Report on Banks

NOVEMBER 2005

Central Bank of Argentina

Year III - No. 3

Contents

Note: This report contains information from November 2005 balance sheets available on 12/01/06. Description centers mainly on the behavior of the main financial variables for the private bank aggregate (including breakdowns by uniform sub-groups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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

Summary

- As 2005 comes to a close, **financial system balance sheets continue to grow stronger**. Financial intermediation is still increasing significantly, financial system exposure to the public sector is falling, and the reduction in debt with the Central Bank is taking place at a faster rate. At the same time, the trend towards gradual recovery in profitability and solvency of the financial system is being reinforced.

- **Netted assets of the consolidated financial system increased in November, mainly because of the growth in the balance of loans to the private sector (4.2% or 63%a.).** Consumer credit recorded the best relative performance in the month (5.2%), although commercial lines (4.2%) accounted for almost half of all new loans in November. New mortgage lending totaled $2.15 billion in the January-November 2005 period, with a growing lengthening of maturities compared with previous periods.

- **Financial system portfolio quality continued to improve in November, with a drop of 0.8 p.p. in non-performance (to 9%).** For private banks, non-performance reached 7.7% (9.1% for the commercial portfolio and 5% for consumer loans). **In the case of loans to companies by the financial system as a whole, the larger loan segments (mainly granted to large and medium-size companies) recorded the lowest non-performance levels.**

- **In November financial system exposure to the public sector dropped almost 1.5 p.p. to a level of 30.9% of total assets. Once again, the drop for the month was led by private banks, a sub-group that posted a reduction of 1.8 p.p. in its exposure, to 27.9% of total assets.**

- **The consolidated financial system's total deposit balance increased 0.9% in November (11.1%a.), led by private deposits (1.5%).** The latter were mainly made in the form of sight deposits (3.1%), given the increased seasonal demand for liquidity.

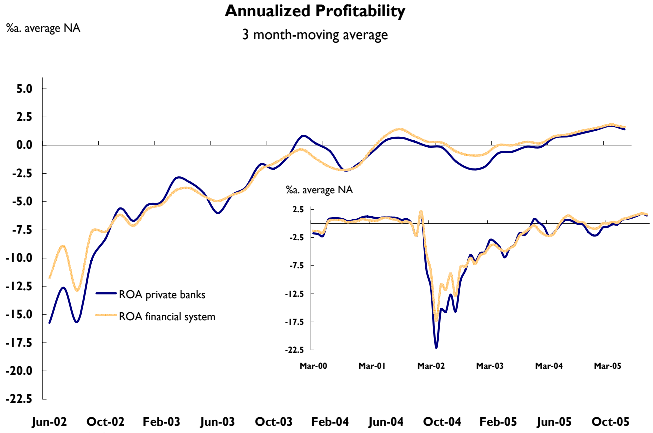
- **Between January and December 2005 there was an active process of debt repayment to the Central Bank by financial institutions. Of the 24 banks originally participating in the matching mechanism at the beginning of 2004, only one settled its outstandings that year, while 18 did so in 2005.** In line with the new tools introduced by the Central Bank to facilitate repayment of these liabilities, banks made payments for $9.43 billion in 2005, an amount that compares favorably with the $2.11 billion disbursed in 2004.

- **The estimated flow of funds for private banks in November showed that the main source of additional funds for the month was the reduction in lending to the public sector in an amount of $1.21 billion, and an increase in private sector deposits for $1.08 billion. Almost 70% ($1.78 billion) of the monthly resources were allocated to new lending to the private sector.**

- **The financial system registered earnings of $170 million (1%a. of assets) in November, for an accumulated profit of $1.73 billion (0,9%a.) in the first 11 months of 2005.** Public banks recorded a profit of $102 million this month (1.5%a.), while private bank results were almost $44 million (0,4%a.). **The lower profits recorded in November by private banks were mainly explained by a reduction in gains from exchange differences. In addition,** there were increases in income from interest, net CER adjustments and commissions on services.

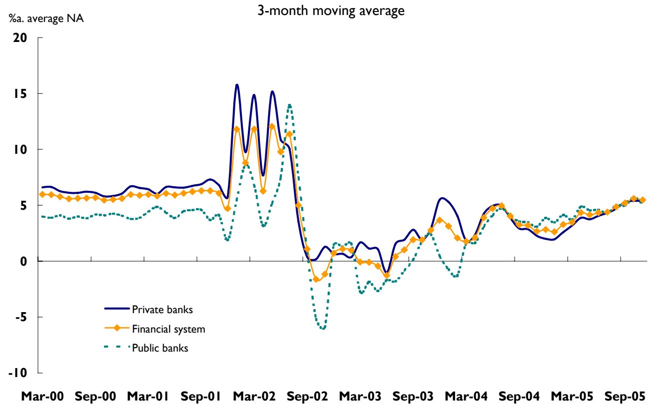
- New injections of capital into the financial system, combined with rising profits, were reflected in improved bank solvency indicators. **During November the financial system received further capital contributions: the head offices of foreign banks and private local banks injected capital for $230 million.** As a result, over 2005 to date capitalization has totaled $1.75 billion. **Financial system net worth increased 1.2% in November, for an accumulated increase of 12.5% in 2005 to date.**

Chart 1
Annualized Profitability
3 month-moving average



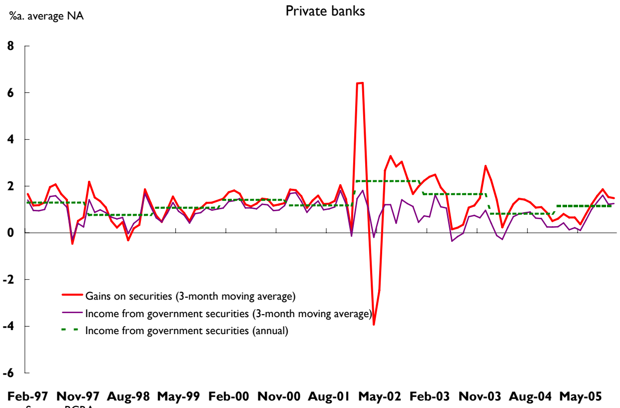
Source: BCRA

Chart 2
Financial Margin
3-month moving average



Source: BCRA

Chart 3
Gains on Securities
Private banks



Source: BCRA

Profitabaility:
Ending a year of marked recovery

Banks continued to record profits on their balance sheets in November, consolidating the move away from the widespread loss position that prevailed until the beginning of 2005 (see Chart 1). On the basis of these profits, banks are in a better position to continue to make progress on the recovery of their solvency, aided by factors such as new capital contributions and improved asset portfolio quality.

In November the financial system registered profits for almost $170 million or an annualized (a.) 1% of assets (netted), showing a slight reduction compared with the profits for October, returning to figures more in line with those observed in recent months. Despite this fluctuation[1], an overall trend can be detected: **aggregate profitability for the financial system for the first 11 months of 2005 totaled 0.9%a. of assets (close to $1.73 billion), a significant progress compared with the figures recorded in the same periods of 2004 and 2003, when the ROA was –0.4%a. and -3%a., respectively**. Furthermore, if the main headings related to the gradual recognition of the effects of the crisis (amortization of court-ordered payments and adjustments to the valuation of public sector assets) are excluded, adjusted ROA rises to 2%a. ($3.7 billion) for 2005 to date.

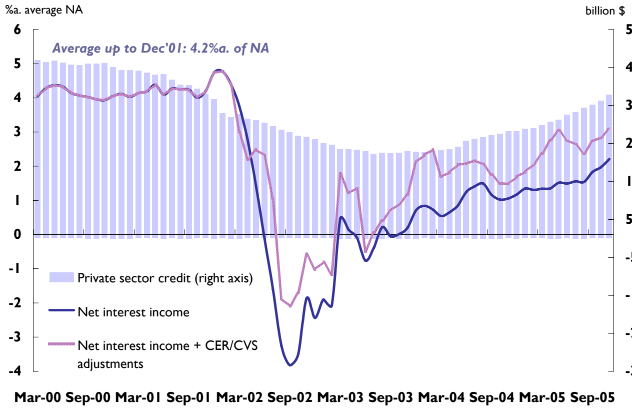
Positive results were recorded by the different bank sub-groups. **In November public banks achieved profits of $102 million (1.5%a. of assets), while private banks gained $44 million (0.4%a. of assets).** The difference in the yield on assets between the two types of banks is also evident in the accumulated total for the year to date: while public banks recorded a ROA of 1.3%a. between January and November ($964 million), private banks reached a profitability of 0.6%a. of assets ($717 million) in the same period. In 2005 to date, public banks have recorded lower operating costs and higher net CER adjustments in terms of assets than private banks.

During the month the profitability of both public and private banks was affected by a drop in income from exchange differences, with a negative impact on the financial margin. In the case of the former, this monthly movement was largely compensated for by extraordinary gains from the release of provisions, and by a cut-back in charges for other provisions (unrelated to traditional lending activity). In the case of private banks, **there was an increase in interest income and CER adjustments** that helped offset a slight fall in gains on securities. In addition, this latter bank sub-group recorded a reduction in sundry income and a slight increase in operating costs, factors that were only partially compensated for by the steady positive trend in results from services and lower income tax accruals.

The private bank financial margin fell by 1 percentage point (p.p.) in November, to a level of 4.8%a., still higher than the figure for the first half of the year and that for the whole of 2004 (better by 1.2

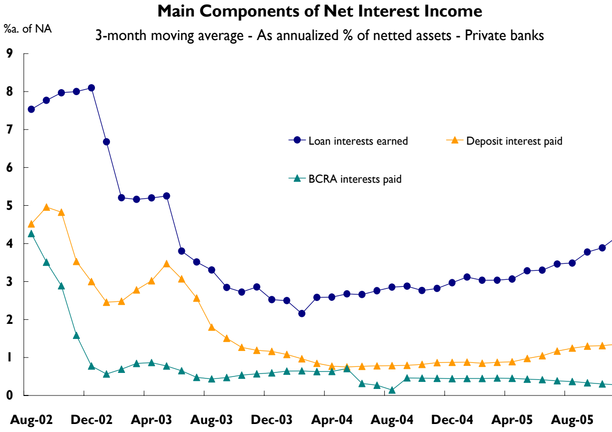
[1] As explained in previous editions of this Report, certain volatility in financial results still persists, largely explained by the main remaining mismatches (in currency and interest rates), added to the effect of lines that are traditionally more volatile, such as gains on securities and sundry results.

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



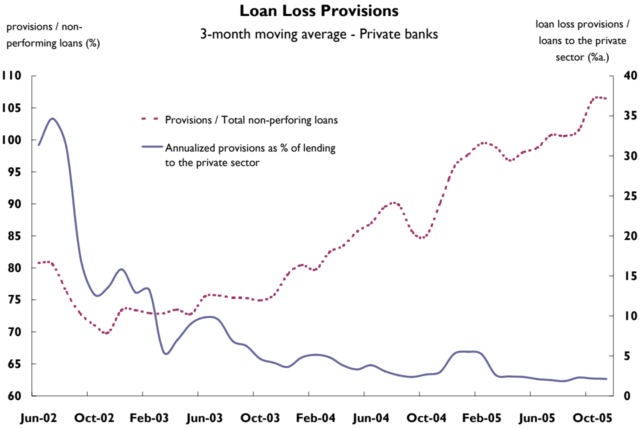
Source: BCRA

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



Source: BCRA

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



Source: BCRA

p.p. and 1.9 p.p., respectively). Overall, financial margin has been showing a marked upward trend in recent years, after the low point reached at the end of 2002 (see Chart 2).

The drop in private bank financial margin during November was largely explained by two particularly volatile lines of the profitability structure: results from exchange differences and gains on securities. The first item recorded a drop for the month of almost 1 p.p. of assets, to a level of 0.2% in November, basically reflecting the appreciation of the nominal exchange rate recorded between ends for the month. Unlike the level recorded in October, this latter value is closer to the level for the January-November 2005 period: 0.4%a.. Gains on securities also fell in November, dropping from 1.6%a. of private bank assets in October to 1%a.[2], a figure more in line with annual totals (see Chart 3). In effect, accumulated gains on securities between January and November of 2005 and 2004 were 1.1%a. and 0.9%a., respectively.

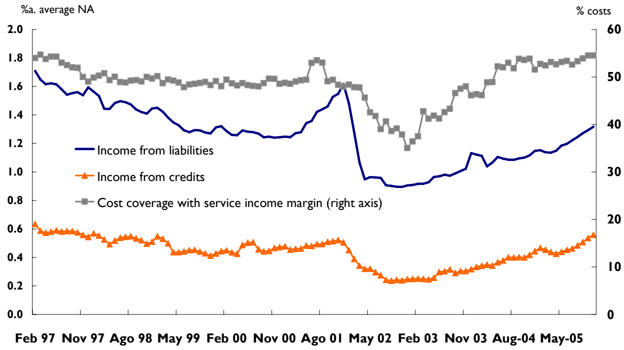
Notwithstanding the monthly drop in private bank financial margin, components associated with traditional financial intermediation evolved positively in November (see Chart 4, showing a quarterly moving average). **The total for interest income and CER adjustments for private banks went up from 2.8%a. in October to 3.4%a. of assets in November, a movement driven mainly by interest income, which reached its highest level for 2005 during the month: 2.4%a. of assets.** This change reflected an increase in accrued interest receivable (specifically on lines such as current account overdrafts and secured loans) that was greater than that recorded for interest payable on deposits, as interests on debts with the Central Bank[3] went down (see section on Activity). As a result, the trend observed over the course of the year has been maintained (see Chart 5). **Net CER adjustments remained stable in November, at around 0.9%a. of private bank assets.**

In the case of costs directly associated with financial intermediation activities, **private bank loan loss provisions remained stable at relatively low levels: the cost of provisions continued at 0.4%a. of assets.** In terms of total lending to the private sector, loan loss provisions continued to amount to 1.4%a. (almost 1 p.p. below the average recorded in the first half of 2005). These indicators are still lower than the average levels recorded prior to the crisis, reflecting the current growth in lending at a time of dynamism in economic activity, and macroeconomic variables in good order. Additionally, as the coverage with provisions for the non-performing portfolio has increased significantly in recent years, rising from close to 70% to over 100% (see Chart 6), it is expected that in the short and medium term -with the exception of specific adjustments- loan loss provisions will remain at fairly low levels.

The development that has been noted in net income from financial intermediation (corrected for loan losses) has been complemented by the behavior registered by net income from commissions. **Service**

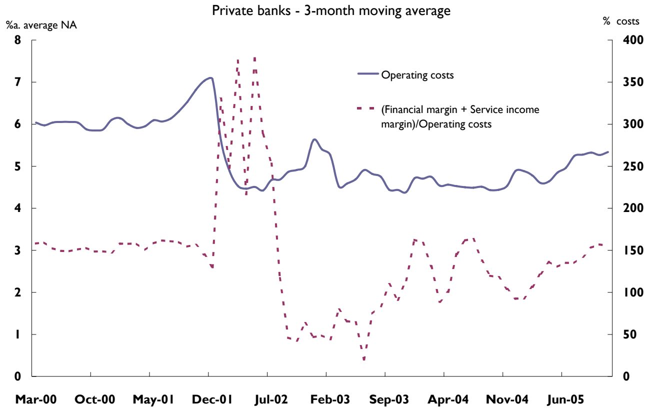
[2] Nevertheless, this figure was especially influenced in November by the loss posted by one large foreign bank, which used government securities in foreign currency to settle debt with its head office.
[3] In November one mid-size private bank settled its debt with the Central Bank in advance making use of the matching mechanism.

Chart 7
Main Components of Service Income Margin
Private banks - 3-month moving average



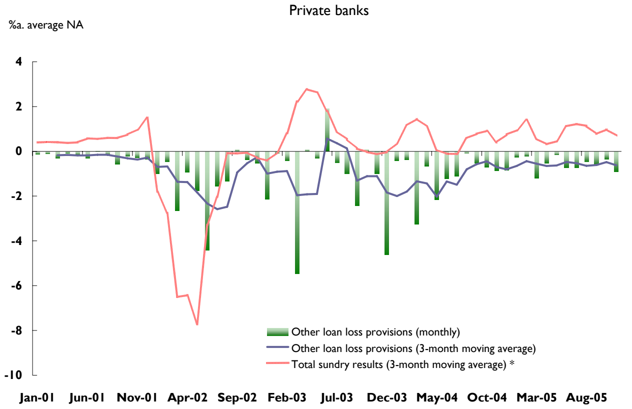
Source: BCRA

Chart 8
Operating Costs
Private banks - 3-month moving average



Source: BCRA

Chart 9
Sundry Results and Other Loan Loss Provisions
Private banks



Source: BCRA
(*) Does not include amortization payments for court-ordered releases

income continued to increase in November, confirming its steady positive trend. These results amounted to 3%a. of private bank assets in November, their highest level for 2005 and almost 0.4 p.p. above the level recorded in the first half of the year. In terms of amount, total service income accumulated between January and November 2005 showed a growth of 21% compared with the same period of the previous year, a variation explained by the income received under this heading. The year-on-year improvement is consistent with the current growth in financial intermediation, as the lines showing the highest growth have been commissions relating to loans and liabilities (deposits) (see Chart 7).

After a drop in October, private bank operating costs increased 0.2 p.p. in November, to 5.4%a. of their assets, led by a growth in fees to directors and syndics by one group of banks. The level of these costs at November represented a rise of almost 0.6 p.p. compared with the first half of 2005, but only 0.1 p.p. more than the third quarter of the year. Operating costs have increased in the second half of 2005, reflecting certain acceleration in the upward trend of this heading, after the drop recorded by costs measured as a percentage of assets in the context of the recent crisis. Nevertheless, this heading is still below the level it recorded prior to the crisis, when it stood at around 6% (see Chart 8). Overall**, it can be seen that the coverage of operating costs by net income continues to show a positive trend. Although during the month this ratio fell to 145% for private banks (after reaching its highest level of 165% in October), it remains above the level recorded in the first half of the year (129%) and in all 2004 (115%).** This coverage indicator is showing a greater volatility than the historic patterns, mainly reflecting variations in income flows as a result of the persistence of certain mismatching in bank balance sheets.

Sundry income for private banks, which in the last three months had shown certain stability at around 1%a., fell in November to a nil level in terms of assets. This performance was led by an increase in "charges for other provisions" (see Chart 9) and a fall in the release of provisions.

Headings reflecting the gradual recognition of the costs of the recent crisis continued to remain stable in the case of private banks, **with amortization of court-ordered payments at around 1%a. of assets and adjustments to the valuation of public sector assets having almost no impact.** Income tax accrual for this group of banks fell slightly in November, dropping 0.3 p.p. to 0.1%a. of assets.

Outlook for December

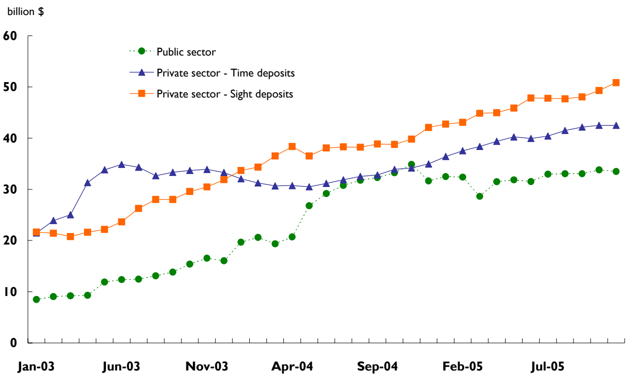
The gradual recovery of financial institution profitability during 2005, and the favorable macroeconomic context which is providing dynamism to lending to the private sector, both represent factors that encourage a favorable outlook for the development of the financial system in coming months. Disregarding the effect of certain holdovers from the crisis in 2001-2002 that are still causing volatility in profitability, **the growth of domestic financial intermediation will consolidate the flow of positive results obtained by banks, enabling a gradual improvement in solvency (at the same time as further injections of capital take place).**

Table I
Main Developments in December

	Nov	Dec	Ch %
Prices			
Exchange rate ($/US$) [1]	2.97	3.03	2.0
CPI	168.08	169.95	1.1
CER [1]	1.698	1.717	1.1
	%		Ch.(p.p.)
Average percentage rates			
Lending [2]			
Overdraft	17.4	17.7	0.3
Promissory notes	11.1	11.8	0.7
Mortgage	11.0	11.2	0.2
Pledge-backed	10.2	10.0	-0.2
Personal	25.0	25.2	0.2
30- to 44-day time deposit	4.5	5.0	0.6
1-year LEBAC in pesos, w/o CER	8.9	n.d.	-
7 day BCRA repos	4.5	5.0	0.5
	million $		Ch %
Balance[1,2] - Private banks			
Peso deposits - Private sector	57,898	59,150	2.2
Sight deposits	32,920	34,036	3.4
Time deposits	24,967	25,110	0.6
Peso loans - Private sector	31,424	32,926	4.8
Overdraft	7,216	6,987	-3.2
Promissory notes	7,263	8,116	11.7
Mortgage	4,963	4,991	0.6
Pledge-backed	1,231	1,277	3.8
Personal	3,613	3,886	7.5

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

Chart 10
Deposits by Type
Financial system



Source: BCRA

Information currently available for December provides positive signs on the performance by financial system results in the last month of 2005 (see Table 1). Private banks significantly raised their lending during the month, especially in the case of commercial lines such as the promissory note acceptances, at the same time as the interest rate on such loans increased. Given the variations observed during the month, it can be estimated that interest income should predominate over interest outflows, leading to a further improvement in the result from traditional financial intermediation.

The increase in CER in December compared with the previous month will lead to growing net adjustments for this item, in the context of a reduction in the liabilities subject to restatement[4]. Unlike November, in December the increase in the $/US$ exchange rate would be reflected in bigger exchange difference results, in line with the active position in foreign currency still maintained by banks. In terms of cost structure, in December there could be a certain increase in loan loss provisions, such as usually takes place at quarter and year end. Overall, positive results are expected to be recorded by banks in December, ending 2005 with widespread profits, a significant change compared with previous years.

Activity:
Accelerated repayment of debt to Central Bank

Financial intermediation volumes continued to progress in November, with growth in both deposits and lending to the private sector. These improvements were reflected in an **increase of 0.2% (2.8%a.) in consolidated financial system netted assets, for an accumulated expansion of 2% (2.2%a.) in 2005.** Private bank netted assets[5] recorded a rise for the month of 0.3% (3.2%a.), for a total improve of 0.7% (0.8%a.) in the first 11 months of 2005.

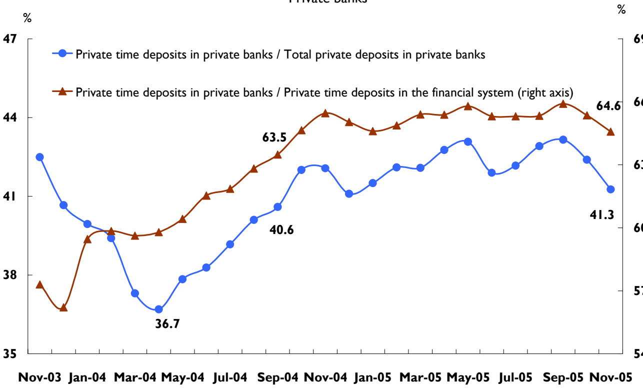
In November total consolidated financial system deposits[6] rose 0.9% (11.1%a.), for a total boost of 15.3% (16.8%a.) in the first 11 months of 2005. Private sector resources (see Chart 10) **led growth by deposits in the financial system in November (with an expansion of 1.5%).** As in the case of the movements seen in October, **in November the increase in sight deposits was more marked (3.1%)** while time deposit totals remained relatively stable, at a time of bigger seasonal demand for liquidity. Nevertheless, time deposits boosted notably during 2005, with growth totaling 21.6% in the January-November period -well in excess of the 2.7% expansion in the same period of 2004- to a level of approximately $42.5 billion. Public sector deposits in the consolidated financial system dropped 1% during the month.

[4] During December one private bank settled all its debt with the Central Bank in advance, while two others made large partial repayments.

[5] During November privileged assets and liabilities of a small cooperative bank were ceded to a private domestic bank. (Communication "B" 8597). As from December the cooperative bank's license was withdrawn (Communication "B" 8635), thus reducing to 89 the number of financial institutions in the local financial system.

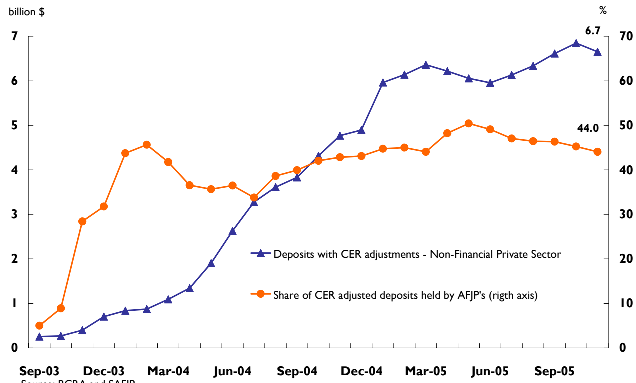
[6] Includes deposits of residents abroad and deposits of government securities, as well as interest and total adjustments accrued. Does not include financial sector deposits.

Chart 11
Time Deposits
Private banks



Source: BCRA

Chart 12
Time Deposits whith CER Adjustments
Financial system



Source: BCRA and SAFJP

Table 2
Loans to the Private Sector by Group of Banks
% change based on balance sheet totals

	2005	July - Nov. 2005	Nov-05	Share of total 2005
Public banks				
Total loans	33	31	59	28
Commercial	65	61	115	23
Consumer	73	63	86	29
Collateralized	0	-1	-10	41
Other	-43	-62	-55	18
Private banks				
Total loans	40	44	68	70
Commercial	50	46	51	77
Consumer	64	82	109	64
Collateralized	6	9	30	56
Other	27	40	160	82
Total system				
Total loans	38	41	63	100
Commercial	56	50	64	100
Consumer	65	75	84	100
Collateralized	6	8	23	100
Other	8	-21	127	100

Does not include accrued interest or CER/CVS adjustments. Balance sheet totals not adjusted by transfers between loan portfolios and trust funds or by loans written off balance sheets.
The private bank group include a financial institutions currently undergoing a restructuring process and under administration of a national public bank.

Loans in foreign currency expressed in pesos considering the average exchange rate for the period .
Commercial loans include overdraft, acceptance of promissory notes and export credit
Consumer loans include credit card and personal loans.
Collateralized loans include pledge-backed loans and mortgages
Source: BCRA

Deposits in private banks went up 1.4% in November, mainly driven by growth of slightly over 1.4% in deposits by the private sector, in line with the trend seen in recent months. In the case of the latter, sight deposits rose 3.8% during the month, reflecting the increased demand for liquidity by private agents. Time deposits in private banks fell for the second consecutive month (-1.2%), although they have recorded significant growth in the first 11 months of 2005 (20.7%). As at November, the share of time deposits as a source of private bank funding through deposits totaled slightly over 41% (see Chart 11). Public sector deposits in private banks recorded an increase of 1.1% in November.

Private sector CER-adjusted time deposits fell 2.9% during November (see Chart 12), **mainly explained by the drop of 5.4% in the adjustable deposits of the pension fund managers (AFJPs).** In November these institutional investors reduced their financial system totals time deposits in view of the increased attractiveness of investments in financial trusts. Despite this change for the month, these investors continued to record a majority participation (44%) in the market for CER-adjusted time deposits.

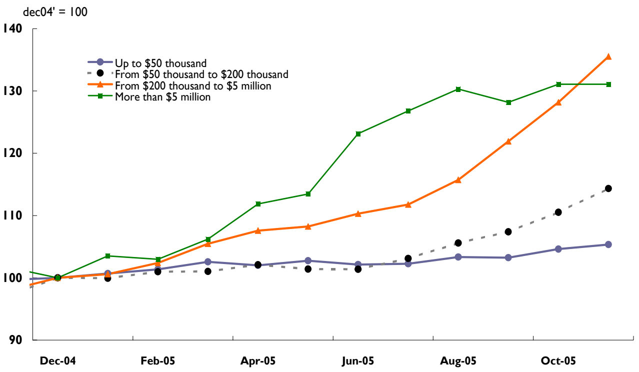
In November the stock of lending[7] **by the financial system to the private sector rose by 4.2% (63%a.)** (see Table 2), **for a total increase of 38%a. in the first 11 months of 2005** (10 p.p. above the growth recorded in the same period of 2004). **Lending by private banks in November was relatively more dynamic (4.4%) than that by public entities (3.9%)**, accounting for three-quarters of the monthly change in the aggregate total for lending to the private sector. This performance is consistent with that recorded by the accumulated total for the second half of the year, a period during which a lending growth gap of 13 p.p. opened up in favor of private banks. This group of banks was responsible for almost 74% of the growth in lending during the mentioned period.

As in October, **consumer lending showed greater relative dynamism in November (rising 5.2%) in comparison with commercial loans (up 4.2%), although the latter accounted for almost half the increase in total loans for the month.** In the commercial loan category, promissory note acceptances increased during the month by 6.2%, while current account overdrafts also increased (0.6%). Lending to finance and pre-finance exports rose again (4.6%), in line with the favorable development over 2005 to date (95.2%).

Small loans for up to $50 thousand, and from $50 thousand to $200 thousand -mainly assigned to for micro-undertakings and small businesses- (see Chart 13), **recorded increases of 3.1% and 12.8% between July and November 2005. Resources allocated to loans for between $200 thousand and $5 million, and those for more than $5 million -granted mainly to mid-size and large companies- registered expansions of 23% and 6.4% in the same period.** Loans of less than $200 thousand (micro-undertakings and small businesses) currently represent less than one fifth of the portfolio of credits to the corporate

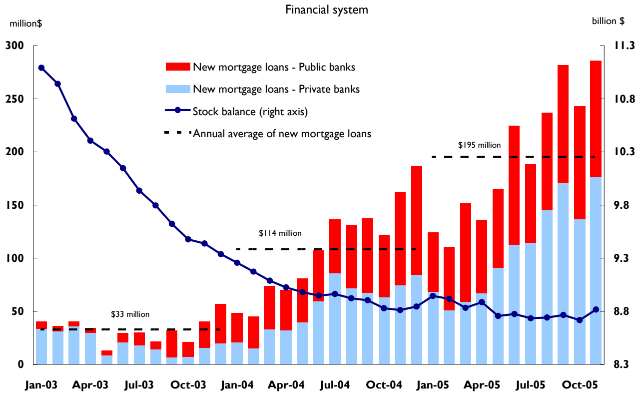
[7] Calculation made on the basis of balance sheet totals. Loans in foreign currency are stated in pesos (if the balances of various months are considered, an average exchange rate is used). Does not include interest or adjustments. Not adjusted for unrecoverable loans written off from the balance sheet.

Chart 13
Financial Systen Lending to Companies by Amount Bracket



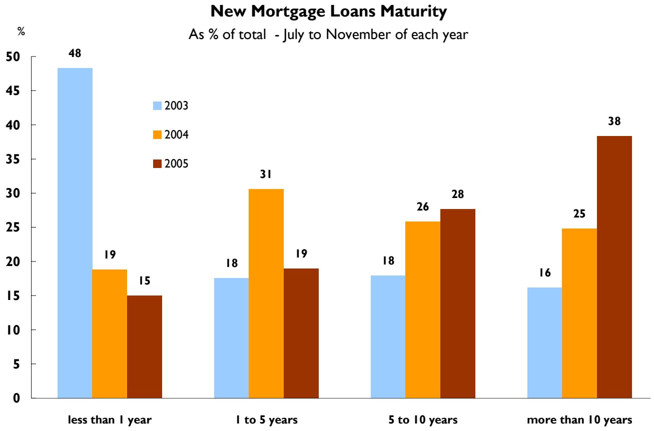
Source:: BCRA

Chart 14
Mortgage Loans
Financial system



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

Chart 15
New Mortgage Loans Maturity
As % of total - July to November of each year



Source: BCRA

sector, although they have recorded a gradual upward trend as from mid-2004. In the current macroeconomic context, and given the regulatory changes being implemented by the Central Bank, it is to be expected that there will be an extension in the share of small loans to companies.

Lending for consumption by households continued to increase in November, driven -in absolute terms- by personal loans, which were up 4.4%, rising to 6.4% if an adjustment is made to reflect the setting up of four financial trusts by private banks. Credit card lending recorded significant growth in November (6.2%), as a result of both seasonal factors and commercial strategies coordinated between banks and major retail chains.

Collateralized credit lines continued to grow in November (1.8%). Pledge-backed loans increased by 3.7% during the month, reinforcing the favorable trend recorded over the year to date, mainly driven by the recovery in automobile industry sales. In addition, **mortgage loans posted an increase for the sixth consecutive month** (see Chart 14), with a rise of 0.8% in November, increasing to 1.5% if adjusted to reflect the transfer to memorandum accounts of mortgage loans classified as unrecoverable by one particular private bank.

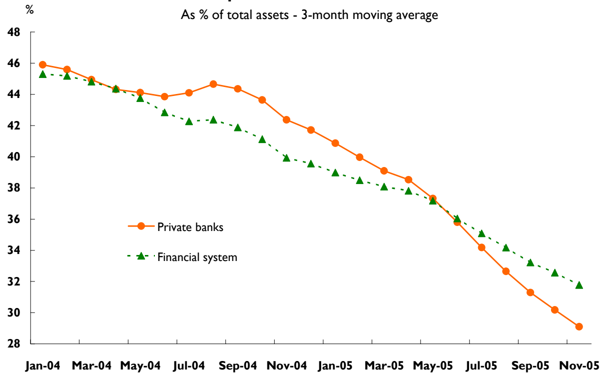
New mortgage lending in November reached its highest level since the crisis in 2001-2002: $286 million, almost 62% having been lent by private banks. **In the January-November 2005 period the financial system generated new mortgage loans for a value of close to $2.15 billion, distributed almost equally between private and public banks.** This notable growth reflects the prosperous macroeconomic context and the reduced uncertainty faced by the public when taking medium and long-term borrowing decisions. In this context, **an increasing lengthening of maturities can be seen in the new loans being granted: whereas in the second half of 2005 to date mortgage loans for terms longer than 5 years account for two-thirds of new loans, this proportion was barely 51% and 34% in the same periods of 2004 and 2003** (see Chart 15).

In November consolidated financial system exposure to the public sector[8] dropped 1.5 p.p., to a level of 30.9% of total assets (see Chart 16). As a result, there has been a reduction of close to 8.6 p.p. during 2005, explained by strategies for the sale of government securities held in bank portfolios (including Secured Loans), the marking to market of part of such securities by a group of banks and the receipt partly in cash of outstanding compensation[9]. **Private banks led this trend towards a cut-back in exposure to the Government in November, recording a drop for the month of almost 1.8 p.p. to a level of 27.9% of their total assets.** This movement reflected the combined effect of the sale of government securities, the settlement by one foreign bank of debt with its head office by means of the delivery of dollar-denominated government securities, and the receipt partly in cash of compensation due to financial institutions.

[8] Exposure to the public sector includes balance sheet totals for government securities (excluding LEBAC and NOBAC), loans to the public sector, and compensation receivable.

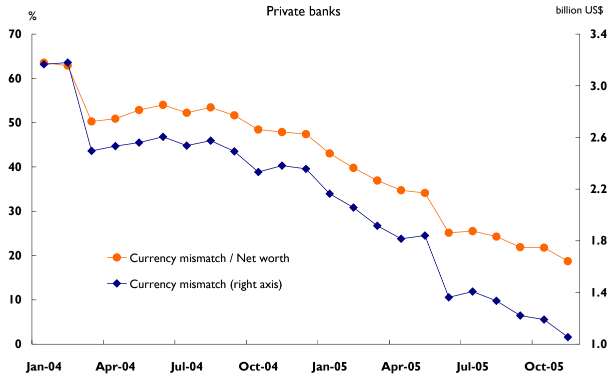
[9] Mainly because of the existence of amortization coupons that had already fallen due.

Chart 16
Exposure to Public Sector
As % of total assets - 3-month moving average



Source: BCRA

Chart 17
Currency Mismatch
Private banks



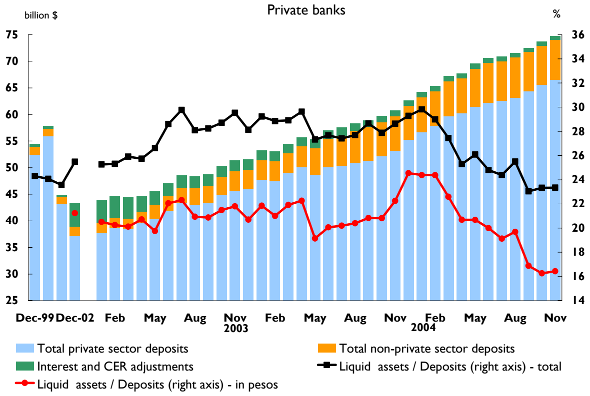
Source: BCRA

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

Source		Uses	
Loans to the public sector	1,210	Loans to non-financial private sector (1)	1,780
Private sector deposits	1,080	LEBAC and NOBAC stocks	460
O.B and S.D and foreign lines of credit	220	Liquid assets (2)	335
Trust transfers (3)	110	BCRA rediscounts	70
Public sector deposits	100	Others	75

(1) Adjusting for credit written off from balance sheet and transfers between loan portfolios and trust funds.
(2) Minimum cash compliance (cash, current account with the BCRA and special collateral accounts), other liquid assets (with foreign branches or head offices) and reverse repos with the Central Bank
(3) Include certificates of participation in real-state trusts
Source: BCRA

Chart 18
Deposits and Liquidity
Private banks



Source: BCRA

Private banks recorded a drop of almost US$170 million in their foreign currency mismatching[10] during November, to a level of US$1.06 billion (see Chart 17). This change was a result of the decline during the month of approximately US$140 million in their dollar assets, mainly explained by the mentioned reduction in the balance of public sector assets, and partly offset by the increase in the balance for loans in foreign currency during November. There was a drop for the month of US$30 million in foreign currency liabilities, linked mainly to the settlement of liabilities abroad.

In terms of the estimated flow of funds for private banks in November (see Table 3), **the drop for the month in exposure to the public sector for $1.21 billion has been the main source of funds[11].** In addition, growth by private sector deposits continues to represent a significant source of funds, **totaling almost $1.08 billion in November.** The increase in bank funding from resources from non-residents (corporate bonds, subordinated debt and foreign credit lines) for $220 million[12], the sale of financial trusts with private sector loans as underlying assets for approximately $110 million, and the increase of $100 million in deposits by the Government in private banks have completed the sources of funds for private banks in November.

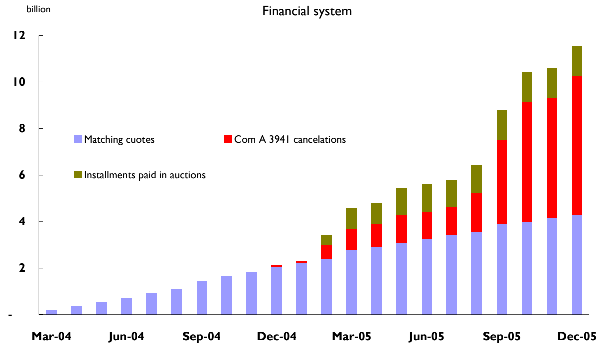
In November, **the use of resources was led by the granting of new loans to the private sector for almost $1.78 billion** (nearly 70% of the net increase in available funds). At the same time, holdings of LEBAC and NOBAC by private banks rose by $460 million during the month, and there was a growth of approximately $335 million in liquid assets of this bank sub-group[13]. The change for the month in liquid assets was explained by increased minimum cash reserve requirements ($380 million), a movement that was partly offset by a reduction in private bank reverse repos with the Central Bank (almost $50 million). As a result of the growth in private sector deposits and the balance of liquid assets held by private banks in November, **the private bank liquidity indicator remained stable at 23.3% of deposits** (see Chart 18).

Completing the uses of funds in November, private banks made payments to the Central Bank for $70 million under the mechanism for the repayment of liquidity assistance known as 'matching'. As a result, **at the end of November only 6 banks still recorded debt under the system (of which 3 were private). This group dropped to 4 at the beginning of 2006 after the early repayment in full by one private bank in December and by one public provincial bank in January 2006.** In addition, it should be noted that in the mentioned months several banks made large partial repayments.

As a result of the normalization of bank liabilities with the Central Bank, during 2005 the number of banks with outstanding obligations from rediscounts dropped by 18, whereas in 2004 only one bank completed the repayment of its liabilities. Over the course

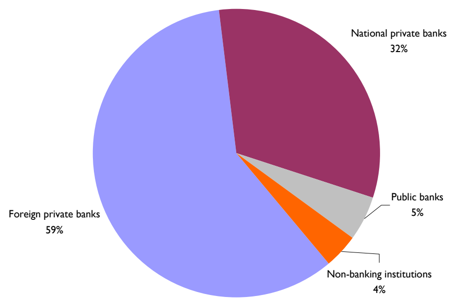
[10] Foreign currency-denominated assets include branches abroad (a non-monetary item).
[11] This source of funds includes the transfer of Secured Loans to a trust that was sold subsequently. The effect of the settlement of debt owed to its head office using government securities in US dollars by one foreign private bank has been excluded.
[12] Mainly explained by the issue of corporate bonds abroad by one large private bank.
[13] Defined as the sum of minimum cash reserve requirements by financial institutions at the Central Bank, other available funds, and the balance of bank repos with the Central Bank.

Chart 19
Matching : Accumulated Payments
Financial system



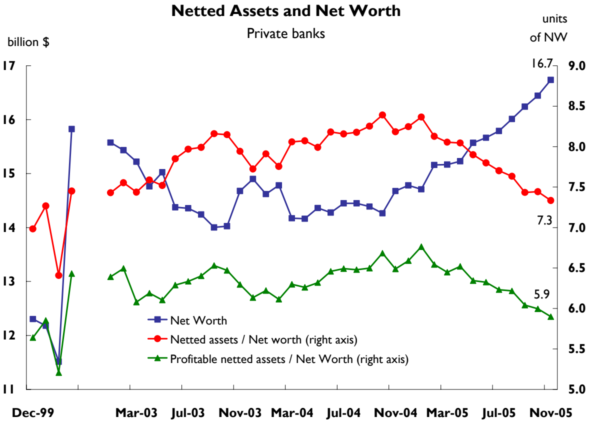
Source: BCRA

Chart 20
Capital Contributions
January - November of 2005



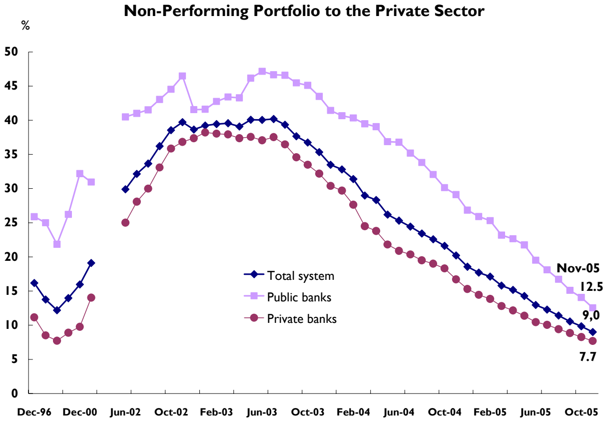
Source: BCRA

Chart 21
Netted Assets and Net Worth
Private banks



Source: BCRA

Chart 22
Non-Performing Portfolio to the Private Sector



Source: BCRA

of 2005 the financial system made payments for almost $9.43 billion under the matching mechanism, significantly more than the $2.11 billion repaid in the previous year. This rapid normalization of bank liabilities was helped by both the growing liquidity in the financial system (as a counterpart to the growth in deposit flows), and by the increased availability of tools introduced by the Central Bank so that banks could regularize their situation. Over 60% of the payments made during 2005 under the matching system consisted of pre-payments and advances under the auction mechanism (see Chart 19).

During November 4 private banks carried out capitalization processes. **The head offices of 2 foreign private banks capitalized outstanding debt (mainly in the form of corporate bonds and commercial lines of credit) for approximately $220 million during the month, while 2 private domestic banks received capital injections totaling almost $10 million** (two thirds corresponding to exchanges of corporate bonds). As the end of the year approaches, **the financial system has accumulated capitalization for approximately $1.75 billion between January and November 2005** (see Chart 20). These injections of capital, combined with increased results from normal lending activities, have been the pillars of the growing recovery of solvency by the financial system. **Banking net worth grew 1.2% in November, with a rise of 12.5% in the first 11 months of 2005.** Private bank net worth went up by 1.8% in November and 13.2% for 2005 to date.

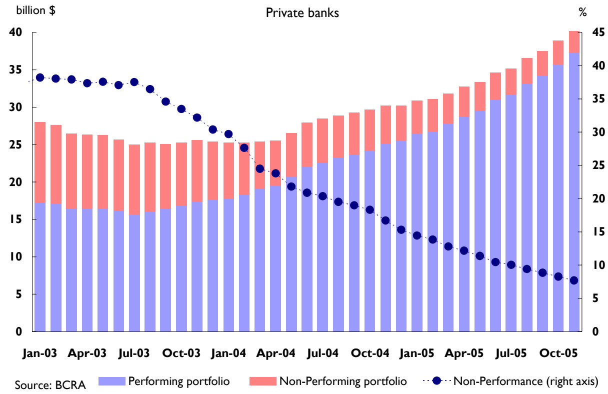
In line with the increases recorded in both assets and net worth for private banks in November, **the leverage ratio posted a slight drop of 0.1 p.p. to a level of 7.3 times** (see Chart 21). As regards regulatory matters, **capital compliance in terms of credit-risk weighted assets of private banks rose 0.3 p.p. in November to 17.8%,** mainly explained by increased compliance during the month. Notwithstanding the increased capital requirement in November (mainly explained by the rising level of bank lending activity), the increase in compliance led to a rise in the overall capital surplus (compliance less requirement) to a level of 155.1% of the requirement.

Portfolio quality:
Longer-term loans show lower non-performance

In November the quality of the portfolio of private sector lending maintained the positive trend begun in mid-2003. This is consistent with the current favorable macroeconomic trend that continues to have a positive influence on the financial position of companies and families. Not only is there a lower implicit risk in new loans, but also there has been a recovery in economic agent repayment capacity that provides a suitable framework for the bringing up to date of their payments or the restructuring of existing loans. **During November, the non-performance ratio for the financial system fell 0.8 p.p. to a level of 9%, for a total reduction of 9.6 p.p. in 2005 to date** (see Chart 22).

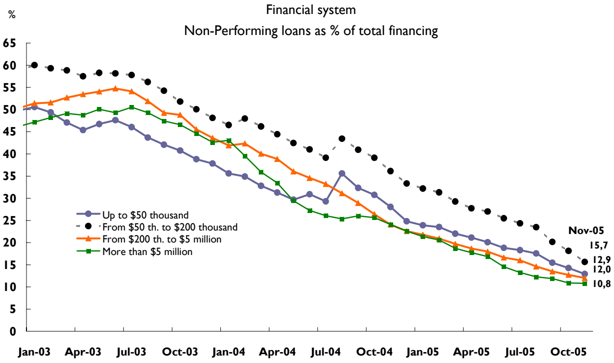
The improvement for the month in financial system loan quality was explained by lower non-performance rates in both private and public banks. **Whereas private banks recorded a drop of 0.6 p.p. in their**

Chart 23
Private Sector Loan Performance



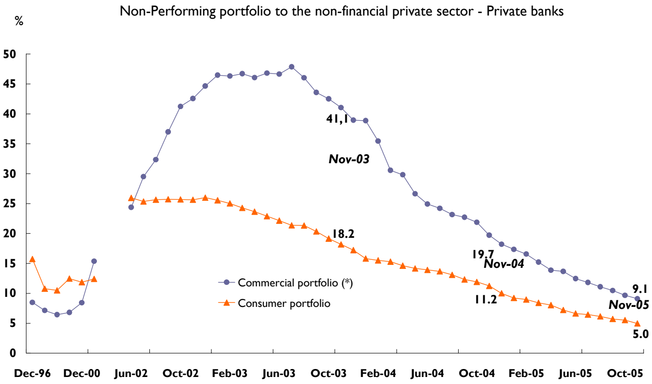
Source: BCRA

Chart 24
Non-Performance Portfolio by Amount Bracket



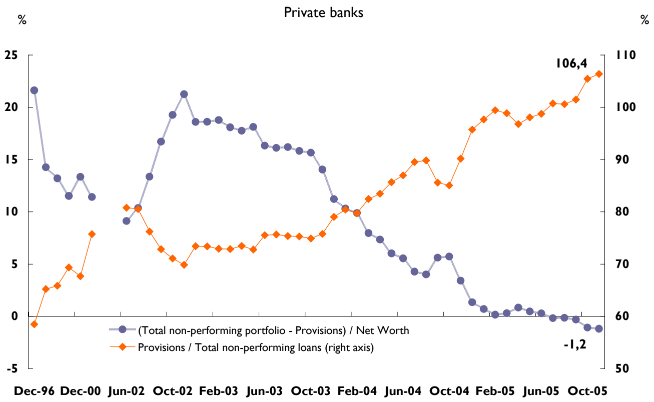
Source: BCRA

Chart 25
Portfolio Quality by Type of Lending



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

Chart 26
Provisions and Exposure to Counterpart Credit-Risk



Source: BCRA

non-performance in November (to a level of 7.7% of loans to the private sector), in the case of public banks the decline was 1.5 p.p. (to 12.5%). Although the delinquency rate remains relatively higher in public banks, in 2005 to date this group has recorded a decline of 14.3 p.p., while in the case of private entities the accumulated decline over the same period has been 7.6 p.p.. As a result, **the non-performance gap between public and private banks continued to decline steadily. Whereas in mid-2004 it reached almost 16 p.p., by November it had dropped to almost one-third of that rate (4.8 p.p.).** Once again, the improvement for the month in non-performance ratios was explained by the joint effect of a drop in the volume of loans classified as non-performing and the granting of new loans with a lower counterpart risk. This effect was felt by both private banks (see Chart 23) and public institutions.

The financial system has shown a trend towards an overall decline in the non-performance ratio for all loans to companies since mid-2004 (see Chart 24). **There continues to be an improvement on the segment of loans for amounts of between $200 thousand and $5 million, and those for larger amounts, mainly granted to medium-size and large companies. These loans, making up almost 80% of all corporate lending, recorded non-performance levels of 12% and 10.8%,** lower than the ratios for loans of between $50 thousand and $200 thousand - granted mainly to small companies- (15.7%) and loans of under $50 thousand - mainly to micro-undertakings- (12.9%).

In the specific case of private banks, the progress for the month reflects an improvement in both the commercial portfolio and the consumer loan segments (see Chart 25). In November the commercial and consumer loan portfolios both recorded the same drop in non-performance ratios (0.6 p.p.), to levels of 9.1% and 5% respectively. Notwithstanding this monthly movement, during 2005 to date the commercial portfolio has accumulated a cut-back of 9.1 p.p. in its non-performance, which compares favorably to the decline of 5 p.p. for the consumer loan category.

In line with the lower non-performance recorded in November, total provisions on private bank balance sheets declined. Nevertheless, as the total amount of loans classified in the non-performing category fell more sharply, **the ratio of coverage by provisions by private banks rose slightly to 106.4%, well above historical levels (around 70%)** (see Chart 26). The increased coverage was also evident in the case of public banks (for which provisions are currently equivalent to almost 140% of their non-performing loans), so that the provisions ratio was 118% for the financial system as a whole. The ratio of total non-performing loans not covered by provisions as a percentage of net worth remained steady in November, at a moderately negative level for private banks.

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" 4439 - 17/November/2005

As from December 2005, banks have been granted the possibility of extending the original term granted to reflect on their books the losses arising from exchange differences from court-ordered payments in relation to deposits in foreign currency. Banks shall be able to claim this benefit as long as they grant new long-term commercial loans. The mechanism allows the deferral of the booking of exchange losses capitalized on bank balance sheets for an amount equivalent to 50% of any new commercial loans with an average life of not less than 2 years that have been granted by the bank. In addition, a requirement is established that the bank should not lower the size of the rest of its commercial portfolio, so that the increase in long-term lending does not take place at the expense of other commercial lending. The calculation will also be able to include portfolio purchases meeting the requirement for a residual term in excess of 2 years at the time of the purchase transaction. Furthermore, a cap has been placed on the total amount of the deferral, equivalent to 10% of a banks adjusted net equity.

Methodology

(a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). To calculate data for the system aggregate, for institutions not providing data for the month under review, the latest information available is repeated in the aggregate balance sheet. When estimating income flows, however, consideration is given exclusively to those institutions providing data on the month in question.

(b) Due to the possible lack of data for a number of banks at the time of writing this Report, and given the possibility of subsequent corrections to the data provided by financial institutions, the data included – particularly for the last month mentioned – is of a preliminary nature. As the latest available data is always used, data related to earlier periods may not coincide with what had been previously mentioned in earlier issues of the Report. In these cases, the latter version should be considered as that of the best quality.

(c) Data on deposits and loans relate to balance sheet information and do not necessarily agree with those gathered by the centralized System of Information Requirements (SISCEN). Reasons for discrepancies include the exact date taken into account for the calculation of monthly variances and the items included in the definition adopted in each case.

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

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

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

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

Glossary

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

Statistics: Financial System

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Nov 04	Dec 04	Oct 05	Nov 05	Change (%) Month on month	Accum. 2005	Year on year
Assets	**153,140**	**163,550**	**123,743**	**187,532**	**186,873**	**212,255**	**212,562**	**219,271**	**220,848**	**0.7**	**3.9**	**4.3**
Liquid assets[1]	20,423	20,278	13,005	17,138	27,575	31,067	29,154	26,813	26,615	-0.7	-8.7	-8.6
Public bonds	8,531	10,474	3,694	31,418	45,062	54,559	55,382	60,560	61,353	1.3	10.8	11.0
Lebac/Nobac	0	0	0	n/a	n/a	17,139	17,755	24,136	24,712	2.4	39.2	40.1
Portfolio	0	0	0	n/a	n/a	11,028	11,803	20,039	20,096	0.3	70.3	89.4
Repo	0	0	0	n/a	n/a	6,111	5,953	4,097	4,616	12.7	-22.5	-34.4
Private bonds	477	633	543	332	198	357	387	390	361	-7.3	-6.7	-0.3
Loans	83,850	83,277	77,351	84,792	68,042	73,580	73,617	81,389	82,829	1.8	12.5	13.9
Public sector	12,138	15,164	22,694	44,337	33,228	30,960	30,866	26,547	25,671	-3.3	-16.8	-17.1
Private sector	67,934	64,464	52,039	38,470	33,398	40,752	41,054	52,209	54,130	3.7	31.9	36.1
Financial sector	3,778	3,649	2,617	1,985	1,417	1,868	1,697	2,634	3,028	15.0	78.4	52.1
Provisions over loans	-6,001	-6,907	-6,987	-11,952	-9,374	-7,769	-7,500	-5,730	-5,423	-5.4	-27.7	-32.0
Other netted credits due to financial intermediation	33,679	42,361	21,485	39,089	27,030	33,615	32,554	27,466	26,225	-4.5	-19.4	-25.9
Corporate bonds and subordinated debt	1,115	794	751	1,708	1,569	1,007	1,018	873	853	-2.2	-16.2	-16.8
Unquoted trusts	1,336	2,053	2,065	6,698	4,133	3,022	3,145	3,649	3,863	5.9	22.8	33.8
Compensation receivable	0	0	0	17,111	14,937	15,361	15,467	8,172	6,030	-26.2	-61.0	-61.1
BCRA	81	141	84	3,360	650	493	376	338	339	0.3	-9.9	-19.2
Other	31,146	39,373	18,585	10,212	5,741	13,731	12,547	14,434	15,140	4.9	20.7	-2.5
Assets under financial leases	814	786	771	567	397	644	611	1,154	1,264	9.6	106.9	112.4
Shares and participation	1,838	2,645	2,688	4,653	4,591	3,556	3,871	4,357	4,419	1.4	14.2	26.7
Fixed assets and sundry	4,973	4,939	4,804	8,636	8,164	7,822	7,782	7,502	7,494	-0.1	-3.7	-4.7
Foreign branches	996	1,115	1,057	3,522	3,144	3,464	3,524	3,650	3,643	-0.2	3.4	5.9
Other assets	3,560	3,950	5,334	9,338	12,043	11,360	13,180	11,720	12,069	3.0	-8.4	5.2
Liabilities	**136,252**	**146,267**	**107,261**	**161,446**	**164,923**	**190,279**	**188,683**	**192,899**	**194,148**	**0.6**	**2.9**	**2.1**
Deposits	81,572	86,506	66,458	75,001	94,635	117,298	116,655	133,040	134,272	0.9	15.1	17.2
Public sector [2]	7,232	7,204	950	8,381	16,040	34,860	31,649	33,802	33,488	-0.9	5.8	0.8
Private sector [2]	73,443	78,397	43,270	59,698	74,951	80,167	83,000	97,661	99,135	1.5	19.4	25.6
Current account	6,478	6,438	7,158	11,462	15,071	17,135	18,219	22,131	22,921	3.6	25.8	39.2
Savings account	13,047	13,008	14,757	10,523	16,809	22,657	23,866	27,157	27,914	2.8	17.0	25.2
Time deposit	48,915	53,915	18,012	19,080	33,285	34,174	34,944	42,506	42,497	0.0	21.6	25.4
CEDRO	0	0	0	12,328	3,217	1,168	1,046	22	22	-1.8	-97.9	-98.4
Other netted liabilities due to financial intermediation	50,361	55,297	36,019	75,737	61,690	66,078	64,928	53,567	53,303	-0.5	-17.9	-22.4
Call money	3,793	3,545	2,550	1,649	1,317	1,634	1,461	2,412	2,766	14.7	89.3	61.6
BCRA lines	315	102	4,470	27,837	27,491	27,589	27,726	18,140	17,917	-1.2	-35.4	-35.5
Outstanding bonds	5,087	4,954	3,777	9,096	6,675	7,853	7,922	6,077	6,343	4.4	-19.9	-20.1
Foreign lines of credit	10,279	8,813	7,927	25,199	15,196	9,549	8,884	5,899	4,995	-15.3	-43.8	-52.3
Other	30,886	37,883	17,295	11,955	11,012	19,452	18,934	21,038	21,281	1.2	12.4	2.3
Subordinated debts	2,206	2,255	2,260	3,712	2,028	1,480	1,415	1,423	1,376	-3.3	-2.8	-9.7
Other liabilities	2,113	2,210	2,524	6,997	6,569	5,423	5,685	4,869	5,197	6.7	-8.6	-4.3
Net worth	**16,888**	**17,283**	**16,483**	**26,086**	**21,950**	**21,976**	**23,879**	**26,371**	**26,700**	**1.2**	**11.8**	**24.0**
Memo												
Netted assets	126,432	129,815	110,275	185,356	184,371	201,312	202,447	206,896	207,827	0.4	2.7	4.3
Consolidated netted assets	122,270	125,093	106,576	181,253	181,077	197,508	198,462	201,959	202,428	0.2	2.0	3.7

(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 11 months		Monthly			Last	
netted assets	1999	2000	2001	2002	2003	2004	2004	2005	Sep-05	Oct-05	Nov-05	6 months	12 months
Financial margin	5.6	5.7	5.7	6.5	1.1	3.1	3.2	4.6	5.1	6.3	4.9	5.2	4.4
Net interest income	4.3	4.0	3.8	-1.7	-0.5	0.9	0.9	1.5	1.8	1.7	2.0	1.7	1.4
Restatement by CER and CVS	0.0	0.0	0.0	3.9	1.3	1.0	1.1	1.5	1.1	1.4	1.5	1.3	1.4
Foreign exchange price adjustments	0.9	1.2	1.2	1.7	1.1	0.4	0.5	0.3	0.5	1.5	0.0	0.5	0.3
Gains on securities	0.2	0.1	0.2	2.8	-0.5	1.0	0.9	1.2	1.6	1.6	1.2	1.5	1.2
Other financial income	0.2	0.4	0.5	-0.1	-0.3	-0.2	-0.2	0.1	0.1	0.1	0.2	0.1	0.1
Service income margin	2.9	2.8	3.0	1.9	1.9	2.0	2.0	2.3	2.4	2.4	2.4	2.4	2.3
Loan loss provisions	-2.1	-2.4	-2.6	-4.7	-1.1	-0.8	-0.6	-0.6	-1.1	-0.2	-0.5	-0.5	-0.7
Operating costs	-5.9	-5.8	-6.1	-4.4	-4.2	-4.1	-4.1	-4.5	-4.8	-4.7	-4.8	-4.7	-4.5
Tax charges	-0.4	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Income tax	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.3	-0.3	-0.6	-0.1	-0.4	-0.3
Adjustments to the valuation of government secur	0.0	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.6	-0.9	-0.9	-0.9	-0.8	-0.9	-1.0	-0.9	-0.9
Other	0.5	0.4	0.6	-1.8	0.9	0.8	0.6	0.8	1.6	0.4	0.6	0.9	0.9
Monetary results	0.0	0.0	0.0	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.6	0.4	0.2	-8.7	-2.7	-0.3	-0.3	1.2	1.9	2.8	1.1	1.8	1.0
ROA before monetary results	0.2	0.0	0.0	-3.1	-2.9	-0.5	-0.4	0.9	1.6	2.2	1.0	1.4	0.8
ROA	**0.2**	**0.0**	**0.0**	**-8.9**	**-2.9**	**-0.5**	**-0.4**	**0.9**	**1.6**	**2.2**	**1.0**	**1.4**	**0.8**
ROA adjusted [2]	0.2	0.0	0.0	-8.9	-1.9	0.7	0.8	2.0	2.5	3.1	2.1	2.5	1.8
Indicators (%)													
ROE	**1.7**	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-4.2**	**-3.8**	**7.5**	**12.7**	**17.3**	**7.6**	**11.5**	**6.1**
Financial margin + service income margin / Operati	142.5	147.4	143.3	189.1	69.3	124.8	126.5	153.0	158.9	185.4	152.8	160.3	149.1
Interest income (with CER and CVS) / loans	..	13.0	15.2	11.8	13.1	10.3	10.3	12.7	12.6	12.4	13.4	12.5	12.5
Interest payments (with CER and CVS) / deposits	..	5.3	7.3	9.2	5.7	1.8	1.8	2.4	2.3	2.6	2.7	2.4	2.3

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

(1) Com. "A" 3911. Adjustments to the valuation of government 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 99	Dec 00	Dec 01	Dec 02	Dec 03	Nov 04	Dec 04	Sep 05	Oct 05	Nov 05
Non-performing loans (overall)	11.5	12.9	13.1	18.1	17.7	11.6	10.7	6.9	6.4	6.0
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	33.5	20.2	18.6	10.5	9.8	9.0
Commercial portfolio (*)	12.1	14.9	20.7	44.0	38.0	24.5	22.8	13.0	12.0	11.1
Consumption and housing portfolio	16.6	17.3	17.5	31.4	28.0	12.6	11.0	6.3	6.1	5.5
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	79.2	96.1	102.9	114.7	118.3	118.6
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	3.7	0.5	-0.3	-1.0	-1.2	-1.1
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	11.9	1.6	-1.0	-3.2	-3.8	-3.6

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

Source: BCRA

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Nov 04	Dec 04	Oct 05	Nov 05	Change (%)		
										Month on month	Accum. 2005	Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,633**	**125,204**	**128,065**	**130,841**	**130,884**	**0.0**	**2.2**	**4.2**
Liquid assets [1]	13,228	13,920	10,576	11,044	14,500	16,165	15,893	16,126	16,431	1.9	3.4	6.5
Public bonds	6,433	7,583	1,627	19,751	22,260	23,283	24,817	27,634	28,590	3.5	15.2	18.9
Lebac/Nobac	0	0	0	n/a	n/a	6,659	8,359	13,328	13,737	3.1	64.3	91.5
Portfolio	0	0	0	n/a	n/a	5,419	5,611	12,458	12,458	0.0	122.1	124.5
Repo	0	0	0	n/a	n/a	1,240	2,749	869	1,279	47.1	-53.5	-21.2
Private bonds	410	563	451	273	172	299	333	312	282	-9.7	-15.3	-10.1
Loans	56,916	56,035	52,319	51,774	47,017	50,601	50,741	54,266	55,192	1.7	8.8	10.2
Public sector	6,389	8,172	13,803	25,056	23,571	21,346	21,420	16,696	15,905	-4.7	-25.7	-25.6
Private sector	47,705	45,103	36,636	26,074	22,816	28,178	28,213	36,231	37,652	3.9	33.5	36.5
Financial sector	2,823	2,760	1,880	644	630	1,076	1,107	1,339	1,635	22.1	47.6	49.2
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,225	-3,955	-3,717	-2,821	-2,735	-3.0	-26.4	-34.3
Other netted credits due to financial intermediation	27,330	36,600	13,037	27,212	22,148	24,704	25,753	21,160	18,878	-10.8	-26.7	-26.5
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,394	823	829	697	681	-2.3	-17.9	-18.8
Unquoted trusts	958	1,609	1,637	6,205	3,571	2,313	2,362	2,457	2,586	5.3	9.5	18.1
Compensation receivable	0	0	0	15,971	13,812	14,566	14,657	7,882	5,766	-26.8	-60.7	-60.8
BCRA	12	35	865	377	415	334	311	281	278	-1.0	-10.5	-12.6
Other	25,338	34,232	9,870	3,146	2,955	6,667	7,594	9,844	9,567	-2.8	26.0	25.4
Assets under financial leases	796	776	752	553	387	627	592	1,127	1,236	9.7	108.8	113.3
Shares and participation	1,371	1,651	1,703	3,123	2,791	1,577	1,892	2,287	2,339	2.3	23.7	51.5
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,902	4,707	4,678	4,543	4,540	-0.1	-3.0	-4.1
Foreign branches	48	75	112	-109	-136	-55	-53	-76	-77	1.7	45.8	11.6
Other assets	2,120	2,190	2,574	7,549	7,816	7,252	7,137	6,282	6,209	-1.2	-13.0	-16.4
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**101,732**	**110,528**	**113,285**	**114,396**	**114,148**	**-0.2**	**0.8**	**2.5**
Deposits	54,447	57,833	44,863	44,445	52,625	60,813	62,685	73,717	74,764	1.4	19.3	25.1
Public sector [2]	1,342	1,276	950	1,636	3,077	6,267	6,039	7,253	7,354	1.4	21.8	19.4
Private sector [2]	52,460	55,917	43,270	38,289	47,097	53,259	55,384	65,579	66,553	1.5	20.2	27.4
Current account	5,022	4,960	7,158	8,905	11,588	12,974	13,966	16,747	17,539	4.7	25.6	41.2
Savings account	9,702	9,409	14,757	6,309	10,547	13,925	14,842	17,038	17,517	2.8	18.0	26.3
Time deposit	35,218	39,030	18,012	11,083	18,710	22,370	22,729	27,780	27,444	-1.2	20.7	25.2
CEDRO	0	0	0	9,016	2,409	887	798	7	6	-5.0	-99.2	-99.4
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	42,367	44,244	45,083	36,245	34,830	-3.9	-22.7	-24.5
Call money	2,146	2,293	1,514	836	726	1,253	1,070	1,709	2,001	17.1	87.0	48.6
BCRA lines	274	83	1,758	16,624	17,030	17,619	17,768	10,472	10,254	-2.1	-42.3	-42.4
Outstanding bonds	4,990	4,939	3,703	9,073	6,674	7,853	7,922	6,077	6,343	4.4	-19.9	-20.1
Foreign lines of credit	6,680	5,491	4,644	15,434	9,998	6,038	5,444	3,890	3,025	-22.3	-44.4	-56.1
Other	24,954	33,466	11,010	7,374	7,939	11,481	12,878	14,097	13,207	-6.3	2.6	8.8
Subordinated debts	1,683	1,668	1,700	3,622	1,850	1,366	1,304	1,328	1,312	-1.2	0.6	-4.8
Other liabilities	1,299	1,420	1,637	5,671	4,890	4,104	4,213	3,106	3,243	4.4	-23.0	-20.4
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,900**	**14,676**	**14,780**	**16,445**	**16,736**	**1.8**	**13.2**	**17.3**
Memo												
Netted assets	85,918	88,501	73,796	117,928	115,091	120,118	121,889	122,410	122,730	0.3	0.7	2.5

(1) Includes margin accounts with the BCRA

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

n/a: not available

Source: BCRA

Statistics: Private Banks

Profitability structure

In annualized terms

As % of netted assets	Annual						First 11 months		Monthly			Last	
	1999	2000	2001	2002	2003	2004	2004	2005	Sep-05	Oct-05	Nov-05	6 months	12 months
Financial margin	6.1	6.2	6.4	7.6	2.3	2.9	3.1	4.4	5.5	5.8	4.8	5.0	4.1
Net interest income	4.5	4.1	4.3	-0.2	0.1	1.0	1.0	1.7	2.3	2.0	2.4	1.9	1.6
Restatement by CER and CVS	0.0	0.0	0.0	1.1	0.9	0.8	0.8	1.0	0.8	0.9	0.9	0.9	1.0
Foreign exchange price adjustments	1.1	1.4	1.2	2.5	1.7	0.6	0.7	0.4	0.6	1.2	0.2	0.6	0.3
Gains on securities	0.3	0.2	0.3	4.4	-0.3	0.8	0.9	1.1	1.8	1.6	1.0	1.5	1.1
Other financial income	0.3	0.5	0.7	-0.1	-0.2	-0.3	-0.3	0.1	0.1	0.1	0.2	0.2	0.1
Service income margin	3.1	2.9	3.2	2.0	2.0	2.4	2.3	2.7	2.9	2.9	3.0	2.9	2.7
Loan loss provisions	-2.2	-2.5	-3.0	-5.0	-1.3	-0.9	-0.7	-0.6	-1.0	-0.4	-0.4	-0.6	-0.7
Operating costs	-6.3	-6.0	-6.4	-4.8	-4.6	-4.6	-4.5	-5.0	-5.4	-5.2	-5.4	-5.3	-5.1
Tax charges	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.4	-0.4
Income tax	-0.5	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.4	-0.1	-0.2	-0.1
Adjustments to the valuation of government secur	0.0	0.0	0.0	0.0	-0.6	0.0	-0.1	-0.1	0.0	0.0	0.0	-0.1	0.0
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.7	-1.0	-1.0	-1.0	-0.9	-1.0	-1.0	-1.0	-1.0
Other	0.5	0.4	0.7	-3.0	1.0	0.7	0.5	0.8	1.1	1.1	0.0	0.9	0.9
Monetary results	0.0	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.8	0.6	0.5	-11.1	-2.2	-0.8	-0.7	0.8	1.7	2.6	0.5	1.4	0.5
ROA before monetary results	0.3	0.1	0.2	-3.8	-2.4	-1.0	-0.9	0.6	1.6	2.2	0.4	1.2	0.4
ROA	**0.3**	**0.1**	**0.2**	**-11.3**	**-2.5**	**-1.0**	**-0.9**	**0.6**	**1.6**	**2.2**	**0.4**	**1.2**	**0.4**
ROA adjusted [2]	0.3	0.1	0.2	-11.3	-1.2	0.2	0.4	1.7	2.5	3.2	1.4	2.3	1.4
Indicators (%)													
ROE	**2.3**	**0.8**	**1.4**	**-79.0**	**-19.1**	**-8.1**	**-7.1**	**5.0**	**11.7**	**16.5**	**3.1**	**9.4**	**2.8**
Financial margin + service income margin / Operati	146.0	151.9	150.9	199.3	92.6	115.0	120.3	140.9	156.0	165.0	144.5	148.8	130.6
Interest income (with CER and CVS) / loans	..	13.9	16.1	24.7	9.0	8.2	8.2	10.9	10.6	11.0	10.7	10.5	10.7
Interest payments (with CER and CVS) / deposits	..	5.7	7.8	21.9	5.8	2.2	2.2	2.9	2.7	3.3	3.4	3.0	2.8

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

(1) Com. "A" 3911. Adjustments to the valuation of government 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 99	Dec 00	Dec 01	Dec 02	Dec 03	Nov 04	Dec 04	Sep 05	Oct 05	Nov 05
Non-performing loans (overall)	7.6	8.3	9.9	19.8	15.7	9.7	8.9	6.0	5.7	5.4
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	16.7	15.3	8.9	8.3	7.7
Commercial portfolio (*)	6.8	8.4	15.4	44.7	39.0	19.7	18.2	10.5	9.7	9.1
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	11.2	10.0	5.7	5.5	5.0
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	90.2	95.7	101.5	105.5	106.4
(Total non-performing - Provisions) / Overall financing	2.3	2.7	2.4	5.3	3.3	0.9	0.4	-0.1	-0.3	-0.3
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	3.4	1.3	-0.3	-1.1	-1.2

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

Source: BCRA