance Sheet

| In current pesos (millions) | Dec 00 | Dec 01 | Dec 02 | Dec 03 | Dec 04 | Dec 05 | Jan 06 | Dec 06 | Jan 07 | Change (%) | | | |
|--|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------|-------------|----------------|--|
| | | | | | | | | | | Last month | Accum. 2007 | Last 12 months | |
| Assets | 119,371 | 82,344 | 118,906 | 116,633 | 128,065 | 129,680 | 133,350 | 152,395 | 155,702 | 2.2 | 2.2 | 16.8 | |
| Liquid assets ¹ | 13,920 | 10,576 | 11,044 | 14,500 | 15,893 | 14,074 | 16,008 | 22,228 | 21,217 | -4.5 | -4.5 | 32.5 | |
| Public bonds | 7,583 | 1,627 | 19,751 | 22,260 | 24,817 | 29,966 | 27,712 | 27,663 | 30,991 | 12.0 | 12.0 | 11.8 | |
| Lebac/Nobac | 0 | 0 | - | - | 8,359 | 15,227 | 13,385 | 15,952 | 19,357 | 21.3 | 21.3 | 44.6 | |
| Portfolio | 0 | 0 | - | - | 5,611 | 12,899 | 12,207 | 14,231 | 17,048 | 19.8 | 19.8 | 39.7 | |
| Repo | 0 | 0 | - | - | 2,749 | 2,328 | 1,177 | 1,721 | 2,309 | 34.2 | 34.2 | 96.1 | |
| Private bonds | 563 | 451 | 273 | 172 | 333 | 307 | 376 | 683 | 730 | 6.8 | 6.8 | 94.2 | |
| Loans | 56,035 | 52,319 | 51,774 | 47,017 | 50,741 | 56,565 | 57,473 | 69,294 | 69,622 | 0.5 | 0.5 | 21.1 | |
| Public sector | 8,172 | 13,803 | 25,056 | 23,571 | 21,420 | 15,954 | 16,102 | 10,036 | 9,377 | -6.6 | -6.6 | -41.8 | |
| Private sector | 45,103 | 36,636 | 26,074 | 22,816 | 28,213 | 39,031 | 39,750 | 55,632 | 56,623 | 1.8 | 1.8 | 42.4 | |
| Financial sector | 2,760 | 1,880 | 644 | 630 | 1,107 | 1,580 | 1,621 | 3,626 | 3,621 | -0.2 | -0.2 | 123.4 | |
| Provisions over loans | -3,248 | -3,957 | -7,463 | -5,225 | -3,717 | -2,482 | -2,519 | -2,227 | -2,281 | 2.4 | 2.4 | -9.4 | |
| Other netted credits due to financial intermediation | 36,600 | 13,037 | 27,212 | 22,148 | 25,753 | 16,873 | 19,786 | 18,399 | 18,738 | 1.8 | 1.8 | -5.3 | |
| Corporate bonds and subordinated debt | 724 | 665 | 1,514 | 1,394 | 829 | 675 | 703 | 618 | 621 | 0.5 | 0.5 | -11.6 | |
| Unquoted trusts | 1,609 | 1,637 | 6,205 | 3,571 | 2,362 | 2,444 | 2,624 | 2,982 | 3,345 | 12.2 | 12.2 | 27.5 | |
| Compensation receivable | 0 | 0 | 15,971 | 13,812 | 14,657 | 5,575 | 5,251 | 760 | 766 | 0.9 | 0.9 | -85.4 | |
| Other | 34,267 | 10,735 | 3,523 | 3,370 | 7,905 | 8,179 | 11,208 | 14,039 | 14,005 | -0.2 | -0.2 | 25.0 | |
| Assets under financial leases | 776 | 752 | 553 | 387 | 592 | 1,356 | 1,460 | 2,126 | 2,237 | 5.2 | 5.2 | 53.2 | |
| Shares and participation | 1,651 | 1,703 | 3,123 | 2,791 | 1,892 | 2,416 | 2,482 | 4,042 | 4,218 | 4.4 | 4.4 | 69.9 | |
| Fixed assets and miscellaneous | 3,225 | 3,150 | 5,198 | 4,902 | 4,678 | 4,575 | 4,557 | 4,677 | 4,689 | 0.2 | 0.2 | 2.9 | |
| Foreign branches | 75 | 112 | -109 | -136 | -53 | -148 | -150 | -139 | -141 | 1.9 | 1.9 | -5.6 | |
| Other assets | 2,190 | 2,574 | 7,549 | 7,816 | 7,137 | 6,178 | 6,165 | 5,649 | 5,682 | 0.6 | 0.6 | -7.8 | |
| Liabilities | 107,193 | 70,829 | 103,079 | 101,732 | 113,285 | 112,600 | 115,994 | 131,456 | 134,264 | 2.1 | 2.1 | 15.8 | |
| Deposits | 57,833 | 44,863 | 44,445 | 52,625 | 62,685 | 75,668 | 76,347 | 94,096 | 97,354 | 3.5 | 3.5 | 27.5 | |
| Public sector ² | 1,276 | 950 | 1,636 | 3,077 | 6,039 | 6,946 | 6,869 | 7,029 | 7,271 | 3.4 | 3.4 | 5.8 | |
| Private sector ² | 55,917 | 43,270 | 38,289 | 47,097 | 55,384 | 67,859 | 68,575 | 85,715 | 88,769 | 3.6 | 3.6 | 29.4 | |
| Current account | 4,960 | 7,158 | 8,905 | 11,588 | 13,966 | 17,946 | 17,575 | 20,604 | 21,194 | 2.9 | 2.9 | 20.6 | |
| Savings account | 9,409 | 14,757 | 6,309 | 10,547 | 14,842 | 18,362 | 18,841 | 23,165 | 22,920 | -1.1 | -1.1 | 21.6 | |
| Time deposit | 39,030 | 18,012 | 11,083 | 18,710 | 22,729 | 27,736 | 28,245 | 38,043 | 40,597 | 6.7 | 6.7 | 43.7 | |
| CEDRO | 0 | 0 | 9,016 | 2,409 | 798 | 3 | 3 | 1 | 1 | -0.8 | -0.8 | -50.7 | |
| Other netted liabilities due to financial intermediation | 46,271 | 22,629 | 49,341 | 42,367 | 45,083 | 32,349 | 35,070 | 31,750 | 31,213 | -1.7 | -1.7 | -11.0 | |
| Call money | 2,293 | 1,514 | 836 | 726 | 1,070 | 1,488 | 1,538 | 3,384 | 3,000 | -11.3 | -11.3 | 95.1 | |
| BCRA lines | 83 | 1,758 | 16,624 | 17,030 | 17,768 | 10,088 | 9,642 | 3,689 | 1,944 | -47.3 | -47.3 | -79.8 | |
| Outstanding bonds | 4,939 | 3,703 | 9,073 | 6,674 | 7,922 | 6,548 | 6,830 | 6,413 | 6,789 | 5.9 | 5.9 | -0.6 | |
| Foreign lines of credit | 5,491 | 4,644 | 15,434 | 9,998 | 5,444 | 2,696 | 2,470 | 2,249 | 2,188 | -2.7 | -2.7 | -11.4 | |
| Other | 33,466 | 11,010 | 7,374 | 7,939 | 12,878 | 11,530 | 14,590 | 16,014 | 17,292 | 8.0 | 8.0 | 18.5 | |
| Subordinated debts | 1,668 | 1,700 | 3,622 | 1,850 | 1,304 | 1,319 | 1,312 | 1,642 | 1,655 | 0.8 | 0.8 | 26.2 | |
| Other liabilities | 1,420 | 1,637 | 5,671 | 4,890 | 4,213 | 3,264 | 3,265 | 3,968 | 4,043 | 1.9 | 1.9 | 23.8 | |
| Net worth | 12,178 | 11,515 | 15,827 | 14,900 | 14,780 | 17,080 | 17,355 | 20,940 | 21,438 | 2.4 | 2.4 | 23.5 | |
| Memo | | | | | | | | | | | | | |
| Netted assets | 88,501 | 73,796 | 117,928 | 115,091 | 121,889 | 123,271 | 124,060 | 143,784 | 145,124 | 0.9 | 0.9 | 17.0 | |

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

Source: BCRA



Statistics Annex: Private Banks

Chart 7: Profitability Structure

| Amounts in million of pesos | Annual | | | | | | First month | | Monthly | | | Last 12 months | |
|--|------------|------------|-------------------|---------------|---------------|------------|--------------|------------|------------|------------|------------|----------------|--------------|
| | 2000 | 2001 | 2002 ¹ | 2003 | 2004 | 2005 | 2006 | 2006 | 2007 | Nov-06 | Dec-06 | Jan-07 | |
| Financial margin | 5,441 | 5,282 | 10,628 | 2,575 | 3,415 | 5,253 | 7,673 | 712 | 979 | 698 | 752 | 979 | 7,940 |
| Net interest income | 3,598 | 3,519 | -304 | 107 | 1,214 | 2,069 | 2,774 | 207 | 293 | 251 | 260 | 293 | 2,860 |
| CER and CVS adjustments | 0 | 0 | 1,476 | 1,082 | 900 | 1,215 | 854 | 101 | 78 | 59 | 92 | 78 | 832 |
| Foreign exchange price adjustments | 160 | 256 | 6,189 | -312 | 666 | 576 | 725 | 97 | 46 | 53 | 37 | 46 | 674 |
| Gains on securities | 1,232 | 962 | 3,464 | 1,892 | 959 | 1,259 | 3,132 | 291 | 539 | 318 | 344 | 539 | 3,380 |
| Other financial income | 450 | 546 | -197 | -195 | -322 | 134 | 187 | 15 | 22 | 17 | 21 | 22 | 194 |
| Service income margin | 2,554 | 2,598 | 2,782 | 2,341 | 2,774 | 3,350 | 4,379 | 323 | 441 | 408 | 429 | 441 | 4,497 |
| Loan loss provisions | -2,173 | -2,464 | -6,923 | -1,461 | -1,036 | -714 | -711 | -76 | -128 | -76 | -48 | -128 | -763 |
| Operating costs | -5,263 | -5,224 | -6,726 | -5,310 | -5,382 | -6,303 | -7,598 | -570 | -698 | -681 | -810 | -698 | -7,727 |
| Tax charges | -379 | -418 | -512 | -366 | -393 | -509 | -759 | -53 | -73 | -70 | -88 | -73 | -779 |
| Income tax | -393 | -216 | -337 | -295 | -202 | -217 | -363 | -29 | -51 | -52 | -66 | -51 | -385 |
| Adjustments to the valuation of government securities ² | 0 | 0 | 0 | -665 | -51 | -201 | -170 | -14 | 17 | -11 | -8 | 17 | -140 |
| Amortization payments for court-ordered releases | 0 | 0 | 0 | -791 | -1,147 | -1,168 | -1,161 | -88 | -96 | -101 | -108 | -96 | -1,169 |
| Other | 307 | 615 | -4,164 | 1,178 | 846 | 1,156 | 1,623 | 71 | 41 | 238 | 331 | 41 | 1,593 |
| Monetary results | 0 | 0 | -10,531 | -20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total results | 93 | 174 | -15,784 | -2,813 | -1,176 | 648 | 2,912 | 276 | 431 | 354 | 384 | 431 | 3,067 |
| Adjusted results ³ | - | - | - | -1,357 | 252 | 2,016 | 4,243 | 378 | 511 | 465 | 501 | 511 | 4,376 |
| Annualized indicators - As % of netted assets | | | | | | | | | | | | | |
| Financial margin | 6.2 | 6.4 | 7.6 | 2.3 | 2.9 | 4.3 | 5.8 | 6.9 | 8.1 | 5.8 | 6.3 | 8.1 | 5.9 |
| Net interest income | 4.1 | 4.3 | -0.2 | 0.1 | 1.0 | 1.7 | 2.1 | 2.0 | 2.4 | 2.1 | 2.2 | 2.4 | 2.1 |
| CER and CVS adjustments | 0.0 | 0.0 | 1.1 | 0.9 | 0.8 | 1.0 | 0.6 | 1.0 | 0.6 | 0.5 | 0.8 | 0.6 | 0.6 |
| Foreign exchange price adjustments | 0.2 | 0.3 | 4.4 | -0.3 | 0.6 | 0.5 | 0.5 | 0.9 | 0.4 | 0.4 | 0.3 | 0.4 | 0.5 |
| Gains on securities | 1.4 | 1.2 | 2.5 | 1.7 | 0.8 | 1.0 | 2.4 | 2.8 | 4.5 | 2.7 | 2.9 | 4.5 | 2.5 |
| Other financial income | 0.5 | 0.7 | -0.1 | -0.2 | -0.3 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 |
| Service income margin | 2.9 | 3.2 | 2.0 | 2.0 | 2.4 | 2.7 | 3.3 | 3.1 | 3.6 | 3.4 | 3.6 | 3.6 | 3.4 |
| Loan loss provisions | -2.5 | -3.0 | -5.0 | -1.3 | -0.9 | -0.6 | -0.5 | -0.7 | -1.1 | -0.6 | -0.4 | -1.1 | -0.6 |
| Operating costs | -6.0 | -6.4 | -4.8 | -4.6 | -4.6 | -5.1 | -5.8 | -5.5 | -5.8 | -5.7 | -6.8 | -5.8 | -5.8 |
| Tax charges | -0.4 | -0.5 | -0.4 | -0.3 | -0.3 | -0.4 | -0.6 | -0.5 | -0.6 | -0.6 | -0.7 | -0.6 | -0.6 |
| Income tax | -0.4 | -0.3 | -0.2 | -0.3 | -0.2 | -0.2 | -0.3 | -0.3 | -0.4 | -0.4 | -0.6 | -0.4 | -0.3 |
| Adjustments to the valuation of government securities ² | 0.0 | 0.0 | 0.0 | -0.6 | 0.0 | -0.2 | -0.1 | -0.1 | 0.1 | -0.1 | -0.1 | 0.1 | -0.1 |
| Amortization payments for court-ordered releases | 0.0 | 0.0 | 0.0 | -0.7 | -1.0 | -1.0 | -0.9 | -0.9 | -0.8 | -0.8 | -0.9 | -0.8 | -0.9 |
| Other | 0.4 | 0.7 | -3.0 | 1.0 | 0.7 | 0.9 | 1.2 | 0.7 | 0.3 | 2.0 | 2.8 | 0.3 | 1.2 |
| 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 | 0.1 | 0.2 | -11.3 | -2.5 | -1.0 | 0.5 | 2.2 | 2.7 | 3.6 | 3.0 | 3.2 | 3.6 | 2.3 |
| ROA adjusted ³ | 0.1 | 0.2 | -11.3 | -1.2 | 0.2 | 1.6 | 3.2 | 3.7 | 4.2 | 3.9 | 4.2 | 4.2 | 3.3 |
| ROE | 0.8 | 1.4 | -79.0 | -19.1 | -8.1 | 4.1 | 15.3 | 19.1 | 24.1 | 20.6 | 22.0 | 24.1 | 15.8 |

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

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

Source: BCRA

Chart 8: Portfolio Quality

| As percentages | Dec 00 | Dec 01 | Dec 02 | Dec 03 | Dec 04 | Dec 05 | Jan 06 | Oct 06 | Nov 06 | Dec 06 | Jan 07 |
|---|------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| Non-performing loans (overall) | 8.3 | 9.9 | 19.8 | 15.7 | 8.9 | 4.4 | 4.4 | 3.1 | 2.9 | 2.9 | 2.9 |
| Non-performing loans to the non-financial private sector | 9.8 | 14.0 | 37.4 | 30.4 | 15.3 | 6.3 | 6.2 | 4.0 | 3.7 | 3.6 | 3.5 |
| Commercial portfolio (*) | 8.4 | 15.4 | 44.7 | 39.0 | 18.2 | 7.3 | 7.3 | 4.3 | 3.9 | 3.8 | 3.7 |
| Consumption and housing portfolio | 11.9 | 12.4 | 26.0 | 17.2 | 10.0 | 4.2 | 4.2 | 3.3 | 3.3 | 3.2 | 3.2 |
| Provisions / Total non-performing loans | 67.7 | 75.7 | 73.4 | 79.0 | 95.7 | 114.6 | 116.2 | 126.6 | 129.7 | 129.6 | 131.1 |
| (Total non-performing - Provisions) / Overall financing | 2.7 | 2.4 | 5.3 | 3.3 | 0.4 | -0.6 | -0.7 | -0.8 | -0.9 | -0.9 | -0.9 |
| (Total non-performing - Provisions) / Net worth | 13.4 | 11.4 | 18.6 | 11.2 | 1.3 | -2.2 | -2.4 | -2.9 | -3.1 | -3.0 | -3.1 |

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

Source: BCRA

Methodological note (chart 5):

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