Report on Banks

APRIL 2004

Central Bank of Argentina

Year 1 – No. 8

Contents

Note: This Report contains information from April 2004 balance sheets available at 14/06/04. Description centers mainly on the behavior of the main financial variables for the private bank aggregate (including breakdowns by uniform sub-groups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

Please address comments or queries to:
analisis.financiero@bcra.gov.ar

Summary

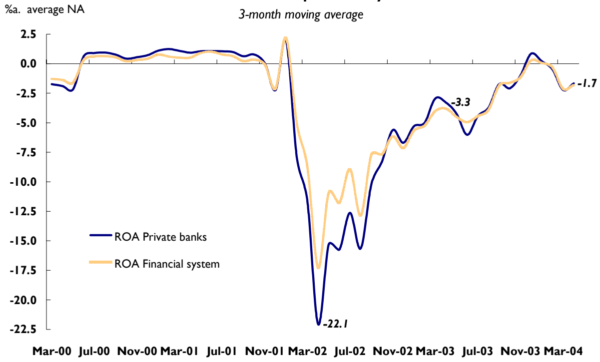
- Bank profitability continued to improve in April, helped by a gradual recovering in lending, lower delinquency, steady gains in efficiency and the low cost of funding.
- The net result for the financial system was a loss of $200 million. Measured in terms of assets, this was the lowest monthly loss in 2004 to date. The result for the system as a whole becomes a profit of $5 million if amortization of payments under court orders and adjustments to the valuation of public sector assets are excluded.
- Losses were cut back significantly compared to March, with a drop of 50% for the total system and 30% for private banks. Almost 70% of private banks recorded improved results.
- Operating profits were nil for the second consecutive month. This represents clear progress following a period of heavy losses in traditional lines of business.
- For the sixth month in succession, private banks recorded positive interest income. In annualized terms (a.) this margin has remained above 0.5% of netted assets. In the case of public banks, a positive balance was attained under this heading for the third consecutive month.
- Operating outlays continue to be cut back. Private bank operating costs fell again in April to a level of 4.5%a. of assets. Losses from delinquency reached one of the lowest levels seen in recent years.
- Private banks continued to swap liabilities for equity, so that net worth remained at a stable level despite the losses for the month. Solvency indicators showed little change, and continue to be well in excess of regulatory requirements.
- Private bank intermediation levels continued to rise in April, with an increase in private sector deposits and loans.
- Private banks took in funds for $1.6 billion. The net increase in deposits ($1.2 billion) explains 75% of this amount. After two months of decline, time deposits in pesos rose $100 million in April, based on an increase of $190 million in CER-indexed deposits.
- Private banks placed loans for $230 million in the private sector, mostly in the commercial segment ($170 million). The drop in collateralized loans slowed significantly, with a decline of 3% in the first 4 months of the year, compared to 10% over the same period in 2003.
- The main use of funds was for the acquisition of liquid assets, which increased by $750 million. The ratio of liquidity to total deposits reached 30%, the highest level in recent years for the private bank segment.
- The delinquency rate for consumer lending continued with the decline seen in recent months, falling 0.5 p.p. in April to 16.4% (the rate for total private sector lending was 24.6%).
- The non-performing private sector portfolio not covered by provisions fell to 6.6% of net worth for private banks, a historically low level. In 2004 to date, this indicator has already fallen by 3 p.p.

Profitability and solvency: *shrinking losses*

The financial system reduced its losses by half in April. The result for the month (-$200 million) was equivalent to an annualized return (a.) of –1.3% of netted assets (NA). **This has been the lowest level of losses so far in 2004.** Excluding court-ordered deposit payments and adjustments to the valuation of public sector securities, the monthly result has been a positive $5 million.

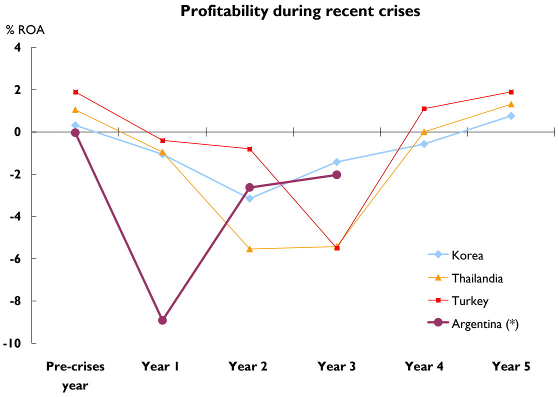
Out of the total monthly loss, -$137 million corresponded to private banks, a substantially lower figure than in March. This improvement arose from progress in the results of a considerable number of institutions: **40 out of 61 private banks recorded improved profitability.** Private banks recorded losses in April for 1.4%a. of NA, an improvement of 3.4 percentage points (p.p.) compared to the same month of the previous year and 0.7 p.p. compared to March this year.

Chart 1
Annualized profitability
3-month moving average



A convergence on a more ordered profitability structure can be seen from Chart 1. This trend is in general terms in line with that seen in the most recent crises in emerging economies[1]. International experience indicates that the recovery of profitability after a crisis is a lengthy process, and could stretch over several years (Chart 2). Here it should be noted that, **despite the unprecedented impact of the crisis on the profitability of the financial system, the speed with which profits have recovered in Argentina is very encouraging.**

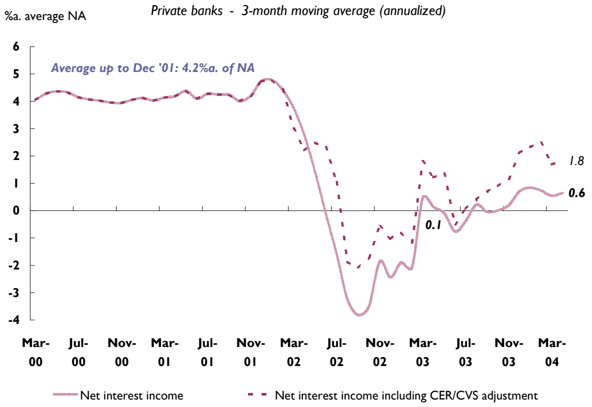
Chart 2
Profitability during recent crises



(*) As of April (annualized) Source: BCRA from IFS, OECD and Global Financial Stability Report (IMF).

A more precise analysis of the results of private banks in the local financial system requires focusing on the core of their profitability: operating profits (see Glossary). The progress achieved in recent months has been notable. **Following a long period during which significant operating losses were recorded, such losses were reduced to almost zero in March and April.** As has been indicated previously, the closing of the gap between income and expenditure is reflected by two different elements. On the one hand, there has been an improvement in macroeconomic conditions that explains the lower level of interest rates paid and the lower loan loss provisions (in view of the drop in credit risk). On the other, banks themselves have made efforts to increase their income base (basically by attempting to generate increased income from services) adapting their income and cost structure levels to the changes in intermediation volumes.

Chart 3
Net interest income and CER adjustments
Private banks - 3-month moving average (annualized)



Interest income, the revenue source most closely associated with traditional banking activity, was positive for the sixth consecutive month. Although falling very slightly compared to March, the level remained at close to 1 p.p. of NA, a phenomenon also recorded by public banks. Although this is good news, it should be noted that there is still considerable room for improvement: towards the end of 2001 this net income accounted for 4%a. of NA[2] (see Chart 3). It is therefore clear that **it will be the recovery by this heading, together with the consolidation of growth in private sector lending, that will mark the rate of progress in the reordering of bank profitability.** As there is a significant volume of lending already granted that earns

[1] Comparisons between crises must be viewed with caution, as they are different in nature, as are the economic policy tools used to face them.
[2] The level is low in historical terms even if net adjustments for CER / CVS are included.

Chart 4
Service income margin
Private banks - 3-month moving average (annualized)

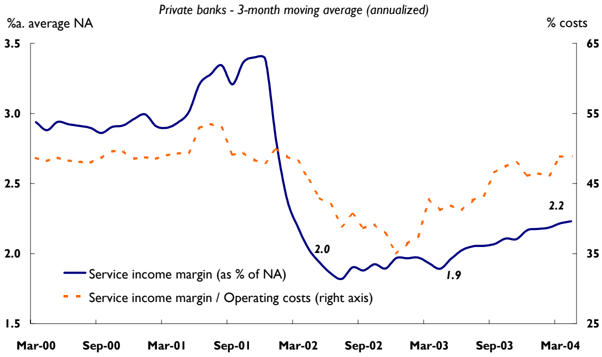


Chart 5
Loan loss provisions
Private banks - 3-month moving average (annualized)

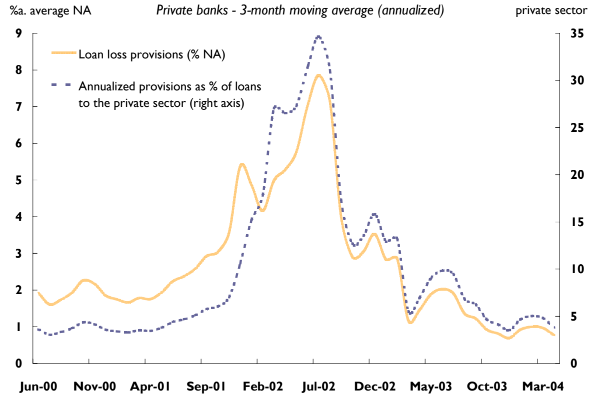
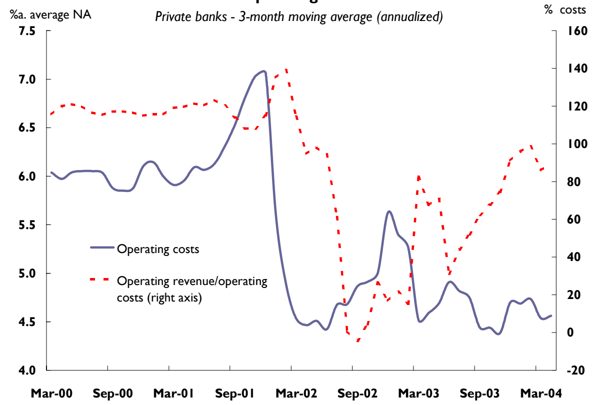


Chart 6
Operating costs
Private banks - 3-month moving average (annualized)



interest at fixed, relatively low rates (principally public sector loans), the rebuilding of the interest rate margin will of necessity be a gradual process.

The downward trend in lending rates, consistent with a more ordered macroeconomic and financial context, together with the recovery mentioned in the previous paragraph, helps to explain the short term performance of the interest income. **Despite the growth during the month in lending to the private sector, the decline in overall lending rates resulted in lower interest income, particularly in the case of interest on promissory notes.** As this drop was greater than the fall in interest paid on time deposits, interest income recorded a very slight reduction compared to March.

Faced by a level of interest income lower than in previous years, **many banks made efforts to broaden the base of their transaction business and related operations. This led to a significant recovery in income from services** (see Chart 4), particularly in the case of larger banks[3]. Whereas for the private bank sector as a whole income from services during the year to date has increased by almost 10% compared to the same period of 2003, several large banks have been recording 20% to 30% growth in this segment.

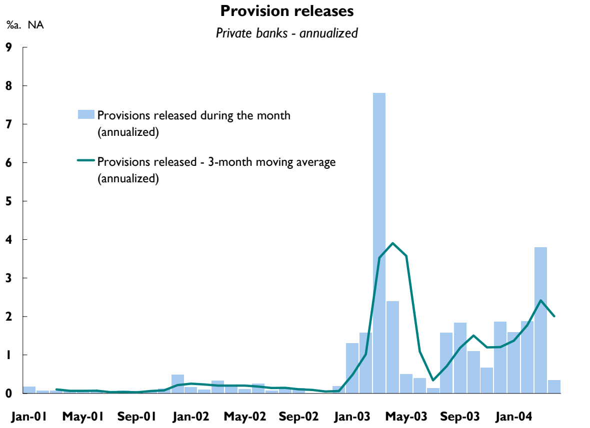
The performance by operating expense has confirmed the trend in recent months in the private bank sector. **At a level of 0.6%a. in terms of NA, loan loss provisions have been among the lowest in recent years.** Provisions as a percentage of lending to the private sector have fallen to under 4%a., comparable to pre-crisis levels (see Chart 5). This reflects the lower need for provisions in the context of an improving outlook for the economy. Some large banks reduced their 2004 provisions during the month. Lastly, consolidating the efficiency gains that banks have been recording in recent quarters, **operating costs fell once again. As a result, the cover of operating costs by operating income succeeded in holding at levels of close to 100%,** a clear improvement compared to the situation in the recent past (see Chart 6).

The improvement in private bank net income was partly due to the lack of exchange losses. As the exchange rate remained stable, banks did not experience major changes in their asset position in securities in foreign currency. This improvement was partly offset by **a lower release of provisions, a heading that in recent months had been recording higher than normal levels** (see Chart 7). In view of the improved macroeconomic outlook, the conservative provision levels recorded by some banks ended up being excessive (although not all provisions are linked to uncollectibility).

It is expected that bank losses will continue to decline in May. Non-recurring factors could come together to ensure that banks report profits. The increase during May in current account overdraft facilities and credit card lending also encourages forecasts for increased interest income. Net income for May will furthermore reflect the positive impact of two non-recurring items. There will be exchange gains as a result of the 0.10 peso increase in the dollar parity, and in addition,

[3] As well as generating income from services, this strategy makes it possible to maintain or increase the base of potential customers should re-intermediation take place.

Chart 7
Provision releases
Private banks - annualized

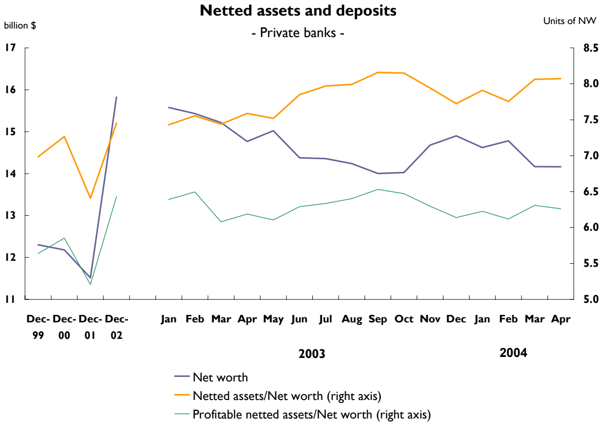


the impact of the debt restructuring by one leading private bank will be recorded during the month.

Despite the losses in April, **private bank net worth has not recorded any significant change, as it reflected the positive effect of the debt capitalization that took place during the period.** Given these developments and the almost zero change in netted assets, private bank solvency ratios did not record major change during the month (see Chart 8). In regulatory terms, capital compliance as a percentage of total risk-weighted assets remained at levels of 15% in the case of private banks. The total for the system also showed indicators well within the requirements of the rule, with excess compliance at over 170% of the total required.

Activity: *the progress of re-intermediation continues*

Chart 8
Netted assets and deposits
- Private banks -



The activity level for private banks rose, driven mainly by the change in deposit levels, which increased by 2% (1% in real terms[4]), recording a rise in the year to date of 6% (4% in real terms). Sight deposits (savings accounts and current accounts) once again provided the main source of funds, rising by $1.2 billion in the month (see Table 1). Time deposits provided $100 million, with an increase only in those adjusted on the basis of the CER (up $190 million). This unequal increase by type of deposit (see Chart 9) is consistent with a context of low rates of interest (negative in real terms), in which yields are also affected by the tax on bank debits and credits. In addition, companies needed to be able to count on liquid funds to make their income tax payments, which fall due in May.

In such circumstances, banks acted cautiously, investing most of the funds taken during the month in liquid assets, followed in second place by loans to the private sector. The former increased by $750 million (4%), mainly in the form of deposits held by banks at the Central Bank. This increase took the portfolio of liquid assets to a level of 30% of total deposits, the highest liquidity ratio for this group of banks seen in recent years (see Chart 10).

Table 1
Estimated sources and uses of funds
Private banks - April 2004
million pesos

Source		Uses	
Deposits (excluding CEDRO)	1,220	Liquid assets [1]	750
Financial sector net	95	CEDRO	255
Refund due to excess *pesification* of current accounts with the BCRA	80	Loans to non-financial private sector	230
		Service payments on rediscounts	100
Other	35	Trusts	75
		LEBAC	20

[1] Minimum cash compliance (cash, current accounts with the BCRA and special collateral accounts) and other liquid assets (with foreign branches and head offices)

Loans to the private sector rose again, in harmony with the improved macroeconomic context, reinforcing the rising trend recorded in recent months. This increase, although lower than in the previous month, totaled $230 million in the case of private banks[5] (see Table 1). Lines displaying the greatest net volume of business were promissory notes, at $140 million. Good news was provided by the secured loan segment: pledge-backed loans were positive once again, with growth of 2.6%. Mortgage loans continued to decline, but their monthly drop was less than half that seen one year earlier. It is therefore expected that this segment could shortly begin to display positive figures.

[4] Restated according to the Consumer Price Index, which increased 0.9% in April and 2% in the year to date.
[5] The effect of changes in the exchange rate on items in foreign currency has been removed, and adjustments for CER and CVS, accrued interest and the reductions generated by the writing-off of uncollectible loans against memorandum accounts have not been taken into consideration. See section on methodology.

Chart 9
Non-financial private sector deposits as a share of total
Private banks - Excluding CEDRO

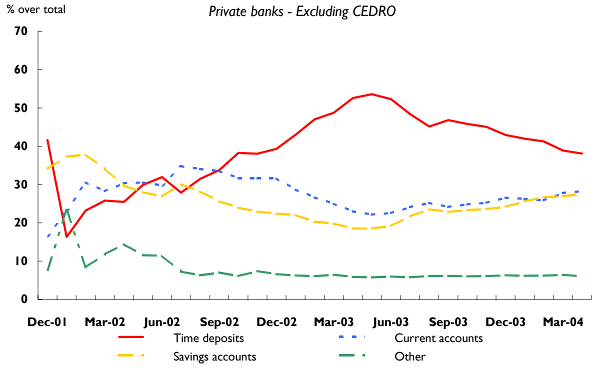


Chart 10
Deposits and liquidity
- Private banks -

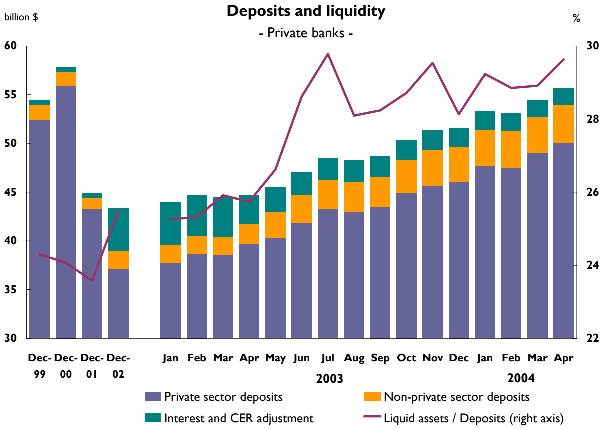
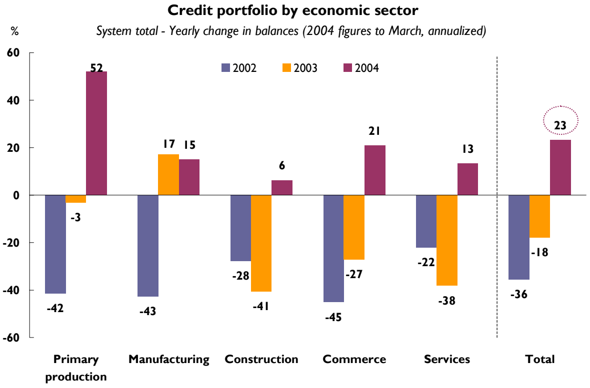


Chart 11
Credit portfolio by economic sector
System total - Yearly change in balances (2004 figures to March, annualized)



The ratio between the increase in private sector deposits and loans was not spread evenly across the various uniform bank sub-groups. On the basis of a funding structure with an increased relative weight accounted for by time deposits, specialized and regional banks led the way in lending growth, applying a higher amount of deposits taken for that purpose (reducing their liquidity level by 2 p.p. in April, although it remains at levels of close to 30%).

The rate of growth in lending during 2004 is a sign that this is a year of financial re-intermediation. Following a long period during which its behavior was negative, beginning almost 5 years ago and worsening during the depression in 2001, corporate lending by the system has risen at a rate of 23%a. during the first quarter of the current year, led by the private bank segment (38%a.)[6].

Lending for production totals increased for all economic sectors in the first quarter of 2004. As detailed in the first issue of the Financial Stability Bulletin, in 2004 all productive sectors have played roles of varying significance in the process of economic recovery. When production capacity levels were re-established, the corporate sector began to demand bank financing once again.

The primary sector has been the main beneficiary of bank credit in 2004 to date, with an annualized rise in the first quarter of 52%a. (see Chart 11). This is consistent with the lower repayment risk represented by this sector, in part due to its positive outlook. Manufacturing industry has been the most dynamic goods-producing sector since the depression in 2001 came to an end, generating a demand for financing that had already become evident in 2003.

Banks participating in the Central Bank liquidity assistance repayment program[7] (known as "matching") made payments to settle such liabilities for almost $100 million. This disbursement was largely made out of the interest earned on the assets securing the rediscounts received. As a result of this payment and other settlements, liabilities due to the Central Bank dropped by 2%, to 15% of total funding (see Chart 12).

Private banks invested $20 million to increase their holdings of LEBAC. **Despite the relative stability in the total balance, there was an increase in bills adjusted according to the CER of almost $100 million** that was partially offset by a drop in bills in pesos not subject to adjustment (-$60 million). This performance was in line with the trend that has been seen in the private bank segment since the beginning of the year for the rebuilding of LEBAC portfolios. In the first four months of 2004 the increase in these bills adjusted according to the CER reached $700 million for private banks, compared to a drop of $600 million in LEBAC without CER adjustment. This behavior is especially notable given the previous size of the positive net position (assets greater than liabilities) in securities adjusted by the CER.

[6] According to the latest information available.
[7] In accordance with Com. "A" 3941 regulating Chapter II of Decree 739 issued in 2003.

Chart 12
Asset structure - Private banks

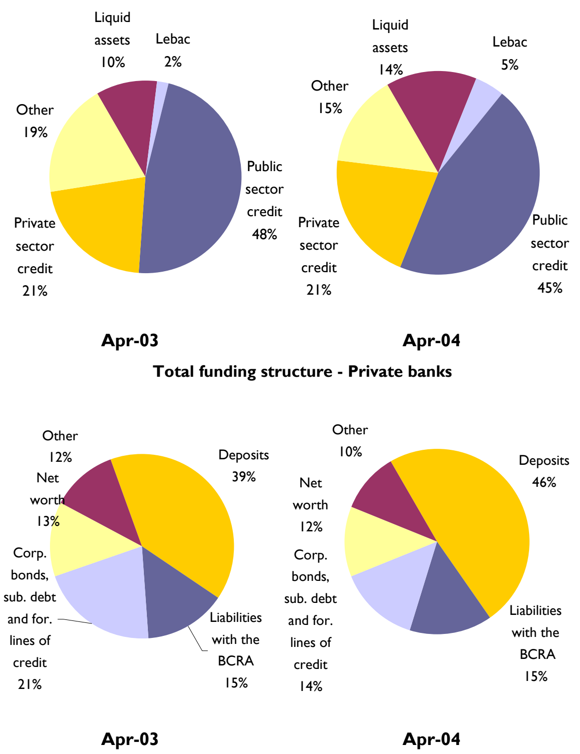
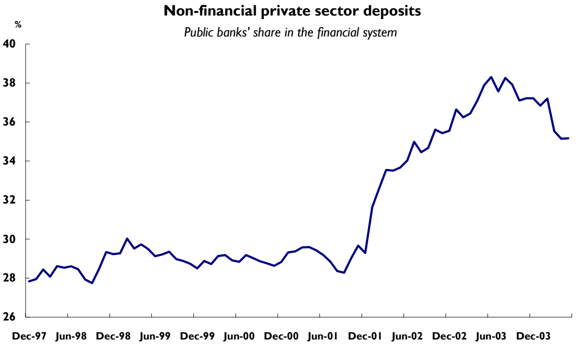


Chart 13
Non-financial private sector deposits
Public banks' share in the financial system



Note: Does not include accrued interest, capital adjustments or public bonds in deposit.

The settlement and restructuring of foreign debt are other transactions continuing to form part of private bank strategy. This policy has made it possible to significantly reduce liabilities in dollars while building up the capital base of a number of institutions. By means of exchanges for government securities and debt capitalization an amount of debt equivalent to $455 million (US$160 million) was settled. The total balance of foreign credit lines, corporate bonds and subordinated debt totaled 14% of total private bank funding in April (see Chart 12). This is nearly half the level recorded in the month with the highest relative participation (June 2002, with 26%), and close to the pre-crisis level.

Public banks: *a particular case*

Public banks lost private sector deposits for the second month in succession. These balances declined 1%, for a total drop of 4%[8] in the year to date. Private banks, on the other hand, registered an 8% increase in such deposits in the first 4 months of 2004, accounting for the change under this heading for the system as a whole. This behavior should be analyzed in the context of the significant transfer of deposits to public banks that took place since the outbreak of the crisis at the end of 2001, reflecting the perception by savers that public banks provided an implicit official deposit insurance at a time of great uncertainty.

Whereas in the period prior to the crisis approximately 28% of private sector deposits were held by public banks, this percentage began to increase until reaching a peak of 38% in mid 2003. Since then this process began to reverse, so that the current level of participation is now 35% (see Chart 13). In coming months this change should accelerate, in view of the interest rate differential that exists between private and public banks.

Despite the loss of private sector deposits, **public banks have preserved their liquidity levels, largely due to the increased level of funds originating from the public sector,** explained by the growth in tax revenue. In the year to date, total public sector deposits in public banks increased 30%, while the increase in the last 12 months has been 125%. This has allowed the sector to hold interest rates below the average for private banks.

Public banks have recorded a slower rate of recovery in lending to the private sector since the crisis than private banks. Since August 2003, growth in total loans to the private sector granted by private banks reached approximately 7.5%, compared to a zero rate of change in the case of public banks[9]. If mortgage loans are excluded from the calculations, both bank groups record increases, although at significantly different rates. While private banks record cumulative growth of 15%, public banks show a positive rate of 6%.

[8] Deposit totals in this sub-section do not include adjustment for CER or accrued interest.
[9] This change has been calculated without including adjustment according to CER/CVS or accrued interest. The drop caused by the transfer of unrecoverable loans to memorandum accounts has been discarded.

Chart 14
Non-performing financing to the private sector

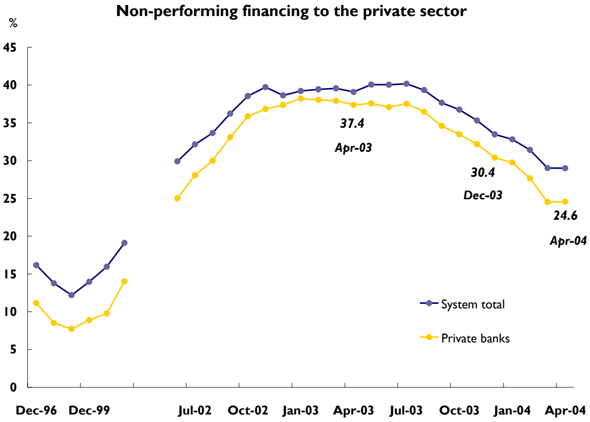
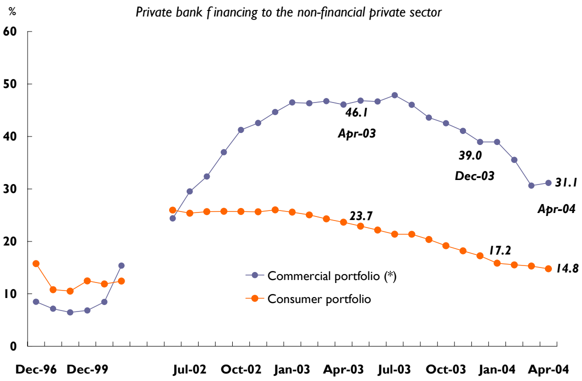
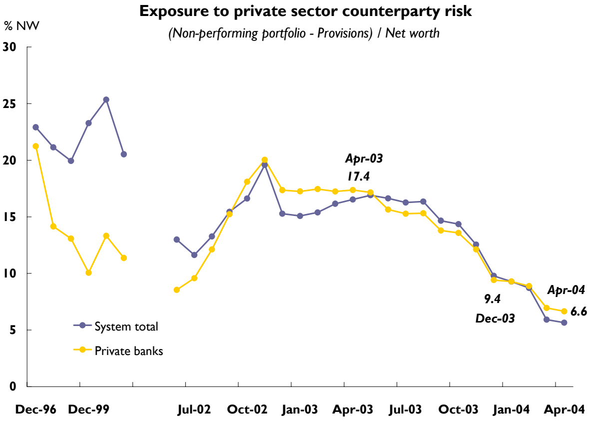


Chart 15
Portfolio quality by type of lending
Private bank financing to the non-financial private sector



(*) Includes commercial lending up to $200.000 (treated as consumer loans).

Chart 16
Exposure to private sector counterparty risk
(Non-performing portfolio - Provisions) / Net worth



Portfolio quality: *towards healthier portfolios*

After eight successive months of recovery, there was no significant change in the loan portfolio quality in April[10]. This month the non-performing portfolio remained constant as a proportion of private sector loans (24.6%), at a level equivalent to two thirds of that which prevailed twelve months earlier (37.4%, see Chart 14). In general terms, this monthly behavior was a product both of slowing growth in total lending[11] and a lower rate of improvement in the situation of loans that had already been granted.

Consumer lending recorded a drop of 0.5 p.p. in non-performance. This segment is showing better non-performance levels, almost half those of commercial loans (see Chart 15). This has helped consumer lending to become one of the most active segments in terms of the granting of new loans.

During the month there was a slight increase (0.5 p.p.) in the non-performance level of the commercial portfolio. The delinquency levels displayed by these loans until the previous month had been the reason for the recovery in the quality of private bank lending: the non-performance of this portfolio has fallen by almost one fifth in 2004 to date, to 31%. This improvement has not just been the result of the granting of new, better quality, loans; it also reflects the progress made in loan recovery and the restructuring of loans to the corporate segment. In the case of the latter, it should be noted that there is still a significant restructuring of corporate liabilities to be carried out, particularly in the public utilities segment. Such companies center their bank borrowing on private retail banks operating nationwide. It is estimated that the restructuring of the debt of these companies will enable a further 5 p.p. drop in the non-performance of the private bank sector portfolio. Therefore, it is considered that increased progress with liability restructuring will strengthen the quality of the portfolio of larger banks.

The process of private sector lending portfolio regularization can be seen to have accelerated since mid-2003. The existence of a much healthier portfolio has made it possible to lower the level of bank losses, as well facilitating the granting of new loans at lower interest rates.

The improved quality of the loan portfolio in recent months, together with the stability in net worth, has been transformed into a declining private sector credit risk exposure. Although delinquency levels remained stable in April, the drop seen in the total amount of non-performing lending has led the part of the portfolio not covered by provisions to fall slightly to 6.6% of net worth, accumulating a decline of almost 3 p.p. in 2004 (see Graph 16). The current level is

[10] At the time of writing this report information was available for a group of banks accounting for 70% of loans at March 2004. For those banks for which information was unavailable, figures for the previous month were repeated in calculating the indicators used. There results indicated are maintained even when working on the basis of the banks providing information in both March and April 2004.
[11] In addition to loans, the lending heading includes other credits from financial intermediation, goods on financial lease and sundry credits (see ordered text of the Debtor Classification on the Central Bank web site).

the lowest recorded in the last ten years, and can be explained by two main factors: the low share of private lending in the overall portfolio of private bank assets, and the significant improvement that has taken place in the level of cover by means of provisions (which in the private bank sector total over 80% of the non-performing portfolio).

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" **4124** postponed until December 31, 2004 the term during which banks can exclude from the limit laid down for the ratio of immobilized assets and other items (100% of adjusted stockholders' equity) the capitalized amount of the differences arising from court orders involving cases challenging the current regulations on deposits and other financial intermediation liabilities originally agreed in foreign currency in the context of the terms of Law 25,561, Decree 214 from 2002 and complementary regulations.

Communication **"A" 4130** established that the settlement of loans granted in foreign currency outstanding at December 31, 2001 that took place between January 15, 2002 and February 2002, excluded from the transformation into pesos required by section 6 of Law 25,561 and included within the terms of section 3 of Decree 214 dated 2002, made in pesos, whatever the rate of exchange used, shall not be include when calculating the compensation to be granted by means of "National Government Bonds in pesos at 2% due 2007", notwithstanding the ability to consider it, where appropriate, in the calculation of the net foreign currency position. In the case of settlement made subsequent to February 3, 2002 in an amount greater than that rising from the application of the US$1=$1 rate laid down in the mentioned section 3, the bank shall have the right to receive compensation only for the difference arising from making the calculation at US$1=$1.40 and the amount actually received for the credit, without exceeding that value.

In the context of regulations regarding the assigning of assets in guarantee, **Communication "A" 4132** modified the guidelines for the treatment of transactions able to be used as security, requiring that in the case of futures, options and other derivatives traded on formal markets operating on stock-markets and exchanges in Argentina and in OECD countries, such countries should have issued debt with an international risk rating of "AA" or higher.
In addition, a maximum limit has been defined for margins in the case of transactions performed on formal markets in Argentina that do not provide transaction settlement guarantees. In those cases, margins shall not be able to exceed 20% of the net bilateral positions for each kind of underlying asset on each settlement date.

Notes on 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 at the Superintendence 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 institution aggregate – and the purpose of the table, when preparing it certain changes have been made, mainly on the grounds that changes related to the revaluation of items (for exchange rate or inflation adjustment, 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 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, private institutions were further broken down according to their geographical and commercial coverage. As a result, 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 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.

Glossary

%a.: annualized 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.
Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial system institutions.
Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt and options. 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 deposit 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.
MAE: Mercado Abierto Electrónico. Electronic over-the-counter market.
Net operating revenue: Interest income plus net adjustments according to the CER and CVS indexes in relation to financial intermediation plus service income.
Net worth exposure to counterparty risk: :Non-performing portfolio net of allowances in terms of net worth.
Netted assets and liabilities (NA): Those net of accounting duplications inherent to the recording of swaps, whether term or unsettled spot transactions.
NFPS: Non financial private sector.
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.
Operating profits: Result from interest and net adjustments according to the CER and CVS indexes in relation to intermediation plus service income, less tax charges in relation to interest and services and operating costs.
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).
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.
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.
Other: In the profitability structure, sundry gains – including gains from long-term investments, loan recoveries and release of allowances – and sundry losses – including losses on long-term investments, amortization of differences from court orders, loss on sale or impairment of fixed assets, amortization of goodwill.
SEFyC: Superintendence of Financial and Exchange Institutions.

Statistical exhibit

Balance sheet - Private sector

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Apr 04	Dec 03	Feb 04	Mar 04	Apr 04	Change (%) Month on month	Change (%) Accum. 2004	Change (%) Year on year
Netted assets	**85,918**	**88,501**	**73,796**	**117,928**	**112,040**	**115,093**	**114,651**	**114,232**	**114,557**	**0.3**	**-0.5**	**2.2**
Liquid assets	13,228	13,920	10,576	11,044	11,498	14,500	15,308	15,757	16,632	5.6	14.7	44.7
Public bonds	6,433	7,583	1,627	19,751	15,880	22,047	21,236	19,745	18,953	-4.0	-14.0	19.4
Private bonds	410	563	451	273	158	172	165	162	164	1.1	-4.9	3.4
Loans	56,916	56,035	52,319	51,774	49,826	47,230	47,213	48,847	49,233	0.8	4.2	-1.2
Public sector	6,389	8,172	13,803	25,056	25,489	23,784	23,439	24,896	24,930	0.1	4.8	-2.2
Private sector	47,705	45,103	36,636	26,074	23,484	22,816	23,061	23,296	23,511	0.9	3.0	0.1
Financial sector	2,823	2,760	1,880	644	853	630	713	655	792	20.9	25.6	-7.2
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-6,491	-5,223	-4,897	-4,517	-4,440	-1.7	-15.0	-31.6
Other netted credits due to financial intermediation	4,470	5,730	4,489	26,235	23,569	20,670	20,252	19,497	19,285	-1.1	-6.7	-18.2
Purchases (net)	487	1,103	807	380	397	698	612	658	662	0.6	-5.2	66.8
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,340	1,394	1,024	1,002	996	-0.6	-28.6	-25.7
Unquoted trusts	958	1,609	1,637	6,205	6,408	3,573	3,582	3,534	3,612	2.2	1.1	-43.6
Compensation receivable	0	0	0	15,971	13,768	13,812	13,463	12,980	12,921	-0.5	-6.5	-6.2
BCRA	12	35	865	377	320	415	426	372	294	-21.0	-29.3	-8.1
Assets under financial leases	796	776	752	553	524	387	390	392	402	2.4	3.9	-23.3
Shares and participation	1,371	1,651	1,703	3,123	3,206	2,791	2,925	1,473	1,491	1.3	-46.6	-53.5
Fixed assets and sundry	3,246	3,225	3,150	5,198	5,079	4,902	4,839	4,931	4,904	-0.5	0.0	-3.4
Foreign branches	48	75	112	-109	-86	-136	-187	-68	-68	-0.9	-50.2	-21.1
Other assets	2,120	2,190	2,574	7,549	8,877	7,753	7,406	8,013	8,001	-0.2	3.2	-9.9
Netted liabilities	**73,615**	**76,322**	**62,281**	**102,101**	**97,276**	**100,192**	**99,868**	**100,064**	**100,365**	**0.3**	**0.2**	**3.2**
Deposits	54,447	57,833	44,863	44,445	45,770	52,625	54,070	55,515	56,564	1.9	7.5	23.6
Public sector (1)	1,342	1,276	950	1,636	1,783	3,077	3,471	3,497	3,564	1.9	15.8	99.8
Private sector (1)	52,460	55,917	43,270	38,289	40,815	47,097	48,468	50,043	50,998	1.9	8.3	24.9
Current account	5,022	4,960	7,158	8,905	8,098	11,588	11,712	13,075	13,565	3.8	17.1	67.5
Savings account	9,702	9,409	14,757	6,309	6,514	10,547	12,085	12,663	13,342	5.4	26.5	104.8
Time deposit	35,218	39,030	18,012	11,083	18,500	18,710	18,702	18,288	18,436	0.8	-1.5	-0.3
CEDRO	0	0	0	9,016	4,533	2,409	2,139	1,977	1,860	-6.0	-22.8	-59.0
Other netted liabilities due to financial intermediation	16,185	15,401	14,082	48,364	44,231	40,825	39,858	38,586	38,102	-1.3	-6.7	-13.9
Call money	2,146	2,293	1,514	836	1,042	726	709	680	824	21.1	13.5	-20.9
BCRA lines	274	83	1,758	16,624	16,338	17,030	17,065	16,904	16,589	-1.9	-2.6	1.5
Outstanding bonds	4,990	4,939	3,703	9,073	7,457	6,674	6,607	6,575	6,469	-1.6	-3.1	-13.3
Foreign lines of credit	6,680	5,491	4,644	15,434	12,789	9,998	9,647	8,608	8,207	-4.7	-17.9	-35.8
Sales (net)	492	510	99	349	430	168	193	186	177	-5.1	5.0	-59.0
Subordinated debts	1,683	1,668	1,700	3,622	3,069	1,850	1,532	1,492	1,344	-9.9	-27.4	-56.2
Other liabilities	1,299	1,420	1,637	5,671	4,206	4,891	4,408	4,471	4,355	-2.6	-11.0	3.5
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,765**	**14,902**	**14,782**	**14,168**	**14,192**	**0.2**	**-4.8**	**-3.9**

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

Profitability structure

Private banks - in annualized terms

As % of	Yearly					First 4 months		Monthly						Last
netted assets	1999	2000	2001	2002	2003	2003	2004	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	6 months
Net interest income	4.5	4.1	4.3	-0.2	0.1	0.0	0.6	0.7	1.4	0.4	0.4	0.8	0.7	0.7
Restatement by CER and CVS	0.0	0.0	0.0	1.1	0.9	1.0	1.1	0.4	3.1	1.0	1.2	1.3	1.0	1.3
Service income margin	3.1	2.9	3.2	2.0	2.0	1.9	2.2	2.0	2.3	2.2	2.0	2.4	2.3	2.2
Gains on securities	1.1	1.4	1.2	2.5	1.7	2.1	0.5	2.5	5.4	-0.5	0.0	1.2	1.1	1.6
Foreign exchange price adjustments	0.3	0.2	0.3	4.4	-0.3	-2.4	0.1	1.4	0.2	0.6	0.2	-0.6	0.1	0.3
Adjustments to the valuation of government securities	0.0	0.0	0.0	0.0	-0.6	-1.6	-0.2	0.0	-0.2	-0.7	-0.1	0.0	0.0	-0.2
Other financial income	0.3	0.5	0.7	-0.1	-0.2	-0.2	-0.2	0.4	-0.2	-0.3	-0.2	-0.1	-0.2	-0.1
Operating costs	-6.3	-6.0	-6.4	-4.8	-4.6	-4.6	-4.5	-4.4	-5.4	-4.4	-4.5	-4.7	-4.5	-4.6
Loan loss provisions	-2.2	-2.5	-3.0	-5.0	-1.3	-1.3	-0.9	-0.8	-0.9	-1.2	-1.0	-0.7	-0.6	-0.9
Tax charges	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3	-0.4	-0.3	-0.3	-0.3
Income tax	-0.5	-0.4	-0.3	-0.2	-0.3	-0.1	-0.6	0.0	-0.4	0.0	0.0	-2.0	-0.2	-0.4
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.7	-0.3	-0.9	-0.7	-2.1	-0.9	-0.9	-0.9	-1.0	-1.1
Other	0.5	0.4	0.7	-3.0	1.0	2.4	1.1	-0.7	0.0	1.0	1.7	1.6	0.0	0.6
Monetary results	0.0	0.0	0.0	-7.5	0.0	-0.1	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	-3.4	-1.5	0.7	3.3	-3.0	-1.4	-0.1	-1.3	-0.3
ROA before monetary results	0.3	0.1	0.2	-3.8	-2.4	-3.4	-2.0	0.6	2.9	-3.1	-1.4	-2.2	-1.4	-0.8
ROA	0.3	0.1	0.2	-11.3	-2.5	-3.4	-2.0	0.6	2.9	-3.1	-1.4	-2.2	-1.4	-0.8
ROA adjusted (***)	0.3	0.1	0.2	-11.3	-1.2	-1.5	-0.3	1.4	5.2	0.5	-0.1	-1.3	-0.5	0.9
Indicators (%)														
ROE	**2.3**	**0.8**	**1.4**	**-79.0**	**-19.1**	**-25.6**	**-16.1**	**5.1**	**22.5**	**-24.5**	**-10.9**	**-17.5**	**-11.6**	-6.0
Operating profit / NA	-0.3	-0.5	-1.3	-4.8	-1.4	-1.2	-1.3	0.2	5.5	-2.8	-2.2	-0.1	-0.2	0.1
Operating revenue / operating costs	120.5	116.9	117.1	58.8	66.5	64.0	87.0	72.2	126.7	81.4	81.1	95.2	89.5	92.3
Interest income (with CER and CVS) / loans	..	13.9	16.1	24.7	9.0	11.1	8.0	8.7	13.6	7.7	8.3	8.2	7.9	9.1
Interest payments (with CER and CVS) / deposits	..	5.7	7.8	21.9	5.8	9.6	2.1	3.2	2.7	2.4	2.1	1.8	2.1	2.4

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

(*) As of April 2004, annualized

(**) 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.

Portfolio quality - Private banks

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04
Non-performing loans (overall)(1)	7.6	8.3	9.9	19.8	15.7	15.4	14.4	12.5	12.5
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	29.7	27.7	24.5	24.6
Commercial portfolio	6.2	7.6	15.2	44.5	39.9	39.9	36.4	31.2	31.9
Commercial portfolio up to $200,000	11.7	14.6	16.4	46.4	26.8	26.5	24.8	24.8	24.4
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	15.8	15.5	15.3	14.8
Non-financial private sector financing									
Provisions / Non-performing loans	72.2	67.7	75.8	74.8	81.8	81.9	81.2	84.2	84.7
(Non-performing - Provisions) / Overall financing	2.5	3.2	3.4	9.4	5.5	5.4	5.2	3.9	3.8
(Non-performing - Provisions) / Net worth	10.1	13.3	11.4	17.4	9.4	9.3	8.9	6.9	6.6

(1) As a percentage of each lending category.