Report on *Banks*

January 2005

Central Bank of Argentina

Year II – No. 5

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Note: This report contains information from January 2005 balance sheets available on 10/03/05. Description centers mainly on the behavior of the main financial variables for the private bank aggregates (including breakdowns by uniform subgroups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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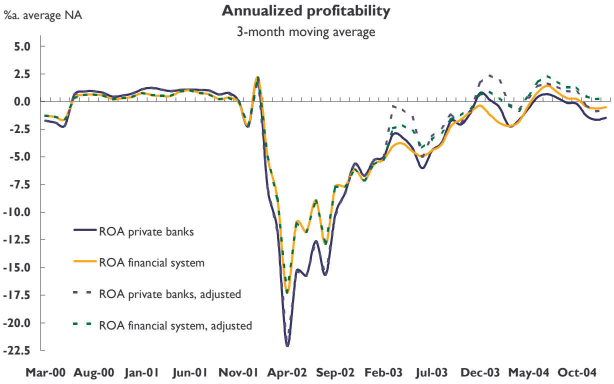
Summary

- During 2005, the financial system continued to sustain the ongoing process of recovery which has been set up during the previous year. Financial intermediation is still on the rise, along with extended credit expansion and stronger growth in deposits, thus confirming the increasing confidence in the local financial system. Banks have best outlooked business development as they introduced capitalization programmes and staff increase. Within this context, and on the sight of a better portfolio quality, banks continue to develop gradual profitability increase, even though the final results still carry along slight volatility. In the near future, the settlement of the sovereign debt exchange would eliminate the main causing factor of uncertainty and reaffirm positive expectations within the sector.
- Public sector continue to lose participation in the financial institutions' assets. For private banks, credit to public sector represented 42% of assets during January, whereas two years earlier this participation reached up to 50% . On the other hand, during the following months a decline in funding through BCRA financial assistance would take place, as a result of the implementation of a bid scheme of matching installment payment in advance.
- In January, financial system recorded $142 million (0.8%a.) adjusted profit –excluding amortization of court orders and valuation adjustments. The result without adjustments recorded a $15 million loss (-0.1%a. of assets), a figure remarkably lower than that recorded during January 2004 (-$470 million o -3%a.) Even though private banks have lost $55 million (-0,5%a. of assets) during January, they recorded an adjusted profit of $45 million (0.4%a.)
- Private banks' monthly improvement in profitability was led by the seasonal decline in the operating costs and loan loss provisions. Furthermore, increasing income from assets and lower charges for loan devaluation were registered, thus improving the financial margin. Consequently, a decline in sundry income and the seasonal decrease in income from services were successfully offset.
- Costs coverage with sundry income from private banks rose up from 81% to 116%, thus maintaining slight interannual stability of costs in terms of assets within a context of staff increase (170 more employees than at the end of 2003).
- Involved capitalization for almost $1200 million could be observed, even though private banks have not recorded new cash contribution during January. This month has not recorded a significant variation in levels of capital compliance in private banks, which remained at 15% of risk-weighted assets. Following the scheduled increase in capital assets requirements in the public sector, the required capital position was reduced at 40 p.p. of requirements, even though it remains significantly unfixed at bank's aggregate level.
- Consolidated financial system asset developed further expansion during January, increasing 22%a. with interannual variation of 9.6% (the highest peak for the last 20 months). Financial system credit to the private sector continued on the increase, reaching further development in consumption lines (71% a. growth during January).
- The quality of the portfolio assigned to the private sector recorded further development. Regarding the system as a whole, the non-performance rate dropped 0.6 p.p. at 18.1%, whereas in the case of private banks the decline recorded 0.7 p.p. at 14.6%
- Strong growth in deposits was recorded in the private sector (3.1%) and the public sector (2.6%), consolidating thus private deposit flowing to private banks. The rise recorded in total private deposits was led by time deposits which rose by 4.2% (64%a.) Two thirds of this development was partly explained by CER-indexed deposits which rose by 22% (990%a.), led by Pension Fund Managers (AFJPs).
- During January, private banks were funded by means of $1550 million private deposits and $200 million public deposits, in addition to the sharp reduction in government securities holding. Almost $660 million of these funds were redistributed as new loans to the private sector.

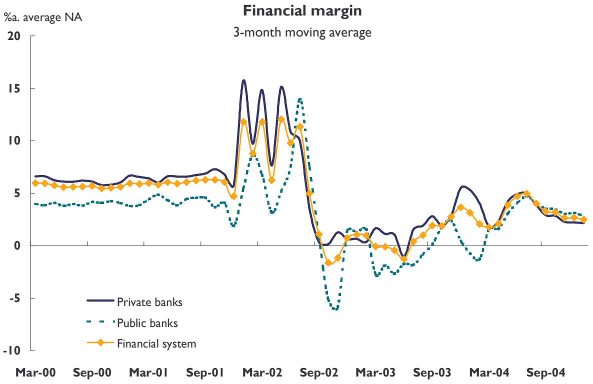
Profitability:
Seasonal changes and lower non-recurrent nature adjustments

Chart 1
Annualized profitability
3-month moving average



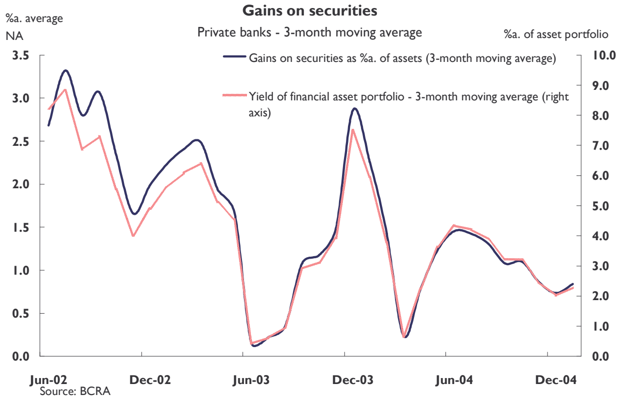
Source: BCRA

Chart 2
Financial margin
3-month moving average



Source: BCRA

Chart 3
Gains on securities
Private banks - 3-month moving average



Source: BCRA

Although financial system started 2005 with a monthly loss of $15 million – 0.1% annualized (a.) of asset, this loss placed remarkably lower than that recorded during the same month 2004 (-$470 million o -3%a.) For the last three months, a negative result is accumulated totalling $265 million (-0.5%a. of asset), which constitutes nearly half of the losses recorded during the same period twelve months earlier, despite the adjustments carried out at closing time of 2004exercise. Therefore, despite persisting volatility recorded, a pattern of gradual improvement of the system profitability is observed (see Chart 1). On the other hand, excluding the effect of amortization of court-orders and valuation adjustments of public sector assets, for January an adjusted profit is recorded totalling $142 million or 0.8%a. of asset ($137 million or 0.3%a. for the last three months). As it was mentioned in this Report's earlier editions, this adjusted result enables a better approach to current profitability of the banking system.

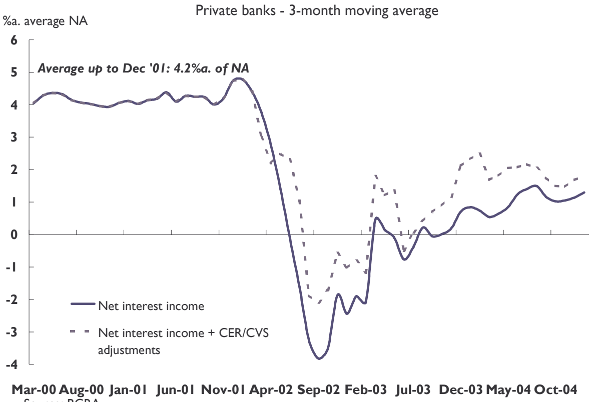
In the case of private banks, the adjusted result represented $45 million in January (0.4%a. of asset). On the other hand, without excluding amortization of court orders nor valuation adjustments, during the month private banks' final profitability represented $55 million loss (-0.5%a.), which shows a reduction of nearly one third of that recorded during the previous month, and a sixth of that recorded same month 2004. Compared to the previous month, it should be taken into account that December balances were subjected to recent corrections, generating thus some differences with regard to the information used on this Report last edition. Therefore, results for private banks recorded during that month turned to be negative, even though losses are focused on one single institution[1].

During January, private banks improvement in profitability was led by a setback of seasonal movements recorded during December, regarding operating costs as well as loan loss provisions, to which were added a higher result from assets and lower charges for loan devaluation. These movements enabled to offset the decline recorded in sundry income and the decrease in net income for services (also seasonal).

The financial margin for private banks improved 0.8 p.p. during January, which represents 2.5% of asset (see Chart 2, where the quarterly moving average is recorded). This improvement was carried out by two main factors. First of all, a rise in income from assets was observed, as a result from the effects of gradual decline of non-recurrent nature adjustments. In fact, during the previous months significant adjustments were recorded which affected negatively on this area. During January income from assets reached up to 1.4%a. level, 0.6 p.p. higher than the previous month, and almost 1.1 p.p. above its

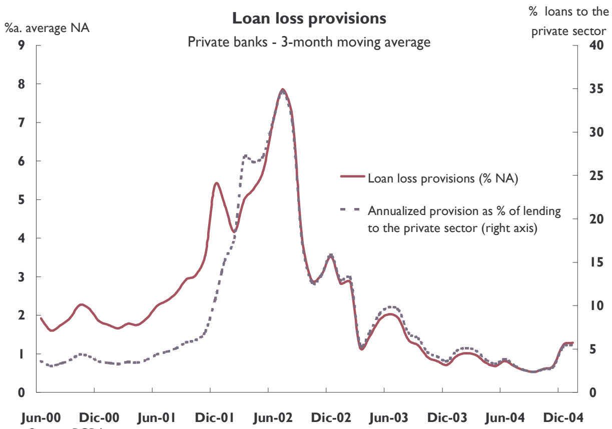
[1] A private institution carried out a significant balance correction in order to reflect capitalization and a downward correction in compensations to be received in foreign currency.

Chart 4
Net interest income and CER/CVS adjustments
Private banks - 3-month moving average



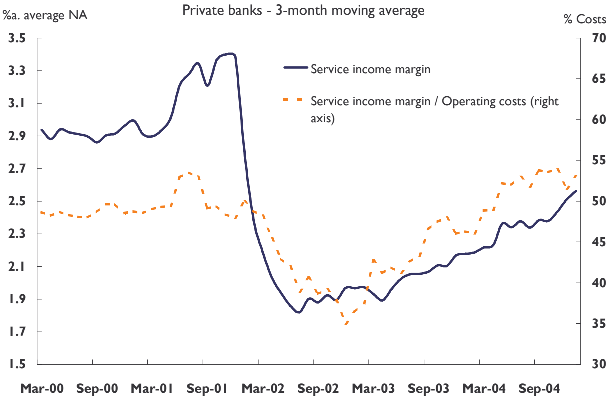
Source: BCRA

Chart 5
Loan loss provisions
Private banks - 3-month moving average



Source: BCRA

Chart 6
Service income margin
Private banks - 3-month moving average



Source: BCRA

level during November. This level equals those observed during most 2004, with income from assets above 1%a.. Considering accrued flow in function of financial instruments[2] holding, profitability of this portfolio is currently ranged around 2%a. and 3%a., although its noteworthy volatility (see Chart 3). The other factor affecting positively financial margin was recorded lower charges for loans depreciation, which allowed profitability, here mentioned under the heading of "other financial results", to rise up to 0.5 p.p. representing thus 0.1%a. of assets[3].

Moreover, the main components of asset yield (interest income and CER adjustments) showed a slight decline compared to the previous month, even though they remained above 1.5%a. for private banks, which represents a further significant step considering that the level recorded barely ranged above 1%a. by the end of 2003 (see Chart 4). In fact, the sum of interest income and adjustments moved from 1.9%a. to 1.7%a. in January, 0.3 p.p. above its level recorded one year earlier. Monthly decline reflected a slight decrease on interest income as well as accrued CER adjustments. However, interest component ranged above 1%a.. Its current level (1.2%a. of asset) tripled that recorded one year earlier, mainly due to higher accrued interests by loans, as a result of increased credit activity and significant improvements introduced as regards the quality of the portfolio. Interannual improvement in accrued interests is additioned to an increase on premiums by repos and lower payment on debt interests with BCRA. As regards CER adjustments, despite higher index variation during January, they suffered a decline due to non-current nature adjustments introduced by a financial institution during December[4]. On the other hand, quotation differences represented nearly 0.5%a. loss during two consecutive months. Whereas in December quotation differences mostly reflected a non-current nature adjustment accounted by a financial institution in the compensations to be received, during January, they showed the effect of re-valuation in the foreign currency active position along with the evolution of the exchange rate.

In January, 'private banks' loan loss provisions dropped up to 0.6%a. of asset, following an increase during the previous month which reflected adjustments often introduced at the closing time of fiscal year exercise. Likewise, during January loan loss provisions reached up a 2.6%a. level of private sector loans, almost half the level recorded one year earlier, and below the pre-crisis monthly average which ranged around 3.5%a. of loans (see Chart 5, which presents a 3-month monthly average) The lower loan loss provisions in terms of total loans are due to three main factors. First of all, the efforts introduced on provisioning during the crisis period, turned to be excessive once macroeconomic variables regained stability. On the other hand and also related to macroeconomic changes, the significant improvement introduced on variables which determines payment capacity of the different financial groups. Finally, provisioning needs were also affected by regulatory changes implemented by BCRA in order to

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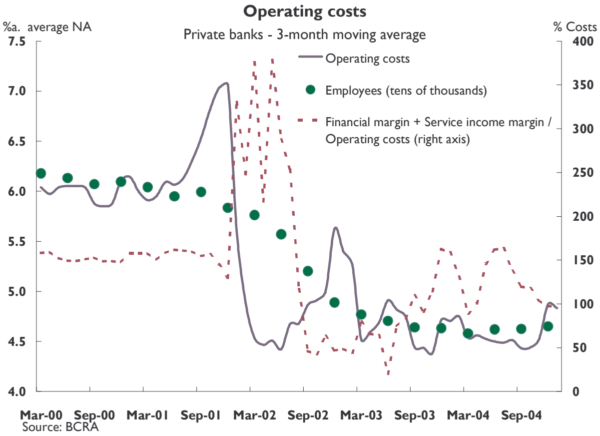
[2] Government and private securities, repos by BCRA, corporate and subordinated bonds, participation in trusts and temporary participation in other institutions.
[3] Further details are presented in the previous edition of the Report on Banks (page 3).
[4] Excluding this institution from record, CER accrual for private banks rises from an almost nil level during December to 0.4%a. in January.

promote savings direction towards the productive sector through greater credit expansion.

Income from services was also affected by the seasonal factor, which reflected a drop of 0.2 p.p. in January to the level reached during last November: 2.5%a. of private banks asset. As seen on Chart 6, the ongoing tendency of net income commissions is clearly positive: 23% interannual improvement on income from services could be observed during the last three months. Net income commissions recovery enabled private banks to rely on this source of resources in order to cover more than a half of their operating costs.

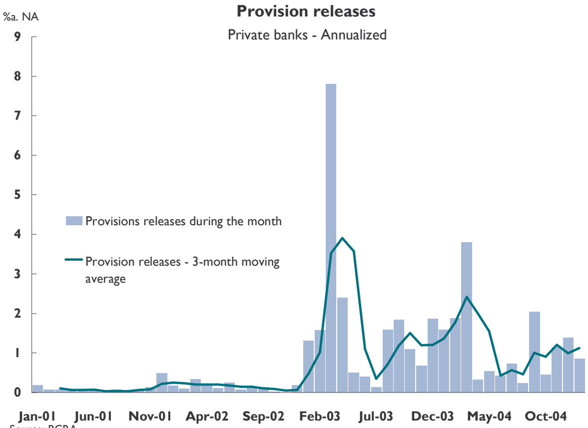
Chart 7
Operating costs
Private banks - 3-month moving average



Source: BCRA

Following the end of the year seasonal rise, private banks operating costs presented a sharp decline during January. In fact, after the rise of 0.8 p.p. in December, operating costs dropped 1.2 p.p. in January reaching up to 4.3%a. of asset. This level is similar to that recorded one year earlier, despite the increase on employment. In fact, during December 2004, nearly 46.500 people were employed in private banks, around 170 (0.4%) more than at the end of 2003. This increase on employment, related to a better outlook for banking business, was also recorded in public banks, the rise involved 300 more employees (0.8%, around 36.850). Operating costs decline was translated into stronger development of coverage costs with income (financial margin and income from services) in private banks, which rose from 81% to 116%, a similar level to that recorded on average during 2004 (see Chart 7). This coverage ratio still reflects significant volatility, along with recorded variability of financial margin, mainly due to quotation differences and gains on securities.

Chart 8
Provision releases
Private banks - Annualized



Source: BCRA

Sundry income, which in terms of profitability particularly undergoes volatility, recorded an important negative variation during January, dropping nearly 2 p.p. to 0.9%a. of private banks asset. This variation was led by the decline of unaffected provisions (see Chart 8), to which was added a lower recovery of loans and higher sundry loans loss provisions. The positive effect was offset by these developments, which caused the decline in other loan loss provisions.

Finally, the accrual of income tax recorded 0.1%a. loss of private banks assets on the month, after the positive amount reflected during December, as a result of downward correction to accumulated amounts. On the other hand, the effects resulting from gradual acknowledgement of costs from crisis (amortization of court orders and valuation adjustment of public sector assets) remained significantly steady. Whereas amortization of court orders continued to show 1%a. monthly loss for private banks, valuation adjustments reflected a nearly null level, after impacting positively on income during December due to downward correction to adjustments.

Outlook for February

Expectations on banking business evolution remain positive, compensating improvements implemented on the real sector, and on the verge of a positive boost to domestic financial sector due to the settlement of the sovereign debt exchange process. However, significant non-current nature adjustments might persist contributing to sustain volatility within financial system income at considerable levels. As regards February income in particular, an optimist view might be inferred from available information. In terms of financial margin, there are two main factors affecting positively. Firstly, the exchange rate stability would prevent losses caused by differences on quotations (some profits might even arise on this area). Furthermore, the evolution of CER index, with an increase of 1.3% during February (nearly double than the previous month) would lead to higher accrued adjustments. Both factors would allow the offsetting of the eventual decline in income from interests. Despite the recorded rise on the overdrafts balance (with a positive tendency on the corresponding interest rate), a slight decrease in the balance of private sector loans was recorded during February (see Table 1) along with a better outlook for financing quality assigned to the private sector, which might be translated as stability on income from interests. Outcome from interests would rise due to growth recorded on time deposits balance, within a context of paid interest rates on upward trend. However, part of this rise might be offset by lower payment of interests on debt balance with BCRA, as a result of the implementation of installments in advance of matching scheme. Moreover, provided that no extraordinary adjustments would take place, the outlook for February remains positive, with a persisting positive tendency regarding income from services, loan loss provisions at slightly lower levels and operating costs reflecting no excessive expansion.

Table 1

Main developments in February

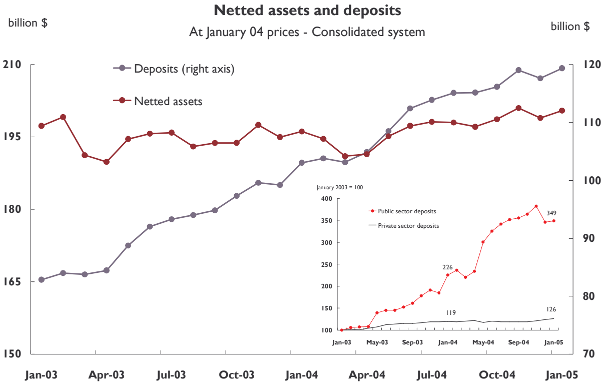
	Jan	Feb	Chg. %
Prices			
Exchange rate ($/US$)[1]	2.93	2.93	0.2
CPI	153.54	155.00	1.0
CER[1]	154.71	156.79	1.3
	%		Chg. (p.p.)
Average percentage rates			
Lending[2]			
Overdraft	13.4	13.8	0.4
Promissory notes	9.8	9.4	-0.4
Mortgage	10.5	11.7	1.1
Pledge-backed	11.0	12.2	1.2
Personal	26.4	26.0	-0.4
30- to 44-day time deposit	2.6	2.8	0.2
1-year LEBAC in pesos, w/o CER	6.0	5.9	-0.2
	million $		Chg. %
Balance[1,2] - Private banks			
Peso deposits - Private sector	50,662	51,932	2.5
Sight deposits	27,664	28,075	1.5
Time deposits	21,863	22,824	4.4
Peso loans - Private sector	24,210	24,005	-0.8
Overdraft	5,697	5,750	0.9
Promissory notes	4,930	4,825	-2.1
Mortgage	5,179	5,152	-0.5
Pledge-backed	797	825	3.5
Personal	2,210	2,266	2.5

(1) End of month figure.
(2) Estimation based on SISCEN data (provisional data subject to change).
Source: BCRA

Activity:
Strenghening private deposits growth

The volume of financing intermediation continued growing during January, reaffirming thus the pattern recorded during the last past months. Netted assets of financial institutions recorded an interannual increase (i.a.) of 9.6% (0.7 p.p. higher than in December), reaching the highest variation rate for the last 20 months. Adjusted by retail prices variation, a rise is recorded in real terms by 2.2% during January, in line with earlier figures recorded from April 2004 onwards (see Chart 9).

Chart 9
Netted assets and deposits
At January 04 prices - Consolidated system

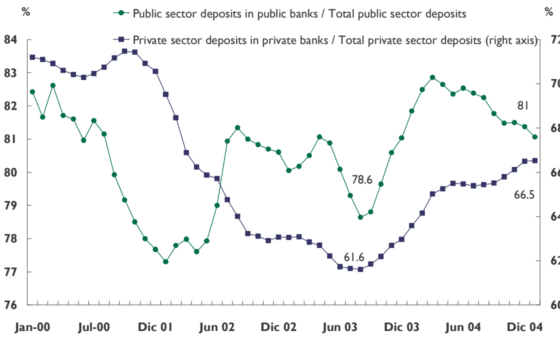


Source: BCRA

According to balance information, consolidated financial system's balance of deposits[5] rose by 3% (43a.) in January, the highest peak recorded from the last six months. Furthermore, interannual positive variation of 24% was recorded, at pace with deposits development throughout 2004. This monthly increase was led by private deposits, with a rise of 3.1% (44a.) which accounted for three-fourths of the whole development. After the December decline, public deposits increased 2.6% (36a.), totaling $32.650 million for the financial system as a whole. During January, more than half the rise in private deposits were directed to private financial institutions. The balance of private deposits recorded a 2.4% (33%a.) positive variation within this subgroup of banks. From mid-2003 onwards, a tendency of channeling private deposits to private financial institutions was recorded, along

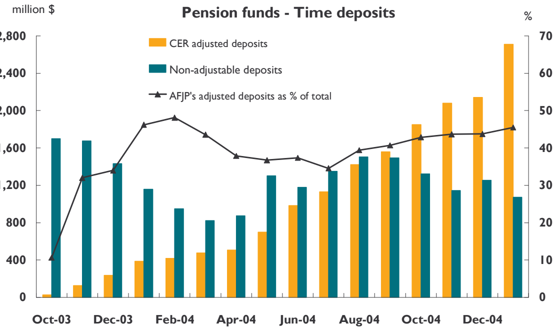
[5] Resident-abroad deposits, government securities deposits and total interest and adjustments accrued are included. Neither deposits in financial sector nor re-scheduled deposits to be exchanged for government securities are included.

Chart 10
Deposits by sector and type of institution
3-month movng average



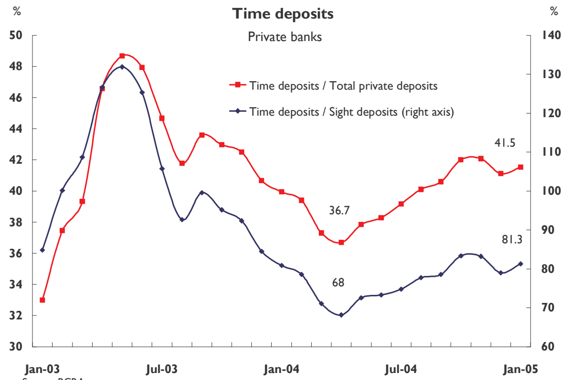
Source: BCRA

Chart 11
Pension funds - Time deposits



Note: Non-adjustable deposits include those from Nación AFJP classified as "Investments in regional economies".
Source: BCRA from SAFJP data

Chart 12
Time deposits
Private banks



Source: BCRA

with the process of rebuilding confidence on the banking sector (see Chart 10, where the quarterly moving average is presented).

Private deposits growth in the financial system was led by time deposits, which recorded a rise of 4.2% (64%a.) followed by sight deposits which expanded 1.7% (22%a.). Two thirds of time deposits development were accounted for by growth on CER-indexed private sector deposits. The latter rose by 22% for the financial system as a whole, reaching up a level of $6.000 million (7% of total private deposits). This behaviour was mainly related to wholesale deposits from corporate investors, such as pension fund managers (AFJPs), which increased 27% their indexed deposits, and at the same time reduced their conventional time deposits (see Chart 11). AFJPs deposits in the financial system show considerable concentration: only five of all pension fund managers totaled 65% of deposits in the local financial system. From the banks' point of view, this kind of deposits are considered to be risk-reducing of interest rates and liquidity, only the latter is possible as long as they present longer terms, within the new minimum freezing period set up in February 2005[6].

During January 2005, participation on time deposits within total private deposits increased, after the rising period for sight deposits in December (a month with higher demand of liquidity by consumers, foreseeing Christmas shopping). In fact, during January a rise of 0.4 p.p. was recorded on time deposits in relation to total deposits in private banks; totaling 41.5% (see Chart 12). At pace with this development, a rise of 2 p.p. in time deposits ratio took place with respect to sight deposits, improving thus the average maturity of institutions' funding by deposits, and consequently, their credit-granting capacity at longer terms.

The balance of credit of the financial system to private sector[7] rose by 2.4% (34%a.) during January, continuing thus the upward path started in 2004 (see Table 2) The rise in loans followed the pattern recorded earlier months, and significant increases in consumer and commercial loans[8], were observed with a monthly variation rate of 4.6% (71%a.) and 4% (60%a.) respectively. Similarly as recorded during 2004, in January public banks registered higher activity in consumer lines, which grew up to 7.1% (127%a.), even though private banks holds more than 60% of this market. As regards the evolution of commercial lines, private banks behaviour became remarkably significant during this month, which reflected an increase of 4.6% (71%a.) in this area.

In main commercial credit lines, overdrafts in current accounts recorded a rise by 12% (290%a.) during the month, following the temporary decline on last December, whereas documentary loans reflected a reduction of 2% (21%a.). On consumer line side, outstanding growth was recorded of 5.4% (90%a.) on consumer loans,

[6] Communication "A" 4298.
[7] Information corresponding to balance sheet balances. Neither accrued interests nor CER adjustments are included. Not adjusted for loans classified as irrecoverable written off from balance sheets.
[8] Commercials: current account overdrafts, promissory notes and pre-financing and financing of exports. Consumption: consumer loans and credit cards.

Table 2

Loans to the private sector by group of banks

% change based on balance sheet totals

	HII - 2004	2004	Jan-05	Share of total 2005
Public banks				
Total loans	**43**	**23**	**33**	**29**
Commercial	76	54	28	21
Consumer	183	118	127	29
Collateralized	5	-3	10	42
Other	-5	-15	8	23
Private banks				
Total loans	**23**	**25**	**36**	**69**
Commercial	24	42	71	78
Consumer	41	39	50	64
Collateralized	3	-1	20	57
Other	41	13	-38	76
Total system				
Total loans	**30**	**26**	**34**	**100**
Commercial	33	45	60	100
Consumer	71	57	71	100
Collateralized	5	-1	18	100
Other	31	7	-39	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.
"Total system" includes data from public banks, private banks and non-bank institutions.
The private bank group includes three financial institutions currently undergoing a restructuring process and under administration of a national public bank.
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

Table 3

Estimated sources and uses of funds

Private banks - January 2004

million pesos

Origen		Aplicaciones	
Private sector deposits [4]	1,550	LEBAC and NOBAC stocks (net of repos)	840
Loans to the public sector	290	Loans to non-financial private sector [1]	660
Public sector deposits	200	Liquid assets [2]	590
Outstanding bonds, subordinated debt and foreign lines of credit	60	Reverse repos	1,300
Other	160	BCRA rediscounts	90
		CEDRO [3]	80

(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) Includes the difference between the deposit repayments by banks using the market exchange rate and their balance sheet value (converted at a 1.40 $/US$ rate plus CER)
(4) Excluding CEDRO
Source: BCRA

whereas loans related to credit cards ranged by 3.5% (50%a.). As regards collateralized lines, pledge-backed credits rose by 2.4% (33%a.) during January, following the upward trend recorded during 2004, whereas mortgage loans increased 1.1% (14%a.), even though a slight drop was obtained on the corresponding balance when excluding the effect of trust-fund busting by a private bank.

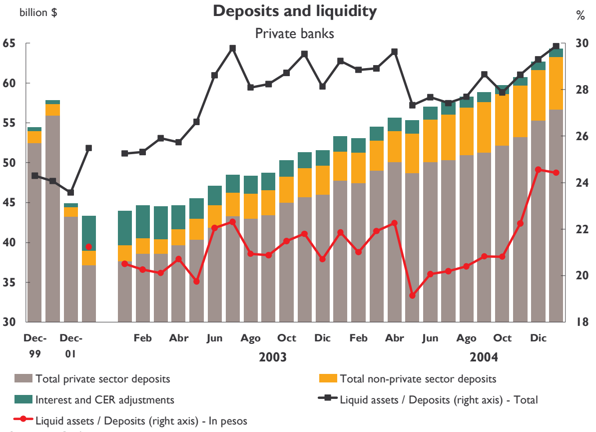
In cash flow terms, the ongoing tendency to stabilize current banking operation is translated into estimates of sources and uses, in line with the traditional process of financial intermediation. During January, the main source of resources for private institutions aggregate was the rise in private deposits[9] (excluding CEDRO) totaling $1.550 million, although public sector deposits also increased in this subgroup of banks (see Table 3). Furthermore, increased indebtness was recorded by corporate bonds, as well as subordinated debts and foreign lines of credits. Finally, public assets contributed to private banks funding totaling $290 million. The latter took place within a context of constant decline in credit participation to public sector in financial institutions assets. In January, credit to public sector represented nearly 42% of netted assets for private banks, despite this weighting represented 50% two years earlier.

During January, private banks continued to channel an important part of raised funds to private sector credits, placing $660 million towards this sector (43% of private deposits). Likewise, a significant part of funding ($840 million) was destined to increase BCRA securities holding not linked to repos transactions with this Institution. At pace with 2004-recorded trend, private institutions managed nearly $590 million during January in order to increase their liquid assets portfolio, recording an increase of $1.300 with a remarkably rise in repos transactions with BCRA. At large extend, this behaviour resulted from the different reforms introduced by BCRA as regards monetary policy, which stated an increase of 0.25 p.p. on interest rates of their repos transactions at seven days, starting 10, January, 2004 onwards, along with the reduction of cash reserve ratio on liabilities[10]. These measures also favoured potential credit expansion for the rest of the year. Liquid assets increase led the rise recorded during January on private banks liquidity indicator, which reached 29.9% in total deposits terms, 0.6 p.p. more than that recorded during December (see Chart 13)

Cancellation of rediscounts and CEDRO closed out the main uses of funds recorded during January. Private financial institutions cancelled rediscounts for $90 million within the matching scheme. It is noteworthy that this institution developed a mechanism of amounts in advance to be applied to matching installments, carried out through public bids. Within this context, two bids have already been carried out, awarding considerable amounts, which will be reflected in the following months' balances. Finally, private banks aggregates reduced CEDRO[11] stock by nearly $80 million.

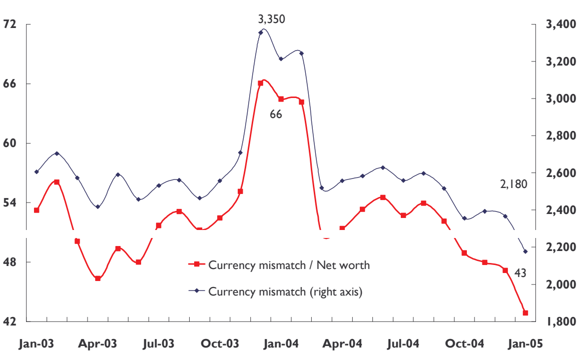
[9] Neither securities deposits, accrued interests nor CER adjustments are included. Likewise, variations on dollar balances due to quotation differences in local currency are not included.
[10] Communication "A" 4276.

Chart 13
Deposits and liquidity
Private banks



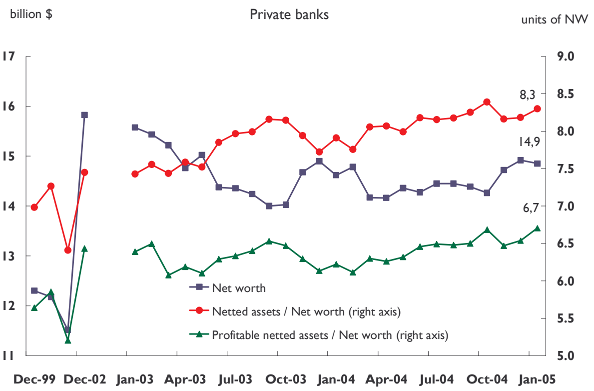
Source: BCRA

Chart 14
Currency mismatch - Private banks



Source: BCRA

Chart 15
Netted assets and net worth
Private banks



Source: BCRA

As regards foreign currency mismatch in private banks, during January it was reduced nearly U$S200 million up to 43% of net worth, at some extend, due to the reduction of the balance sheet balance of dollar-denominated government securities (see Chart 14). Dollar active position (positive difference between total assets and total liabilities in that currency) is expected to experience important changes during the following months, once the effects of the public debt exchange would be completely drawn on financial institutions balances.

Regarding solvency, losses recorded during the current month represented a slight drop (0.4%) of private banks net worth, even though in interannual terms this last heading maintains 1.6% of positive variation (see Chart 15), depending on the current recapitalization process. Monthly decline in net worth, along with the growth of financial institutions assets, rose by 0.1 p.p. at institutions leverage degree (assets over net worth) which reached up to 8.3 times. On the other side, for private banks capital compliance ratio remained relatively stable at 15.2% in terms of their risk-weighted assets, despite the slight drop recorded in compliance and the low rise in weighted assets. Finally, during January private banks total capital position (compliance in excess of total requirements) was reduced 46 p.p. reaching 140%. These increases affected this reduction, which were planned from January 2005 onwards, in transitory reductions ratio of capital requirements, for risk credits –linked to public sector assets- as well as risk-related interest rates[12].

[11] Difference paid by institutions is included among deposits at dollar-market value and pesification at 1.40 plus CER, in concept of court orders.
[12] Minimum capital for financial institutions complete text is at (http://www.bcra.gov.ar/pdfs/comytexord/t-capmin.pdf).
For further information about regulations on capital adequacy for financial institutions during the post-crisis 2001-2002, see Financial Stability Bulletin, first semester 2004, chapter II (http://www.bcra.gov.ar/pdfs/polmon/bef0204e.PDF).

Portfolio quality:
Along the path of stability

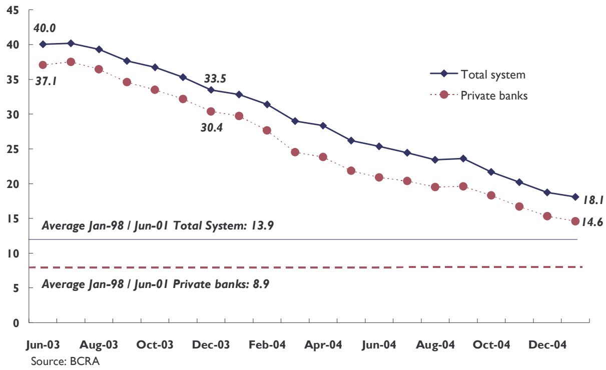
The quality of financing portfolio started 2005 keeping pace with the ongoing development recorded from last year. For the financial system aggregate, the amount of private sector financing classified as non-performing was reduced to 0.6 p.p. Thus, in January it reached a level 18.1% lower than half of the maximum recorded at mid-2003, and below that registered at the end of 2001. Nevertheless, and still recording a higher level than the pre-crisis years 2001-2002 average (see Chart 16), further improvement is necessary on this portfolio quality destined to private sector, which, in turn, would enable a better credit access for involved debtors. The economic outlook for the rest of the year could be considered from an optimistic point of view, regarding continuous improvement on financing quality, within a context of lower credit risk which prevails nowadays. Furthermore, normative reforms introduced by BCRA in order to promote credit (see Com. P 48199) enable to foresee a more favourable environment regarding balance and quality financing in private sector.

The group comprising private banks is largely responsible for the monthly improvement in financing quality, reducing the non-performing ratio 0.7 p.p. to 14.6%. This non-performance rate decline was driven by a lower dispersal within these groups of banks. Nearly half private institutions holds a non-performing portfolio lower than 10%, which represents 40% of private sector financing (see Chart 17).

Non-performance rate decline in private banks was mainly explained by the rise in level of granted financing (with better quality, and within a healthier environment in which they were granted), to which was added a slight drop in non-performing classified amounts. Increased amounts of granted financing were recorded within consumer and commercial sector, even though consumer lines showed greater activity this month. Both cases recorded a reduction in financing classified as non-performing (nearly 0.7 p.p. fall) placing 17,5% for commercial portfolio and 9.3% for consumer (see Chart 18).

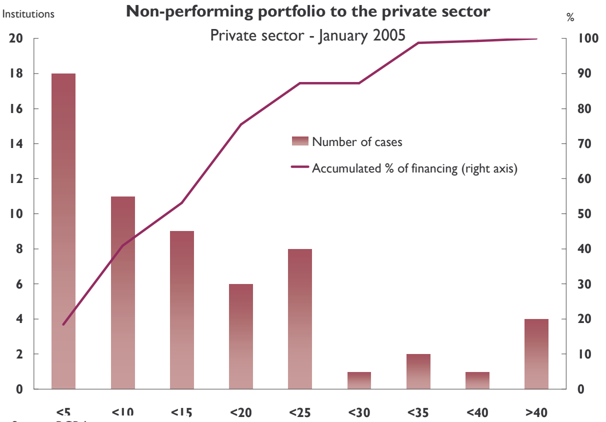
Along with decrease in the financing volume classified as non-performing, the amount of provisions reflected a decline. However, the ratio of provisions of private banks non-performing portfolio was slightly increased, reaching nearly 95% by the end of January. Within this context, it is expected that worth exposure to credit risk for private sector would present a slight drop. The ratio of total non-performing financing not covered with provisions decreased by 0.2 p.p. to 1.6% of net worth.

Chart 16
Non-performing portfolio to the private sector



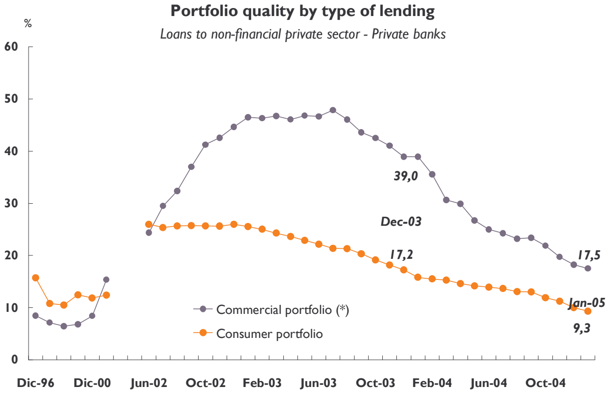
Source: BCRA

Chart 17
Non-performing portfolio to the private sector
Private sector - January 2005



Source: BCRA

Chart 18
Portfolio quality by type of lending
Loans to non-financial private sector - Private banks



(*) Includes commercial portfolio up to $200,000.
Source: BCRA

Latest regulations

The following section summarizes the main regulations related to financial intermediation issued during the month (referenced by the date on which they came into force)

Communication "A" 4296 – 11/02/05
Credit balance resulting from the implementation of minimum-presumed income tax is incorporated into the recordable rates for frozen assets relationship. Likewise, regarding minimun capital and in relation to the calculation of basic net worth, it is established that credit balance by implementation of minimum-presumed income tax would be deducted from that value, which exceed 10% of basic net worth or 10% of adjusted stockholder's equity (basic net worth plus complementary net worth minus deductible accounts), the lesser from both figures.

Communication "A" 4297 – 11/02/05
Modification of regulations regarding external audit. The shared warrantor figure is adopted in place of co-debtor. Worth liability is eliminated for each one of the studio's constituent partners who do not intervene on the institution's external auditing tasks, delimiting it to the external auditor, the active partner and the accounting studio on a shared warrantor basis in face of the fines which could be imposed by the external auditing tasks. If such fines were not paid at the corresponding expiry date, they would be excluded from the "Register of Auditors", as well as the rest of the registered partners. These exclusions will continue into force as long as the causal persists or until the fines will be cancelled. They would not be registered for external auditing tasks in financial institutions by themselves or as partners in other associations, until their situation would be standardized.

Communication "A" 4298 – 11/02/05
Modification of the minimum term for deposits with Reference Stabilization Coefficient (CER), for which minimum rises from 90 days to 270 days.

Communication "A" 4301 – 28/02/05
The settlement of financial institutions branches is admitted on the respective cooperative and/or federal headquarters comprising them, in those places with less than 30 thousand inhabitants and as long as they are not set up for the settlement of financial institutions headquarters within a 10 km. range from these branches. The requirements and conditions to be fulfilled, as well as the operating tasks, are similar to those established for the settlement of branches in financial institutions client enterprises, specifying that they could exclusively fulfill the requirements by the cooperative, its employees and associates. If any unfulfillment might be verified, the institution would proceed to the branch closure.

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 4084.
ASE: Adjusted stockholders' equity, for *Responsabilidad Patrimonial Computable* 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.
ON: Corporate bonds (*Obligaciones Negociables*).
OS: Subordinated debt (*Obligaciones Subordinadas*).
Operating costs: Includes remuneration, social security payments, services and fees, sundry expenses, taxes and amortization.
Other: sundry gains (including, among others, gains from long-term investments, loan recoveries, and release of allowances), sundry losses (including, among others, losses on long-term investments, amortization of differences from court orders, loss on sale or impairment of fixed assets, amortization of goodwill).
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.

Statistics: Financial System

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Jan 04	Nov 04	Dec-04	Jan-05	Change (%)		
										Month on month	Accum. 2005	Year on year
Assets	**153,140**	**163,550**	**123,743**	**187,532**	**186,873**	**186,198**	**212,336**	**211,305**	**217,644**	**3.0**	**3.0**	**16.9**
Liquid assets[1]	20,423	20,278	13,005	17,138	27,575	29,471	31,049	29,175	28,379	-2.7	-2.7	-3.7
Public bonds	8,531	10,474	3,694	31,418	45,062	45,140	54,558	54,857	57,747	5.3	5.3	27.9
Private bonds	477	633	543	332	198	191	357	389	365	-6.3	-6.3	91.2
Loans	83,850	83,277	77,351	84,792	68,042	67,961	73,638	74,046	74,971	1.3	1.3	10.3
Public sector	12,138	15,164	22,694	44,337	33,228	33,282	31,027	31,196	31,285	0.3	0.3	-6.0
Private sector	67,934	64,464	52,039	38,470	33,398	33,289	40,742	41,153	42,066	2.2	2.2	26.4
Financial sector	3,778	3,649	2,617	1,985	1,417	1,389	1,868	1,697	1,620	-4.5	-4.5	16.6
Provisions over loans	-6,001	-6,907	-6,987	-11,952	-9,374	-9,236	-7,748	-7,453	-7,313	-1.9	-1.9	-20.8
Other netted credits due to financial intermediation	38,156	50,716	21,485	39,089	27,030	24,597	33,593	32,598	36,063	10.6	10.6	46.6
Corporate bonds and subordinated debt	1,115	794	751	1,708	1,569	1,565	1,007	1,013	997	-1.5	-1.5	-36.3
Unquoted trusts	1,336	2,053	2,065	6,698	4,133	4,322	2,965	3,042	2,964	-2.6	-2.6	-31.4
Compensation receivable	0	0	0	17,111	14,937	14,661	15,376	15,482	15,252	-1.5	-1.5	4.0
BCRA	81	141	84	3,360	650	912	493	376	387	2.7	2.7	-57.6
Other	35,623	47,728	18,585	10,212	5,741	3,136	13,751	12,685	16,463	29.8	29.8	424.9
Assets under financial leases	814	786	771	567	397	394	644	611	645	5.6	5.6	63.7
Shares and participation	1,838	2,645	2,688	4,653	4,591	4,687	3,552	3,860	3,891	0.8	0.8	-17.0
Fixed assets and sundry	4,973	4,939	4,804	8,636	8,164	8,128	7,822	7,787	7,772	-0.2	-0.2	-4.4
Foreign branches	996	1,115	1,057	3,522	3,144	3,155	3,464	3,525	3,461	-1.8	-1.8	9.7
Other assets	3,560	3,950	5,334	9,338	12,043	11,710	11,408	11,910	11,664	-2.1	-2.1	-0.4
Liabilities	**136,252**	**146,267**	**107,261**	**161,446**	**164,923**	**164,705**	**190,303**	**188,700**	**195,039**	**3.4**	**3.4**	**18.4**
Deposits	81,572	86,506	66,458	75,001	94,635	98,481	117,321	116,720	120,414	3.2	3.2	22.3
Public sector [2]	7,232	7,204	950	8,381	16,040	19,650	34,880	31,757	32,570	2.6	2.6	65.8
Private sector [2]	73,443	78,397	43,270	59,698	74,951	75,361	80,170	82,957	85,615	3.2	3.2	13.6
Current account	6,478	6,438	7,158	11,462	15,071	15,620	17,132	18,194	18,509	1.7	1.7	18.5
Savings account	13,047	13,008	14,757	10,523	16,809	18,052	22,656	23,846	24,208	1.5	1.5	34.1
Time deposit	48,915	53,915	18,012	19,080	33,285	32,064	34,180	34,945	36,419	4.2	4.2	13.6
CEDRO	0	0	0	12,328	3,217	3,037	1,169	1,046	954	-8.8	-8.8	-68.6
Other netted liabilities due to financial intermediation	50,361	55,297	36,019	75,737	61,690	60,819	66,080	64,995	67,934	4.5	4.5	11.7
Call money	3,793	3,545	2,550	1,649	1,317	1,236	1,634	1,461	1,356	-7.2	-7.2	9.7
BCRA lines	315	102	4,470	27,837	27,491	27,532	27,589	27,707	27,732	0.1	0.1	0.7
Outstanding bonds	5,087	4,954	3,777	9,096	6,675	6,666	7,853	7,922	7,685	-3.0	-3.0	15.3
Foreign lines of credit	10,279	8,813	7,927	25,199	15,196	14,424	9,557	8,884	8,764	-1.4	-1.4	-39.2
Other	30,886	37,883	17,295	11,955	11,012	10,961	19,446	19,021	22,398	17.8	17.8	104.4
Subordinated debts	2,206	2,255	2,260	3,712	2,028	2,009	1,480	1,415	1,380	-2.5	-2.5	-31.3
Other liabilities	2,113	2,210	2,524	6,997	6,569	6,401	5,422	5,571	5,311	-4.7	-4.7	-17.0
Net worth	**16,888**	**17,283**	**16,483**	**26,086**	**21,950**	**21,493**	**22,033**	**22,605**	**22,605**	**0.0**	**0.0**	**5.2**
Memo												
Netted assets	126,432	129,815	110,275	185,356	184,371	186,198	201,371	201,120	204,365	1.6	1.6	9.8
Consolidated netted assets	122,270	125,093	106,576	181,253	181,077	182,930	197,569	197,140	200,458	1.7	1.7	9.6

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Statistics: Financial System

Profitability structure

In annualized terms

As % of netted assets	Annual						First month		Monthly			Last
	1999	2000	2001	2002	2003	2004	2004	2005	Nov-04	Dec-04	Jan-05	6 months
Financial margin	5.6	5.7	5.7	6.5	1.1	3.1	1.3	2.5	2.5	2.5	2.5	2.9
Net interest income	4.3	4.0	3.8	-1.7	-0.5	0.9	0.3	1.1	1.2	1.3	1.1	1.1
Restatement by CER and CVS	0.0	0.0	0.0	3.9	1.3	1.0	0.9	0.8	0.8	0.5	0.8	0.8
Gains on securities	0.9	1.2	1.2	1.7	1.1	0.9	0.0	1.3	0.6	0.9	1.3	1.0
Foreign exchange price adjustments	0.2	0.1	0.2	2.8	-0.5	0.4	0.3	-0.7	-0.1	-0.1	-0.7	0.3
Other financial income	0.2	0.4	0.5	-0.1	-0.3	-0.2	-0.3	0.1	0.0	-0.1	0.1	-0.2
Service income margin	2.9	2.8	3.0	1.9	1.9	2.0	1.9	2.2	2.1	2.3	2.2	2.1
Loan loss provisions	-2.1	-2.4	-2.6	-4.7	-1.1	-0.7	-0.8	-0.4	-0.4	-1.8	-0.4	-0.8
Operating costs	-5.9	-5.8	-6.1	-4.4	-4.2	-4.2	-3.9	-3.9	-4.2	-4.8	-3.9	-4.1
Tax charges	-0.4	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Income tax	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	0.0	-0.1	-0.1	0.1	-0.1	0.0
Adjustments to the valuation of government securities (*)	0.0	0.0	0.0	0.0	-0.4	-0.2	-1.3	-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	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Other	0.5	0.4	0.6	-1.8	0.9	0.8	0.9	0.9	-0.1	2.4	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
ROA before income tax	0.6	0.4	0.2	-8.7	-2.7	-0.3	-3.0	0.0	-1.1	-0.4	0.0	-0.2
ROA before monetary results	0.2	0.0	0.0	-3.1	-2.9	-0.4	-3.0	-0.1	-1.2	-0.4	-0.1	-0.2
ROA	0.2	0.0	0.0	-8.9	-2.9	-0.4	-3.0	-0.1	-1.2	-0.4	-0.1	-0.2
ROA adjusted (**)	0.2	0.0	0.0	-8.9	-1.9	0.7	0.4	0.8	-0.4	0.4	0.8	0.8
Indicators (%)												
ROE	**1.7**	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-3.6**	**-26.3**	**-0.8**	**-10.5**	**-3.1**	**-0.8**	**-1.5**
Financial margin + service income margin / Operating costs	142.5	147.4	143.3	189.1	69.3	123.8	82.4	118.4	111.0	99.7	118.4	121.6
Interest income (with CER and CVS) / loans	..	13.0	15.2	11.8	13.1	8.7	8.2	8.3	8.6	8.5	8.3	8.0
Interest payments (with CER and CVS) / deposits	..	5.3	7.3	9.2	5.7	1.7	2.2	1.4	1.6	1.5	1.4	1.6

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

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

(**) 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	Jan 04	Nov 04	Dec 04	Jan 05
Non-performing loans (overall)(1)	11.5	12.9	13.1	18.1	17.7	17.2	11.6	10.8	10.3
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	33.5	32.8	20.2	18.7	18.1
Commercial portfolio	12.1	14.9	20.7	44.0	38.0	37.9	24.5	22.9	22.3
Consumption and housing portfolio	16.6	17.3	17.5	31.4	28.0	26.7	12.6	11.5	10.9
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	79.2	81.2	96.1	100.6	101.1
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	3.7	3.2	0.5	-0.1	-0.1
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	11.9	10.5	1.6	-0.2	-0.4

(1) As a percentage of each lending category.

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Jan 04	Nov 04	Dec 04	Jan 05	Change (%) Month on month	Accum. 2005	Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,633**	**115,644**	**125,296**	**128,347**	**131,234**	**2.2**	**2.2**	**13.5**
Liquid assets[1]	13,228	13,920	10,576	11,044	14,500	15,583	16,174	15,929	15,137	-5.0	-5.0	-2.9
Public bonds	6,433	7,583	1,627	19,751	22,260	21,859	23,282	24,828	25,823	4.0	4.0	18.1
Private bonds	410	563	451	273	172	168	299	335	314	-6.3	-6.3	86.8
Loans	56,916	56,035	52,319	51,774	47,017	46,876	50,658	50,820	51,505	1.3	1.3	9.9
Public sector	6,389	8,172	13,803	25,056	23,571	23,605	21,414	21,518	21,603	0.4	0.4	-8.5
Private sector	47,705	45,103	36,636	26,074	22,816	22,636	28,168	28,194	28,840	2.3	2.3	27.4
Financial sector	2,823	2,760	1,880	644	630	635	1,076	1,107	1,062	-4.1	-4.1	67.2
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,225	-5,056	-3,955	-3,718	-3,633	-2.3	-2.3	-28.1
Other netted credits due to financial intermediation	30,285	42,696	13,037	27,212	22,148	22,828	24,681	25,846	27,823	7.7	7.7	21.9
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,394	1,390	823	827	810	-2.0	-2.0	-41.7
Unquoted trusts	958	1,609	1,637	6,205	3,571	3,740	2,257	2,305	2,192	-4.9	-4.9	-41.4
Compensation receivable	0	0	0	15,971	13,812	13,629	14,581	14,672	14,432	-1.6	-1.6	5.9
BCRA	12	35	865	377	415	415	334	311	320	3.0	3.0	-22.9
Other	28,293	40,328	9,870	3,146	2,955	3,653	6,687	7,731	10,068	30.2	30.2	175.6
Assets under financial leases	796	776	752	553	387	384	627	592	624	5.5	5.5	62.7
Shares and participation	1,371	1,651	1,703	3,123	2,791	2,882	1,577	1,890	1,900	0.5	0.5	-34.1
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,902	4,875	4,707	4,679	4,676	0.0	0.0	-4.1
Foreign branches	48	75	112	-109	-136	-137	-55	-53	-58	9.8	9.8	-57.7
Other assets	2,120	2,190	2,574	7,549	7,816	7,583	7,301	7,200	7,121	-1.1	-1.1	-6.1
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**101,732**	**103,226**	**110,571**	**113,427**	**116,381**	**2.6**	**2.6**	**12.7**
Deposits	54,447	57,833	44,863	44,445	52,625	54,371	60,836	62,767	64,341	2.5	2.5	18.3
Public sector[2]	1,342	1,276	950	1,636	3,077	3,263	6,286	6,145	6,345	3.3	3.3	94.5
Private sector[2]	52,460	55,917	43,270	38,289	47,097	48,794	53,261	55,361	56,732	2.5	2.5	16.3
Current account	5,022	4,960	7,158	8,905	11,588	11,936	12,971	13,959	13,933	-0.2	-0.2	16.7
Savings account	9,702	9,409	14,757	6,309	10,547	11,646	13,924	14,818	15,019	1.4	1.4	29.0
Time deposit	35,218	39,030	18,012	11,083	18,710	19,067	22,376	22,730	23,533	3.5	3.5	23.4
CEDRO	0	0	0	9,016	2,409	2,276	888	798	734	-8.1	-8.1	-67.8
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	42,367	42,337	44,264	45,152	46,816	3.7	3.7	10.6
Call money	2,146	2,293	1,514	836	726	654	1,253	1,070	958	-10.5	-10.5	46.5
BCRA lines	274	83	1,758	16,624	17,030	17,052	17,619	17,768	17,738	-0.2	-0.2	4.0
Outstanding bonds	4,990	4,939	3,703	9,073	6,674	6,666	7,853	7,922	7,685	-3.0	-3.0	15.3
Foreign lines of credit	6,680	5,491	4,644	15,434	9,998	9,788	6,038	5,444	5,534	1.6	1.6	-43.5
Other	24,954	33,466	11,010	7,374	7,939	8,178	11,501	12,947	14,900	15.1	15.1	82.2
Subordinated debts	1,683	1,668	1,700	3,622	1,850	1,830	1,366	1,304	1,271	-2.5	-2.5	-30.5
Other liabilities	1,299	1,420	1,637	5,671	4,890	4,688	4,105	4,205	3,953	-6.0	-6.0	-15.7
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,900**	**14,620**	**14,725**	**14,920**	**14,853**	**-0.4**	**-0.4**	**1.6**
Memo												
Netted assets	85,918	88,501	73,796	117,928	115,091	115,644	120,188	122,102	123,254	0.9	0.9	6.6

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Statistics: Private Banks

Profitability structure

In annualized terms

As % of	Annual						First month		Monthly			Last
netted assets	1999	2000	2001	2002	2003	2004	2004	2005	Nov-04	Dec-04	Jan-05	6 months
Financial margin	6.1	6.2	6.4	7.6	2.3	3.0	1.2	2.5	2.2	1.7	2.5	2.6
Net interest income	4.5	4.1	4.3	-0.2	0.1	1.0	0.4	1.2	1.4	1.3	1.2	1.2
Restatement by CER and CVS	0.0	0.0	0.0	1.1	0.9	0.8	1.0	0.4	0.5	0.6	0.4	0.6
Gains on securities	1.1	1.4	1.2	2.5	1.7	0.9	-0.5	1.4	0.3	0.8	1.4	0.9
Foreign exchange price adjustments	0.3	0.2	0.3	4.4	-0.3	0.6	0.6	-0.5	0.0	-0.6	-0.5	0.2
Other financial income	0.3	0.5	0.7	-0.1	-0.2	-0.3	-0.3	0.1	0.0	-0.4	0.1	-0.3
Service income margin	3.1	2.9	3.2	2.0	2.0	2.4	2.2	2.5	2.5	2.7	2.5	2.4
Loan loss provisions	-2.2	-2.5	-3.0	-5.0	-1.3	-0.9	-1.2	-0.6	-0.7	-2.6	-0.6	-0.9
Operating costs	-6.3	-6.0	-6.4	-4.8	-4.6	-4.6	-4.4	-4.3	-4.7	-5.5	-4.3	-4.7
Tax charges	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3
Income tax	-0.5	-0.4	-0.3	-0.2	-0.3	-0.2	0.0	-0.1	-0.1	0.3	-0.1	0.1
Adjustments to the valuation of government securities (*)	0.0	0.0	0.0	0.0	-0.6	0.0	-0.7	0.0	0.3	0.4	0.0	0.0
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.7	-0.9	-0.9	-1.0	-1.0	-1.0	-1.0	-1.0
Other	0.5	0.4	0.7	-3.0	1.0	0.7	1.0	0.9	-0.7	2.8	0.9	0.8
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
ROA before income tax	0.8	0.6	0.5	-11.1	-2.2	-0.7	-3.0	-0.4	-2.4	-1.6	-0.4	-1.0
ROA before monetary results	0.3	0.1	0.2	-3.8	-2.4	-0.9	-3.1	-0.5	-2.6	-1.4	-0.5	-0.9
ROA	0.3	0.1	0.2	-11.3	-2.5	-0.9	-3.1	-0.5	-2.6	-1.4	-0.5	-0.9
ROA adjusted (**)	0.3	0.1	0.2	-11.3	-1.2	0.3	0.5	0.4	-1.9	-0.9	0.4	0.0
Indicators (%)												
ROE	**2.3**	**0.8**	**1.4**	**-79.0**	**-19.1**	**-7.2**	**-24.5**	**-4.5**	**-20.5**	**-11.3**	**-4.5**	**-7.2**
Financial margin + service income margin / Operating cos	146.0	151.9	150.9	199.3	92.6	116.3	77.2	115.8	100.2	81.0	115.8	107.9
Interest income (with CER and CVS) / loans	..	13.9	16.1	24.7	9.0	8.2	7.7	7.9	8.3	8.7	7.9	7.6
Interest payments (with CER and CVS) / deposits	..	5.7	7.8	21.9	5.8	2.2	2.4	1.7	2.1	2.0	1.7	2.1

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

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

(**) 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	Jan 04	Nov 04	Dec 04	Jan 05
Non-performing loans (overall)(1)	7.6	8.3	9.9	19.8	15.7	15.4	9.7	8.9	8.3
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	29.7	16.7	15.3	14.6
Commercial portfolio	6.8	8.4	15.4	44.7	39.0	38.9	19.7	18.2	17.5
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	15.8	11.2	10.0	9.3
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	81.9	90.2	94.2	94.7
(Total non-performing - Provisions) / Overall financing	2.3	2.7	2.4	5.3	3.3	3.1	0.9	0.5	0.4
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	10.8	3.4	1.8	1.6

(1) As a percentage of each lending category.