Report on Banks

MARCH 2005

Central Bank of Argentina

Year II – No. 7

Index

Note: This report contains information from March 2005 balance sheets available on 02/05/05. 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

- **Despite a temporary downturn in profitability in March, the activity of the financial system, in perspective, continues showing signs of progressive normalization.** Within a context of considerable excess liquidity, the quarter closed on a positive note in terms of credit expansion, improved portfolio quality, the regularization of funding, the recovery observed in results and advances in solvency, given the capital contributions made.

- **In March, the financial system recorded $41 million (-0.2%a. of assets) in losses, with one private bank, in particular, having an extraordinary negative result (excluding this institution, profits total 0.5%a.) and with institutions showing expected cost adjustments at the close of quarterly balances,** more than offsetting the gains achieved in the area of interest income and income from services**. Excluding the amortization of court orders and adjustments in the valuation of public sector assets, the total financial system in March obtained a $121 million adjusted positive result (0.7%a.).**

- **The financial system closes out the first quarter of 2005 with $110 million (0.2%a.) in profits, while adjusted profits total $600 million (1.2%a.).** Private banks, for their part, recorded a $91 million loss for the quarter (-0.3%a.), which compares favorably with the same period in 2004 (-$630 million, -2.2%a.). In terms of adjusted profits, there was a $221 million (0.7%a.) profit by private banks. These figures confirm the trend toward a gradual recovery in bank profitability (not free from volatility).

- **Losses recorded by private banks in March were more than offset in the aggregate by the capital contributions carried out at one institution. The net worth of this group of institutions thus rose 0.5%,** while their cash compliance ratio held relatively steady, at 15.6% of assets, weighted by risk**. Cumulative capitalizations for the first quarter of the year totaled $2 billion for the whole of the financial system.**

- In March, financial system assets witnessed a 1.9% contraction, mainly brought about by the decrease in the liquid assets of one public institution of magnitude in order to meet the withdrawal of National Public Sector funds, these being destined to debt payments. In y.o.y. terms, however, a 10.2% increase in the financial system's netted assets was recorded. **Credit to the private sector closed out the first quarter with a 29%a. increase.**

- **Private banks continued to reduce their exposure to the Public Sector during March, with a level representing 38.9% of total assets, or 0.3 p.p. less than in February. So far this year, this indicator has evidenced a 2.1 p.p. decline.**

- **The recovery in the quality of the financing portfolio directed at the private sector gained momentum during the month, showing a 1.5 p.p. decline in financial system non-performance (down to nearly 16%) and of 1 p.p. in that of private banks (to 12.8%).** The portfolio continuing to demonstrate the greatest drop in non-performance is the commercial one. Public banks and national-scale retailers drove the improvements seen in the quarter.

- The balance of total financial system deposits in the first quarter increased 10.6%a., spurred on by the 32.1%a. rise in private sector deposits. The quarterly increment in total private sector deposits was led by time deposits, which rose 45.4%a..

- **In March, private banks received $1.9 billion in additional funding thanks to the increase in private deposits. These institutions also obtained $1.2 billion in resources via the sale of Public Sector values and the $475 million reduction in liquid assets. As regards the application of funds, the better part of the resources captured was directed to the cancellation of $1.5 billion in outstanding bonds and external commercial lines, to the $905 million increase in loans to the private sector and to the payment of $765 million in rediscounts with the BCRA.**

Profitability:

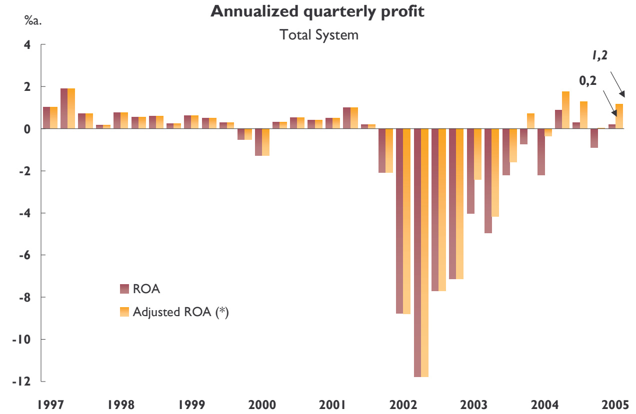
Improvements in the quarter despite non-current losses

Recorded in the financial system's balances in March was a $41 million loss (-0.2% annualized of assets), closing out the first quarter of 2005 with a nearly $110 million positive result, representing 0.2% annualized (a.) of assets (see Chart 1). In terms of profitability, this represents a significant improvement with respect to the same quarter of 2004, when the ROA for the quarter was -2.2%a.. A trend toward a gradual recovery of financial system results is thus reaffirmed, despite there continuing to be volatility, declining but still significant, in the monthly evolution of profitability (see Chart 2). **Leaving aside the amortization of court orders and public sector asset valuation adjustments (headings linked to the gradual acknowledgement of the costs of the crisis and not associated with current bank operating profitability), March showed $121 million in profits (0.7%a. of assets) and nearly $600 million (1.2%a. of assets) for the entire quarter.** Seen as well is a marked y.o.y. advancement in this adjusted profitability, if one takes into account that this figure totaled -$170 million (-0.4%a. of assets) for the same quarter of 2004.

Losses recorded in March were concentrated in private banks, with negative results of $104 million (-1%a.), largely due to the extraordinary results of one institution in particular[1]. The number of private banks showing profits in March was down by 3, just to 36 institutions. Private banks closed out the quarter with a $91 million (-0.3%a. of assets) loss, considerably better than for the same period one year earlier (losses close to $630 million, or 2.2%a. of assets). The adjusted result for the first quarter excluding the amortization of court-ordered payments and adjustment on asset valuation totals $221 million (0.7%a. of assets) for private banks, whereas one year ago there was a $68 million loss (0.2%a.). In March, public banks saw results totaling $63 million (1%a.), with nearly $200 million in profits (1%a.) for the quarter. These rise to $375 million (1.9%a.) if the amortization of court orders and public sector asset valuation adjustments are excluded.

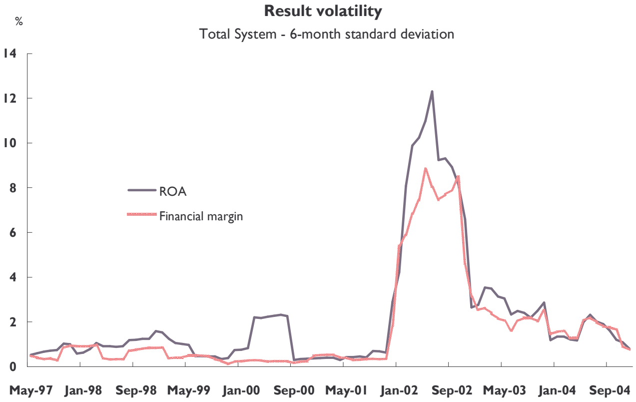
The monthly decline in private bank results was fundamentally due to the actions of a specific institution, which sold part of its government securities holdings, leading thus to the negative impact on asset income for the aggregate of public banks. This decrease should therefore be considered a negative shock of a non-recurring nature on profitability and not as a change in the trend toward a gradual recovery in results. Asset-related losses, together with an increase in operating costs, higher loan loss provisions and lower income due to the revaluation of assets and liabilities in foreign currency (exchange rate differences) ended up overshadowing the positive trend characterizing headings such as income on interest and services.

Chart 1
Annualized quarterly profit
Total System



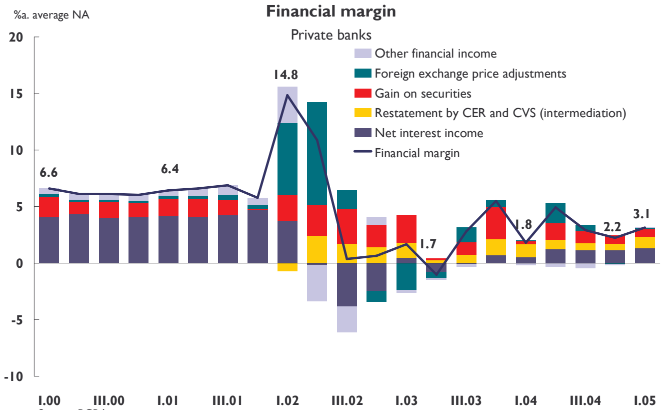
Source: BCRA. (*) Net of amortization of court-ordered releases and adjustments to the valuation of public sector assets.

Chart 2
Result volatility
Total System - 6-month standard deviation



Source: BCRA

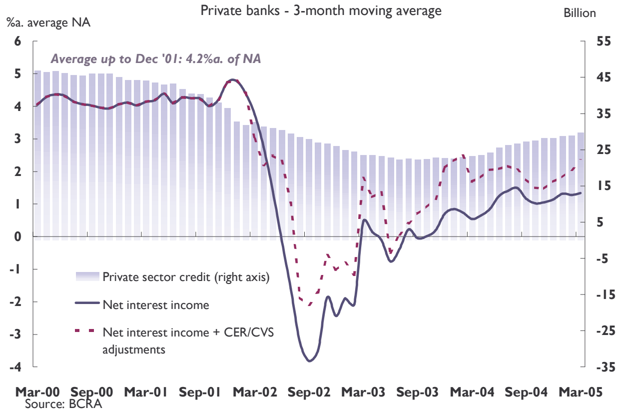
Chart 3
Financial margin
Private banks



Source: BCRA

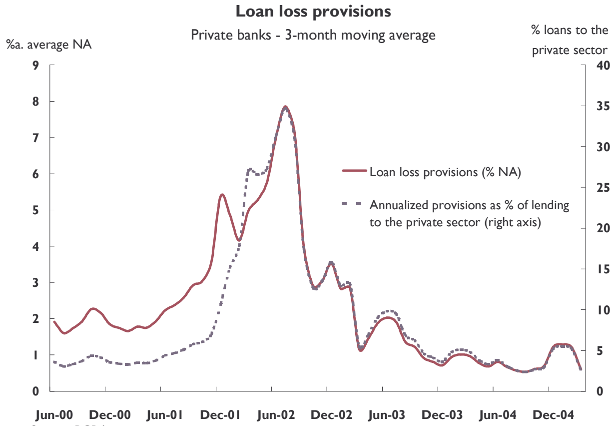
[1] Excluding this institution from the calculation, the ROA of private banks falls between February and March, but continues showing positive values (going from 1.5%a. to 0.5%a.).

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



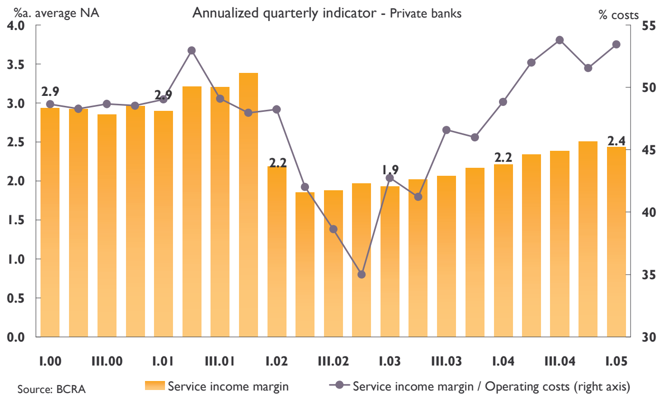
Source: BCRA

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



Source: BCRA

Chart 6
Service income margin
Annualized quarterly indicator - Private banks



Private banks saw their financial margin fall from 4.1%a. to 2.8%a. in March, driven by a particularly volatile heading, such as gains from securities, which declined nearly 1.4 percentage points (p.p.) and thus recorded a loss of 0.4%a. of assets. The change was almost entirely accounted for by the aforementioned institution, which for a second straight month liquidated BODEN holdings to acquire the liquidity necessary for facing up to external obligation payments in March. Further deteriorating the financial margin in March was a lower income due to quotation differences, with a slight drop in the exchange rate (which in addition to profits in the purchase and sale of currencies include income accrued from the revaluation of assets and liabilities in foreign currency) decreasing by one-half, down to 0.3%a. of assets. If one looks at the quarterly evolution of the financial margin, a 1 p.p. rise is observed between the first three months of 2005 and the last quarter of 2004, thanks to the increase in interest income and the CER adjustment (see Chart 3).

March saw some growth in the components of the traditional financial margin base (see Chart 4). While CER adjustments held at a level of 1.3%a. of assets, interest income rose slightly to 1.4%a. of assets, the highest level in the last three months. This increase was explained by accrued interest on loans (with higher interest charged on promissory notes, and, to a lesser extent, on overdrafts and credit cards), with this rise more than offsetting the increase in interest paid out on deposits. In addition, and in smaller measure, the improvement in interest income reflects a lowering in interest paid to the BCRA, a drop which is consistent with the current process of cancellations and installment payments in advance within the bid scheme implemented by this Institution. Furthermore, the reduction in charges for loan devaluation caused a small increase in the heading sundry income up to 0.1%a. of assets.

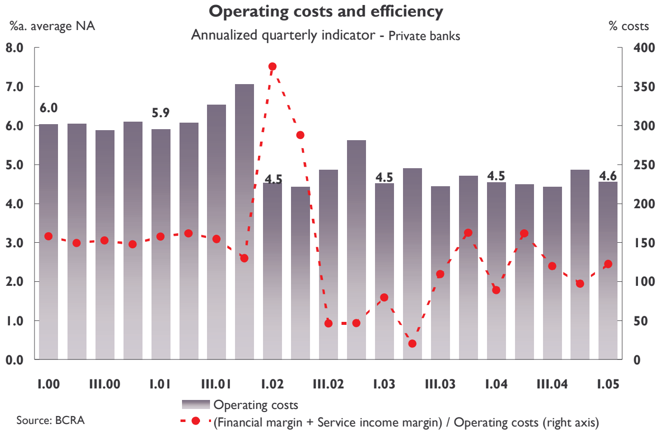
Added to the monthly decline in private banks' financial margin was an increase in their loan loss provisions. This increment, to be expected due to the adjustments usually carried out before the close of the quarterly exercise, resulted in these costs representing 0.7%a. of assets in March, similar to the figure observed in March of last year. In perspective, loan loss provisions have continued on a downward trend, however (see Chart 5). This reflects a more solid macroeconomic context, leading to a banks' lower credit risk. Costs for the first quarter (0.6%a. of assets) are roughly half of those recorded for the same period last year, as well as being below those of the same quarter in 2003 and 2002 (1.2%a. and 3.4%a. of assets, respectively). Measured as a percentage of loans to the private sector, loan loss provisions total 2.6%a. for the first quarter of 2005, almost 1 p.p. lower than that in effect prior to the crisis.

Private banks' income from services went from 2.3%a. to 2.5%a. of assets in March. Looking at the quarterly total, service income reached 2.4%a., above that recorded for the first quater of 2004 (2.2%a.) and 2003 (1.9%a.). This thereby confirms a persistent upward trend in this income heading, permitting that it cover an increasing percentage – more than half – of operating costs, with levels being higher than those existing prior to the 2001-2002 crisis (see Chart 6).

Chart 7

Operating costs and efficiency

Annualized quarterly indicator - Private banks



Operating costs in March rose 0.4 p.p. and represented 4.8%a. of private bank assets (0.1 p.p. above the figure for March 2004). Driving this increase were different factors in the various institutions; in many cases these caused a temporary effect, for example, the payment of annual incentives or specific increases in headings such as advertising costs or the depreciation of fixed assets, making it thus unlikely that the aforementioned factors make up a defined trend. Given the fall in monthly net income, a decrease in operating cost coverage by income was produced, this figure totaling nearly 110% in March. However, over time the gains achieved in the area of cost coverage are noteworthy: during the first quarter the coverage in private banks was greater than 120%, while cost coverage totaled 90% for the same period the previous year (see Chart 7).

Lastly, the increment in unaffected provisions more than offset the increase recorded in the cost on other provisions, which, as a consequence, permitted that private banks' sundry income rise slightly in March, up to 0.8%a. of assets. For their part, headings related to progressive acknowledgement of the crisis held steady, representing close to 1%a. of assets (0.9%a. in the amortization of court orders and 0.1%a. in adjustments on the valuation of public sector assets); income taxes showed a mild increase, to 0.2%a. of private bank assets.

Table I

Profitability by groups

Annualized ROA in % - by type and area coverage

	2004	QI 2004	Q4 2004	QI 2005	Percentage share of NA (QI-2005)*
Public	0.3	-2.2	0.9	1.0	*38.8*
Private	-1.0	-2.2	-2.1	-0.3	*60.4*
Retail	-1.0	-2.0	-2.3	-0.2	*57.7*
National coverage	-1.5	-2.7	-2.3	-0.7	*45.1*
Regional coverage	1.2	0.9	-2.3	1.7	*12.1*
Specialized	0.5	1.3	-0.4	2.4	*0.6*
Wholesale	-1.9	-6.4	2.3	-2.4	*2.7*
Non-bank institutions	2.2	-2.0	0.9	0.2	*0.8*
TOTAL	-0.5	-2.2	-0.9	0.2	*100*
TOTAL (**)	0.7	-0.4	0.0	1.2	*100*

(*) Percentage share of total NA according with data available for the mentioned

(**) Net of the amortization of court-ordered releases and adjustments to the valuation of public sector assets (Com "A" 3911 and 4084).

Source: BCRA

Nearing the close of first quarter 2005 balances, a **generalizad improvement in profitability is seen, both with respect to the quarter immediately preceding and to the same period in 2004** (see Table 1). Both retail banks with a regional scope and specialized ones, groups which have been performing better in relative terms, ended the quarter with positive and growing results. For their part, retail banks with national scope, the subgroup having the greatest weighting, recorded losses for the quarter (-0.7%a. of their assets), representing nearly a third of those recorded in the previous quarter and in the first quarter of 2004. Only wholesale banks, a subgroup whose profitability is particularly volatile, saw its profitability deteriorate somewhat as a result of sundry lower results, as well as to a decline in gains from securities and in interest accrual. In turn, **the public banking sector greatly improved its profitability, recording profits for the fourth consecutive quarter thanks to higher CER adjustments, and, to a lesser extent, to gains from securities, showing, in addition, a cost structure with a lesser weighting[2].**

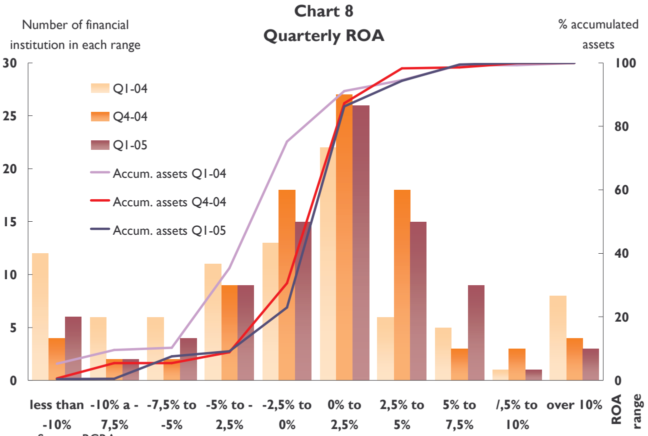
An analysis of quarterly results at an individual level also reveals an improvement of a generalized nature. **There is a continuous increase over time in the number of banks showing positive results, up to 54 of a total of 90 institutions in the first quarter of 2005[3]** (see Chart 8). Also implied here is that **banks registering losses represent an ever lower percentage of total financial system assets[4]**: whereas in the first quarter of 2004, 75% of assets pertained to institutions evidencing

[2] The better relative profitability of public banks this quarter still holds, even if adjusted profitability is considered (that is, excluding amortization of court orders and adjustments on the valuation of public sector assets). The adjusted ROA is 1.9%a. for public banks in the first quarter of 2005, and 0.7%a. for private banks.

[3] Considering exclusively those institutions with information available for the three periods under analysis: the first and fourth quarter of 2004 and the first quarter of 2005.

[4] This is seen in the Chart via the shift to the right of the curve accumulating the assets of the institutions included in each range of the ROA.

Chart 8
Quarterly ROA



Source: BCRA

Table 2
Main developments in April

	Mar	Abr	Chg. %
Prices			
Exchange rate ($/US$)[1]	2.92	2.91	-0.3
CPI	157.39	158.16	0.5
CER[1]	158.44	160.70	1.4
	%		Chg. (p.p.)
Average percentage rates			
Lending[2]			
Overdraft	14.4	14.4	-0.1
Promissory notes	9.9	9.5	-0.4
Mortgage	11.0	11.4	0.4
Pledge-backed	10.4	10.1	-0.4
Personal	27.2	26.9	-0.3
30- to 44-day time deposit	3.2	3.3	0.1
1-year LEBAC in pesos, w/o CER	5.9	7.0	1.1
7 day BCRA repos	2.8	3.2	0.5
	million $		Chg. %
Balance[1,2] - Private banks			
Peso deposits - Private sector	53,538	53,883	0.6
Sight deposits	29,134	28,967	-0.6
Time deposits	23,490	24,109	2.6
Peso loans - Private sector	24,568	25,654	4.4
Overdraft	5,603	6,199	10.7
Promissory notes	4,946	5,150	4.1
Mortgage	5,036	5,097	1.2
Pledge-backed	849	891	5.0
Personal	2,515	2,648	5.3

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

losses, toward the final quarter of the year this percentage had fallen to 31%, and continued to decline to 23% by the first quarter of 2005.

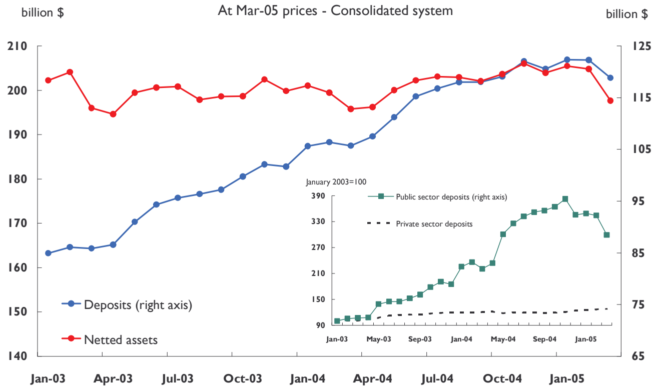
Outlook for April

Given the influence of non-recurrent movements on the decline in profits in March, and in the measure to which no significant negative adjustments are seen (linked, for example, to the sovereign debt exchange), **banks in April are expected to get back on the path of progressively better profitability.** Based on available data, it is expected that the financial margin recover this month. On the one hand, the increase in the loan balance, with growth in all the credit lines and a hefty increase in overdrafts, would lead to a greater interest income, despite the slight negative trend that lending rates continue to show (see Table 2). Revenues from repos would also increase, within a context of rising interest rates. This increase in income, together with lower interest payments on debts with the BCRA (based on cancellations and installment payments in advance) would allow for an offsetting of the rise in interest rates paid on deposits, due to a larger balance of time deposits and with a slight rise in interest rates paid. Likewise, the evolution of the CER index, with a 1.4% monthly increase, 0.3 p.p. above the rise observed in March, and the fall in adjustable liabilities (by means of the reduction of adjustable liabilities with the BCRA) some increase in accrued adjustments should be seen. Perhaps partially offsetting these advances are losses due to the revaluation of assets and liabilities in foreign currency, as the peso/dollar exchange rate dropped slightly between month-ends. The continued decline in the currency mismatch, however, which was based this month on the beginning of the balance registration of the exchange of securities in dollars for securities in pesos because of the sovereign debt restructuring, helps to soften the magnitude of this effect. There is room for optimism in the possibility of the banks' recording profits in April, helping out thus with the recovery process of solvency in the sector because of additional factors like the positive trend in service income and perhaps a drop in loan loss provisions (following the increment seen in March due to the quarterly balance close).

Activity: A strengthening of the growth in private deposits

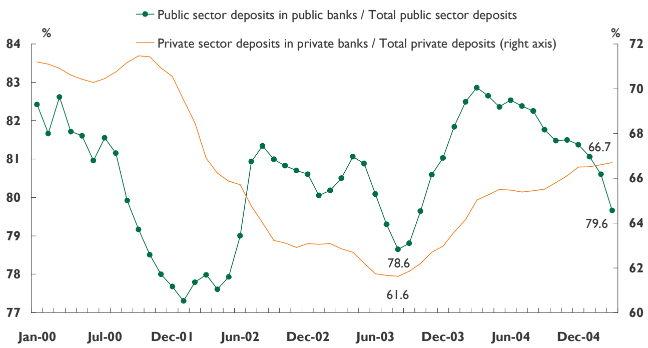
March saw continued revitalization in financial intermediation, above all in terms of the evolution of private sector deposits and the growth of credit in that same sector. Despite the 1.9% (-21%a.) contraction in financial system netted assets in March, the main factor behind this movement was the decrease in the liquid assets of one public institution of magnitude, in order to face up to the withdrawal of deposits by the National Public Sector (to be able to meet external and local obligations). **From an interannual perspective, financial system assets continue on the path to recovery, with a nominal growth of 10.2% y.o.y.** which in real terms (adjusting for retail price variations) was close to 1% y.o.y. (see Chart 9).

Chart 9
Netted assets and deposits
At Mar-05 prices - Consolidated system



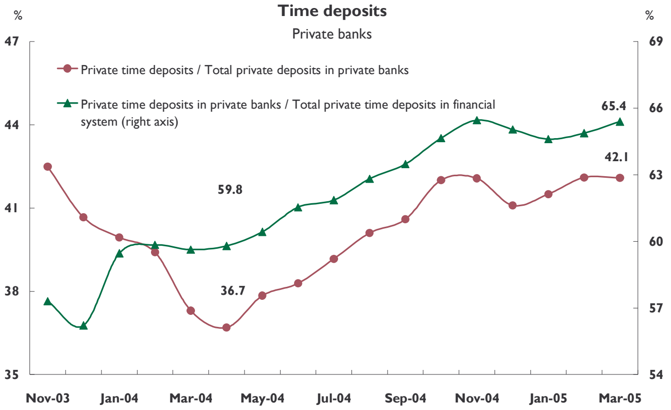
Source: BCRA

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



Source: BCRA

Chart 11
Time deposits
Private banks



Source: BCRA

The fall in National Public Sector deposits led to a 1.3% (14.4%a.) reduction in March in the balance sheet of consolidated financial system total deposits[5]. However, **there was a 2.5% (10.6%a.) increase in total financial system deposits at the close of the first quarter, while private sector deposits kept up their expansion pace, rising 7.2% (32.1%a.) for the quarter. The quarterly rise in private sector deposits in the financial system was led by a 9.8% (45.4%a.) increase in time deposits**, while sight deposits (current accounts and savings accounts) recorded a 6.4% (28%a.) increase.

In March, deposits in official institutions saw a 14.8% (85.3%a.) decline, accounting for large part of the drop in public sector deposits. It is likely that readjustments of this sort in Public Sector deposits will continue to be seen in the next few months. This is based on the sector's normal obligations as well as possible movements linked to the sovereign debt restructuring process.

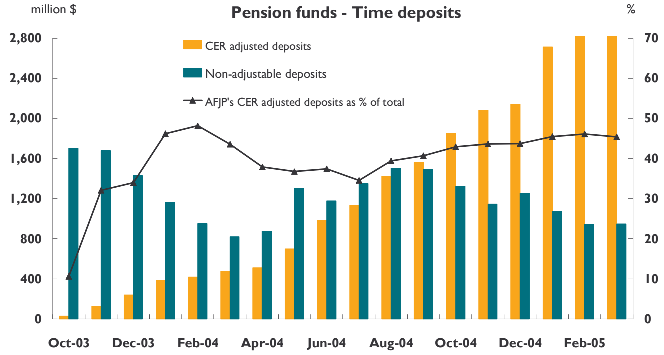
The increase observed in private sector deposits in March was concentrated in private banks, with over 80% of the rise going to this group of institutions, leading to a 3% (42%a.) positive variation in this type of deposit. This increase is in line with the pattern observed as of mid-2003 (see Chart 10). In particular, and in line with what has been observed since early 2004, **the participation of time deposits in private institutions rose 0.5 p.p. in March with respect to total time deposits made by the private sector in the financial system** (see Chart 11). In addition, the relative share of time deposits within total deposits in private banks held almost constant at 42.1%. Over the next months, once the increased need for liquidity associated with tax payments is over with, the growth of the relative participation of time deposits in total deposits ought to be reestablished, thus improving the average maturity of institutions' liabilities and creating a more favorable context for an increase in the average term of the credit supply.

Private sector CER-adjusted time deposits in the financial system increased 3.6% (52.2%a.) in March, with the AFJPs (pension fund managers) accounting for a quarter of this positive variation, this proportion being lower than that recorded in the last few months. The AFJPs continue to hold more than 45% of CER-adjusted private deposits in the financial system (see Chart 12). This type of deposit showed great activity in the quarter, having increased 30% (186%a.), making it one of the alternatives chosen by economic agents looking to lower the effects of price variations on the real value of their assets.

In March, there was a 42%a. increase in the balance of financial system loans to the private sector[6], resulting in a 29%a. increse in the first quarter of 2005[7] (see Table 3). Showing much activity in the quarter were private bank loans, principally commercial loans (which rose at a rate of 34%a., double that recorded in the previous quarter). Although this quarter the public bank sector saw a slowdown in its

[5] Included are the deposits of residents abroad and deposits of government securities, in addition to total interest and accrued adjustments. Not included are financial sector deposits nor reprogrammed deposits which are going to be exchanged for government securities.
[6] Balance sheet information. Credits in foreign currency are expressed in pesos at an average exchange rate. Not included are interest accrued nor adjustments for CER. There is no adjustment for irrecoverable loans written off from balance sheet.
[7] If the whole of all credits including interest accrued and the CER adjustment are considered, growth for the quarter is 26%a.

Chart 12
Pension funds - Time deposits



Note: Non-adjustable deposits include those from Nación AFJP classified as "investments in regional economies"
Source: BCRA from Superintendencia de Administradoras de Fondos de Jubilaciones y Pensiones data

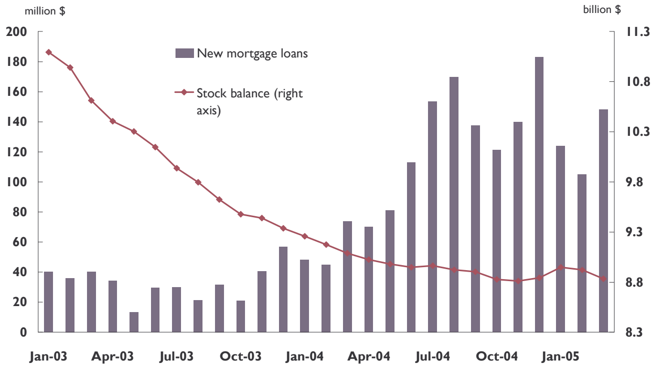
Table 3
Loans to the private sector by group of banks

% change based on balance sheet totals

	Q4 - 04	QI - 05	Mar-05	Share of total 2005
Public banks				
Total loans	**46**	**35**	**43**	**29**
Commercial	89	60	111	22
Consumer	147	100	81	29
Collateralized	11	5	2	42
Other	-19	-13	-14	23
Private banks				
Total loans	**19**	**26**	**41**	**69**
Commercial	17	34	29	78
Consumer	46	45	72	64
Collateralized	-1	0	-16	56
Other	29	23	254	77
Total system				
Total loans	**28**	**29**	**42**	**100**
Commercial	30	39	44	100
Consumer	70	62	75	100
Collateralized	6	4	-7	100
Other	19	6	152	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 includes 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

Chart 13
Financial system mortgage loans



Source: BCRA

credit expansion, significant increases continue to be seen, particularly in lines linked to consumption.

Within the main commercial credit lines in the whole of the financial system, the promissory notes of the consolidated financial system rose 1.9% (25%a.) in March, while current account overdrafts showed a slight 1.24% (-14%a.) decline. Standing out in March was the behavior of credit lines for the financing and prefinancing of exports, with a 20.9% (876%a) increase and ending the first quarter of the year with a 35.6% (238%a.) increase.

In terms of consolidated financial system consumer loans, there was a 6.8% (120.5%a.) increase in personal credit lines for the month; this reflected institutions' efforts to position themselves in the financing market for durable consumer goods. In complementary fashion, financing transactions via credit cards rose 2.2% (29.4%a.) in March.

As regards collateral loans, there was a 1.46% (19.1%a.) increment in March in pledge-backed loans, in line with the increase in sales of trucks for production activities. Mortgage lines declined 1% (-11.3%a.) for the month, but this decrease falls to 0.3% (-3.6%a.) if one takes into account the effect of the issue of nearly $62 million in mortgage bonds by a major institution. Mortgage loans thus close the quarter with a slight 0.14% (-0.5%a.) decline, mainly associated with the cancellation of part of the outstanding credit stock. Lastly, the strong growth seen in new mortgage loan deposits (even though led by a small group opf institutions) should be considered a clear sign of an upcoming reversal in the downward trend seen up to now in this segment's balances (see Chart 13).

In terms of private banks' flow of funds in March, **new non-financial private sector deposits** (excluding CEDRO)**, which totaled $1.88 billion** (see Table 4) **constituted the main source of funds.** In second place was a $1.09 billion sale of public sector assets (with the involvement of one private institution, in particular). In complementary fashion, private institutions recorded a $475 million decrease in their liquid assets, mainly accounted for by the reduction of the repos with the BCRA ($890 million). A decline of 1.5 p.p. in the liquidity indicator of private banks, down to 27.5% of total deposits (see Chart 14) was generated by a drop, for the second consecutive month, in the holding of liquid assets. The source of funds of the aggregate of private banks was rounded out with a $190 million capital contribution, on the part of SEDESA to a private institution; the rise in public sector deposits in private institutions, which totaled $120 million; and the decrease in the holding outstanding bonds and subordinated debt.

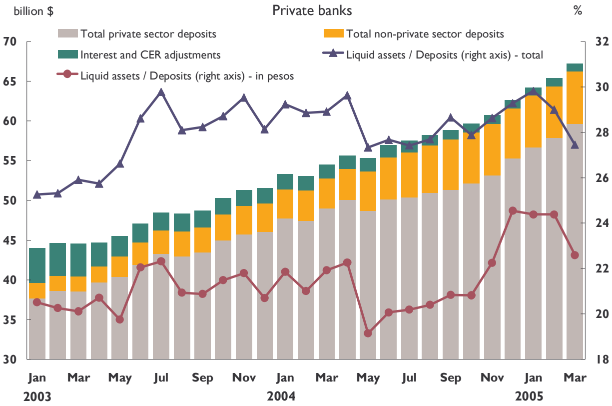
In March, private banks' application of funds centered on three things. Firstly, the cancellation of debts with foreign creditors (outstanding bonds and subordinated debt and credit lines) for a total of nearly $1.5 billion, in large part explained by the actions of a private large-scale institution (the same institution that sold a considerable share of its holdings in government securities during the month). **Secondly, an increase in credit to the private sector of $905 million, representing almost half of the funds captured in the way of private deposits for the month, reflected an ever more dynamic**

Table 4
Estimated sources and uses of funds
Private banks - March 2004
million pesos

Source		Uses	
Private sector deposits [4]	1.875	O.B.,S.D. and foreign lines of credit [6]	1.500
Loans to the public sector	1.090	Loans to non-financial private sector[1]	905
Liquid assets [2]	475	BCRA rediscounts	765
Reverse repos	890	LEBAC and NOBAC stocks[5]	335
Capital injections	190	CEDRO[3]	110
Public sector deposits	120	Other	210
Outs.bond and sub.debt investments	75		

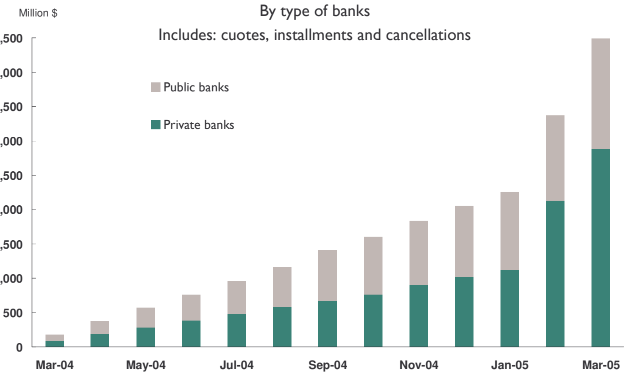
(1) Adjusting for credit written off from balance sheet and transfers between loan portfolios and trust funds.
(2) Minimum cash compliance (cash, current account with the BCRA and special collateral accounts), other liquid assets (with foreign branches or head offices) and reverse repos with the Central Bank
(3) 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.
(5) Net of repos
(6) Outstanding bonds and Subordinated debt.
Source: BCRA

Chart 14
Deposits and liquidity
Private banks



Source: BCRA

Chart 15
Accumulated payments to BCRA
By type of banks
Includes: cuotes, installments and cancellations



Source: BCRA

credit activity. Lastly, the payment of liabilities had by financial institutions with the BCRA for $765 million. Completing the application of funds, institutions increased their holdings of LEBAC and NOBAC not tied to repo transactions, while the stock of CEDRO continued to decrease.

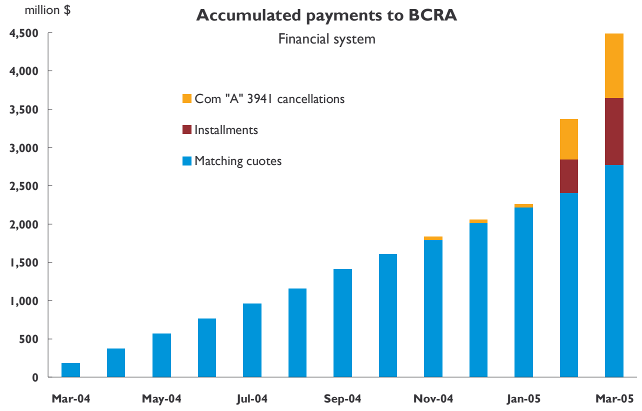
Special mention should be made of the payments carried out by the financial institutions in the way of obligations with the Central Bank. Under the commonly-called matching scheme, private banks made payments in March totaling approximately $87 million, while within the framework of the second auction for the payments in advance of the aforementioned scheme (held in February and with accounting effects in March) there were payments for nearly $360 million. Likewise, and given the possibility of carrying out early cancellations as foreseen in Decree No. 739/2003, a group of private institutions made payments totaling approximately $314 million. As a result, from March 2004 to March 2005 private institutions carried out payments totaling $2.89 billion, with public institutions doing the same for an amount close to $1.6 billion (see Chart 15). A breakdown of the payments made as per the mechanisms employed, shows that to March the consolidated financial system had paid $2.77 billion for the periodic matching payments/cuotas, $880 million paid by the installments scheme and $840 million in early cancellations (see Chart 16), for a total of approximately $4.49 billion. Thus, and by means of the aforementioned payment mechanisms, of the 24 institutions originally in debt with the BCRA, only 15 still had pending obligations to March 2005[8]. It is expected that financial institutions will continue over the upcoming months with this process of advanced payment of obligations with the BCRA, thereby permitting an improvement in the financial profile of same, with potential effects on the cost of financing.

In March, the foreign currency mismatch of private banks saw a decrease of nearly US$150 million, explained for the most part by two factors (see Chart 17). Firstly, a considerable sale of foreign currency-denominated government securities was carried out by one private institution (see Profitability section), even though the resources thus obtained went to cancelling foreign obligations[9]. In a complementary manner, several banks reduced their exposure to public debt in foreign currency, after observation, by way of accounting, of some of the effects of the sovereign debt exchange ended in February [10].

In general terms, the consolidated financial system continues on the path of decreasing its Public Sector exposure, within the framework of the regulations established by this Institution. **In effect, in March there was a 0.3 p.p. decline in the exposure of private banks to this sector (down to 38.9%), and revealing a cumulative drop of 2.1 p.p.**

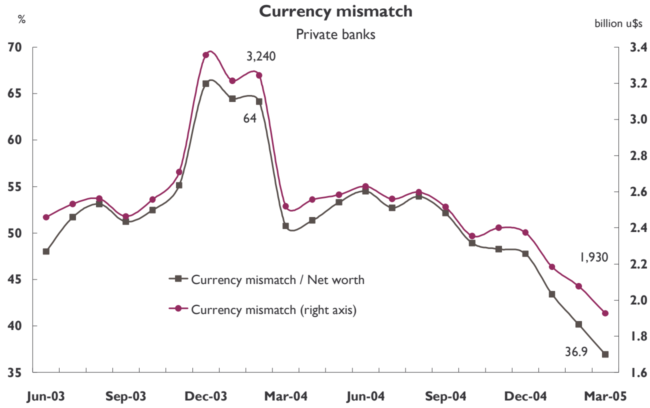
[8] Although this Report presents an analysis of the monthly accounting information of financial institutions to March 2005, it should be pointed out that these institutions continued to make contributions within the context of the matching scheme, made early payments in a third auction of payments held last April, and cancelled part of their debts in advance. In effect, and as will be analyzed in the next few issues of this Report, in early May only 12 institutions continued to have obligations pending with the BCRA, while the set of financial institutions showed cumulative payments totaling $5.34 billion.
[9] The institution mentioned liquidated government securities in previous months to be able to meet part of payments due in March.
[10] The sovereign debt swap process will imply additional accounting effects in the financial institutions in the upcoming months of 2005.

Chart 16
Accumulated payments to BCRA
Financial system



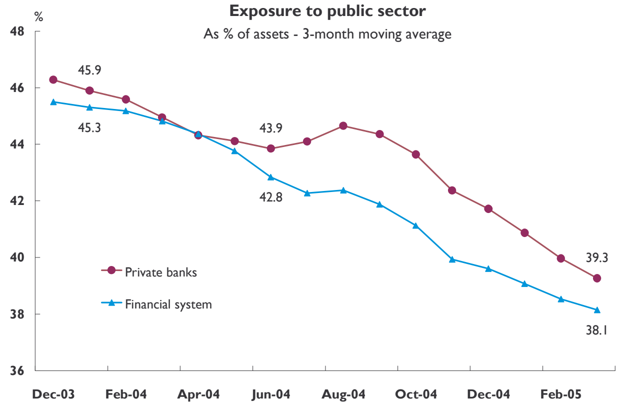
Source: BCRA

Chart 17
Currency mismatch
Private banks



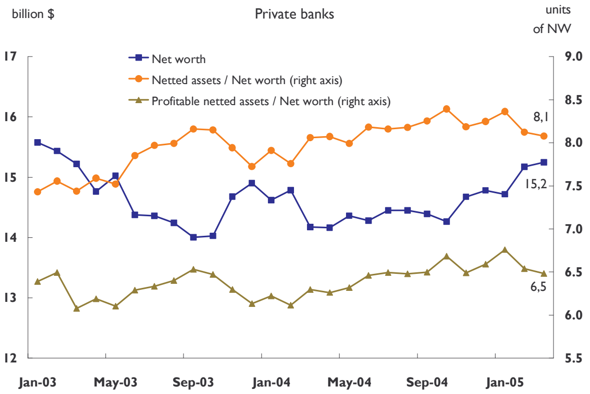
Source: BCRA

Chart 18
Exposure to public sector
As % of assets - 3-month moving average



Source: BCRA

Chart 19
Netted assets and net worth
Private banks



Source: BCRA

in the year. For its part, the financial system's ratio rose slightly for the month (0.6 p.p.) to a level of 38.5%, exclusively reaping the effect of the aforementioned fall in total assets (see Chart 18, which shows a 3-month moving average of the evolution of this indicator).

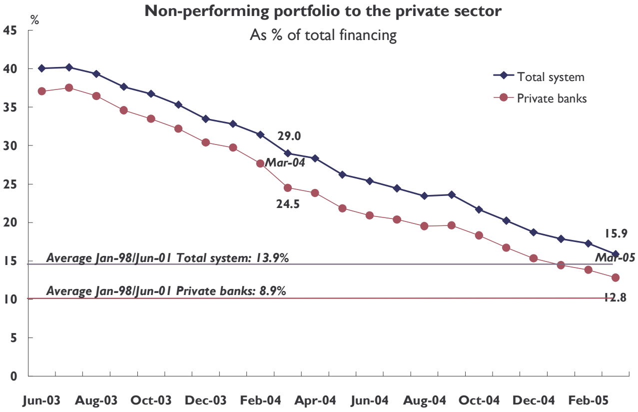
In terms of solvency, **losses recorded for the month by private banks were more than offset by the capital contribution mentioned previously.** Consequently, **private institutions saw a 0.5% increase in their net worth in March** (see Chart 19), **with a cumulative increase of 2.2% for the first quarter.** In addition, public and private banks' capitalization processes for the first quarter of the year total $2 billion. In terms of the degree of leverage (assets over net worth), private banks witnessed a smaller decline in March to 8.1 times, explained by a slight reduction in private institutions' netted assets and the mentioned increase in net worth. For its part, **the capital compliance ratio of private banks held relatively steady at 15.6% for the month**, even though a slight increase was recorded in assets weighted by risk. Lastly, private banks' total capital position went up 2 p.p. in March, to 132.3%, within the context of a slight reduction in total capital requirements.

Portfolio quality:
Non-performance down by half in the last 12 months

There was an accentuation in March in the continuous recovery in the quality of financing to the private sector. **For the financial system as a whole, non-performance in the portfolio destined to the private sector declined by 1.4 p.p. (the greatest so far this year), to 15.9%. This indicates that non-performance is down to nearly half of what it was twelve months ago and to a third of the figure seen in the same period in 2003. In the particular case of private banks there was a 1 p.p. decrease, to 12.8%,** with a recovery pattern similar to the one witnessed by the aggregate financial system. Although the non-performance level in both cases is already lower than that in force at the end of 2001, additional cuts still need to be made in order to get to levels equal to or better than those existing prior to the crisis (see Chart 20), in line with standards proper to emerging economies. In this sense, there is still optimism as to perspectives regarding the continuity of the normalization process of the portfolio to the private sector, in a context of expanding credit, decreasing credit risk and the active restructuring of preexisting financing. Furthermore, the continual recalibration, or fine tuning, of existing regulations to note the peculiarities of the current recovery context and provide incentive for strengthening the credit offer, above all for the SME sector (see annex in Latest Regulations), accentuate the positive perspectives of the lower non-performance levels.

With respect to the last quarter in particular, with a cutback of nearly 3 p.p. in financial system non-performance, **there has been a generalized improvement in portfolio quality among the different bank groups, although some protagonism is observed on the part of subgroups with a greater scope.** Public banks and retail banks having

Chart 20
Non-performing portfolio to the private sector
As % of total financing



Source: BCRA

Table 5

Non-performing portfolio by group

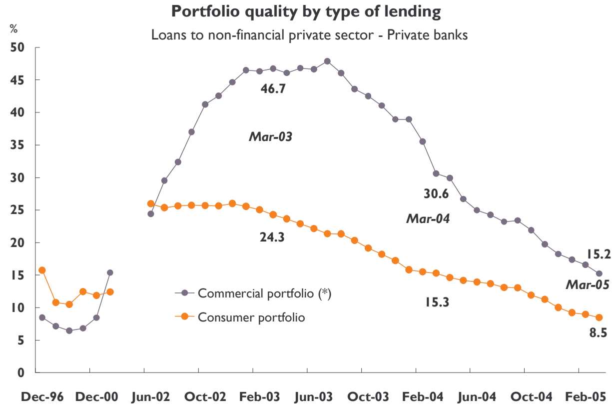
As a % of non-financial private sector financing

	Dic-02	Dic-03	Dic-04	Mar-05	% percentage of Priv. Sector financing (*)
Public	44,9	46,8	27,3	23,2	*30,5*
Private	37,5	30,9	15,3	12,8	*67,4*
Retail	37,7	30,9	15,3	12,8	*64,8*
National coverage	38,8	34,0	17,1	14,3	*47,9*
Regional coverage	27,7	16,0	10,6	8,3	*15,5*
Specialized	36,5	32,4	11,5	9,9	*1,4*
Wholesale	33,7	32,0	14,8	13,9	*2,6*
Non-financial institutions	36,6	16,6	7,6	7,5	*2,1*
TOTAL	**39,6**	**35,2**	**18,7**	**15,9**	*100,0*

(*) Last month.

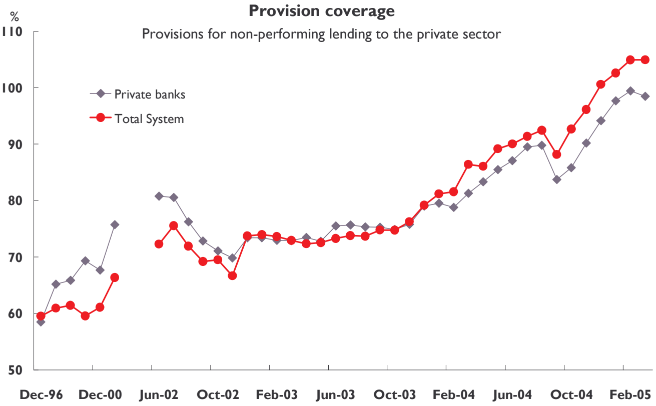
Source: BCRA

Chart 21
Portfolio quality by type of lending
Loans to non-financial private sector - Private banks



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

Chart 22
Provision coverage
Provisions for non-performing lending to the private sector



Source: BCRA

a nationwide scope, which have the more heavily weighted portfolios but with higher non-performance, showed the most significant fall in the relative amount of financing classified as non-performing, within a context of generalized improvement (see Table 5). The greatest advancements so far this year have been those made by public banks, with a decrease of almost 3 p.p. for the quarter), although they do show the worst indicators in the system, with a non-performance rate of over 23%. Already showing single-digit non-performance figures are regional retail banks and specialized banks, with more improvement expected in this non-performance rate.

The lowering of the non-performance rate in March was the result of both the increased level of financing and the decrease in the amount of financing classified as irregular. The first of these fators reflects the lower credit risk of these new transactions, with this expansion in credit giving rise to an increase in portfolio quality. For its part, the decline in financing classified as non-performing is due to diverse factors, among which are the regularization of the repayment of different agents (for example, the varied liability restructuring processes) and an improved outlook as regards future payment capacity. As has already been mentioned, to the measure in which new, better quality credit continues to increase and the improved financial position of different sectors continues leading to a progressive updating with respect to of repayment, the trend toward lower non-performance is expected to continue.

Continuing to lead the diminishment of non-performance in March was the commercial portfolio, with a delinquency ratio that declined 1.4 p.p. in the case of private banks, down to 15.2% (see Chart 21), with a cumulative decrease of 3 p.p. for the quarter. **The portfolio of private banks destined to consumption, already at non-performance levels lower than those in force prior to the crisis, revealed a 0.5 p.p. drop in non-performance in March, down to 8.5%** (10.1% for the financial system). Given the higher level of erosion remaining in the commercial portfolio, it is expected that this continue to determine portfolio quality recovery activity.

Also observed in March was a diminishment in provision balances, consistent with the drop in financing deemed non-performing. Unlike what had occurred in the last few months, **the decline in provisions was proportionally higher for the month than that seen in amounts classified as irregular; this implies a certain decrease in private banks' indicator of coverage by provisions, to 98%** (see Chart 22). Despite this, the indicator of net worth exposure to credit risk continues at significantly low levels in historical terms: the total non-performing portfolio not covered by provisions accounts for 0.4% of the net worth of 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" 4310 – 03/06/05
Modification to the rules on Classification of debtors and Graduation of credit. As of May 2005, the amount of assistance to commercial debtors on which an institution may opt to classify them together with consumer or housing loans and evaluate these debtors based on their compliance with payment (days overdue) of the debts had with the institution is increased from $200,000 to $500,000. Likewise, the amount as from which institutions must apply maximum limits on the graduation of credit is $500,000. There is an extension from 1 year to 540 days on the delinquency of debtors in Chapter XI proceedings prior to their having to be classified as irrecoverable (situation 5) by financial institutions. In addition, the weighting of the amount of financing as from which figure institutions must classify the debtor as being at a high risk for insolvency in the case of a petition of bankruptcy is increased from 5% to 20% of the debtor's net worth.

Communication "A" 4325 – 03/17/05
Modification to the rules on Classification of debtors and Credit management. It was established that for the consumer portfolio the evaluation of payment capacity based on the income of the borrower in the event that statistical methods (credit scoring) are used for the assigning of credit will not be mandatory. This is so provided that the amount of capital in debt not exceed $15,000 and that the total portfolio in said conditions not exceed an overall limit (15% RPC or $30 million, whichever of these is higher).

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	Mar 04	Dec 04	Feb 05	Mar 05	Change (%) Month on month	Change (%) Accum. 2005	Change (%) Year on year
Assets	**153,140**	**163,550**	**123,743**	**187,532**	**186,873**	**182,702**	**211,021**	**219,014**	**213,149**	**-2.7**	**1.0**	**16.7**
Liquid assets[1]	20,423	20,278	13,005	17,138	27,575	27,506	29,139	29,246	26,382	-9.8	-9.5	-4.1
Public bonds	8,531	10,474	3,694	31,418	45,062	43,358	54,846	56,352	54,859	-2.6	0.0	26.5
Private bonds	477	633	543	332	198	165	387	399	397	-0.5	2.5	141.1
Loans	83,850	83,277	77,351	84,792	68,042	69,943	73,884	75,375	76,714	1.8	3.8	9.7
Public sector	12,138	15,164	22,694	44,337	33,228	34,474	31,097	31,239	31,268	0.1	0.5	-9.3
Private sector	67,934	64,464	52,039	38,470	33,398	34,027	41,090	42,348	43,502	2.7	5.9	27.8
Financial sector	3,778	3,649	2,617	1,985	1,417	1,442	1,697	1,788	1,944	8.7	14.5	34.8
Provisions over loans	-6,001	-6,907	-6,987	-11,952	-9,374	-8,597	-7,365	-7,304	-6,919	-5.3	-6.1	-19.5
Other netted credits due to financial intermediation	38,156	50,716	21,485	39,089	27,030	23,140	32,511	36,191	32,960	-8.9	1.4	42.4
Corporate bonds and subordinated debt	1,115	794	751	1,708	1,569	1,178	1,021	942	874	-7.3	-14.4	-25.8
Unquoted trusts	1,336	2,053	2,065	6,698	4,133	4,211	3,099	2,996	2,914	-2.7	-6.0	-30.8
Compensation receivable	0	0	0	17,111	14,937	13,984	15,467	15,325	15,169	-1.0	-1.9	8.5
BCRA	81	141	84	3,360	650	834	376	383	366	-4.4	-2.7	-56.1
Other	35,623	47,728	18,585	10,212	5,741	2,934	12,548	16,546	13,638	-17.6	8.7	364.9
Assets under financial leases	814	786	771	567	397	402	611	680	707	4.0	15.8	75.9
Shares and participation	1,838	2,645	2,688	4,653	4,591	3,305	3,862	3,924	3,985	1.6	3.2	20.6
Fixed assets and sundry	4,973	4,939	4,804	8,636	8,164	8,156	7,787	7,740	7,712	-0.4	-1.0	-5.4
Foreign branches	996	1,115	1,057	3,522	3,144	3,171	3,525	3,466	3,444	-0.7	-2.3	8.6
Other assets	3,560	3,950	5,334	9,338	12,043	12,154	11,834	12,943	12,908	-0.3	9.1	6.2
Liabilities	**136,252**	**146,267**	**107,261**	**161,446**	**164,923**	**161,824**	**188,555**	**194,620**	**188,618**	**-3.1**	**0.0**	**16.6**
Deposits	81,572	86,506	66,458	75,001	94,635	98,989	116,638	121,432	119,621	-1.5	2.6	20.8
Public sector [2]	7,232	7,204	950	8,381	16,040	19,356	31,651	32,368	28,626	-11.6	-9.6	47.9
Private sector [2]	73,443	78,397	43,270	59,698	74,951	76,571	82,981	86,827	88,977	2.5	7.2	16.2
Current account	6,478	6,438	7,158	11,462	15,071	16,960	18,201	18,707	19,596	4.8	7.7	15.5
Savings account	13,047	13,008	14,757	10,523	16,809	19,555	23,870	24,353	25,119	3.1	5.2	28.5
Time deposit	48,915	53,915	18,012	19,080	33,285	30,669	34,944	37,543	38,373	2.2	9.8	25.1
CEDRO	0	0	0	12,328	3,217	2,623	1,046	852	745	-12.5	-28.8	-71.6
Other netted liabilities due to financial intermediation	50,361	55,297	36,019	75,737	61,690	59,330	64,925	66,516	62,545	-6.0	-3.7	5.4
Call money	3,793	3,545	2,550	1,649	1,317	1,130	1,461	1,529	1,722	12.6	17.9	52.4
BCRA lines	315	102	4,470	27,837	27,491	27,378	27,726	26,797	26,088	-2.6	-5.9	-4.7
Outstanding bonds	5,087	4,954	3,777	9,096	6,675	6,576	7,922	7,657	6,339	-17.2	-20.0	-3.6
Foreign lines of credit	10,279	8,813	7,927	25,199	15,196	12,649	8,884	8,256	8,037	-2.7	-9.5	-36.5
Other	30,886	37,883	17,295	11,955	11,012	11,597	18,932	22,277	20,358	-8.6	7.5	75.5
Subordinated debts	2,206	2,255	2,260	3,712	2,028	1,665	1,415	1,392	1,342	-3.5	-5.1	-19.4
Other liabilities	2,113	2,210	2,524	6,997	6,569	5,955	5,578	5,280	5,110	-3.2	-8.4	-14.2
Net worth	**16,888**	**17,283**	**16,483**	**26,086**	**21,950**	**20,878**	**22,465**	**24,394**	**24,531**	**0.6**	**9.2**	**17.5**
Memo												
Netted assets	126,432	129,815	110,275	185,356	184,371	182,702	200,906	205,635	201,999	-1.8	0.5	10.6
Consolidated netted assets	122,270	125,093	106,576	181,253	181,077	179,379	196,925	201,541	197,645	-1.9	0.4	10.2

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Estadísticas: Sistema Financiero

Profitability structure

In annualized terms

As % of	Annual						First 3 months		Monthly			Last
netted assets	1999	2000	2001	2002	2003	2004	2004	2005	Ene-05	Feb-05	Mar-05	6 months
Financial margin	5,6	5,7	5,7	6,5	1,1	3,1	1,8	3,5	2,5	4,6	3,2	3,0
Net interest income	4,3	4,0	3,8	-1,7	-0,5	0,9	0,5	1,1	1,1	1,1	1,3	1,1
Restatement by CER and CVS	0,0	0,0	0,0	3,9	1,3	1,0	0,9	1,5	0,8	1,9	1,8	1,1
Gains on securities	0,9	1,2	1,2	1,7	1,1	0,4	-0,1	0,0	-0,7	0,5	0,0	0,0
Foreign exchange price adjustments	0,2	0,1	0,2	2,8	-0,5	0,9	0,7	0,8	1,3	1,1	0,1	0,8
Other financial income	0,2	0,4	0,5	-0,1	-0,3	-0,2	-0,2	0,1	0,1	0,0	0,1	0,0
Service income margin	2,9	2,8	3,0	1,9	1,9	2,0	1,9	2,1	2,2	2,0	2,2	2,1
Loan loss provisions	-2,1	-2,4	-2,6	-4,7	-1,1	-0,7	-0,8	-0,5	-0,4	-0,6	-0,6	-0,7
Operating costs	-5,9	-5,8	-6,1	-4,4	-4,2	-4,2	-4,2	-4,1	-4,0	-4,0	-4,3	-4,2
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	-0,4	-0,1	-0,1	-0,1	-0,1	-0,1
Adjustments to the valuation of government securities (*)	0,0	0,0	0,0	0,0	-0,4	-0,2	-0,5	-0,1	-0,1	-0,1	-0,1	0,0
Amortization payments for court-ordered releases	0,0	0,0	0,0	0,0	-0,6	-0,9	-0,8	-0,9	-0,9	-0,8	-0,9	-0,9
Other	0,5	0,4	0,6	-1,8	0,9	0,8	1,1	0,7	1,0	0,5	0,6	0,8
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	-1,8	0,3	0,0	1,1	-0,1	-0,3
ROA before monetary results	0,2	0,0	0,0	-3,1	-2,9	-0,5	-2,2	0,2	-0,1	1,0	-0,2	-0,3
ROA	**0,2**	**0,0**	**0,0**	**-8,9**	**-2,9**	**-0,5**	**-2,2**	**0,2**	**-0,1**	**1,0**	**-0,2**	**-0,3**
ROA adjusted (**)	0,2	0,0	0,0	-8,9	-1,9	0,7	-0,4	1,2	0,8	1,9	0,7	0,6
Indicators (%)												
ROE	**1,7**	**0,0**	**-0,2**	**-59,2**	**-22,7**	**-4,2**	**-19,1**	**1,8**	**-0,9**	**8,1**	**-2,0**	**-3,0**
Financial margin + service income margin / Operating costs	142,5	147,4	143,3	189,1	69,3	122,9	88,9	135,5	117,7	163,4	125,8	121,6
Interest income (with CER and CVS) / loans	..	13,0	15,2	11,8	13,1	8,7	9,9	12,2	9,7	13,2	13,7	10,7
Interest payments (with CER and CVS) / deposits	..	5,3	7,3	9,2	5,7	1,7	1,9	2,2	1,9	2,4	2,4	2,0

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	Mar 04	Dec 04	Ene 05	Feb 05	Mar 05
Non-performing loans (overall)([1])	11.5	12.9	13.1	18.1	17.7	14.9	10.8	10.2	9.9	9.4
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	33.5	29.0	18.7	17.9	17.3	15.9
Commercial portfolio ([2])	12.1	14.9	20.7	44.0	38.0	34.0	22.9	22.0	21.3	19.2
Consumption and housing portfolio	16.6	17.3	17.5	31.4	28.0	22.3	11.5	10.8	10.5	10.1
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	79.2	86.4	100.6	102.6	104.9	105.0
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	3.7	2.0	-0.1	-0.3	-0.5	-0.5
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	11.9	7.0	-0.2	-0.9	-1.6	-1.5

([1]) As a percentage of each lending category.

([2]) Include commercial loans treated as consumer loans for classification purposes.

Source: BCRA

Estadísticas: Bancos Privados

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Mar 04	Dec 04	Feb 05	Mar 05	Change (%) Month on month	Change (%) Accum. 2005	Change (%) Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,633**	**114,207**	**128,065**	**132,080**	**130,628**	**-1.1**	**2.0**	**14.4**
Liquid assets[1]	13,228	13,920	10,576	11,044	14,500	15,757	15,893	15,619	16,014	2.5	0.8	1.6
Public bonds	6,433	7,583	1,627	19,751	22,260	19,745	24,817	25,139	24,492	-2.6	-1.3	24.0
Private bonds	410	563	451	273	172	162	333	335	335	0.1	0.6	106.5
Loans	56,916	56,035	52,319	51,774	47,017	48,847	50,741	51,543	52,511	1.9	3.5	7.5
Public sector	6,389	8,172	13,803	25,056	23,571	24,896	21,420	21,526	21,511	-0.1	0.4	-13.6
Private sector	47,705	45,103	36,636	26,074	22,816	23,296	28,213	28,944	29,711	2.7	5.3	27.5
Financial sector	2,823	2,760	1,880	644	630	655	1,107	1,074	1,289	20.1	16.4	97.0
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,225	-4,517	-3,717	-3,568	-3,369	-5.6	-9.4	-25.4
Other netted credits due to financial intermediation	30,285	42,696	13,037	27,212	22,148	22,723	25,753	28,818	26,412	-8.3	2.6	16.2
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,394	1,002	829	751	674	-10.3	-18.7	-32.8
Unquoted trusts	958	1,609	1,637	6,205	3,571	3,537	2,362	2,267	2,135	-5.8	-9.6	-39.7
Compensation receivable	0	0	0	15,971	13,812	12,980	14,657	14,501	14,360	-1.0	-2.0	10.6
BCRA	12	35	865	377	415	372	311	316	299	-5.4	-4.0	-19.7
Other	28,293	40,328	9,870	3,146	2,955	4,832	7,594	10,984	8,945	-18.6	17.8	85.1
Assets under financial leases	796	776	752	553	387	392	592	659	688	4.4	16.2	75.3
Shares and participation	1,371	1,651	1,703	3,123	2,791	1,473	1,892	1,920	1,990	3.7	5.2	35.1
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,902	4,931	4,678	4,658	4,640	-0.4	-0.8	-5.9
Foreign branches	48	75	112	-109	-136	-68	-53	-60	-63	5.1	19.0	-8.3
Other assets	2,120	2,190	2,574	7,549	7,816	8,048	7,137	7,018	6,978	-0.6	-2.2	-13.3
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**101,732**	**103,321**	**113,285**	**116,910**	**115,382**	**-1.3**	**1.9**	**11.7**
Deposits	54,447	57,833	44,863	44,445	52,625	55,515	62,685	65,409	67,282	2.9	7.3	21.2
Public sector [2]	1,342	1,276	950	1,636	3,077	3,497	6,039	6,234	6,356	2.0	5.3	81.8
Private sector [2]	52,460	55,917	43,270	38,289	47,097	50,043	55,384	57,906	59,685	3.1	7.8	19.3
Current account	5,022	4,960	7,158	8,905	11,588	13,075	13,966	14,205	14,901	4.9	6.7	14.0
Savings account	9,702	9,409	14,757	6,309	10,547	12,663	14,842	15,289	15,807	3.4	6.5	24.8
Time deposit	35,218	39,030	18,012	11,083	18,710	18,288	22,729	24,356	25,096	3.0	10.4	37.2
CEDRO	0	0	0	9,016	2,409	1,977	798	661	583	-11.8	-26.9	-70.5
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	42,367	41,872	45,083	46,319	43,098	-7.0	-4.4	2.9
Call money	2,146	2,293	1,514	836	726	680	1,070	1,118	1,201	7.4	12.3	76.6
BCRA lines	274	83	1,758	16,624	17,030	16,904	17,768	16,862	16,360	-3.0	-7.9	-3.2
Outstanding bonds	4,990	4,939	3,703	9,073	6,674	6,575	7,922	7,657	6,339	-17.2	-20.0	-3.6
Foreign lines of credit	6,680	5,491	4,644	15,434	9,998	8,608	5,444	5,132	4,960	-3.3	-8.9	-42.4
Other	24,954	33,466	11,010	7,374	7,939	9,105	12,878	15,550	14,238	-8.4	10.6	56.4
Subordinated debts	1,683	1,668	1,700	3,622	1,850	1,492	1,304	1,283	1,233	-3.9	-5.4	-17.4
Other liabilities	1,299	1,420	1,637	5,671	4,890	4,442	4,213	3,899	3,769	-3.3	-10.6	-15.2
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,900**	**14,172**	**14,780**	**15,171**	**15,246**	**0.5**	**3.2**	**7.6**
Memo												
Netted assets	85,918	88,501	73,796	117,928	115,091	114,207	121,889	123,218	123,139	-0.1	1.0	7.8

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Estadísticas: Bancos Privados

Profitability structure

In annualized terms

As % of netted assets	Annual						First 3 months		Monthly			Last
	1999	2000	2001	2002	2003	2004	2004	2005	Ene-05	Feb-05	Mar-05	6 months
Financial margin	6,1	6,2	6,4	7,6	2,3	2,9	1,8	3,1	2,6	4,1	2,8	2,6
Net interest income	4,5	4,1	4,3	-0,2	0,1	1,0	0,5	1,3	1,3	1,3	1,4	1,3
Restatement by CER and CVS	0,0	0,0	0,0	1,1	0,9	0,8	1,1	1,0	0,4	1,3	1,3	0,8
Gains on securities	1,1	1,4	1,2	2,5	1,7	0,6	0,1	0,1	-0,5	0,6	0,3	0,0
Foreign exchange price adjustments	0,3	0,2	0,3	4,4	-0,3	0,8	0,2	0,7	1,4	1,0	-0,4	0,6
Other financial income	0,3	0,5	0,7	-0,1	-0,2	-0,3	-0,2	0,0	0,1	0,0	0,1	0,0
Service income margin	3,1	2,9	3,2	2,0	2,0	2,4	2,2	2,4	2,5	2,3	2,5	2,5
Loan loss provisions	-2,2	-2,5	-3,0	-5,0	-1,3	-0,9	-1,0	-0,6	-0,6	-0,5	-0,7	-0,9
Operating costs	-6,3	-6,0	-6,4	-4,8	-4,6	-4,6	-4,5	-4,6	-4,4	-4,4	-4,8	-4,7
Tax charges	-0,4	-0,4	-0,5	-0,4	-0,3	-0,3	-0,3	-0,4	-0,3	-0,4	-0,4	-0,4
Income tax	-0,5	-0,4	-0,3	-0,2	-0,3	-0,2	-0,7	-0,1	-0,1	-0,1	-0,2	-0,1
Adjustments to the valuation of government securities (*)	0,0	0,0	0,0	0,0	-0,6	0,0	-0,3	-0,1	0,0	-0,1	-0,1	0,1
Amortization payments for court-ordered releases	0,0	0,0	0,0	0,0	-0,7	-1,0	-0,9	-1,0	-1,0	-0,9	-0,9	-1,0
Other	0,5	0,4	0,7	-3,0	1,0	0,7	1,5	0,8	0,9	0,7	0,8	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	-0,8	-1,5	-0,2	-0,4	0,8	-0,8	-1,1
ROA before monetary results	0,3	0,1	0,2	-3,8	-2,4	-1,0	-2,2	-0,3	-0,5	0,7	-1,0	-1,2
ROA	**0,3**	**0,1**	**0,2**	**-11,3**	**-2,5**	**-1,0**	**-2,2**	**-0,3**	**-0,5**	**0,7**	**-1,0**	**-1,2**
ROA adjusted (**)	0,3	0,1	0,2	-11,3	-1,2	0,2	-0,2	0,7	0,5	1,7	0,0	-0,2
Indicators (%)												
ROE	**2,3**	**0,8**	**1,4**	**-79,0**	**-19,1**	**-8,1**	**-17,5**	**-2,4**	**-4,6**	**5,4**	**-8,2**	**-9,8**
Financial margin + service income margin / Operating costs	146,0	151,9	150,9	199,3	92,6	115,0	89,0	122,5	114,8	144,3	109,4	107,2
Interest income (with CER and CVS) / loans	..	13,9	16,1	24,7	9,0	8,2	8,0	10,6	7,9	11,7	12,1	8,9
Interest payments (with CER and CVS) / deposits	..	5,7	7,8	21,9	5,8	2,2	2,1	2,8	2,4	3,0	2,9	2,5

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	Mar 04	Dec 04	Jan 05	Feb 05	Mar 05
Non-performing loans (overall)([1])	7.6	8.3	9.9	19.8	15.7	12.5	8.9	8.3	8.0	7.6
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	24.5	15.3	14.4	13.8	12.8
Commercial portfolio ([2])	6.8	8.4	15.4	44.7	39.0	30.6	18.2	17.4	16.6	15.2
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	15.3	10.0	9.2	9.0	8.5
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	81.3	94.2	97.7	99.4	98.5
(Total non-performing - Provisions) / Overall financing	2.3	2.7	2.4	5.3	3.3	2.3	0.5	0.2	0.0	0.1
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	8.5	1.8	0.7	0.2	0.4

([1]) As a percentage of each lending category.

([2]) Include commercial loans treated as consumer loans for classification purposes.

Source: BCRA